252018

THE WHITE HOUSE

WASHINGTON

February 9, 1998

MR. PRESIDENT:

Secretary Rubin has asked me whether you still find the nightly "Update on Financial Markets" useful. If you recall, he started sending them to you as the Asia financial situation heated up.

I checked with Dan Tarullo who felt they were not all that useful now as the situation is not as dependent on daily market fluctuations; he thought you might prefer a weekly report that was less numerically oriented, a bit more analytic and descriptive and provided an overview of the situation. Of course, we could resume the nightly reports if necessary.

If you don't object, I'll work with Dan and Treasury to develop a weekly summary.

2-9-98

Phil Caplan
Phil

blue folder for Man

Phil's note

+ copy of Rubin's memo only

'98 FEB 4 PM4:09

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

THE PRESIDENT HAS SEEN
2-5-98

February 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin REG

SUBJECT: Update on Financial Market Developments as of 4:00 pm, Wednesday, February 4, 1998

U.S. equity markets were mixed. The Dow Jones Industrial Average fell 30 points (0.4 percent) to 8129, while the broader stock indices became more firm. Long-term interest rates changed insignificantly. The dollar fell sharply (1.8 percent) against the yen to ¥123.55 on speculation that Japan will provide more fiscal stimulus to boost its economy. The dollar also declined versus the mark 0.5 percent. The FOMC concluded their two-day meeting today with no statement, implying that interest rate policy remains unchanged. Asian stock and currency markets mostly fell overnight on some profit-taking and renewed corporate profit concerns.

- Tokyo stocks declined 0.8 percent in sympathy with regional financial market weakness.

- Korean stocks fell 2.1 percent on concern that a weak currency and collapsing imports may hinder the chance for corporate profits to recover anytime soon. Imports plunged a reported 40 percent in January from a year earlier. The won fell 1.7 percent, pressured by weakness in the Thai baht.

- Indonesian stocks fell 3.1 percent on inflation and corporate earnings worries. The Indonesian rupiah proved the main exception in currency markets, appreciating 5.8 percent to IDR 9550, benefitting from the Government's continuing efforts to deal with corporate debt problems and a proposal from Singapore to help Indonesian companies re-establish trade financing.

- Thai stocks fell 9.5 percent (the largest decline in 7 ½ years) on profit-taking and bleak corporate earnings prospects. The baht depreciated 4.6 percent, in response to demand for dollars from Thai companies for loan payments, profit-taking, the re-establishment of long dollar positions, and the sharp decline in equity prices. The baht's decline also triggered weakness in the Malaysian ringgit (-4.1 percent).

- Stocks declined in Hong Kong (-2.1 percent), the Philippines (-2.1 percent), and Malaysia (-1.5 percent), while Singapore gained (+0.5 percent). Currencies declined in Singapore (-0.9 percent) and the Philippines (-0.2 percent).

- Russian stocks continue to weaken (declining 2.5 percent), amid concern over the stability of the ruble, an escalating deficit, and Moody's debt rating review for possible downgrade.

- Latin American equities were mixed. Brazilian stocks fell 0.8 percent, Mexican stocks rose 0.4 percent, and Argentine stocks gained 0.5 percent.

Daniel K. Tarullo
02/06/98 12:47:08 PM

Record Type: Record

To: Lael Brainard/CEA/EOP

cc: Phillip Caplan/WHO/EOP
Subject: Re: Treasury POTUS Daily Update Memo

Now that we are -- at least for the moment -- out of a situation in which market movements from day to day are all that important, the memo as it has taken shape is not all that useful. We had asked Treasury to make it a bit less numerically oriented, and a bit more analytic and descriptive of our activities, but I have the feeling that getting something like that cleared through Larry and Bob on a daily basis would be a challenge. I would suggest moving to a weekly report, still of only about a page, that recapped market movements for the week and gave a bit of perspective on the situation and our activities.

File

THE WHITE HOUSE

WASHINGTON

February 17, 1998

MR. PRESIDENT:

The attached memo from Chuck Ruff recommends that you grant a conflict-of-interest waiver to Marca Bristo, Chair of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid board member of the Rehabilitation Institute of Chicago. You granted a similar waiver to her in 1995 to permit her to participate in National Council matters while serving as president and CEO of Access Living, an independent living center in Chicago.

2-17-98

A waiver is necessary because the Institute receives substantial support through Medicaid, Medicare, and federal grants. Absent a waiver, she may not participate in any Council matter that could affect the financial interests of the Institute.

Rationale. As Chair of the National Council, the "particular matters" in which Ms. Bristo participates are general in nature and do not specifically affect any one institution. While it is conceivable that National Council policy recommendations could affect the Rehabilitation Institute, Chuck recommends that you grant the waiver based on a determination that the affects of general policy recommendations by the National Council on the financial interests of the Rehabilitation Institute are not likely to be so substantial as to affect the integrity of Ms. Bristo's government service -- the standard set out in the conflict-of-interest statute. Ethics officials at DOEd and the Office of Government Ethics concur as does *John Podesta.*

Approve ___ Disapprove ___ Discuss ___

Phil Caplan
Sean Maloney

'98 JAN 5 AM 10:2

2474435S

THE WHITE HOUSE

WASHINGTON

December 24, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE B. BOWLES
CHIEF OF STAFF

FROM: CHARLES F.C. RUFF
COUNSEL TO THE PRESIDENT

VIRGINIA CANTER VC
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Request for Conflict-of-Interest Waiver

Attached is a request for a conflict-of-interest waiver, pursuant to 18 U.S.C. 208(b)(1), from Marca Bristo, Chairperson of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Rehabilitation Institute). You previously granted Ms. Bristo a waiver, dated January 23, 1995, to permit her to participate in general policy matters that may affect Access Living, an organization for which she serves as President and Chief Executive Officer.

As you know, the conflict-of-interest statute prohibits federal employees, including special government employees such as Ms. Bristo, from participating personally and substantially in a particular matter that will have a direct and predictable effect on their financial interests, including the interests of organizations for which the employee serves as an officer, director, trustee, general partner, or employee. 18 U.S.C. 208(a).

Ms. Bristo is a member of the Board of Directors for the Rehabilitation Institute. The Rehabilitation Institute provides comprehensive rehabilitative inpatient and outpatient services and programs, and receives substantial support and revenue through Medicare, Medicaid, and federal grants. Because of her position on the Board of Directors, the financial interests of the Rehabilitation Institute are imputed to Ms. Bristo under 18 U.S.C. 208(a). Accordingly, as Chairperson of the Council on Disability, Ms. Bristo may not participate in any matter that would affect the financial interests of the Rehabilitation Institute in the absence of a waiver under 18 U.S.C. 208(b).

The mission of the Council on Disability is to promote policies and programs that guarantee equal opportunities for all people with disabilities, and empower individuals with

disabilities to achieve economic self-sufficiency, independent living, and integration into all aspects of society. To accomplish that mission, the Council provides advice and recommendations to you, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research and the Rehabilitation Services Administration.

As Chairperson of the Council on Disability, the particular matters in which Ms. Bristo is required to participate are general in nature, and do not specifically affect any one institution or entity. Moreover, it is not clear the extent to which these general policy matters would have a direct and predictable effect on the interests of the Rehabilitation Institute or any other individual entity. Nevertheless, we are advised by the Department of Education that it is conceivable that the Council might, in its position as an advisor, participate in legislation or policy matters that would affect the funding of programs in which entities, such as the Rehabilitation Institute, participate. In which case, the Rehabilitation Institute as an affected entity could be considered to have a financial interest in such matters.

You have the authority to grant a waiver of the conflict law, provided that you determine that the interest to be affected is not so substantial as to affect the integrity of the employee's services. 18 U.S.C. 208(b)(1). For the reasons stated herein and in the attached waiver request, we recommend that you grant the waiver requested based on a determination that the financial interests of the Rehabilitation Institute of Chicago in the formulation of general policy recommendations and advice by the National Council on Disability are not so substantial as to be deemed likely to affect the integrity of the services the Government can expect from Ms. Bristo. The Alternate Agency Ethics Official at the Department of Education concurs in this recommendation, and the Office of Government Ethics has reviewed and approved this request.

NATIONAL COUNCIL ON DISABILITY

An independent federal agency working with the President and the Congress to increase the inclusion, independence, and empowerment of all Americans with disabilities.

MEMORANDUM FOR THE PRESIDENT

FROM : MARCA BRISTO Marca Bristo 11/21/97
Chairperson, National Council on Disability

SUBJECT : Conflict of Interest Exemption

As Chairperson of the National Council on Disability (Council) 18 U.S.C. § 208(a) prohibits me from participating personally and substantially in Council matters in which, to my knowledge, I have, or anyone whose interests are imputed to me has, a financial interest. Among the interests imputed to me by law are those of any organization for which I serve as an officer, director, or trustee. I currently serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Institute).

I am seeking a waiver, pursuant to 18 U.S.C. § 208(b), from the prohibitions of 18 U.S.C. § 208(a) with respect to certain particular matters I may be called upon to participate in for the Council, based upon advice of the Council's Designated Agency Ethics Official at the U.S. Department of Education. As the official responsible for my appointment, you may grant a waiver of the prohibition upon your written determination that the financial interest in a matter is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from me. You approved my request, dated January 23, 1995, for a waiver to participate in general policy matters before the Council that may effect Access Living, an independent living center in Chicago, for which I serve as the President and Chief Executive Officer (attached).

The Council's purpose is "to promote policies, programs, practices and procedures that -- (A) guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and (B) empower individuals with disabilities to achieve economic self-sufficiency, independent living, and including and integration into all aspects of society." 29 U.S.C. § 780 (a)(2). To carry out this purpose, the Council gathers information on, reviews, and evaluates the implementation of law and policy affecting persons with disabilities, and provides advice and recommendations to, among others, the President, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research (NIDRR) and the Rehabilitation Services Administration (RSA), both housed in the Department of Education.

Established in 1954, the Institute provides, at both its primary hospital facility and several other locations around Chicago, comprehensive rehabilitative inpatient and outpatient services and programs. The Institute receives between 55% and 60% of it's revenues from Medicare or Medicaid. Additionally, the Institute's affiliate Research Corporation receives approximately 63%

of its $3.8 million budget from Federal grants, including grants from the Centers for Disease Control and the U.S. Department of Education.

Notwithstanding the Institute's financial interest in these Federal programs, the particular matters that I am called upon to participate in as the Chairperson of the Council are general in nature, and do not specifically affect any one institution or entity. Indeed, in many instances it is not clear to what extent these general policy matters would have a direct and predictable effect on the interests of any individual institution or entity, including the Institute. However, in the event that such a matter might arise, I am requesting this waiver to permit me to participate in general policy matters that may affect the Institute's interests as part of a class of similarly situated entities.

I will remain disqualified from participating in any particular matter specifically relating to, or having a unique or peculiar effect upon, the Institute. For instance, while the waiver would permit me to participate in Council discussions concerning advice to the Director of NIDRR on issues concerning all NIDRR constituents, such as identifying research priorities that will guide the implementation of all of NIDRR's programs, it would not permit me to participate in discussions concerning particular discretionary grant programs within NIDRR under which the Institute receives grants. This includes particular programs in which the Institute has a record of participating as well as new programs for which there is a reasonable expectation that the Institute will apply.

Accordingly, pursuant to 18 U.S.C. § 208(b), I request that you grant me a waiver from the prohibition of 18 U.S.C. § 208(a) permitting me to participate in the above-described matters by determining that the Institute's financial interest in these matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from me. The Council's Designated Agency Ethics Official has consulted with the Office of Government Ethics on this waiver.

Concurrence: Joan Bardee
Alternate Designated Agency Ethics Official

_____________ Waiver relating to general policy matters, as described above, granted based upon my determination that the Rehabilitation Institute of Chicago's financial interest in those matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from you as the Chairperson of the National Council on Disability.

_____________ Waiver denied.

____

____

THE WHITE HOUSE
WASHINGTON

1/5/98

Todd Stern —

Attached is a waiver request from Mara Bristo, Chairperson of the National Council on Disability. The waiver requires POTUS approval. If approved, the appropriate box should be checked, and it should be signed and dated by POTUS. I will leave it to you to run by Erskine's office. Please call if you have any questions. Thanks,

Ginny Carter
6-6229

24744 3

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE GENERAL COUNSEL

MEMORANDUM

NOV 26 1997

TO: Charles Ruff
Counsel to the President
The White House

FROM: Joan Bardee Joan Bardee
Alternate Designated Agency Ethics Official

RE: Conflict of Interest Exemption for Marca Bristo

Upon our recommendation, Marca Bristo, Chairperson of the National Council on Disability (Council), has requested that the President grant her a conflict of interest exemption, pursuant to 18 U.S.C. § 208, for matters of general applicability that could affect the interests of the Rehabilitation Institute of Chicago (Institute), for which she serves as a member of the Board of Directors.

Although it is unlikely that the Council will handle particular matters in which the Institute has a financial interest, it is possible that these matters will arise. For example, the Council may be asked to work closely with Congress or the Executive branch in drafting statutory language or implementing regulations and government policy. We believe that the Council's work on such matters, in some circumstances, may have a "direct and predictable effect" on the Institute. In the event that such a matter arises, we want to ensure that Ms. Bristo can effectively perform her duties for the Council without analyzing each matter to determine whether it is a "particular matter" under the conflicts laws. In balancing Ms. Bristo's strong interest in continuing to serve on the Institute's Board of Directors against the limited situations in which we believe it is likely that the Institute would have an interest in general policy matters coming before the Council, we have determined that the financial interests involved are not so substantial as to be deemed likely to affect the integrity of the services that the President may expect of Ms. Bristo as Chairperson of the Council.

Please feel free to call me, or Susan Winchell of my staff, at 202-401-8309, if we can be of further assistance to you.

cc: Virginia Cantor
Marca Bristo

247443
'98 JAN 5 AM 10:2

THE WHITE HOUSE

WASHINGTON

December 24, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE B. BOWLES
CHIEF OF STAFF

FROM: CHARLES F.C. RUFF
COUNSEL TO THE PRESIDENT

VIRGINIA CANTER VC
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Request for Conflict-of-Interest Waiver

Attached is a request for a conflict-of-interest waiver, pursuant to 18 U.S.C. 208(b)(1), from Marca Bristo, Chairperson of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Rehabilitation Institute). You previously granted Ms. Bristo a waiver, dated January 23, 1995, to permit her to participate in general policy matters that may affect Access Living, an organization for which she serves as President and Chief Executive Officer.

As you know, the conflict-of-interest statute prohibits federal employees, including special government employees such as Ms. Bristo, from participating personally and substantially in a particular matter that will have a direct and predictable effect on their financial interests, including the interests of organizations for which the employee serves as an officer, director, trustee, general partner, or employee. 18 U.S.C. 208(a).

Ms. Bristo is a member of the Board of Directors for the Rehabilitation Institute. The Rehabilitation Institute provides comprehensive rehabilitative inpatient and outpatient services and programs, and receives substantial support and revenue through Medicare, Medicaid, and federal grants. Because of her position on the Board of Directors, the financial interests of the Rehabilitation Institute are imputed to Ms. Bristo under 18 U.S.C. 208(a). Accordingly, as Chairperson of the Council on Disability, Ms. Bristo may not participate in any matter that would affect the financial interests of the Rehabilitation Institute in the absence of a waiver under 18 U.S.C. 208(b).

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disabilities to achieve economic self-sufficiency, independent living, and integration into all aspects of society. To accomplish that mission, the Council provides advice and recommendations to you, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research and the Rehabilitation Services Administration.

As Chairperson of the Council on Disability, the particular matters in which Ms. Bristo is required to participate are general in nature, and do not specifically affect any one institution or entity. Moreover, it is not clear the extent to which these general policy matters would have a direct and predictable effect on the interests of the Rehabilitation Institute or any other individual entity. Nevertheless, we are advised by the Department of Education that it is conceivable that the Council might, in its position as an advisor, participate in legislation or policy matters that would affect the funding of programs in which entities, such as the Rehabilitation Institute, participate. In which case, the Rehabilitation Institute as an affected entity could be considered to have a financial interest in such matters.

You have the authority to grant a waiver of the conflict law, provided that you determine that the interest to be affected is not so substantial as to affect the integrity of the employee's services. 18 U.S.C. 208(b)(1). For the reasons stated herein and in the attached waiver request, we recommend that you grant the waiver requested based on a determination that the financial interests of the Rehabilitation Institute of Chicago in the formulation of general policy recommendations and advice by the National Council on Disability are not so substantial as to be deemed likely to affect the integrity of the services the Government can expect from Ms. Bristo. The Alternate Agency Ethics Official at the Department of Education concurs in this recommendation, and the Office of Government Ethics has reviewed and approved this request.

MEMORANDUM FOR THE PRESIDENT

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The Council's purpose is "to promote policies, programs, practices and procedures that -- (A) guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and (B) empower individuals with disabilities to achieve economic self-sufficiency, independent living, and including and integration into all aspects of society." 29 U.S.C. § 780 (a)(2). To carry out this purpose, the Council gathers information on, reviews, and evaluates the implementation of law and policy affecting persons with disabilities, and provides advice and recommendations to, among others, the President, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research (NIDRR) and the Rehabilitation Services Administration (RSA), both housed in the Department of Education.

Established in 1954, the Institute provides, at both its primary hospital facility and several other locations around Chicago, comprehensive rehabilitative inpatient and outpatient services and programs. The Institute receives between 55% and 60% of it's revenues from Medicare or Medicaid. Additionally, the Institute's affiliate Research Corporation receives approximately 63%

of its $3.8 million budget from Federal grants, including grants from the Centers for Disease Control and the U.S. Department of Education.

Notwithstanding the Institute's financial interest in these Federal programs, the particular matters that I am called upon to participate in as the Chairperson of the Council are general in nature, and do not specifically affect any one institution or entity. Indeed, in many instances it is not clear to what extent these general policy matters would have a direct and predictable effect on the interests of any individual institution or entity, including the Institute. However, in the event that such a matter might arise, I am requesting this waiver to permit me to participate in general policy matters that may affect the Institute's interests as part of a class of similarly situated entities.

I will remain disqualified from participating in any particular matter specifically relating to, or having a unique or peculiar effect upon, the Institute. For instance, while the waiver would permit me to participate in Council discussions concerning advice to the Director of NIDRR on issues concerning all NIDRR constituents, such as identifying research priorities that will guide the implementation of all of NIDRR's programs, it would not permit me to participate in discussions concerning particular discretionary grant programs within NIDRR under which the Institute receives grants. This includes particular programs in which the Institute has a record of participating as well as new programs for which there is a reasonable expectation that the Institute will apply.

Accordingly, pursuant to 18 U.S.C. § 208(b), I request that you grant me a waiver from the prohibition of 18 U.S.C. § 208(a) permitting me to participate in the above-described matters by determining that the Institute's financial interest in these matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from me. The Council's Designated Agency Ethics Official has consulted with the Office of Government Ethics on this waiver.

Concurrence: Joan Bardee
Alternate Designated Agency Ethics Official

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__________ Waiver denied.

VP

'98 JAN 5 AM 10:2

THE WHITE HOUSE

WASHINGTON

December 24, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE B. BOWLES
CHIEF OF STAFF

FROM: CHARLES F.C. RUFF
COUNSEL TO THE PRESIDENT

VIRGINIA CANTER VC
ASSOCIATE COUNSEL TO THE PRESIDENT

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NATIONAL COUNCIL ON DISABILITY

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MEMORANDUM FOR THE PRESIDENT

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Concerence: Joan Bardee
Alternate Designated Agency Ethics Official

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__________ Waiver denied.

____

____

CoS
'98 JAN 5 AM 10:2

THE WHITE HOUSE

WASHINGTON

December 24, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE B. BOWLES
CHIEF OF STAFF

FROM: CHARLES F.C. RUFF
COUNSEL TO THE PRESIDENT

VIRGINIA CANTER VC
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Attached is a request for a conflict-of-interest waiver, pursuant to 18 U.S.C. 208(b)(1), from Marca Bristo, Chairperson of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Rehabilitation Institute). You previously granted Ms. Bristo a waiver, dated January 23, 1995, to permit her to participate in general policy matters that may affect Access Living, an organization for which she serves as President and Chief Executive Officer.

As you know, the conflict-of-interest statute prohibits federal employees, including special government employees such as Ms. Bristo, from participating personally and substantially in a particular matter that will have a direct and predictable effect on their financial interests, including the interests of organizations for which the employee serves as an officer, director, trustee, general partner, or employee. 18 U.S.C. 208(a).

Ms. Bristo is a member of the Board of Directors for the Rehabilitation Institute. The Rehabilitation Institute provides comprehensive rehabilitative inpatient and outpatient services and programs, and receives substantial support and revenue through Medicare, Medicaid, and federal grants. Because of her position on the Board of Directors, the financial interests of the Rehabilitation Institute are imputed to Ms. Bristo under 18 U.S.C. 208(a). Accordingly, as Chairperson of the Council on Disability, Ms. Bristo may not participate in any matter that would affect the financial interests of the Rehabilitation Institute in the absence of a waiver under 18 U.S.C. 208(b).

The mission of the Council on Disability is to promote policies and programs that guarantee equal opportunities for all people with disabilities, and empower individuals with

disabilities to achieve economic self-sufficiency, independent living, and integration into all aspects of society. To accomplish that mission, the Council provides advice and recommendations to you, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research and the Rehabilitation Services Administration.

As Chairperson of the Council on Disability, the particular matters in which Ms. Bristo is required to participate are general in nature, and do not specifically affect any one institution or entity. Moreover, it is not clear the extent to which these general policy matters would have a direct and predictable effect on the interests of the Rehabilitation Institute or any other individual entity. Nevertheless, we are advised by the Department of Education that it is conceivable that the Council might, in its position as an advisor, participate in legislation or policy matters that would affect the funding of programs in which entities, such as the Rehabilitation Institute, participate. In which case, the Rehabilitation Institute as an affected entity could be considered to have a financial interest in such matters.

You have the authority to grant a waiver of the conflict law, provided that you determine that the interest to be affected is not so substantial as to affect the integrity of the employee's services. 18 U.S.C. 208(b)(1). For the reasons stated herein and in the attached waiver request, we recommend that you grant the waiver requested based on a determination that the financial interests of the Rehabilitation Institute of Chicago in the formulation of general policy recommendations and advice by the National Council on Disability are not so substantial as to be deemed likely to affect the integrity of the services the Government can expect from Ms. Bristo. The Alternate Agency Ethics Official at the Department of Education concurs in this recommendation, and the Office of Government Ethics has reviewed and approved this request.

NATIONAL COUNCIL ON DISABILITY

An independent federal agency working with the President and the Congress to increase the inclusion, independence, and empowerment of all Americans with disabilities.

MEMORANDUM FOR THE PRESIDENT

FROM : MARCA BRISTO Marca Bristo 11/21/97
Chairperson, National Council on Disability

SUBJECT : Conflict of Interest Exemption

As Chairperson of the National Council on Disability (Council) 18 U.S.C. § 208(a) prohibits me from participating personally and substantially in Council matters in which, to my knowledge, I have, or anyone whose interests are imputed to me has, a financial interest. Among the interests imputed to me by law are those of any organization for which I serve as an officer, director, or trustee. I currently serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Institute).

I am seeking a waiver, pursuant to 18 U.S.C. § 208(b), from the prohibitions of 18 U.S.C. § 208(a) with respect to certain particular matters I may be called upon to participate in for the Council, based upon advice of the Council's Designated Agency Ethics Official at the U.S. Department of Education. As the official responsible for my appointment, you may grant a waiver of the prohibition upon your written determination that the financial interest in a matter is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from me. You approved my request, dated January 23, 1995, for a waiver to participate in general policy matters before the Council that may effect Access Living, an independent living center in Chicago, for which I serve as the President and Chief Executive Officer (attached).

The Council's purpose is "to promote policies, programs, practices and procedures that -- (A) guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and (B) empower individuals with disabilities to achieve economic self-sufficiency, independent living, and including and integration into all aspects of society." 29 U.S.C. § 780 (a)(2). To carry out this purpose, the Council gathers information on, reviews, and evaluates the implementation of law and policy affecting persons with disabilities, and provides advice and recommendations to, among others, the President, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research (NIDRR) and the Rehabilitation Services Administration (RSA), both housed in the Department of Education.

Established in 1954, the Institute provides, at both its primary hospital facility and several other locations around Chicago, comprehensive rehabilitative inpatient and outpatient services and programs. The Institute receives between 55% and 60% of it's revenues from Medicare or Medicaid. Additionally, the Institute's affiliate Research Corporation receives approximately 63%

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of its $3.8 million budget from Federal grants, including grants from the Centers for Disease Control and the U.S. Department of Education.

Notwithstanding the Institute's financial interest in these Federal programs, the particular matters that I am called upon to participate in as the Chairperson of the Council are general in nature, and do not specifically affect any one institution or entity. Indeed, in many instances it is not clear to what extent these general policy matters would have a direct and predictable effect on the interests of any individual institution or entity, including the Institute. However, in the event that such a matter might arise, I am requesting this waiver to permit me to participate in general policy matters that may affect the Institute's interests as part of a class of similarly situated entities.

I will remain disqualified from participating in any particular matter specifically relating to, or having a unique or peculiar effect upon, the Institute. For instance, while the waiver would permit me to participate in Council discussions concerning advice to the Director of NIDRR on issues concerning all NIDRR constituents, such as identifying research priorities that will guide the implementation of all of NIDRR's programs, it would not permit me to participate in discussions concerning particular discretionary grant programs within NIDRR under which the Institute receives grants. This includes particular programs in which the Institute has a record of participating as well as new programs for which there is a reasonable expectation that the Institute will apply.

Accordingly, pursuant to 18 U.S.C. § 208(b), I request that you grant me a waiver from the prohibition of 18 U.S.C. § 208(a) permitting me to participate in the above-described matters by determining that the Institute's financial interest in these matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from me. The Council's Designated Agency Ethics Official has consulted with the Office of Government Ethics on this waiver.

Concurrence: Joan Bardee
Alternate Designated Agency Ethics Official

________ Waiver relating to general policy matters, as described above, granted based upon my determination that the Rehabilitation Institute of Chicago's financial interest in those matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from you as the Chairperson of the National Council on Disability.

________ Waiver denied.

____

____

#

Staff Secy wants to know if they can send to POTUS

Yes but it should have a decision block

Document No.________________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/5 ACTION/CONCURRENCE/COMMENT DUE BY: 1/7

SUBJECT: Conflict-of-interest waiver for Marcia Bristo

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	McCURRY	☐	☐
BOWLES	☑	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☑	☐	RADD	☐	☐
MATHEWS	☑	☐	REED	☐	☐
RAINES	☐	☐	RUFF	☐	☐
BLUMENTHAL	☐	☐	SMITH	☐	☐
BERGER	☐	☐	SOSNIK	☑	☐
ECHAVESTE	☐	☐	SPERLING	☐	☐
EMANUEL	☑	☐	STREETT	☐	☐
GIBBONS	☐	☐	TARULLO	☐	☐
HILLEY	☐	☐	VERVEER	☐	☐
IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☐	☐	YELLEN	☐	☐
LEWIS	☐	☐	BEGALA	☐	☐
LINDSEY	☐	☐	____________	☐	☐
MARSHALL	☐	☐	____________	☐	☐
			____________	☐	☐

REMARKS:

Please advise

RESPONSE:

Staff Secretary
Ext. 6-2702

'98 JAN 5 AM 10:2

THE WHITE HOUSE

WASHINGTON

December 24, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE B. BOWLES
CHIEF OF STAFF

FROM: CHARLES F.C. RUFF
COUNSEL TO THE PRESIDENT

VIRGINIA CANTER VC
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Request for Conflict-of-Interest Waiver

Attached is a request for a conflict-of-interest waiver, pursuant to 18 U.S.C. 208(b)(1), from Marca Bristo, Chairperson of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Rehabilitation Institute). You previously granted Ms. Bristo a waiver, dated January 23, 1995, to permit her to participate in general policy matters that may affect Access Living, an organization for which she serves as President and Chief Executive Officer.

As you know, the conflict-of-interest statute prohibits federal employees, including special government employees such as Ms. Bristo, from participating personally and substantially in a particular matter that will have a direct and predictable effect on their financial interests, including the interests of organizations for which the employee serves as an officer, director, trustee, general partner, or employee. 18 U.S.C. 208(a).

Ms. Bristo is a member of the Board of Directors for the Rehabilitation Institute. The Rehabilitation Institute provides comprehensive rehabilitative inpatient and outpatient services and programs, ~~and~~ receives substantial support and revenue through Medicare, Medicaid, and federal grants. Because of her position on the Board of Directors, the financial interests of the Rehabilitation Institute are imputed to Ms. Bristo under 18 U.S.C. 208(a). Accordingly, as Chairperson of the Council on Disability, Ms. Bristo may not participate in any matter that would affect the financial interests of the Rehabilitation Institute in the absence of a waiver under 18 U.S.C. 208(b).

The mission of the Council on Disability is to promote policies and programs that guarantee equal opportunities for all people with disabilities, and empower individuals with

disabilities to achieve economic self-sufficiency, independent living, and integration into all aspects of society. To accomplish that mission, the Council provides advice and recommendations to you, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research and the Rehabilitation Services Administration.

As Chairperson of the Council on Disability, the particular matters in which Ms. Bristo is required to participate are general in nature, and do not specifically affect any one institution or entity. Moreover, it is not clear the extent to which these general policy matters would have a direct and predictable effect on the interests of the Rehabilitation Institute or any other individual entity. Nevertheless, we are advised by the Department of Education that it is conceivable that the Council might, in its position as an advisor, participate in legislation or policy matters that would affect the funding of programs in which entities, such as the Rehabilitation Institute, participate. In which case, the Rehabilitation Institute as an affected entity could be considered to have a financial interest in such matters.

Std. You have the authority to grant a waiver of the conflict law, provided that you determine that the interest to be affected is not so substantial as to affect the integrity of the employee's services. 18 U.S.C. 208(b)(1). For the reasons stated herein and in the attached waiver request, we recommend that you grant the waiver requested based on a determination that the financial interests of the Rehabilitation Institute of Chicago in the formulation of general policy recommendations and advice by the National Council on Disability are not so substantial as to be deemed likely to affect the integrity of the services the Government can expect from Ms. Bristo. The Alternate Agency Ethics Official at the Department of Education concurs in this recommendation, and the Office of Government Ethics has reviewed and approved this request.

NATIONAL COUNCIL ON DISABILITY

An independent federal agency working with the President and the Congress to increase the inclusion, independence, and empowerment of all Americans with disabilities.

MEMORANDUM FOR THE PRESIDENT

FROM : MARCA BRISTO Marca Bristo 11/21/97
Chairperson, National Council on Disability

SUBJECT : Conflict of Interest Exemption

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I am seeking a waiver, pursuant to 18 U.S.C. § 208(b), from the prohibitions of 18 U.S.C. § 208(a) with respect to certain particular matters I may be called upon to participate in for the Council, based upon advice of the Council's Designated Agency Ethics Official at the U.S. Department of Education. As the official responsible for my appointment, you may grant a waiver of the prohibition upon your written determination that the financial interest in a matter is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from me. You approved my request, dated January 23, 1995, for a waiver to participate in general policy matters before the Council that may effect Access Living, an independent living center in Chicago, for which I serve as the President and Chief Executive Officer (attached).

The Council's purpose is "to promote policies, programs, practices and procedures that -- (A) guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and (B) empower individuals with disabilities to achieve economic self-sufficiency, independent living, and including and integration into all aspects of society." 29 U.S.C. § 780 (a)(2). To carry out this purpose, the Council gathers information on, reviews, and evaluates the implementation of law and policy affecting persons with disabilities, and provides advice and recommendations to, among others, the President, Congress, the Secretary of Education, and the heads of the National Institute on Disability and Rehabilitation Research (NIDRR) and the Rehabilitation Services Administration (RSA), both housed in the Department of Education.

Established in 1954, the Institute provides, at both its primary hospital facility and several other locations around Chicago, comprehensive rehabilitative inpatient and outpatient services and programs. The Institute receives between 55% and 60% of it's revenues from Medicare or Medicaid. Additionally, the Institute's affiliate Research Corporation receives approximately 63%

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Notwithstanding the Institute's financial interest in these Federal programs, the particular matters that I am called upon to participate in as the Chairperson of the Council are general in nature, and do not specifically affect any one institution or entity. Indeed, in many instances it is not clear to what extent these general policy matters would have a direct and predictable effect on the interests of any individual institution or entity, including the Institute. However, in the event that such a matter might arise, I am requesting this waiver to permit me to participate in general policy matters that may affect the Institute's interests as part of a class of similarly situated entities.

I will remain disqualified from participating in any particular matter specifically relating to, or having a unique or peculiar effect upon, the Institute. For instance, while the waiver would permit me to participate in Council discussions concerning advice to the Director of NIDRR on issues concerning all NIDRR constituents, such as identifying research priorities that will guide the implementation of all of NIDRR's programs, it would not permit me to participate in discussions concerning particular discretionary grant programs within NIDRR under which the Institute receives grants. This includes particular programs in which the Institute has a record of participating as well as new programs for which there is a reasonable expectation that the Institute will apply.

Accordingly, pursuant to 18 U.S.C. § 208(b), I request that you grant me a waiver from the prohibition of 18 U.S.C. § 208(a) permitting me to participate in the above-described matters by determining that the Institute's financial interest in these matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from me. The Council's Designated Agency Ethics Official has consulted with the Office of Government Ethics on this waiver.

Concurrence: Joan Bardee
Alternate Designated Agency Ethics Official

__________ Waiver relating to general policy matters, as described above, granted based upon my determination that the Rehabilitation Institute of Chicago's financial interest in those matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from you as the Chairperson of the National Council on Disability.

__________ Waiver denied.

THE WHITE HOUSE

WASHINGTON

February 17, 1998

MR. PRESIDENT:

The attached memo from Chuck Ruff recommends that you grant a conflict-of-interest waiver to Marca Bristo, Chair of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid board member of the Rehabilitation Institute of Chicago. You granted a similar waiver to her in 1995 to permit her to participate in National Council matters while serving as president and CEO of Access Living, an independent living center in Chicago.

A waiver is necessary because the Rehabilitation Institute receives substantial support through Medicaid, Medicare, and federal grants. Absent a waiver, ~~she~~ Ms. Bristo may not participate in any National Council matter that could affect the financial interests of the Institute.

Rationale. As Chair of the National Council, the "particular matters" in which Ms. Bristo participates are general in nature and do not specifically affect any one institution. While it is conceivable that National Council policy recommendations could affect the Rehabilitation Institute, Chuck recommends that you grant the waiver based on a determination that the financial interests of the Institute are (i) unlikely to be affected by general National Council policy recommendations and (ii) not so substantial as to be deemed likely to affect the integrity of Ms. Bristo's services. Ethics officials at DOEd and the Office of Government Ethics concur.

Approve ___ Disapprove ___ Discuss ___

Phil Caplan
Sean Maloney

February 12, 1998

MR. PRESIDENT:

National

The attached memo from Chuck Ruff recommends that you grant a conflict-of-interest waiver to Marca Bristo, Chair of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid board member of the Rehabilitation Institute of Chicago. You granted a similar waiver to Ms. Bristo in 1995 to permit her to participate in Council matters while serving as president and CEO of Access Living, an independent living center in Chicago.

A waiver is necessary because the Rehabilitation Institute receives substantial support through Medicaid, Medicare, and federal grants. Absent a waiver, Ms. Bristo may not participate in any Council matter that could affect the financial interests of the Institute.

Nat'l

Rehabilitation Grant Rehabilitation

Chuck recommends that you grant the waiver based on a determination that the financial interests of the Institute are unlikely to be so substantial as to be deemed likely to affect the integrity of Ms. Bristo's services. Ethics officials at DOEd and the Office of Government Ethics concur.

Approve ___ Disapprove ___ Discuss ___

Phil Caplan
Sean Maloney

Bristo.wvr

Document No.__________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/5　　ACTION/CONCURRENCE/COMMENT DUE BY: 1/7

SUBJECT: Conflict-of-interest waiver for Marcia Bristo

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	McCURRY	☐	☐
BOWLES	☑	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☑	☐	RADD	☐	☐
MATHEWS	☑	☐	REED	☐	☐
RAINES	☐	☐	RUFF	☐	☐
BLUMENTHAL	☐	☐	SMITH	☐	☐
BERGER	☐	☐	SOSNIK	☑	☐
ECHAVESTE	☐	☐	SPERLING	☐	☐
EMANUEL	☑	☐	STREETT	☐	☐
GIBBONS	☐	☐	TARULLO	☐	☐
HILLEY	☐	☐	VERVEER	☐	☐
IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☐	☐	YELLEN	☐	☐
LEWIS	☐	☐	BEGALA	☐	☐
LINDSEY	☐	☐		☐	☐
MARSHALL	☐	☐		☐	☐
				☐	☐

REMARKS:

Please advise

PODESTA NEEDED

RESPONSE:

Staff Secretary
Ext. 6-2702

Document No.__________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/5 ACTION/CONCURRENCE/COMMENT DUE BY: 1/7

SUBJECT: Conflict-of-interest waiver for Marcia Bristo

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	McCURRY	☐	☐
BOWLES	☑	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☑	☐	RADD	☐	☐
MATHEWS	☑	☐	REED	☐	☐
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BERGER	☐	☐	SOSNIK	☑	☐
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IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☐	☐	YELLEN	☐	☐
LEWIS	☐	☐	BEGALA	☐	☐
LINDSEY	☐	☐	__________	☐	☐
MARSHALL	☐	☐	__________	☐	☐
			__________	☐	☐

REMARKS:

Please advise

RESPONSE:

Staff Secretary
Ext. 6-2702

'98 JAN 5 AM 10:2

THE WHITE HOUSE

WASHINGTON

December 24, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE B. BOWLES
CHIEF OF STAFF

FROM: CHARLES F.C. RUFF
COUNSEL TO THE PRESIDENT

VIRGINIA CANTER VC
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Request for Conflict-of-Interest Waiver

Attached is a request for a conflict-of-interest waiver, pursuant to 18 U.S.C. 208(b)(1), from Marca Bristo, Chairperson of the National Council on Disability, to permit her to participate in general policy matters before the Council while continuing to serve as an unpaid member of the Board of Directors for the Rehabilitation Institute of Chicago (Rehabilitation Institute). You previously granted Ms. Bristo a waiver, dated January 23, 1995, to permit her to participate in general policy matters that may affect Access Living, an organization for which she serves as President and Chief Executive Officer.

As you know, the conflict-of-interest statute prohibits federal employees, including special government employees such as Ms. Bristo, from participating personally and substantially in a particular matter that will have a direct and predictable effect on their financial interests, including the interests of organizations for which the employee serves as an officer, director, trustee, general partner, or employee. 18 U.S.C. 208(a).

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An independent federal agency working with the President and the Congress to increase the inclusion, independence, and empowerment of all Americans with disabilities.

MEMORANDUM FOR THE PRESIDENT

FROM : MARCA BRISTO Marca Bristo 11/21/97
Chairperson, National Council on Disability

SUBJECT : Conflict of Interest Exemption

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of its $3.8 million budget from Federal grants, including grants from the Centers for Disease Control and the U.S. Department of Education.

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Accordingly, pursuant to 18 U.S.C. § 208(b), I request that you grant me a waiver from the prohibition of 18 U.S.C. § 208(a) permitting me to participate in the above-described matters by determining that the Institute's financial interest in these matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from me. The Council's Designated Agency Ethics Official has consulted with the Office of Government Ethics on this waiver.

Concurrence: Joan Bardee
Alternate Designated Agency Ethics Official

__________ Waiver relating to general policy matters, as described above, granted based upon my determination that the Rehabilitation Institute of Chicago's financial interest in those matters is not so substantial as to be deemed likely to affect the integrity of the services the Government may expect from you as the Chairperson of the National Council on Disability.

__________ Waiver denied.

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252014

THE WHITE HOUSE

WASHINGTON

February 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: **TODD STERN**
KATHLEEN McGINTY
JIM STEINBERG
GENE SPERLING

SUBJECT: **Signing Kyoto Protocol -- Timing**

2-9-98

This memo addresses the question of when to sign the Kyoto Protocol, which will be open for signature for one year, beginning March 16. Though we have already indicated that we expect to sign, we have not said *when* we plan to do so. The Secretary of State is scheduled to testify before Congress February 10 and Stu Eizenstat is testifying February 11. They are likely to be asked about our signing plans so **we need a decision on this by Monday, February 9.**

Conceptually, there are three options: (1) sign in March when the Protocol opens for signature; (2) announce that we will not sign until after the Buenos Aires meeting in November, at which time we hope to have made progress on open points concerning certain key issues, such as emissions trading; or (3) make clear that we are going to sign, but defer signature for the time being, retaining the flexibility to sign at any time that developments suggest this would be the best course. For reasons set forth below, your advisors favor Option 3.

Background

The Kyoto Protocol was an historic step and a substantial achievement for the United States. In key respects -- including targets and timetables for industrialized nations, the market mechanisms of emissions trading and joint implementation (JI now goes under the new rubric of the "Clean Development Mechanism"), the coverage of all six gases, the inclusion of carbon absorbing "sinks", such as forests, and the treatment of military emissions -- the Protocol reflects proposals advanced by the United States. (We have attached a fact sheet should you wish to review the specifics in more detail.) At the same time, critical details of emissions trading and the new Clean Development Mechanism (CDM) remain to be worked out. And a great deal of work needs to be done to secure the meaningful participation of key developing countries.

The Protocol is generally regarded by its domestic supporters as an important step forward, but still a work in progress. The critics -- there are a sizable number both on the Hill and among business, labor and farm groups -- see it as a fatally flawed accord in which the United States accepted too stringent a target and got too little in return, especially with regard to developing countries. They believe the U.S. should have made good on its claim that it would walk away from a bad agreement.

Analysis

As noted, the Protocol will be open for signature from March 1998 to March 1999, so, from a purely substantive viewpoint, a signature at any time within that period would be fine. In deciding when to sign, four key variables need to be considered: (1) diplomatic leverage; (2) international signing politics; (3) the Hill; (4) the reaction of environmental groups and business.

Diplomatic leverage. Some on the Hill and in the business community argue that we should withhold our signature until after the Buenos Aires meeting in order to gain more leverage in the difficult upcoming negotiations over the rules for emissions trading and the CDM. Their argument is that countries ought to be worried that if they undermine those market measures through unhelpful rules, they could lose U.S. support for the whole Protocol. They contend that if the United States signs before it knows the critical details of these measures, it will lose its leverage.

The counter argument is that appearing to make our signature conditional on Buenos Aires will anger our negotiating partners and be counterproductive; that we may undercut our leverage with developing countries if they can hold over us the fact that we haven't even signed the Protocol; and that we retain all the leverage we need by making clear that, unless requisite progress is made on the rules and on developing countries, we won't submit the Protocol for ratification.

International signing politics. Given the strong U.S. leadership role in getting Kyoto done, we do not want to find ourselves as an outlier on signing. As things stand, it does not appear that there is going to be a U.N. signing ceremony, though that hasn't yet been ruled out. There is also some discussion of a possible EU signing in New York in late April. Russia, Australia and New Zealand reportedly may wait until rules for international emissions trading are better defined, in November at Buenos Aires.

In general, State does not believe that other countries expect us to sign early or that we will face international pressure if we hold off until after Buenos Aires -- provided that we don't make our signing explicitly conditional on achieving certain results there. *However, decisions about signing are still fluid, and we could end up more isolated than we think by the spring or summer.*

The Hill. Congressional views vary on when we should sign. Two key Democratic Senators, Byrd and Daschle, are urging us to wait. In a floor statement last week, Byrd endorsed many of the Kyoto accomplishments, but noted that the Kyoto Protocol fails to include the "specific, scheduled commitments" for developing countries identified as a condition to signing in last year's 95-0 Byrd-Hagel Resolution. He urged you to "wait and see what the next November meeting will produce and what can be accomplished in the meantime" and said that signing early "will compromise [the President's] flexibility in dealing with the developing countries over the next year." Byrd also urged you not to sign in an otherwise quite positive letter he sent shortly after Kyoto. Byrd's view is important, because as long as he is relatively satisfied with the way we are proceeding, he will probably refuse to join any hostile resolution that Sen. Hagel might wish to offer, and, without Byrd, Hagel is unlikely act. As things stand now, Hagel and Byrd have agreed not to do any new resolution, and that approach might hold even if we were to sign early; still, an early signing would rock the boat and might well prompt more aggressive steps by Hagel and his allies. At the least, signing will lead Hagel to demand that we submit the Protocol right away for the Senate's advice and consent, and our failure to do so may provoke a premature Senate debate on Kyoto.

One more point on Sen. Byrd. Although there is a good argument for trying not to antagonize him now by an early signing, we should also understand that waiting postpones but probably does not avoid conflict with him. Even if we wait until after Buenos Aires, we will still end up signing before a critical mass of key developing countries is on board (since it is very unlikely that they will be on board before the signing period ends) and Senator Byrd won't like that.

Senator Chafee, one of our few Republican supporters, agrees with Byrd's view that we should not sign right away. Senator Daschle believes that signing now would be divisive within the Democratic caucus. Other Democratic Senators -- including Lieberman, Baucus and Bob Kerrey -- believe we should sign soon (although Kerrey's views may be affected by local Nebraska politics) to underscore our success at Kyoto.

<u>Environmental community/business/labor</u>. At this time, the environmental community is inclined to leave the signing issue to our discretion rather than making it a major cause. A number of them believe that keeping Sen. Byrd in a moderate stance is quite important, and see the virtue of not taking a step that could antagonize him. Should signing become a high-profile issue however, the community would surely press for an early signing. On the business side, the most significant constructive coalition, the International Climate Change Partnership (including, BP, Enron, DuPont, GE and a number of other Fortune 500 companies), favors waiting until after Buenos Aires because they believe that would strengthen our leverage in negotiating the rules of trading and the CDM. Labor doesn't think we should sign at all until we get developing countries on board, so waiting to sign would at least defer a negative reaction from them.

<u>Options</u>

1. Sign in March, when Protocol opens for signature. Signing immediately would send a strong signal that you consider the Kyoto Protocol to be an important success; would avoid any risk of international isolation; and would prevent an anti-signing campaign from revving up -- particularly if we signed without a great deal of advance notice. The risks are that we would make Sen. Byrd unhappy and could provoke a premature fight in the Senate, once Senator Hagel demands that we immediately submit the Protocol for ratification. Protracted division in the Senate over Kyoto could complicate efforts to advance our domestic climate change agenda. And sharp debate on this issue during 1998 would likely be unwelcome among some number of House and Senate Democrats. Labor is also likely to react badly.

2. Announce that we expect to sign the Protocol after Buenos Aires. This approach would be generally popular on the Hill and would minimize the chance of divisive congressional resolutions. It would also be popular among business. But there are substantial downsides. First, this announcement would inevitably put intensified focus on the issue of signing and raise the bar for Buenos Aires, suggesting that unless we got what we wanted in certain key respects, we might not sign. Second, we could find ourselves isolated internationally if the other major players sign the Protocol relatively early. Third, we could find ourselves criticized by the environmental community, if signing becomes an issue and they decide to press for early action.

3. State clearly that we intend to sign, but remain flexible on the timing. The object of this approach would be to defer signing initially, while recognizing that circumstances might lead us to want to sign well in advance of Buenos Aires. The reason for deferring signature at the outset would be to avoid crossing swords with Senator Byrd and provoking an unwelcome debate on the Hill or an early attack from business or labor. At the same time, we might conclude over time that our failure to sign was threatening to become counterproductive -- by diminishing our leverage with the EU or developing countries, or by provoking unwelcome international or domestic pressure. For example, if the other G-8 countries end up signing early and it appears that our failure to sign would be problematic in the context of the G-8 in Birmingham, you might decide that we should sign promptly, notwithstanding difficulties that might cause on the Hill. *At the least, this approach would give us a few more months to try to build support for our policy before a debate is launched. At most, this approach could lead us to sign after the Buenos Aires meeting, at a point when Congress would have adjourned.*

Senator Daschle would see the approach as reasonable. Senator Byrd, while preferring no signature until we get developing countries on board, would definitely prefer this approach to an immediate signing and would not criticize us -- at least until we signed. Nor would this approach be likely to provoke hostile action from Sen. Hagel.

Our talking point for Administration officials would be:

> ***Like other countries, we will be signing the Kyoto Protocol within the one-year signing period provided for in the agreement. We haven't made any determination yet as to the precise time of signing.***

This approach would carry some risk, though not as great as Option 2. Holding off on signing, even in an unspecified way that retains flexibility, would, again, raise the question of what progress is enough (either at Buenos Aires or before) to warrant signing. But the premise of this option is that if the downsides of not signing came to appear significant, we could always decide to pull the trigger and sign. Jim Steinberg, Katie Mcginty, Gene Sperling and Todd Stern favor this approach, as does State.

Option 1___ Option 2___ Option 3___ Discuss___

The Kyoto Protocol on Climate Change
State Department Fact Sheet
January 15, 1998

BACKGROUND

- At a conference held December 1 - 11 1997, in Kyoto, Japan, the Parties to the UN Framework Convention on Climate Change agreed to an historic Protocol to reduce greenhouse gas emissions by harnessing the forces of the global marketplace to protect the environment.

- The Kyoto Protocol in key respects – including emissions targets and timetables for industrialized nations and market-based measures for meeting those targets – reflects proposals advanced by the United States. The Protocol makes a down payment on the meaningful participation of developing countries, but more needs to be done in this area. Securing meaningful developing country participation remains a core U.S. goal.

EMISSIONS TARGETS

- A central feature of the Kyoto Protocol is a set of binding emissions targets for developed nations. The specific limits vary from country to country, though those for the key industrial powers of the European Union, Japan, and the United States are similar – 8% below 1990 emissions levels for the EU, 7% for the U.S., 6% for Japan.

- The framework for these emissions targets is based largely on U.S. proposals:

  - **Emissions targets are to be reached over a five-year budget period as proposed by the U.S., rather than by a single year**. Allowing emissions to be averaged across a budget period increases flexibility by helping to smooth out short-term fluctuations in economic performance or weather, either of which could spike emissions in a particular year.

  - **The first budget period will be the U.S. proposal of 2008-2012.** The Parties rejected proposals favored by others, including budget periods beginning as early as 2003, that were neither realistic nor achievable. Having a full decade before the start of the binding period will allow more time for U. S. companies to make the transition to greater energy efficiency and/or lower carbon technologies.

  - **The emissions targets include all six major greenhouse gases.** The EU and Japan initially favored counting only three gases – carbon dioxide, methane, and nitrous oxide. Ensuring the inclusion of the additional gases (synthetic substitutes for ozone-depleting CFCs) that are highly potent and long-lasting in the atmosphere provides more comprehensive environmental protection and lends more certainty concerning the treatment of the additional gases.

- **Activities that absorb carbon, such as planting trees, will be offset against emissions targets.** The treatment of these so-called "sinks" was another controversial issue at Kyoto. Many countries wanted sinks to be excluded. The United States insisted that they be included in the interest of encouraging activities like afforestation and reforestation. Accounting for the role of forests is critical to a comprehensive and environmentally responsible approach to climate change. It also provides the private sector with low-cost opportunities to reduce emissions.

Is the target the United States agreed to actually 7% lower than what the President proposed in October?

No. The 7% target represents at most a 3% real reduction below the President's initial proposal of reducing greenhouse gases to 1990 levels by 2008-2012. The remaining 4 percentage points result from certain changes in the way gases and sinks are calculated and do not reflect any increase in effort as compared to the President's original proposal.

- **Changing the baseline for the three synthetic greenhouse gases from 1990 to 1995 accounts for about 1% of the 7% reduction**. Use of these three gases has grown since 1990, so that permitting a 1995 baseline allows for a higher overall baseline than the Administration assumed last October when the President announced his goal of reaching 1990 levels by 2008-2012. Making reductions to meet a higher baseline is of course easier than making reductions to meet a lower baseline. Had the United States maintained the same level of effort assumed by the President in October, and no other factors had changed, the shift to a 1995 baseline for the three synthetic gases would, alone, have transformed the President's goal of 1990 levels into a goal equivalent to 1% below 1990 levels.

- **Altering the accounting method for carbon-absorbing activities, such as planting trees, accounts for about 3% of the 7% reduction**. The President's original goal assumed that the 1990 baseline would be lowered by carbon-absorbing activities, but under the method agreed in Kyoto, such activities do not lower the 1990 baseline. Because the 1990 level baseline is thus higher under the Kyoto agreement, the U.S. target becomes somewhat less stringent. Specifically, had the U.S. maintained the same level of effort assumed by the President in October, and no other factors had changed, the shift in the accounting method for carbon-absorbing activities would, alone, have transformed the President's goal of 1990 levels into a goal equivalent to at least 3% below 1990 levels. (As noted above, certain carbon-absorbing activities will count against emission reduction commitments in the budget period.)

INTERNATIONAL EMISSIONS TRADING

- The United States prevailed in securing acceptance of emissions trading among nations with emissions targets. This free market approach, pioneered in the U.S., will allow countries to seek out the cheapest emissions reductions, substantially lowering costs for the U.S. and others.

- Countries may decide, among themselves, how to account for emissions relating to multilateral operations (for example, U.S. training in another NATO country). This provision avoids the need to use emissions trading to allocate such emissions.

COMPLIANCE AND ENFORCEMENT

- The Protocol contains several provisions intended to promote compliance. These include requirements related to measurement of greenhouse gases, reporting, and review of implementation.

- The Protocol also contains certain consequences for failure to meet obligations. For example, as a result of a U.S.-proposed provision, a Party not in compliance with its measurement and reporting requirements cannot receive credit for joint implementation projects.

- Effective procedures and a mechanism to determine and address non-compliance are to be decided at a later meeting. For both environmental and competitiveness reasons, the United States will be working on proposals to strengthen the compliance and enforcement regime under the Protocol.

ENTRY INTO FORCE

- The Kyoto Protocol will be open for signature in March 1998. To enter into force, it must be ratified by at least 55 countries, accounting for at least 55 percent of the total 1990 carbon dioxide emissions of developed countries. U.S. ratification will require the advice and consent of the Senate.

- Under an emissions trading regime, countries or companies can purchase less expensive emissions permits from countries that have more permits than they need (because they have met their targets with room to spare). Structured effectively, emissions trading can provide a powerful economic incentive to cut emissions while also allowing important flexibility for taking cost-effective actions.

- The Kyoto Protocol enshrines emissions trading. Rules and guidelines – in particular for verification, reporting, and accountability – are to be discussed at the next meeting of the Parties at Buenos Aires in November 1998.

- The inclusion of emissions trading in the Kyoto Protocol reflects an important decision to address climate change through the flexibility of market mechanisms. Led by the United States, the Conference rejected proposals to require all Parties with targets to impose specific mandatory measures, such as energy taxes.

- The United States also reached a conceptual agreement with a number of countries, including Australia, Canada, Japan, New Zealand, Russia and Ukraine, to pursue an umbrella group to trade emissions permits. Such a trading group could further contribute to cost-effective solutions to this problem.

JOINT IMPLEMENTATION AMONG DEVELOPED COUNTRIES

- Countries with emissions targets may get credit towards their targets through project-based emission reductions in other such countries. The private sector may participate in these activities.

- Additional details may be agreed upon by the Parties at future meetings.

CLEAN DEVELOPMENT MECHANISM

- Another important free market component of the Kyoto Protocol is the so-called "Clean Development Mechanism" (CDM). The CDM embraces the U.S. proposal for "joint implementation for credit" in *developing* countries.

- With the Clean Development Mechanism, developed countries will be able to use certified emissions reductions from project activities in developing countries to contribute to their compliance with greenhouse gas reduction targets.

- This Clean Development Mechanism will allow companies in the developed world to enter into cooperative projects to reduce emissions in the developing world – such as the construction of high-tech, environmentally sound power plants – for the benefit of both parties. The companies will be able to reduce emissions at lower costs than they could at home, while developing countries will be able to receive the kind of technology that can allow them to grow more sustainably. The CDM will certify and score projects. The CDM can also allow developing countries to bring projects forward in circumstances where there is no immediate developed country partner.

- Under the Clean Development Mechanism, companies can choose to make investments in projects or to buy emissions reductions. In addition, Parties will ensure that a small portion of proceeds be used to help particularly vulnerable developing countries, such as island states, adapt to the environmental consequences of climate change.

- Importantly, certified emissions reductions achieved starting in the year 2000 can count toward compliance with the first budget period. This means that private companies in the developed world will be able to benefit from taking early action.

DEVELOPING COUNTRIES

- Various Protocol provisions, taken together, represent a down payment on developing country participation in efforts to reduce greenhouse gas emissions:

    - Developing countries will be engaged through the Clean Development Mechanism, noted above.

    - The Protocol advances the implementation by *all* Parties of their commitments under the 1992 Framework Convention on Climate Change. For example, the Protocol identifies various sectors (including the energy, transport, and industry sectors as well as agriculture, forestry, and waste management) in which actions should be considered in developing national programs to combat climate change and provides for more specific reporting on actions taken.

- Developing countries may, as a prerequisite for engaging in emissions trading, voluntarily assume binding emissions targets through amendment to the annex of the Protocol that lists countries with targets. The Kyoto Protocol does not include a separate article for nations to voluntarily assume binding emissions targets.

- Securing meaningful participation from key developing countries remains a priority for the United States. The Administration has stated that without such participation, it will not submit the Kyoto Protocol to the Senate for advice and consent to ratification.

MILITARY EMISSIONS

- The Kyoto Protocol achieves the objectives identified by the Department of Defense where international agreement was necessary to protect U.S. military operations.

    - Emissions from "bunker" fuels (for international maritime or aviation use) are exempted from emissions limits.

    - Emissions from multilateral operations pursuant to the United Nations Charter are exempted from emissions limits. This includes not only multilateral operations expressly authorized by the UN Security Council (such as Desert Storm, Bosnia, Somalia) but also multilateral operations not expressly authorized that are nonetheless pursuant to the UN Charter, such as Grenada.

File

THE WHITE HOUSE
WASHINGTON

February 28, 1998

MR. PRESIDENT:

Attached are the following weekly information items:

(A) **Weekly Economic Briefing**

(B) **Interest Rates and the Stock Market (CEA) and Update on Emerging Markets (Treasury)**

3-2-98

(C) **DPC Report**

(D) **NEC Report**

(E) **CEQ Report**

(F) **Emanuel Report**

(G) **Legislative Report**

(H) **Race Initiative Report**

(I) **Public Liaison Report**

(J) **Intergovernmental Report**

(K) **Cabinet Affairs Report**

(L) **Political Report**

Phil Caplan

Phil

Clinton Presidential Records
Digital Records Marker

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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **A**

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EYES ONLY

'98 FEB 27 AM8:37

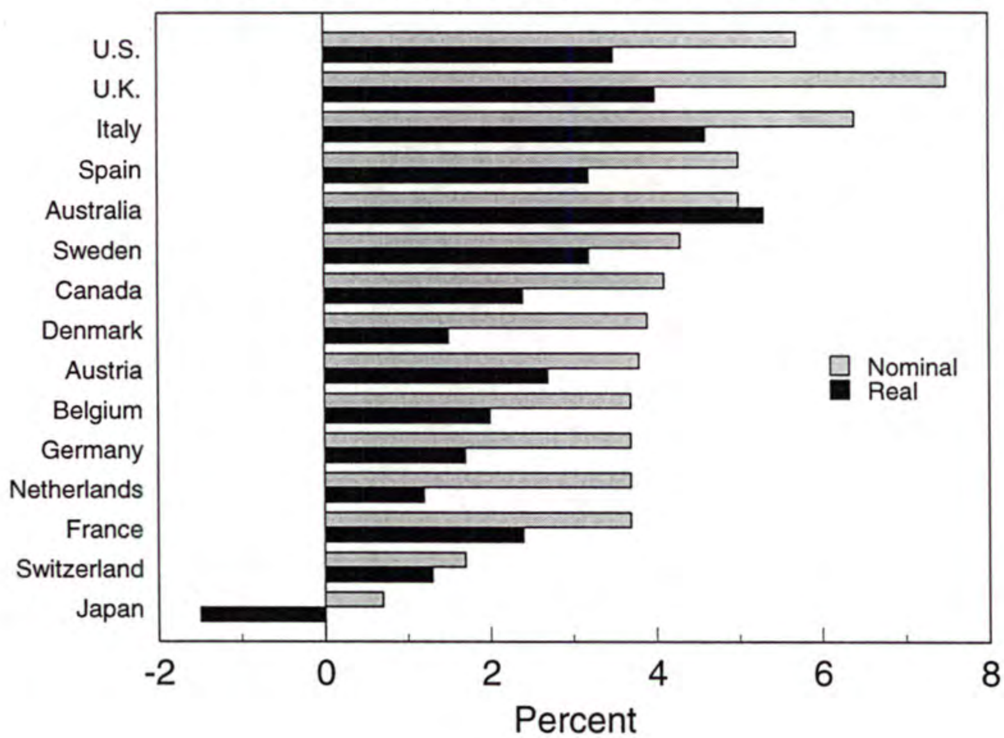
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

February 27, 1998

CHART OF THE WEEK

Nominal and Real Short-Term Interest Rates



Short-term (3-month) interest rates in the United States are near the upper end of the range among industrialized countries. Japan's nominal rate is so low that even with a relatively modest rate of inflation its real rate (the nominal rate minus inflation) is negative. Australia is the only country in the group experiencing actual deflation (which produces a real rate that is higher than the nominal rate).

EYES ONLY

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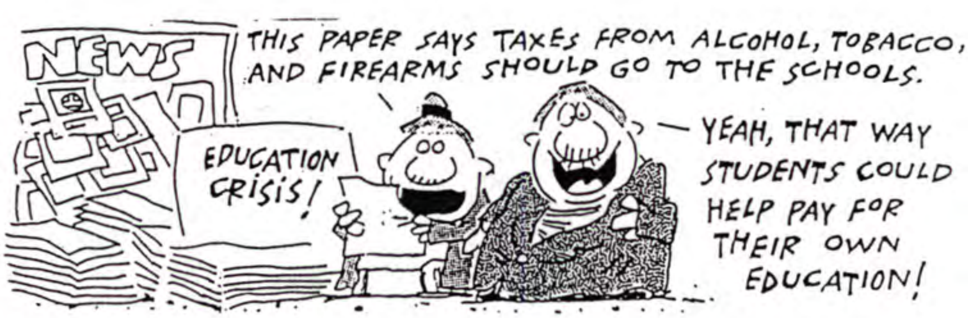


CURRENT DEVELOPMENT

U.S. Trade Data Show Some Signs of the Asia Crisis

It is widely expected that the financial crisis in East Asia, which has developed since the floating of the Thai baht last July, will cause the U.S. trade deficit to deteriorate over the coming year. So far, however, the main impact has been a modest decline in U.S. exports to the region; imports have remained stable.

Nominal Imports & Exports: Crisis Countries

Exports. As expected, U.S. exports of goods to the most hard-hit countries (South Korea, Indonesia, Thailand, Malaysia, and the Philippines) fell in the second half of 1997 (see chart). This decline of about $8 billion at an annual rate is large enough to show up noticeably in our trade with these countries—though the decline equals just 1.1 percent of our total goods exports and just 0.1 percent of our GDP.

No import surge. The feared tsunami of imports from the affected countries has not yet appeared. Nominal U.S. imports from the five crisis countries increased sharply in the third quarter. But official bilateral trade data are not seasonally adjusted, and CEA's exploratory efforts at seasonal adjustment suggest that much of this increase can be explained by factors such as purchases of consumer goods in anticipation of Christmas. Seasonally adjusted nominal imports of goods from the five countries grew at only a $3.6 billion annual rate in the second half of 1997. Seasonal adjustment does, however, result in a larger December trade deficit in goods with these countries.

The future. Some reports suggest that one reason imports have not grown more, as yet, is that disruptions in the countries' banking systems have made it difficult for would-be exporters to get needed trade credit. Also, it typically takes time for currency depreciations to translate into greater imports. Asian currencies have continued to depreciate, hence, the effect on bilateral trade deficits is likely to grow.

EYES ONLY

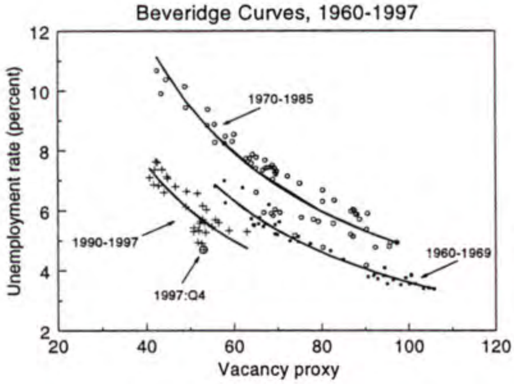
SPECIAL ANALYSIS

The Beveridge Curve

Economists often use the Phillips curve—a relationship between the unemployment rate and the inflation rate—to assess labor market tightness. A different curve, named for the British economist William Beveridge, receives less attention but may also provide useful information about labor-market slack.

What is it? The Beveridge curve relates the unemployment rate to unfilled job openings (vacancies). During a recession, firms tend to have few job openings and unemployment is high. In an expansion, by contrast, demand for labor is high—firms have many vacancies—and the unemployment rate is low. This yields a downward-sloping relationship between unemployment and vacancies (see chart). The chart uses a proxy for vacancies based on an index of help-wanted advertising, because the government does not currently collect vacancy data. However, the 1999 Budget requests funds to collect and publish national data on job vacancies and labor turnover.

Beveridge Curves, 1960-1997



What does it tell us? If demand for labor is high relative to its supply, the level of vacancies will be high relative to unemployment. Thus, points that lie on the lower right of the Beveridge curve might be associated with greater inflationary pressure.

Shifts over time. The Beveridge curve appears to have shifted several times. Such shifts generally reflect structural changes in the labor market. For example, shifts in the composition of demand for labor across industries or regions could increase the degree of mismatch between unemployed workers and available jobs, leading to an outward shift in the curve (as more unemployment is associated with any given level of vacancies). Demographic factors can also shift the curve. In particular, the entry of the baby-boom cohorts into the labor market may have contributed to the curve's outward shift in the 1970s. By contrast, more efficient matching of workers and jobs could cause the curve to shift in, with less unemployment being associated with a given level of vacancies. Evidence of recent shifting should be interpreted with caution, however, because of potential problems with the help-wanted index as a proxy for vacancies (for example, it does not capture shifts in advertising to suburban newspapers, Internet job postings, or growth in the temporary help industry).

Where are we now? The unemployment rate is low at present, but vacancies do not seem overly high. Moreover, the Beveridge curve appears to have shifted inward, in which case, better matching of workers to jobs could be one reason why low levels of unemployment have not been associated with significant wage acceleration.

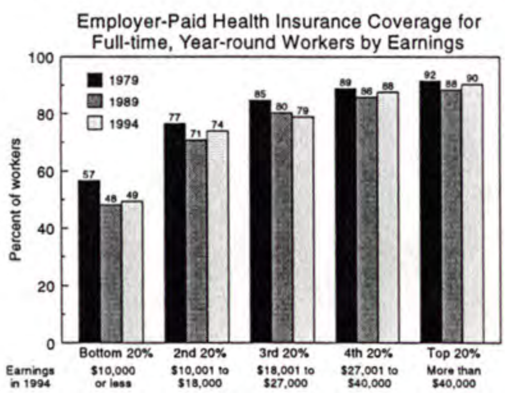
EYES ONLY

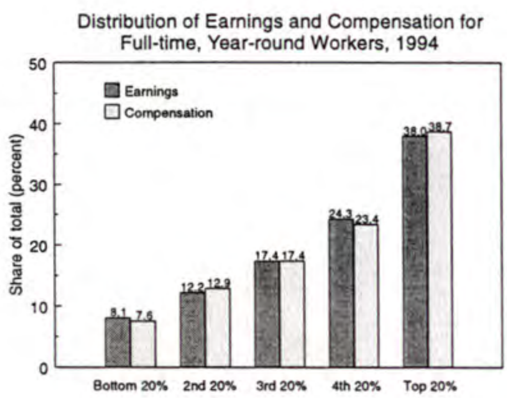
SPECIAL ANALYSIS

Inequality of Earnings and Health Benefits

A number of studies have documented the rise in earnings inequality over the past two decades. But earnings are just one part of labor income. A more complete analysis would look at total compensation, which includes pension and health benefits, payroll taxes, and contributions to workers' compensation and unemployment insurance.

A first step. A recent study provides a partial analysis of the impact of non-wage benefits on inequality. It constructs a measure of compensation that includes both earnings and the imputed value of health insurance. It then compares the distribution of earnings with the distribution of this measure of compensation among 25- to 54-year-old full-time, year-round workers in 1979, 1989, and 1994.





Employer-paid health benefits. In each of the 3 years examined, workers at the bottom of the earnings distribution were far less likely than those at the top to have employer-paid health insurance (see upper chart). In 1994, for example, 49 percent of workers in the bottom fifth of the earnings distribution had some fraction of health insurance paid by their employer, compared with 90 percent of those in the top fifth. However, among those receiving them, health benefits represented a larger proportion of earnings for workers at the bottom.

Compensation. Even though employer-paid health benefits are distributed quite unevenly, the distribution of compensation looks very similar to that of earnings alone (see lower chart). This is because health benefits are a relatively small portion of compensation (less than 10 percent in this study).

Conclusion. Total compensation provides a more complete picture of the distribution of labor market rewards than earnings. Employer-paid health insurance alone appears to be too small a share of total compensation to affect our picture of earnings inequality. But a more complete analysis could produce different results, because total non-wage benefits represent more than a quarter of total compensation, and their share of compensation has been increasing.

EYES ONLY

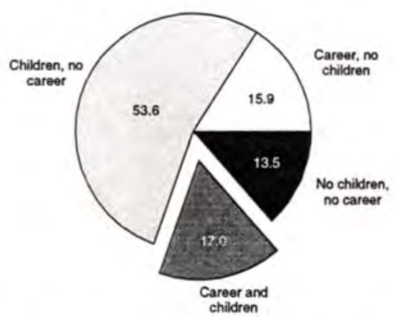
ARTICLE

Having It All? Marriage, Motherhood, and Wages

Many college-educated women of the baby-boom generation aspired to have both a career and a family by mid-life. But a recent study finds that surprisingly few were able to do so as of the late 1980s. A more positive finding from another study is that childbearing does not seem to reduce women's pay at age 30 as much as it used to.

The facts of wife. A study of white female college graduates born between 1944 and 1954 finds that only 17 percent had both children and a career as of the late 1980s, when these women were in their late 30s and early 40s (see upper chart). Career is defined here as having had an hourly wage that would have put them above the bottom quarter of the white male college graduate wage distribution in both 1987 and 1988. Other definitions produce estimates ranging from 12 to 22 percent for the share of college women "having it all." Nearly half of women with careers were childless, compared with about a fifth of women without careers.

Career and Family Status of White Female College Graduates Aged 35-45, Late 1980s



Family, children, and the gender gap in pay. Another study finds that the gender gap in pay narrowed from about 36 percent in 1980 to about 16 percent in 1991 for all women at age 30—and it was nearly erased for childless women (see lower chart). Two factors were most important in explaining the narrowing of the gender gap in pay. Relative to men, women experienced a large decrease—from 28 percent to 13 percent—in the wage penalty associated with having two or more children, and they experienced an increase in the rate at which pay rises with age. Nonetheless, gender differences in the effects of family and age on pay can account for the entire gender gap in pay at age 30.

Male-Female Wage Differences at Age 30

The effects of maternity leave policies. The study also examined the effects of job-protected maternity leave on the continuity of employment following childbirth and on pay. Among women who worked when pregnant, those who returned to their "pre-birth" employer within a year of giving birth experienced faster wage growth than those who did not. And their wage growth was nearly as fast as that of women who remained childless. Among women who gave birth, wage growth was fastest for those returning to an employer who offered formal maternity leave coverage. Maternity leave coverage appears to raise pay mainly by increasing attachment to a specific employer, rather than by increasing attachment to the labor market more generally. (The study period ended in 1991, before passage of the Family and Medical Leave Act.)

Conclusion. Taken together, the two studies suggest that, although combining a professional career with family remains relatively rare for women, having a family has become less of an impediment to achieving equal pay with men. Still, as of 1991, family-related factors were among the most important explanations of differences in pay between men and women.

EYES ONLY

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Grants Should Flow from Flush Foundations. Driven in large part by the booming stock market, the combined endowments of 121 of America's wealthiest private foundations increased by more than 22 percent last year, according to *The Chronicle of Philanthropy*. The extraordinary $23.2 billion growth of these endowments is expected to trigger a big increase in grant making in 1998, because private foundations are required by law to spend a minimum of about 5 percent of their investment assets each year for charitable purposes. The Lilly Endowment experienced the largest dollar increase, doubling its assets to almost $13 billion and displacing the Ford Foundation ($9.6 billion) as the nation's wealthiest grant maker. Four foundations saw their assets grow by more than $1 billion last year: Lilly, Ford, the W.K. Kellogg Foundation, and the Robert Wood Johnson Foundation.

GAO Finds That Students Borrow More, Work More to Pay Tuition. The percentage of students who had borrowed by the time they completed their undergraduate program (and received a bachelor's degree, associate degree, or award or certificate) increased from 41 percent in 1992-93 to 52 percent in 1995-96, according to a new study by the General Accounting Office. The average debt of graduating seniors who had borrowed rose about $2,200, to about $13,300. The share of such graduates with $20,000 or more of student debt grew from 9 percent to 19 percent. Students also financed rising costs through work. During 1995-96, more than two-thirds of full-time undergraduates worked while enrolled, a slight increase from 1992-93. No data are available on the growth of parental debt to finance children's education over this period.

Employers Report Near-Record Recruiting Plans. Employers throughout the country are planning one of the most active worker recruiting efforts on record during the second quarter of 1998, according to a recent telephone survey of 16,000 public and private businesses in 487 cities. About a third of those surveyed plan to recruit additional staff in the second quarter; about 60 percent plan no change; 5 percent plan reductions; and 4 percent were uncertain about their future employment plans. These hiring plans are stronger than the first quarter, when less than a quarter of the employers surveyed were planning to increase their staff, while 10 percent planned reductions. The construction industry plans the most active hiring of any industry surveyed, reporting its most optimistic second-quarter hiring plan in 14 years. Overall, these hiring plans are the most ambitious seen in this survey since 1978.

Oil Prices Continue to Decline with Easing of Middle East Tensions. The one-month-out futures price for sweet light crude traded on the New York Mercantile Exchange fell this week to levels last seen in March 1994, closing at $15.35 per barrel on Thursday. Lower crude oil prices have been reflected in retail gasoline prices that have fallen below $1.00 per gallon for regular unleaded in some markets. Market participants point to several influences on oil prices, including higher OPEC production, reduced energy demand in East Asian economies, warmer temperatures in the northern hemisphere, and the possibility of increased oil sales from Iraq.

INTERNATIONAL ROUNDUP

Canada Unveils First Balanced Budget in 28 Years. Canadian Finance Officials have announced that the 1997-98 budget will be balanced for the first time since 1969-70 and will continue to be balanced for the next 3 years. Through fiscal stringency and strong economic growth, deficits have been reduced from $42 billion Canadian (more than 5 percent of GDP) in 1993-94, when the current government took office. Spending is projected to fall to 11.5 percent of GDP by 1999-2000, its lowest level in half a century. (However, new provisions have been made for tax relief for students and poorer families as well as for increased funding to provinces for health and education.) Past deficits have produced a national debt that is currently about 68 percent of GDP (the second highest among G-7 countries), and the government has made debt reduction its foremost priority in utilizing any budget surpluses. The government has set aside $3 billion in a contingency fund that, if not needed for unforeseen circumstances, will be used to pay down Canada's debt. Last year Canada's debt-to-GDP ratio fell for the first time in more than 20 years, and it is expected to reach 63 percent of GDP by 2000.

European Stock Markets Hit New Highs. Stock market indexes in the U.K., Germany, France, and several other European countries all recorded new highs this week. One reason for rising asset prices in many European countries is a convergence of interest rates down toward low German levels (see the Chart of the Week.) One explanation for the lower interest rates, in turn, is the rapid reduction in budget deficits among EU countries from over 6 percent of GDP only 5 years ago to levels projected to be well under 3 percent in 1997. EU member states are expected to announce economic statistics by Friday that will be used to determine which countries qualify under the Maastricht criteria for EMU and adoption of the euro in January 1999. Fiscal progress in Italy, Spain, and Portugal has been greater than forecast last year, and their budget deficits have now reached EMU-qualifying levels. Several EU countries are expected to run surpluses soon.

Brazilian Fiscal Reform Passes Its Highest Hurdle. The Brazilian senate has taken a major step toward reducing the nation's budget deficit in an initial vote approving changes to the constitution that would implement key civil service and social security reforms. Last fall, Asian currency contagion led to stock market losses and pressure on the real's peg to the dollar. This forced the government to raise short-term interest rates to the 30 to 40 percent range. The government's worsening primary budget balance, coupled with sizable interest payments on Brazil's public debt, put a number of fiscal reforms at the top of President Cardoso's agenda. Civil service reform will reduce government payrolls, and social security reform is expected to bring annual savings of $15 billion by 2006. In addition, the government plans to end the practice of bailing out state and local governments. Privatization is also continuing. Although the country seems to have avoided further contagion, interest rates remain high, which is likely to slow growth and create strains on the banking system throughout the next year.

EYES ONLY

RELEASES THIS WEEK

Gross Domestic Product
****Embargoed until 8:30 a.m., Friday, February 27, 1998****

According to revised estimates, real gross domestic product grew at an annual rate of 3.9 percent in the fourth quarter of 1997.

Advance Durable Orders

Advance estimates show that new orders for durable goods increased 0.7 percent in January, following a decrease of 5.5 percent in December.

Consumer Confidence

Consumer confidence, as measured by The Conference Board, rose 10 index points in February, to 138.3 (1985=100).

Consumer Price Index

The consumer price index was unchanged in January. Excluding food and energy, consumer prices rose 0.2 percent.

MAJOR RELEASES NEXT WEEK

NAPM Report on Business (Monday)
Leading Indicators (Tuesday)
Employment (Friday)

EYES ONLY

U.S. ECONOMIC STATISTICS

	1970-1993	1997	1997:2	1997:3	1997:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	**3.8**	3.3	3.1	**3.9**
GDP chain-type price index	5.4	1.8	1.8	1.4	**1.4**
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	2.2	2.3	3.6	2.0
Real compensation per hour:					
Using CPI	0.6	2.1	2.1	1.8	2.9
Using NFB deflator	1.3	2.4	2.0	2.7	3.5
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.5	10.4	10.7	10.5
Residential investment	4.5	**4.0**	4.0	4.1	4.1
Exports	8.2	11.9	12.0	11.9	12.0
Imports	9.2	13.1	13.1	13.3	**13.2**
Personal saving	5.3	2.8	3.1	2.6	2.8
Federal surplus	-2.7	N.A.	-0.5	-0.1	N.A.

	1970-1993	1997	Nov. 1997	Dec. 1997	Jan. 1998
Unemployment Rate	6.7**	4.9**	4.6	4.7	4.7
Payroll employment (thousands)					
increase per month			429	355	358
increase since Jan. 1993					14709
Inflation (percent per period)					
CPI	5.8	1.7	0.1	0.1	**0.0**
PPI-Finished goods	5.0	-1.2	-0.2	-0.2	-0.7

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.
GDP and related data for 1997:4 **embargoed until 8:30 a.m., Friday, February 27, 1998.**

EYES ONLY

FINANCIAL STATISTICS

	1996	1997	Dec. 1997	Jan. 1998	Feb. 26, 1998
Dow-Jones Industrial Average	5743	7441	7910	7808	8491
Interest Rates					
3-month T-bill	5.01	5.06	5.16	5.04	5.20
10-year T-bond	6.44	6.35	5.81	5.54	5.65
Mortgage rate, 30-year fixed	7.80	7.60	7.10	6.99	7.09
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	**Current level February 26, 1998**	**Percent Change from Week ago**	**Percent Change from Year ago**
Deutschemark-Dollar	1.812	-0.7	7.4
Yen-Dollar	127.7	1.2	4.8
Multilateral $ (Mar. 1973=100)	100.0	-0.3	5.3

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	**3.8** (Q4)	4.7 (Jan)	1.6 (Jan)
Canada	4.0 (Q3)	8.6 (Dec)	.7 (Dec)
Japan	1.0 (Q3)	3.5 (Dec)	1.8 (Dec)
France	2.6 (Q3)	12.4 (Dec)	1.2 (Dec)
Germany	2.3 (Q3)	7.8 (Nov)	1.8 (Dec)
Italy	2.1 (Q3)	12.2 (Oct)	1.5 (Dec)
United Kingdom	3.0 (Q4)	6.5 (Dec)	3.6 (Dec)

U.S. GDP data **embargoed until 8:30 a.m., Friday, February 27, 1998.**

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2546608

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

'98 FEB 27 PM6:59

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: JEFFREY A. FRANKEL JF

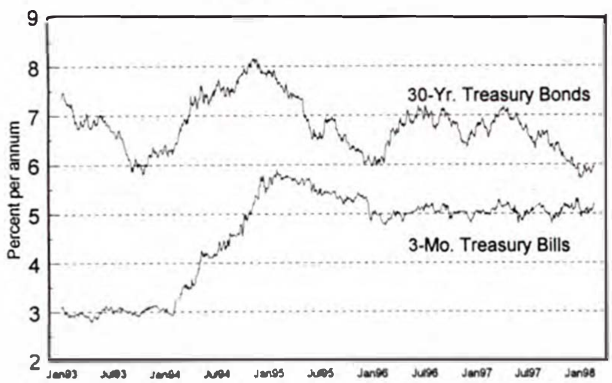
SUBJECT: Interest Rates and the Stock Market, Week Ending Friday, February 27, 1998

Interest rates rose this week. Much of the rise in long-term rates occurred on Tuesday, following Fed Chairman Greenspan's Humphrey-Hawkins testimony.

	Close 2/20/98	Close 2/27/98	Change
3-month bills	5.08	5.18	+0.10
10-year notes	5.54	5.62	+0.08
30-year bonds	5.87	5.92	+0.05

Stocks finished higher this week. The Dow-Jones Industrial Average rose 1.6 percent to close the week at a new record high of 8545.72. The broad-based S&P 500 index rose 1.5 percent, and also finished the week at a new record high. The Nasdaq composite index reached new record highs earlier in the week, but then fell back on Friday to close 2.5 percent higher than the preceding week.

Daily Interest Rates



Dow Jones Industrial Average

2546 71

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin R. E. R.

SUBJECT: Update on Emerging Markets
The Week Ending February 27, 1998

- **Indonesia:** Markets were generally calm this week awaiting the outcome of this weekend's ASEAN Finance Ministers' meeting and the start of the National Consultative Assembly (MPR) next week. The rupiah weakened on Monday but ended the week essentially flat. The stock market traded in a narrow range for most of the week and closed down 2.6% from last Friday. Interest rates were generally unchanged.

- **Korea:** Korean markets were slightly volatile this week, with the stock market rising Monday, before falling in the run-up to the February 25th inauguration of President Kim Dae-jung. A boycott of Kim's candidate for prime minister by the majority opposition party caused some investor wariness, however, the stock market ended up 6.8% for the week. The won fluctuated during the week, but significant foreign purchases of Korean equities helped the currency end the week up 2.3%.

- **Malaysia:** PM Mahathir announced this week that Malaysia may increase limits on foreign ownership of banks, construction, and telecom companies which is currently 30%. He stipulated that approvals would be made on a case-by-case basis, so it is unclear whether this policy will have a significant impact on strengthening bank and corporate capitalization.

- **Latin America:** Latin markets rose modestly during Carnival week, with stock market indexes advancing in Brazil, Mexico and Argentina. Mexico led with a stock market gain of 3.7%. International borrowing costs edged closer to pre-crisis lows, and Argentina's successful issue of $500 million in Eurobonds offered a further sign that Latin debt markets are returning to normal.

- **Russia:** Equity, debt and currency markets ended the week on a bullish note after dipping Thursday on news of President Yeltsin's sudden departure from an important meeting of his cabinet ministers. Markets were buoyed today by the Russian Central Bank's decision to lower key interest rates from 39% to 36% and MinFin's announced plans for new Eurobond issues in March and April.

- **Ukraine:** Despite significant National Bank of Ukraine intervention, the hryvnia's slide accelerated to a 2.2% drop this week. Reserves fell to $1.9B (4.3 weeks of imports), but were subsequently bolstered by the arrival of $403M in Eurobond proceeds.

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254690

'98 FEB 28 PM6:

THE WHITE HOUSE

WASHINGTON

February 28, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Safety -- Drunk Driving Event: You are currently scheduled to do a Rose Garden event on Tuesday to highlight the need for a nationwide standard for drinking and driving. You will urge Congress to enact an amendment to ISTEA legislation to make .08 blood alcohol content (BAC) the limit for drivers across the nation. The amendment, which will be offered by Sens. Lautenberg and DeWine, gives states three years to adopt .08 BAC limits, on penalty of losing highway construction funds. To date, 15 states already have adopted .08 BAC laws. We are also preparing a directive to the Secretary of Transportation, instructing him to develop a plan to set .08 BAC as the legal limit on federal property, such as national parks and military installations.

2. Tobacco -- Legislative Developments: The Senate is making good progress on tobacco legislation, although the House remains stalled. In the Senate, Sens. Harkin and Chafee are continuing to work on a comprehensive bill and may make an announcement as early as this week. We would like to give immediate and strong support to this bipartisan effort; we will make a recommendation to you as soon as we get fuller information about the bill's contents. Sens. McCain and Hatch are also working together on comprehensive legislation (apparently with the blessing of Sen. Lott) and have started conversations with Sen. Breaux and farm-state Democrats. McCain and Hatch both complimented the Administration last week for the assistance it is providing to Congress on tobacco legislation (see entry #3, below). In the House, Rep. Fazio is getting ready to introduce a version of the Conrad bill -- once again, with only Democrats signing on -- but there is little other activity. Rep. Bliley would like to make a push for comprehensive bipartisan legislation, but the Republican leadership has not yet authorized him to do so; in any event, he and the key Democrats on his committee (Reps. Dingell and Waxman) may remain too far apart on too many issues to make such a bipartisan bill a real possibility.

3. Tobacco -- Letters to Congress: Bruce sent a letter to Sen. McCain on Friday, enclosing responses to 74 questions that the Senator had asked the Administration about tobacco legislation. Most of the questions related to restrictions on advertising designed to reduce youth smoking. In our responses, drafted with extensive input from the Department of Justice and HHS, we explain that the advertising restrictions contained in our FDA rule are consistent with the First Amendment. We go on to explain that the broader advertising restrictions included in the June 20th settlement, although potentially very valuable in reducing youth smoking, raise significant constitutional concerns if imposed by legislation. Some Members of Congress may use these responses to argue that only a settlement -- and not simply legislation -- can achieve the goal of reducing youth smoking. We will not make this argument ourselves, because we do not want to suggest that we need the consent of the tobacco industry to accomplish something meaningful in this area. To the contrary, we will stress the ability of comprehensive legislation to impose real pain on the industry for continuing to market to minors. But in the long run, this letter may help to create the conditions for a bipartisan agreement on tobacco by providing a rationale for giving certain legal protections to the industry (without which many Republicans and farm-state Democrats will resist legislation).

In a separate letter sent last week, responding to questions from Sen. DeWine, the Department of Justice expressed skepticism about the need to include antitrust exemptions for tobacco manufacturers in comprehensive legislation. The Department particularly criticized proposals to provide exemptions for price-fixing or for dealings with distributors and retailers. It did, however, leave open the possibility of a narrowly drawn exemption for agreements on advertising to minors.

4. Tobacco -- Fourth Circuit Decision: Judge Russell -- one of the three Fourth Circuit judges who heard argument in the lawsuit challenging the FDA's rule -- died last week (at the age of 92). Judge Russell was very hostile to the FDA's argument during oral argument. If the other two judges are split, they will have to set the case for reargument. If they are in agreement, they could still issue a decision.

5. Health -- Medicare Commission Meeting: You are currently scheduled to meet with the Medicare Commission on Thursday, the day before its first official session. We do not expect the Commission to take any important action at its first session: the members probably will try to set a long-term agenda and then focus on questions of process and procedure. The Commission's kick-off may nonetheless attract significant media attention, and your meeting with the members offers a good opportunity to demonstrate your commitment to solving the long-term financing challenges facing the Medicare program. We recommend that you urge the members to work in a bipartisan spirit, and that you relate their effort to the activities you are undertaking to develop consensus on needed Social Security reforms. We also are considering whether you should announce some general principles on Medicare reform to guide the Commission's work in the future.

6. Health -- Patients' Bill of Rights Legislation: The Democratic Leadership is expected to unveil its version of the patients' bill of rights in about a week. The legislation will go beyond your Quality Commission's recommendation by providing for judicial enforcement of the bill of rights and requiring health plans to cover all clinical trials, breast reconstructive surgery, and other services associated with mastectomies. (Sen. D'Amato is expected to offer an amendment on the Senate floor in the next few weeks that will impose similar new benefits requirements on health plans, including services associated with mastectomies and second opinions for cancer patients.) Both the benefits requirements and -- perhaps even more -- the enforcement provisions are very controversial, especially with the business community. Opponents will argue that these measures will lead to increased litigation, higher premiums, and more uninsured Americans. These claims are overblown, but they will have great effect in Congress. Because the Democratic Leadership version of the Bill of Rights stands little or no chance of passing, our challenge is to indicate support for the legislation without undermining our ability to back an eventual more moderate proposal. We are meeting with the Democratic Leadership this week to construct a communications and legislative strategy.

7. Welfare Reform -- Exempting Workfare from FICA Taxes: The IRS and the Department of Treasury's Tax Policy Division have prepared a draft notice stating that workfare positions are not subject to FICA taxes. As you recall, Democratic and Republican Governors alike have long sought this result, and you have indicated support for legislation to achieve it. The IRS/Treasury draft notice specifically states that it addresses only the status of workfare programs under federal tax law, and not under any employment law (including the minimum wage). The unions nonetheless fear that a court may use the notice to support the argument that workfare is really only a welfare payment -- not employment subject to the minimum wage and other requirements. Disinterested lawyers say that a court could take this approach, but that the notice is drafted to minimize the risk as far as possible. IRS and Treasury officials are currently considering whether to publish the notice.

8. Welfare -- Fatherhood Initiatives: Rep. Shaw, joined by Chairman Archer and other Republican members of the Ways and Means Committee, introduced a new $2 billion block grant proposal on Thursday to enhance fatherhood and parental responsibility. Shaw described the initiative as the next step in welfare reform and as a way "to help children by providing them with more than a working mother and sporadic child support." Under the initiative, states would award funds to community-based projects that encourage marriage and better parenting by fathers and help fathers to obtain employment or get better jobs. Although the bill is good politics, there is little reason to think that such an open-ended block grant will produce results. We are exploring alternative ideas in case Congress decides to take up "fatherhood" as an issue, including providing workfare slots for unemployed delinquent fathers and insisting that they work off their back child support.

9. Education -- Feinstein Ballot Initiative: You recently asked us whether you should support a California ballot initiative that Sen. Feinstein has proposed, called the "Excellence and Accountability in Education Act of 1998." The initiative contains many elements that reflect or complement your own agenda: requiring grade-by-grade education standards; ending social promotions and providing mandatory summer school for students who do not meet standards; expanding California's existing class-size reduction program; lengthening the school year; and improving teacher quality through such steps as providing incentives to recruit well-trained new teachers, raising teacher certification requirements, and rewarding outstanding teachers. But the proposed funding mechanism -- a $1 per pack state tobacco tax -- makes it difficult for you to endorse the Feinstein initiative at this time. Your support for such a significant state tobacco tax increase, over and above the new federal tobacco revenues contemplated in your budget, would only further complicate the effort to pass comprehensive tobacco legislation during this Congress.

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'98 FEB 28 PM5:22

THE WHITE HOUSE

WASHINGTON

February 28, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: **GENE SPERLING**

RE: **NEC Weekly Report**

cc: **ERSKINE BOWLES**

Social Security: On Tuesday, Frank Raines, Larry Summers, and Ken Apfel testified before the Senate Budget Committee's Task Force on Social Security. The testimony offered us the opportunity to explain in more detail how the Save Social Security First policy works; it was well-received and helped to address some of the lingering questions about the mechanics of our policy. On Thursday, Secretary Rubin appeared at a press conference with Senator Daschle and others to announce a sense of the Senate resolution on the Save Social Security First policy. Larry Stein and I had asked them to offer such a resolution as part of our effort to lock in a commitment to reserving the surplus this year. We will be working to ensure that the resolution is brought to a vote in the near future. Meanwhile, the Economic team continues to meet regularly in my office to discuss both strategy and substance on our Social Security reform effort.

Sunsetting the Tax Code -- Strategy Update: We are preparing an event on Monday where you can outline the case against sunsetting the tax code -- perhaps in front of the annual Mortgage Bankers Association legislative conference, a fairly conservative group that would be sympathetic to our message. A group of your economic and political advisers have been meeting to discuss our strategy this past week. With the Senate signaling that the proposal will be endorsed in their budget resolution, the time is right to begin to aggressively make our case. While positioning you as willing and open to consideration of reform, we would argue this proposal would raise tremendous economic uncertainty, threatening business investment, home values, and people's health insurance, all in an effort to impose tax schemes that would be harmful to working people.

Student Loan Interest Rate: The Treasury Department released its report on Wednesday, and the Vice President, Secretary Riley and I briefed reporters on our proposal: Giving students the same interest rate as is projected to go into effect in July, but changing the instrument (keeping it based on a Treasury bill) that determines the lender's guaranteed return so that it more closely tracks their costs. This brings lenders' rate of return (barely) into the range that Treasury identified as adequately profitable for banks. The proposal was received well by students and higher education groups who say that it has bolstered their negotiating position.

As expected, it was criticized by banks and Republicans as an "election year" political proposal. The banks are threatening to attack the VP and to escalate their attacks on direct lending. While they will pick apart the Treasury report over the next couple weeks, it is still the only serious analysis that exists of this issue, and it gives us the room to negotiate to a final outcome that is still very strong for students.

School Construction: Bruce Reed and I spoke to 100 representatives of education, civil rights, civic, and business organizations to get their endorsement of your school construction initiative, and to brief them on the class size initiative. The legislation is ready to be introduced by Rep. Rangel and Sen. Moseley-Braun.

America Reads: Without any explanation, Sen. Coverdell recently introduced a slightly altered version of the House-passed Reading Excellence Act, and had it placed directly on the Senate calendar (bypassing the Labor Committee). His intentions are not clear. He may think that it would put us on the spot to have the bill sent to us in its current form. While it does have problems, they are not so bad that I would suggest a veto. In the meantime, Sen. Jeffords finally instructed his staff to begin working on a Senate version of America Reads. It will be interesting to see what sort of response the radio address brings from the Senate leadership.

Medicare Commission: Friday, March 6 is the first meeting of the Medicare Commission. In preparation, we have invited your four appointees to the White House for a meeting (with a drop by from you) on the morning of March 5. That afternoon, you will meet with the full Medicare Commission. This meeting will most likely consist of a welcome to the Members and statement about the importance of their work. We probably want to avoid specific statements of policy, since, like Gingrich's "no tax pledge", it could be perceived as pre-disposing the Commission before its meetings have even begun. The launching of the Commission will probably be news enough. We will also, this coming week, begin an internal NEC/DPC year-long examination of the range of issues and policies surrounding long-term Medicare reform, paralleling the work of the Commission. This will help assist our Commission appointees in formulating policies and will help us evaluate the final recommendations of the Commission.

Internet Tax Freedom Act: Mickey Ibarra, Larry Summers and I had a constructive conference call with Governors Leavitt, Romer, Voinovich and Carper on the afternoon of your announcement. I assured them you were sympathetic to their concerns about an erosion of the state and local tax base, and were committed to bringing the parties to the table to find long-term solutions to the issues raised by the Internet and the "nexus" issue. On the issue of the moratorium, their principal concern was that a 5 year moratorium was too long and would not give industry an incentive to negotiate in good faith. They also continued to be reluctant to agree to any moratorium on transactions occurring over the Internet, as opposed to Internet access. They promised to talk to the Big 7 to see if they could collectively agree on a position and get back to us. We will continue to keep you informed on the progress we are making on our discussions.

G-8 Employability, Growth, and Inclusion Conference in London: Last weekend, Secretary Rubin, Secretary Herman and I attended the G-8 conference on Employability, Growth, and Inclusion in London. This conference, building off the work in Lille and Detroit, focussed on the importance of adaptable labor markets to help boost job creation. We discussed the importance of structuring the social safety nets so that they help get people back on their feet, while not creating disincentives to work.

To that end, other countries -- especially the British -- were very interested in our Earned Income Tax Credit and our planning to propose a similar one -- albeit with a better name. We also spent a considerable amount of time discussing welfare-to-work efforts, with a focus on U.S. and British efforts. I also met separately with their Cabinet officials on their "New Deal" policy -- which offers all unemployed young people one of four choices -- subsidized private-sector employment, employment for non-profits, participation in a new environmental task-force to help clean-up the country, or full time employment or training. Finally, and possibly most importantly, the Chairman's conclusions included strong language about the importance of international agreements on implementation of core labor standards, which was welcomed by the unions.

Climate Change: Next week, Janet Yellen will appear before the House Commerce Committee and the Senate Agriculture Committee to present the Administration's economic analysis of the Kyoto agreement. Janet concludes that even excluding the benefits of addressing climate change and the payoffs from electricity restructuring, "our overall assessment is that the economic cost...of attaining the targets and timetables specified in the Kyoto agreement will be modest." With international trading and the clean development mechanism, the cost of achieving the Kyoto targets may amount to $7 to $12 billion per year (or just 0.1 percent of GDP) between 2008 to 2012 -- without including the benefits of electricity restructuring or of addressing climate change. Once the effects of electricity restructuring are included, the analysis suggests that energy prices could be essentially neutral.

Credit Union Participation: Last Tuesday we met with a delegation representing credit unions. They were focused on a Supreme Court case that was considering whether Federally charted credit unions can only include employees with a common bond (e.g., same occupation, same employer). The National Credit Union Administration since 1982 has permitted credit unions to, under certain circumstances, include multiple employee groups, even if there is no common bond *between* the groups.

The Supreme Court ruled Wednesday that members of a credit union must *all* share a common bond. The American Bankers Association has apparently dropped its demand that 20 million of the 70 million current credit union members be ejected due to violations of the common bond provision. The Court decision, however, will impair future credit union growth by, for example, making it much more difficult for credit unions to enroll small business workers. Credit union advocates argue that small business employees should have the opportunity to join credit unions, which generally offer lower interest rates and fees due to their non-profit, cooperative status. There is a bill (H.R. 1151) that would change the law to explicitly allow credit unions to include multiple employee groups. Lead sponsor Steve LaTourette (R-Ohio) has secured about 130 co-sponsors; Speaker Gingrich endorsed the bill in Thursday's *Washington Post*. We are meeting with Treasury to develop our position.

Equal Pay: A joint NEC/DPC Working Group is attempting to put together policy that would address discrimination against women in both wages and employment. The group is currently looking at several avenues for decreasing discrimination, such as providing technical assistance to companies to help them assess the extent to which they may discriminate against women, improving enforcement of current anti-discrimination laws, improving EEOC and OFCCP staff training, and attempting to decrease pay and employment inequity within the Federal government. We are also carefully considering the bill introduced by Senator Daschle (on January 21, 1997) that would, among other things, expand the remedies available to victims of Equal Pay Act discrimination. Finally, as we continue to develop policy, we also plan to meet with the AFL-CIO.

Conversation with Jack Welch: I sat with Jack Welch (CEO of GE) at the Business Council dinner. He handed me a copy of his scorecard in which he beat Greg Norman 69-70. He said it was straight except for the fact that Norman shot from the pro tees. He desperately wanted me to tell you, claiming it was "one of the highlights of his life."

On a more serious subject, it turns out that he is a close friend of vice presidential candidate Bacharuddin Habibie, and occasionally stays at his home in Indonesia. He says that GE has noticed just a little softening of consumer demand in February.

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES

FROM: KATHLEEN A. McGINTY RSK for

SUBJECT: CEQ WEEKLY REPORT

PROTECTING COMMUNITIES FROM TOXICS

Superfund Reform

Next week, two markups and a hearing are scheduled on Superfund reform bills. In the Senate, we expect a highly partisan markup on a bill that has moved progressively to the right after Senators Smith (R-NH) and Chafee (R-RI) ended direct negotiations with committee Democrats and Carol Browner.

In the House, Congressman Boehlert (R-NY) plans to mark up a bill in the Transportation and Infrastructure subcommittee. This bill, while less objectionable than the Senate vehicle, is still strongly opposed by Ranking Member Borski (D-PA) as well as by EPA, DOD, USDA, and other agencies. Notably, Boehlert has been and remains much further to the right on Superfund than on other environmental issues. Finally, in the House Commerce Committee, Administrator Browner and other Administration officials will testify at a legislative hearing on March 5, on a reform bill sponsored by subcommittee chairman Mike Oxley (R-OH). This bill is a reprise of extreme Superfund bills from the 104th Congress.

The potential divisiveness of Superfund as an issue among Democrats was highlighted on Wednesday of this week, when Congressman Pallone (D-NJ) introduced a"green" Superfund reform bill with 44 House co-sponsors, drawing heavily on the Black and Hispanic Caucuses for support. The appearance of Senator Lautenberg (D-NJ) at the press conference was a surprise, because Lautenberg has been the leader among Senate Democrats on compromise bills backed by the Administration. W.H. Legislative Affairs and CEQ will convene meetings with other White House offices and agencies to ensure that we have a coordinated strategy as these events unfold.

Property Rights Bill

On Thursday, February 27, the Senate Judiciary Committee reported a "property rights" bill by a party line vote. This bill would make it far easier for developers to sue cities and other units of state and local government in federal court far earlier in the local land use planning or regulatory process by eliminating judicial doctrines of "ripeness" and "abstention." Developers could bring "takings" claims upon the rejection of a single land use proposal, no matter how extreme or harmful to the community. As a result, these bills would give developers a new club to wield in negotiations with city officials over zoning and land use: the threat of premature, expensive litigation in Federal court.

Four cabinet secretaries (Babbitt, Browner, Slater, and Reno) have recommended a veto of the bill. It is also strongly opposed by the National Governors Association, the Conference of Mayors, National Conference of State Legislators, National Association of County Officials, and 42 attorneys general. Chafee and other moderate Republicans already have indicated their opposition. On Thursday, the Vice President issued a statement opposing the bill.

RESOURCE STEWARDSHIP

Headwaters Forest

Today, after 17 months of intense negotiations between the parties to the September 28, 1996 Headwaters agreement, we finally reached an agreement in principle on a draft Habitat Conservation Plan (HCP). This is a critical step for completing implementation of the 1996 agreement because it sets forth the framework for how much timber Pacific Lumber Company (PALCO) can harvest while ensuring the protection of threatened and endangered species. The government biologists will now help PALCO convert the agreement in principle into a draft HCP, which will be released to the public for review and comment this May.

The agreement in principle calls for a 50-year set aside of 12 of the 13 so-called "Lesser Cathedrals" on PALCO's property. Lesser Cathedrals are old growth groves (as opposed to scattered old growth redwoods) which PALCO still owns, and which generally provide the most important habitat for the marbled murrelet. This translates into a 50-year protection for 83% of all of the old growth redwoods on PALCO's property (including those we are acquiring pursuant to the FY 98 Interior Appropriations bill). The HCP provides that only one lesser cathedral may be cut immediately.

Senator Feinstein, Congressman Riggs, and Governor Wilson have all expressed very strong support for the agreement. The key California State legislators who will be instrumental in moving forward a $130 million appropriation for the state share also appear quite supportive, although they would like detailed briefings from our biologists. Attached are very supportive statements from Governor Wilson and Senator Feinstein.

As expected, the agreement has already been criticized by those environmentalists who believe not a stick of old growth timber should be cut (Sierra Club and EPIC). Many of the other environmental groups appear to be withholding judgment until they understand the facts, and we hope some will eventually be supportive. Senator Boxer has said that she would withhold judgment until she has a chance to study the agreement, but environmentalists opposed to the agreement may press her hard and very quickly on this issue.

Pacific Salmon Listing

On Thursday, the National Marine Fisheries Service (NMFS) proposed federal protection for more than a dozen salmon and steelhead populations in Washington, Oregon and California that are threatened with extinction. This begins a year-long process that could result in the species being listed as threatened or endangered under the Endangered Species Act (ESA). The hope is that the states will develop their own recovery plans that could avert a federal listing.

Although several other salmon species already have been listed, this would be the first fish listing in the Pacific Northwest to encompass a major urban area -- Seattle and the Puget Sound. The announcement received extensive press coverage, including stories in the New York Times (attached), the Washington Post, the Wall Street Journal and USA Today.

NMFS is encouraging state conservation efforts modeled on those undertaken by Oregon to protect coho. This would include watershed management and preservation of critical habitat. State officials and business leaders, recognizing that a federal listing could have serious economic consequences, pledged to work collaboratively on a conservation strategy. We will continue to encourage partnership efforts that help restore these wild salmon runs and demonstrate the flexibility of ESA.

SUSTAINABLE COMMUNITIES

ISTEA

Senator Inhofe has secured Majority Leader Lott's support for offering an amendment to the ISTEA bill that would delay implementation of EPA's new Clean Air Act particulate matter rule. Passage of this amendment would be a serious blow to EPA's initiative since it would lay the groundwork for opponents to make the delay permanent. It addition, it would greatly complicate the passage of ISTEA, which is already complicated enough. W.H. Legislative Affairs is hosting a meeting Monday to develop a strategy to respond to this amendment.

Regulatory Reform

On Tuesday, February 26, the Senate Government Affairs Committee held a hearing on a substitute for S. 981, the Levin-Thompson regulatory reform bill. While the bill makes significant improvements over the bill introduced last summer, there are still serious issues remaining with strong opposition to the bill among agencies that would have to implement it. These objections are strongly shared by labor, environmental, and public interest groups, who are anxious about the absence of any statement of opposition by the Administration. The Chief of Staff is convening a meeting among senior advisors on Monday, March 5, 1998, to review the agencies' concerns and to forge and craft the Administration's strategy and position.

GOVERNOR'S OFFICE

PR98:73

WILSON ISSUES STATEMENT ON AGREEMENT ON HEADWATERS FOREST

FOR IMMEDIATE RELEASE
Friday, February 27, 1998

CONTACT: Sean Walsh
Ron Low
(916) 445-4571

SACRAMENTO – Governor Pete Wilson today issued the following statement after an agreement was reached between Pacific Lumber Company, the federal government and California on the Headwaters Forest:

"Today's agreement puts an end to the years of debate over the preservation of the Headwaters Forest. I am pleased that we have reached a deal to protect this unique part of California's heritage."

"My Administration has worked tirelessly to protect these magnificent ancient redwoods.

"During my 1990 campaign for Governor, I pledged to protect the old growth redwoods in the Headwaters Forest. Today we have been able to deliver on this commitment."

-30-

News from . . .

Senator Dianne Feinstein

of California

For Immediate Release:
Friday, February 27, 1998

CONTACT: **Susan Kennedy**
(202) 224-9629

Statement of Senator Dianne Feinstein on Headwaters Forest Agreement

"This agreement on the Habitat Conservation Plan marks a key milestone toward completion of the Headwaters agreement. This 50-year HCP, when it is finalized, will be among the largest habitat conservation plans in the nation covering more than 200,000 acres of Pacific Lumber land in Humboldt County.

"In addition to the 7,500 acres planned for purchase under the Headwaters agreement, which includes the ancient redwood groves of Headwaters and Elkhead Springs, the HCP would set aside for the life of the 50-year plan most of the remaining stands of old-growth known as the "Lesser Cathedrals." Additionally, a number of residual old-growth stands will be protected.

"The areas that will be set aside under the HCP include Allen Creek, Shaw Gift, Bell Lawrence, Booth's Run, Cooper Mill, Lower North Fork Elk, Road 3, Right Road 9, Elkhead Residuals, and *either* Owl Creek *or* the Grizzly Creek complex. The total acreage set aside under the HCP (in addition to the 7,500 acres purchased under the Headwaters agreement) is approximately 8,200 acres. In addition, 1,070 miles of class 1 and 2 streams, and 26,770 acres will be protected under the aquatics provisions of this agreement.

"Under this plan, Pacific Lumber Company will be allowed to conduct logging activities on the remainder of its holdings, subject to compliance with State and Federal requirements for sustained yield management and watershed protection. And they will begin a watershed assessment of their property immediately, even before the HCP becomes final.

-- more --

"Federal and State scientists involved in the development of the HCP believe the new Headwaters Preserve and the protection of other groves under the HCP will enhance recovery of the marbled murrelet, and provide high levels of protection for species dependent upon streams and riparian forests, such as the coho salmon.

"I want to commend the parties involved for keeping the lines of communication open during many months of complex discussions. I wish to particularly recognize the work of the biologists for both the State and Federal agencies and the company. These scientists worked very hard to sort out the various options available to accomplish the goal of protecting critical habitat for endangered species, while allowing Pacific Lumber to conduct responsible, sustainable forest management practices. Their work provided a foundation of sound science upon which this HCP is based.

"The State's share of the funds for purchase of the Headwaters Forest must be secured before the agreement is completed, but I am optimistic that with the successful development of this HCP the most difficult hurdles are now behind us."

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THE WHITE HOUSE

WASHINGTON

February 27, 1998

MEMORANDUM TO THE CHIEF OF STAFF

FROM RAHM EMANUEL

SUBJECT WEEKLY REPORT

CRIME/DRUGS: I called General McCaffrey to tell him I did not think that he or the President were well served by Tom Constantine's testimony in the Senate on Mexico's certification. It is my view that the testimony was a direct affront to the General's leadership on this issue.

We had a meeting this week on needle exchange and the dispute between HHS and ONDCP. Bruce Reed is writing a follow-up memo for the President that will outline our two options in order to proceed.

The Justice Department will have a major Gang Study completed in three weeks for the President to announce. I think the study should be a radio address or the cornerstone of a major anti-crime speech.

The Treasury Department will be ready on March 14 with their report on banning imports of assault-like weapons. This also should be the subject of a radio address.

The Department of Justice and Department of Education have completed their work on a comprehensive national survey on school violence. As you know, the Government does not produce an annual survey on school violence. This would be the first report of such a study; and how we would proceed every year hereafter.

EDUCATION: The Timms study offers the President an opportunity to re-engage in the education debate. The President has been stymied on the legislative front and on tests. I suggested to Bruce that the President call and convene a national meeting to be held at the White House on America's public schools. Among those invited would be Lou Gerstner, Dianne Ravich, Senator Jeffords, the head of the NEA and AFT, Mayors, etc. The results from the Timms test should be our rallying cry for action on our education agenda or any agenda for that matter.

TOBACCO: Bruce and I met with an inter-agency group to discuss a comprehensive communications strategy on tobacco.

KEY SPEECHES: I think the speech to the *Time* symposium is very important because of the topic and the audience. A number of us have met to discuss the message and idea for the speech. I think that given Kofi Annan is in the crowd, it may also serve as a place to make news on Iraq.

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THE WHITE HOUSE

WASHINGTON

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN LS

SUBJECT: WEEKLY LEGISLATIVE REPORT

House of Representatives

1. **Africa Trade:** On Wednesday, February 25, the House Ways and Means Committee reported H.R. 1432, the African Growth and Opportunity Act. The measure includes sub-Saharan Africa in the Generalized System of Preferences until 2008, allowing the region to export certain products duty-free. It would establish a U.S. Africa Trade and Economic Forum, as well as direct the President to establish a free-trade area to encourage commerce between the United States and Africa. Under a substitute amendment approved by voice vote, the bill would also strengthen punishments against countries that attempt to illegally transship textile and apparel goods through sub-Saharan Africa to avoid U.S. quotas. The measure may come to the House floor as early as the week of March 16.

2. **Witness Protection:** On Wednesday, February 25, the House passed (366-49, 1 present) H.R. 2181, the Witness Protection and Interstate Relocation Act of 1997. The Administration supported measure makes it a federal offense to travel across state or foreign borders with the intent of influencing the testimony of a witness in a state criminal proceeding by bribery, force or threat.

3. **Federal Agency Compliance:** On Wednesday, February 25, the House passed (241-176) H.R. 1544, the Federal Agency Compliance Act. The Administration opposed measure would prohibit agencies from adopting "non-acquiescence" policies and is targeted especially at agencies that administer benefits, such as Medicare and Social Security.

The Week Ahead

During the week of March 2, the House is expected to consider H.R. 856, a bill which calls for a plebiscite in which Puerto Ricans choose their future relationship with the United States. Representative Solomon has indicated that he will push for an open rule when the bill comes to the floor. This would allow him to offer his amendment to mandate that English be the official language of instruction in all states. The House may also consider H.R. 2369, which provides fines of up to $2,000 for those who alter electronic devices to intercept radio transmissions.

Senate

1. **Campaign Finance Reform:** Earlier this week, Republicans once again used parliamentary procedures to block action on campaign finance reform legislation. On Monday, Senators Lott and McConnell introduced their campaign finance bill ("Paycheck Protection Act") which would require unions to get prior approval from members and non-members before using dues for political purposes. Senators McCain and Feingold were then recognized to offer their substitute reform amendment. On Tuesday, the Senate voted against tabling the McCain-Feingold amendment when seven Republicans (McCain, Snowe, Jeffords, Chafee, Specter, Collins, and Thompson) joined 44 Democrats (Harkin was absent) to defeat the motion to kill (48-51).

Next, Senator Snowe offered an Administration supported compromise amendment prohibiting the use of corporate or union money for issue-advocacy ads within 30 days of a primary or 60 days before a general election. However, before the Senate could debate the Snowe proposal, Senator Lott stalled the legislation's consideration through a series of parliamentary procedures. After negotiations with Senator McCain, the Majority Leader agreed to allow votes on tabling the Snowe amendment and tabling the McCain-Feingold amendment as modified by the Snowe proposal.

On Wednesday, all Democrats voted with the seven Republican supporters of McCain-Feingold to defeat both tabling motions, thereby putting a majority of the Senate on record in support of both McCain-Feingold and the Snowe proposal. Finally, on Thursday, the Senate failed to invoke cloture on both the McCain-Feingold amendment and the underlying "Paycheck Protection Act" which prompted Senate leaders to pull the measure from further floor consideration.

2. **Military Construction Veto Override:** On Wednesday, the Senate voted (78-20) to override your veto of H.R. 2631, the FY98 Military Constructions Appropriations bill. It was only the second time Congress enacted vetoed legislation during your presidency. The legislation restores $287 million in funding for 38 military projects you line item vetoed last year.

3. **ISTEA:** On Thursday, the Senate turned to consideration of S. 1173, the Intermodal Surface Transportation Act. The Senate will continue to dispose of non-funding amendments until an agreement on a transportation funding level is reached.

The Week Ahead

The Senate will resume consideration of S. 1173 (ISTEA).

cc: The Vice-President
Erskine Bowles
John Podesta
Sylvia Mathews

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ONE AMERICA IN THE 21ST CENTURY

The President's Initiative on Race

The New Executive Office Building
Washington, DC 20503
202/395-1010

MEMORANDUM FOR THE PRESIDENT

FROM: JUDITH A. WINSTON Ann A for Judith Winston

THROUGH: ERSKINE BOWLES
SYLVIA MATHEWS

DATE: FEBRUARY 27, 1998

SUBJECT: PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT
FEBRUARY 21 - FEBRUARY 27

ADVISORY BOARD ACTIVITIES

Rutgers University. On February 23, Governor Kean and Linda Chavez-Thompson spoke on the Initiative at the Eagleton Institute of Politics. They discussed their roles in the Initiative and urged more open discussions about race.

Race in America Video. On February 24, Angela Oh participated in Los Angeles at a public screening of a 28-minute video, "Race in America" which was created in response to your Initiative on Race by the Multicultural Collaborative, a Los Angeles community organization.

Pasadena Senior Center. On February 24, Angela Oh addressed an audience of approximately 200 senior citizens about the Initiative and showed the "Race in America" video which sparked constructive dialogue on race.

City of Los Angeles. On February 25, Angela Oh testified before the Arts, Health, and Humanities Committee of the City of Los Angeles. She gave suggestions on how Los Angeles can further the Initiative and compared programs that address issues of race in Los Angeles with those in other cities.

Asian Pacific Americans in Higher Education. On March 1, Angela Oh will give the keynote address at their annual conference. She will speak about the importance of the involvement of the higher education community in the Initiative.

OFFICE OF THE EXECUTIVE DIRECTOR

Statewide Days of Dialogue. On February 23, we and White House staff briefed the Governors' Chiefs of Staff about Statewide Days of Dialogue. We currently have eight Governors committed to participating in the launch on April 30, and 92 YWCA's in 32 states and the District of Columbia are committed to holding community dialogues on race on that day. We are continuing to recruit additional governors.

Advisory Board Meetings. We are drafting the agenda for the March Advisory Board meeting, which will be held on March 24-25 in Denver, Colorado and will focus on race and stereotypes. Three Initiative staff members traveled to Denver this week to meet with local elected officials and community leaders to discuss the upcoming meeting. We met with Secretary Pena's staff to discuss his possible participation in the March meeting.

Children's Defense Fund Town Hall. On February 24, we met with representatives of the Children's Defense Fund (CDF) to discuss the participation of Dr. Franklin, Governor Winter, Reverend Johnson Cook, and myself in a Town Hall meeting in Los Angeles on March 28 with youth. The planned focus of the discussion is youth, poverty, and race. CDF expects an audience of approximately 2,000 people. During our visit to Los Angeles, we will visit promising practices sites.

Corporate Leaders Forum. Due to an unexpected scheduling conflict in Secretary Slater's schedule, we have postponed the forum originally planned for March 4 in St. Louis, Missouri.

FEDERAL AGENCY ACTIVITIES

Department of Treasury

Black History Month. On February 27, Secretary Rubin will address Treasury employees at Treasury's Black History Month Celebration with New York State Comptroller H. Carl McCall. Secretary Rubin's remarks will focus on African American achievements as well as highlighting Treasury's activities with regard to your Initiative.

Department of Justice

Hate Crimes. On February 18, the Attorney General hosted a DOJ Hate Crimes Conference for prosecutors from across the country who have been chosen to head up regional task forces to fight hate crimes.

Department of Interior

Immigration History Center. On April 27, NPS plans to announce the American

Family Immigration History Center at Ellis Island. At the event, a MOA will be signed by NPS, the Statue of Liberty-Ellis Island Foundation and the Church of Jesus Christ of Latter-Day Saints. The Center will provide information on individuals who immigrated to the U.S. The Foundation will help to raise $15 million in private funds and the Church of Latter-Day Saints will provide a database from ship manifests listing the people who arrived in the Port of New York from 1892 to 1924. Secretary Babbitt will be invited to represent the DOI.

United States Department of Agriculture

Civil Rights Action Team Report. On March 2, Secretary Glickman will hold an all employee meeting marking the one year anniversary of the release of his Civil Rights Action Team report, which contained 92 recommendations, 90 of which have been or are being implemented.

Department of Housing and Urban Development

Congressional Black Caucus. On March 4, Secretary Cuomo will meet with the Congressional Black Caucus.

Indian Housing Program. Responding to an Inspector General report critical of HUD's Office of Native American programs, Secretary Cuomo issued a statement on February 24 thanking Inspector General Susan Gaffney and her staff for their work in moving forward management reform efforts in the Indian Housing program.

Housing Discrimination. Responding to a U.S. Conference of Mayors report issued February 23, Secretary Cuomo called "redlining and all other forms of housing discrimination ugly stains from America's past that have no place in America today." Titled "America's Home Ownership Gap," the USCM report condemned urban redlining and mortgage lending discrimination for limiting home ownership in the nation's cities to just 49 percent of all households – 22.5 percent below the suburban home ownership rate of 71.5 percent. USCM Executive Director Tom Cochran said a proposal in President Clinton's FY 99 budget to raise the limits on home mortgages insured by the FHA would be one important step to narrow the home ownership gap between cities and suburbs. He announced the USCM is endorsing the initiative.

Department of Energy

American Indians Address. On February 27, Secretary Peña will address the approximately 400 attendees of the NCAI during their Executive Council Winter Session at the Grand Hyatt in Washington, D.C. The Secretary will speak about past and current DOE partnerships with tribes and continuing good relationships in the future.

Small Business Administration

African American History Month. On February 24, SBA celebrated African American History Month with a lunch and a special program. Administrator Alvarez showed a video of the Vice President's remarks during the White House event announcing the Memorandum of Understanding with the Big 3 Automakers.

<u>**Office of Personnel Management**</u>

Conversations That Bring Us Together. Director Lachance conducted a One America Conversation in Memphis, TN, in conjunction with the Memphis Race Relations and Diversity Institute and the local chamber of commerce. On March 4, Director Lachance will conduct a One America Conversation in Los Angeles, CA or Fresno, CA.

Minority Outreach. Director Lachance discussed OPM's outreach to recruit African-American and Hispanic applicants for federal service when she met with the editorial board of the Memphis *Commercial Appeal*.

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February 26, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT - February 21- February 26

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

- **Iraq.** NSC Deputy Jim Steinberg met with 15 representatives of the faith community - Christians, Muslims, and Jews - to discuss Iraq. While there are those within the Christian denominations who could support a "just war," they are of one voice in their opposition to bombing of Iraq as long as this action would not eliminate either Saddam Hussein or all of his weapons of mass destruction. Particular questions were raised about sanctions and their desire for the US to advocate a more tolerant interpretation of permissible improvements in the infrastructure through which humanitarian aid is delivered.

- **Arab community relieved.** The Arab community is pleased with the UN/Iraq agreement. Although they know that crises is far from over, they feel you should claim victory. There are still grave concerns about the humanitarian needs of the Iraqi people.

- **Military readiness.** Veterans Organizations are becoming vocal about military readiness issues. They are concerned that multiple deployments are affecting morale and unit readiness and that the military is stretched to thin.

- **Students and Social Security.** Four national student organizations, United States Student Association, 2030 Center, Third Millennium, and Foundation for Individual Responsibility and Social Trust (FIRST), have formed a coalition to challenge College Students to start discussing the issue of Social Security. The challenge is in the form of a contest. Students are to create a plan which demonstrates to college students that Social Security is an issue important to them now.

- **Judicial Nominees.** OPL is working with White House Counsel and hosted conference calls with National Bar Association (NBA) members from across the country on your judicial nominees. Randy Jones, NBA President, reported that they are linking up with other National organizations to build support for hearings on the nominees.

- **Education.** We continue to mobilize our key constituent organizations in support of your education initiatives on school construction and class size. This week, we organized a briefing for 130 civil rights, education, business, and community groups with Gene Sperling and Bruce Reed, where we collected their endorsements on school construction.

CONSTITUENT OUTREACH AND OTHER ISSUES

GAY AND LESBIAN

- **Battle erupts over whether to appeal DOD's gay computer privacy case.** DOD asked the Justice Department to proceed with an appeal from the ruling last month which permanently enjoined it from discharging the 17 year Navy veteran whose sexual orientation was disclosed in an anonymous AOL computer profile. Congressman Barney Frank and others are urging the Justice Department not to proceed with the appeal and are angry that DOD rebuffed the officer's settlement offer to retire with a full pension and an honorable discharge. The Solicitor General has final authority over the decision to appeal.

AFRICAN AMERICAN OUTREACH

- **Julian Bond new chair for NAACP.** NAACP Chair Bond won on a platform that calls for the NAACP to include in its membership all associations of colored people. This past weekend, the NAACP Executive Board voted to conceptually support all of your Education Initiatives except the National Standards Initiative. They strongly endorse your "High Hopes" Mentoring Initiative.

HISPANIC OUTREACH

- **Students as the focus of the Education Initiative.** OPL and DPC met this week with some of the Civil Rights and education groups on the Education Opportunity Zones Initiative in the budget. The groups believe that the focus of this initiative should be children, i.e. that it actually be used directly for the students. They also suggested that the Administration focus on the issue of safety (drug-free environment for example) and discipline, to strengthen the argument of this proposal.

BUSINESS OUTREACH

- **Cuba.** On Wednesday, I spoke to a group of corporate Washington Representatives. In the wake of Pope John Paul II's visit, many in the business community feel that there is a good opportunity to loosen the economic sanctions. Caterpillar Inc. informed me that a recent ad they took out in the Wall Street Journal advocating this position was met with strong support.

- **Health Care.** On Friday, we will host a briefing for the corporate community on health care with Chris Jennings. The purpose of the meeting is to gain their support for the Health Care Bill of Rights.

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THE WHITE HOUSE

WASHINGTON

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra SA for mi

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- February 23 - 27, 1998

Governors

- The Winter Meeting of the National Governors' Association (NGA) was very successful. The highlights were the traditional White House Dinner and your very-well received presentation at the White House Round Table Discussion. In particular, your remarks on Indian gaming and Internet taxation defused two potentially volatile situations and created the opportunity for further positive discussion.

- Internet taxation surfaced as the most contentious issue in the closing plenary session of the NGA meeting, with Governors Pete Wilson (R-CA), Jim Gilmore (R-VA) and George Pataki (R-NY) opposing the NGA position. Upon close examination, the Department of Treasury has some problems with the resolution that was passed and we are now engaging in a dialogue with the lead governors regarding the Cox-Wyden bill. We held a conference call with Governors Tom Carper (D-DE), Michael Leavitt (R-UT), Roy Romer (D-CO), and George Voinovich (R-OH) to brief them on your remarks on electronic commerce in California on Thursday, February 26, and to discuss future consultation.

- Immediately following the White House Round Table Discussion, we arranged a meeting with OMB and Department of the Interior officials on Indian gaming. Governors Jane Dee Hull (R-AZ), Gary Locke (D-WA), Bob Miller (D-NV), Ed Schafer (R-ND), and Tommy Thompson (R-WI) participated and were pleased with the progress made on the issue. During the closing plenary session, Governor Miller thanked the White House for our intervention on this issue.

- At the request of Treasury Secretary Robert Rubin, we successfully urged the governors to pass a strong policy endorsing funding of the International Monetary Fund. The NGA tobacco policy is predictably at odds with our position on whose money is at stake, however we were able to facilitate an amendment to the NGA policy so that it stated that tobacco money should be spent on "children's well-being."

- While in Washington, we arranged for Governors Mel Carnahan (D-MO), Jane Dee Hull (R-AZ), and Jeanne Shaheen (D-NH) to meet with HCFA officials on their respective Medicaid waiver claims. Each was pleased with the progress made and the commitment to immediate follow-up.

- Governor Zell Miller (D-GA) was extremely upset with a Department of Justice report that was covered in the *Atlanta Constitution* on Friday, February 20. The report was highly critical of Georgia's juvenile detention system. We arranged for Attorney General Janet Reno to speak with the Governor that afternoon, and a sequence of follow-up meetings was held through the next four days to address both the Department of Justice and Governor Miller's concerns.

- Governor Pedro Rosselló (D-PR) was very pleased with your meeting with him and your discussion of Puerto Rico status choice in your remarks to the Democratic Governors' Association Dinner.

- We arranged for Governor Tony Knowles (D-AK) to meet with Interior Secretary Bruce Babbitt to discuss a variety of issues, most notably the proposed oil drilling in the National Petroleum Reserve. The Governor strongly desires a decision from the Interior Department that will allow a reasonable level of development of these fields.

- Governors Jim Gilmore (R-VA) and Parris Glendening (D-MD) met with Transportation Secretary Rodney Slater to press their case for "full-federal funding" of the Wilson Bridge. They were encouraged by your interest in this when you visited with them and are seeking $1 billion dollars. OMB has budgeted $400 million.

- The Appalachian Regional Commission (ARC) Governors met and expressed their formal opposition to the Administration's Delta Commission proposal. Governor Don Sundquist (R-TN) was the only governor to support us, but the fact that one ARC governor broke ranks has made other governors rethink their position. We will continue to work toward a compromise that is mutually agreeable.

- The White House staff made a presentation to the governors' chiefs of staff on the Race Initiative and the Millennium Program. We will follow up to maximize the participation of governors in these two initiatives.

County Officials

- The National Association of Counties (NACo) is in Washington for their annual Legislative Conference from February 27 - March 3. Lynn Cutler is speaking at three of the sessions: the Large Urban County Caucus, the California Association of Counties, and the National Democratic County Officials. Several White House staff members will attend minority caucus meetings to discuss the Census and the Race Initiative. Secretaries Cuomo, Slater, Pena, Administrator Browner, General McCaffrey, and Ambassador Barshefsky are speaking during the meeting. Commerce Deputy Secretary Robert Mallett will address a plenary session regarding Census issues. This is the largest Administration presence at a NACo meeting in several years. NACo is also presenting a book of "Best Practices" for the Race Initiative to the Administration on Sunday, March 1. A letter from you will be read and the video address that you prepared for the conference will also be shown.

Indian Country

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THE WHITE HOUSE

WASHINGTON

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra for mi

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- February 23 - 27, 1998

Governors

- The Winter Meeting of the National Governors' Association (NGA) was very successful. The highlights were the traditional White House Dinner and your very-well received presentation at the White House Round Table Discussion. In particular, your remarks on Indian gaming and Internet taxation defused two potentially volatile situations and created the opportunity for further positive discussion.

- Internet taxation surfaced as the most contentious issue in the closing plenary session of the NGA meeting, with Governors Pete Wilson (R-CA), Jim Gilmore (R-VA) and George Pataki (R-NY) opposing the NGA position. Upon close examination, the Department of Treasury has some problems with the resolution that was passed and we are now engaging in a dialogue with the lead governors regarding the Cox-Wyden bill. We held a conference call with Governors Tom Carper (D-DE), Michael Leavitt (R-UT), Roy Romer (D-CO), and George Voinovich (R-OH) to brief them on your remarks on electronic commerce in California on Thursday, February 26, and to discuss future consultation.

- Immediately following the White House Round Table Discussion, we arranged a meeting with OMB and Department of the Interior officials on Indian gaming. Governors Jane Dee Hull (R-AZ), Gary Locke (D-WA), Bob Miller (D-NV), Ed Schafer (R-ND), and Tommy Thompson (R-WI) participated and were pleased with the progress made on the issue. During the closing plenary session, Governor Miller thanked the White House for our intervention on this issue.

- At the request of Treasury Secretary Robert Rubin, we successfully urged the governors to pass a strong policy endorsing funding of the International Monetary Fund. The NGA tobacco policy is predictably at odds with our position on whose money is at stake, however we were able to facilitate an amendment to the NGA policy so that it stated that tobacco money should be spent on "children's well-being."

- While in Washington, we arranged for Governors Mel Carnahan (D-MO), Jane Dee Hull (R-AZ), and Jeanne Shaheen (D-NH) to meet with HCFA officials on their respective Medicaid waiver claims. Each was pleased with the progress made and the commitment to immediate follow-up.

- Governor Zell Miller (D-GA) was extremely upset with a Department of Justice report that was covered in the *Atlanta Constitution* on Friday, February 20. The report was highly critical of Georgia's juvenile detention system. We arranged for Attorney General Janet Reno to speak with the Governor that afternoon, and a sequence of follow-up meetings was held through the next four days to address both the Department of Justice and Governor Miller's concerns.

- Governor Pedro Rosselló (D-PR) was very pleased with your meeting with him and your discussion of Puerto Rico status choice in your remarks to the Democratic Governors' Association Dinner.

- We arranged for Governor Tony Knowles (D-AK) to meet with Interior Secretary Bruce Babbitt to discuss a variety of issues, most notably the proposed oil drilling in the National Petroleum Reserve. The Governor strongly desires a decision from the Interior Department that will allow a reasonable level of development of these fields.

- Governors Jim Gilmore (R-VA) and Parris Glendening (D-MD) met with Transportation Secretary Rodney Slater to press their case for "full-federal funding" of the Wilson Bridge. They were encouraged by your interest in this when you visited with them and are seeking $1 billion dollars. OMB has budgeted $400 million.

- The Appalachian Regional Commission (ARC) Governors met and expressed their formal opposition to the Administration's Delta Commission proposal. Governor Don Sundquist (R-TN) was the only governor to support us, but the fact that one ARC governor broke ranks has made other governors rethink their position. We will continue to work toward a compromise that is mutually agreeable.

- The White House staff made a presentation to the governors' chiefs of staff on the Race Initiative and the Millennium Program. We will follow up to maximize the participation of governors in these two initiatives.

County Officials

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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

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THE WHITE HOUSE

WASHINGTON

February 27, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: **THURGOOD MARSHALL, JR.** TM

SUBJECT: **Summary of Cabinet Weekly Reports February 21 - 27, 1998**

AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **El Niño:** El Niño continues to affect the country, with forecasters predicting three more months of destructive weather. Storms last week caused damage to several national parks, closing roads, trails, bridges, campgrounds and visitor centers. Golden Gate National Recreation Area, Point Reyes National Seashore, Pinnacle National Monument, and Redwood National Park were all impacted. This week, with the collective efforts of FEMA, DOL, SBA, and USDA, you announced funds to assist in the ongoing recovery efforts in FL and northern and southern CA. Also, in CA this week, you highlighted FEMA's Project Impact and its partnership with AmeriCorps, the Project Impact Spring Break Initiative.

- **Salt Lake City Olympics:** On February 27, Secretary Slater announced Federal Transit Administration grants totaling $64.5 million for the Utah Transit Authority to expand its transit system to serve visitors to the 2002 Winter Olympics. Construction of the system is underway and is planned for completion by December 2000.

DEPARTMENT OF TREASURY

- **Korea:** On February 25, President-elect Kim Dae Jung was inaugurated. The Ministry of Finance and Economy is preparing to implement the refinancing deal of up to $24 billion of short-term debt to foreign banks. On February 27, The Korean government began a series of private meetings with international creditor banks in Tokyo, and on March 2 will meet in NY to build support for debt restructuring and to detail government plans to improve the economy.

- **Thailand:** On February 24, Thailand released the revised Letter of Intent under the third review of Thailand's $4 billion IMF stand-by program. The IMF Board will complete the third review of Thailand's program on March 3, triggering the release of $270 million of IMF funds, along with disbursements of bilateral credits from the combined $17.2 billion official financing package arranged last summer. The Letter calls for an acceleration of financial sector reforms, including privatization of intervened banks, implementation of tighter banking standards, improved bank supervision, measures to strengthen Thailand's social safety net, and additional reforms to attract foreign capital.

- **IRS:** On March 7, IRS will hold its first day of Saturday office hours, another in a series of reforms intended to improve customer service. Taxpayers will be able to come to IRS offices to pick up forms and ask questions. On February 19, the IRS announced that personal computer users would be able to file their tax forms electronically by downloading software from the IRS web page. As of February 13, the IRS had received more than 12 million electronically filed returns, an increase of more than 16 percent over the same period last year.

- **Tobacco:** Treasury is working with DPC to provide support to the Hill as tobacco legislation moves forward, and has been working with HHS on the structure of youth lookback penalties. Treasury is assessing the likely effects of tobacco legislation on price and on smuggling, and is preparing background work on the possibility of an excess profits tax. Treasury is developing an economic model that will analyze issues related to youth smoking and the distinction between the short-run and long-run response to price increases. On March 12, the Senate Commerce Committee will mark up legislation codifying the tobacco settlement.

- **IMF:** On March 3, Secretary Rubin will testify before the Senate Foreign Operations Subcommittee on IMF Funding.

DEPARTMENT OF JUSTICE

- **MT "Freemen":** On February 5, in the District of MT, Lavon T. (Tom) Hanson was sentenced to one year and one day of incarceration and three years of supervised release for his July 1997 guilty plea to bank fraud.

- **Census 2000:** On February 12, several individual voters registered in various States, Congressman Barr, and Cobb County, GA, filed suit challenging DOC's decision to use statistical sampling to conduct Census 2000. On February 20, the House of Representatives filed a second suit challenging sampling. Both sets of plaintiffs allege that the sampling method violates a Federal statute governing the conduct of the Census, Article I § 2 cl. 3 of the Constitution, and the Fourteenth Amendment.

- **"Megan's Law":** Many lawsuits have been brought challenging the constitutionality of the State "Megan's Laws." Losing offenders in the Second and Third Circuit petitioned the Supreme Court to review claims that the community notification provisions impose "punishment" and therefore violate the Ex Post Facto and Double Jeopardy Clauses of the Constitution. On February 23, the Supreme Court declined to review both cases. To date, the Second, Third, and Ninth Circuits have issued decisions generally rejecting the constitutional challenges to the registration and community notification features of the State laws.

- **Oil Companies Case:** DOJ intervened in a suit filed against 14 oil producing companies. The suit alleges that the companies knowingly underpaid royalties owed to the Government and Indian tribes. The U.S. intervened as to four of the defendants -- Amoco Oil Company, Burlington Resources, Inc., Conoco, Inc., and Shell Oil Company, as well as subsidiaries and affiliates of these four companies. Investigation of the other ten companies continues.

DEPARTMENT OF INTERIOR

- **Eagle Mountain:** For a second time, a CA State court has determined that the environmental impact statement for construction of the Eagle Mountain Landfill project is deficient. The proposed landfill, to be built at the site of an old copper mine, is in close proximity to Joshua Tree. NPS has been critical of the project due to concerns about potential environmental degradation, including impacts on the air, adjacent habitat, and endangered species. The developer has agreed to use $600,000 annually of landfill proceeds for restoration purposes if the project is approved. BLM has approved an exchange of 3,500 acres of public lands around the mine for 2,850 acres owned by the developers to create habitat for the desert tortoise.

- **Fluid Sampler Patent:** A USGS employee has been awarded a patent for a "Fluid Controlled Isokinetic Fluid Sampler." This invention can sample flowing fluid from streams, rivers, effluent of industrial plants, or waste water treatment plants. This is the first practical sampler design capable of taking depth-integrated samples of water and sediment that are accurately representative of conditions below a depth of about 15 feet.

- **Personal Watercraft Rule:** Within the next month, NPS plans to publish a proposed rule on use of personal watercraft (PWC) within national parks. The rule would authorize local park managers to establish park-specific regulations. Industry opposes restrictions, while conservation groups expanded use of PWCs.

- **FDR Memorial:** On March 9, the FDR Memorial Committee and NPS will conduct a public meeting at the National Capital Planning Commission to receive public input on how to modify the memorial to recognize President Roosevelt's disability.

- **Navajo Nation President:** On February 19, Albert Hale, President of the Navajo Nation, announced his resignation, amidst charges of impropriety. He did not elaborate as to the reasons for his resignation; however, he has been accused of misappropriating tribal funds and having an affair while in office. Navajo Nation Vice President, Thomas Atcitty, is Interim-President.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Disaster Assistance:** USDA is providing FEMA with damage assessment reports and is making emergency loans available to farmers in designated disaster areas, which now total 51 counties in CA. In addition, USDA has provided $1.5 million emergency watershed protection to eight CA countries.

- **Winter Food Drive:** Federal agencies have donated 499,117 pounds of food under the USDA gleaning initiatives.

- **Organization for Economic Cooperation and Development (OECD):** On March 4, Secretary Glickman will travel to Paris, France for the OECD Committee for Agriculture.

DEPARTMENT OF COMMERCE

- **Asia Trip:** On February 20, Secretary Daley concluded a successful mission to Asia. While in Tokyo, the Secretary urged Japan to boost economic growth, strengthen domestic demand, and assume a leadership role in easing the Asian financial crisis. In Seoul, the Secretary complimented Korea on the steps it has already taken to regain financial stability and, at the same time, stressed the importance of continuing to pursue economic reform and market-opening measures. The Secretary's visit to Singapore provided an opportunity to gather views from American business leaders and U.S. and Singaporean government officials on short-term challenges and long-term opportunities.

- **FL Coastal Zone Management Act (CZMA) Suit:** FL has sued DOC under the CZMA. The action arises out of a recent regulatory amendment to retain the size limit for red snapper in the Gulf of Mexico. FL alleges that the change in Federal regulations is inconsistent with regulations the state adopted to be comparable to the Federal incremental size increases in the red snapper, and is inconsistent with the enforceable policies of its approved coastal zone management program.

- **Connecting All Americans Conference:** On February 24-27, the National Telecommunications and Information Administration and the Public Utility Law Project co-hosted a conference in Washington, D.C. The conference addressed opportunities to take advantage of Telephone Lifeline service and improve access to new telecommunications technology for low income and rural communities. Senior Administration officials, including Vice President Gore, participated in the event.

Department of Labor

- **FL Disaster Assistance:** On February 25, you and Secretary Herman announced DOL approval of a JTPA Title III grant of up to $3 million ($1 million awarded for immediate use) to FL DOL and Industry for an emergency project to assist approximately 1,500 workers who have lost their jobs due to this week's tornados and other severe storms.

- **CA Disaster Assistance:** DOL is working with CA state officials to determine whether they will request the award of additional funds from the $25 million disaster relief grant ($8 million was awarded for immediate use) which Secretary Herman announced on February 24. The grant is being used to create approximately 2,000 temporary jobs for workers assisting in the clean-up and repair of El Niño storms damage in 27 counties.

- **Economic Data:**
  - March 5 -- BLS will release data for January on State and Regional Employment and Unemployment.
  - March 6 -- Secretary Herman will announce the National Employment and Unemployment data for February.

- **Collective Bargaining Update:**

  - On February 19, Racine, WI officials ordered an indefinite closure of schools following four consecutive days of alleged teacher "sick-outs" that resulted in the cancellation of classes for thousands of students. On February 25, schools reopened after union officials indicated their members would report to work. The dispute continues.

  - During the February 21-22 weekend, UAW members at Caterpillar rejected a tentative agreement that would have ended their more than six-year dispute. Objections were said to center on the agreement's failure to assure reinstatement for all auto workers fired during the dispute while it granted amnesty to UAW members who crossed picket lines. There has been no indication as to when the parties might return to the bargaining table.

- **Yellowstone Citations:** On February 23, OSHA issued Notices of Unsafe or Unhealthful Working Conditions to the Yellowstone National Park under the National Park Service in MT. OSHA issued a total of 92 serious citations detailing nearly 600 health and safety hazards.

Department of Health and Human Services

- **Medicare and Medicaid:** On February 20, HHS released a Fact Sheet entitled *Managed Care in Medicare and Medicaid.* Since 1992, the number of Medicare and Medicaid beneficiaries enrolled in managed care plans has experienced unprecedented growth. HCFA administers these two programs and is now the largest purchaser of managed care in the country, accounting for about 19 million Americans.

- **Child Support Enforcement:** On March 2, ACF will publish ADP Funding Limitation for Child Support Enforcement Systems in the *Federal Register*. The rule proposes to set the allocation formula for the total amount payable to a State and for certain localities for FY96 through 2001 based on $400 million in Federal funds for automated child support enforcement systems enhancements under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).

- **Out-of-Wedlock Childbirth:** On March 2, a proposed PRWORA rule will be published in the *Federal Register* to award a bonus to States that experience the largest decreases in out-of-wedlock childbearing and also reduce their abortion rates. The total amount of the bonus will be $100 million in each of FY99 through 2002, and the award for each eligible State in a given year will be $25 million or less.

- **ME Disaster Assistance:** On February 24, AoA provided $20,000 in disaster assistance to the State of ME for use by seniors impacted by heavy winter storms.

- **Asthma Treatment for Children:** On February 20, FDA approved Merck's new asthma drug Singulair. A new molecular entity and one of a new class of therapy for patients with asthma, Singulair is indicated for the chronic maintenance therapy of asthma in patients 6 years of age and older. Singulair is the first of this class of drugs approved with an indication for children less than 12 years of age.

- **Changes in the Brain:** In the February issue of the *Archives of Neurology*, NIH-supported researchers report that some age-related changes in the brain are more pronounced in men than in women. The researchers are now analyzing behavioral effects and whether these changes play a role in brain disorders such as Alzheimer disease.

- **Melanoma:** In the March issue of *Nature Medicine*, a team of researchers from the National Cancer Institute report on a new vaccine with the potential to treat the deadly skin cancer, melanoma.

Department of Housing and Urban Development

- **D.C. Development:** HUD met with Mayor Barry, other D.C. officials, and developers representing the Camp Simms Limited Partnership to discuss the proposed future development of the Congress Heights Plaza Shopping Center on a 25-acre site in Anacostia and to explore potential HUD funding resources.

- **Housing Market:** On February 23, HUD released *U.S. Housing Market Conditions* Fourth Quarter Report, which showed that the housing sector was strong in 1997. The report found that multi-family housing starts hit their highest levels since 1989 last year and that all regions of the country ended 1997 with healthy economies and housing markets.

- **Housing Starts:** January housing starts were unchanged from the revised December rate but up 10 percent from January 1997. January was the fifth month in a row in which housing starts exceeded 1.5 million.

- **St. Petersburg Task Force:** On February 24, the City of St. Petersburg, FL and the Federal Interagency Task Force announced that the Task Force, which has already brought over $45 million in federal assistance to the City, will be transformed into a long-term partnership to help St. Petersburg recover from 1996 disturbances. HUD will assign a full-time civil servant to help the community move forward on economic and community development.

- **Neighborhood Networks:** Owners and managers of 350 federally assisted housing projects have installed Neighborhood Networks computer learning centers. At last year's Service Summit in Philadelphia, HUD committed to opening 500 Neighborhood Networks by the year 2000. At the current pace, the goal will be reached well before that deadline.

- **"Officer Next Door":** For the week ending February 20, HUD accepted 30 sales contracts and closed 18 deals on HUD-held properties to police officers under the "Officer Next Door" program. These additions bring the total number of contracts to 754 and closings to 387.

Department of Transportation

- **National Association of Counties (NACO):** On March 2, Secretary Slater will address the NACO Legislative Conference in Washington, D.C.

- **Safety Belts:** NHTSA and the Ad Council have entered into a partnership with Radio Disney to promote safety belt education.

- **U.S.-Canada Aviation Agreement:** On February 24, the third anniversary of the agreement signing, Secretary Slater announced a 37 percent growth rate in air travel between the U.S. and Canada. Air services have expanded dramatically during the three years under the new transportation agreement.

- **Conrail:** On February 23, DOT's final brief concerning the Conrail acquisition by CSX and Norfolk Southern was filed with the Surface Transportation Board (STB). The brief urges that the $10.4 billion acquisition should only be approved by the STB if conditions are imposed to protect the public interest. The brief proposes conditions that would ensure continued oversight to monitor safety and commercial and rail passenger impacts, address environmental concerns in affected areas, principally Cleveland, OH and New York City, and provide enhanced labor protections for certain displaced workers.

- **Pan Am:** Pan Am, despite its recent merger with Carnival Air Lines, remains in financial distress. DOT is in contact with the carrier and has reminded the airline of its responsibility to make monthly PFC remittances to the airports for which it has collected them.

DEPARTMENT OF ENERGY

- **Accelerated Cleanup Strategy:** On March 2, the Office of Environmental Management is scheduled to release for public comment a draft of its cleanup strategy, "Accelerating Cleanup: Paths to Closure." To support the review of options for accelerating cleanup, DOE developed an integrated and comprehensive baseline that incorporates specific scope, cost, and schedule for 353 projects at DOE sites. This strategy provides an integrated path forward for completing cleanup by 2006 at most of the smaller of DOE's 113 sites, with several large sites closing well into the next century. The total cost under this plan is estimated to be about $147 billion between 1997 and 2070.

- ***Technology for Nonproliferation* Demonstrations:** DOE, in coordination with the Senate Proliferation Prevention Technology Working Group and the House Bipartisan Nonproliferation Task Force, will showcase DOE technologies that can detect proliferation activities worldwide and respond to such activities and emergencies involving weapons of mass destruction.

DEPARTMENT OF EDUCATION

- **America Reads:** On March 2, Secretary Riley will join the Vice President in a "Read Across America" event in Columbus, GA. "Read Across America" is a nationwide effort sponsored by the National Education Association (NEA) to commemorate the late Dr. Seuss's birthday by having every child in the country in the presence of a book. America Reads staff have worked with the NEA to support the project. Carol Rasco will participate in "Read Across America" events.

- **National Collegiate Athletic Association (NCAA):** DOEd's Office for Civil Rights is working with the NCAA to resolve a possible conflict between NCAA bylaws and the requirements of Title IX of the Education Amendments of 1972, which relate to gender equity. NCAA bylaws set forth specific team-by-team limits regarding the awarding of scholarships to male and female athletes. Title IX requires that schools award athletic financial assistance to male and female athletes in proportion to their participation in intercollegiate athletics.

- **High Hopes:** DOEd staff are planning for the March Satellite Town Meeting, "Think College Early: Preparing Academically and Financially."

VETERANS AFFAIRS

- **Confirmation Hearing:** On February 24, the Senate Veterans Affairs Committee held a confirmation hearing on the nomination of Acting Secretary Togo D. West, Jr. as VA Secretary. A committee vote is expected within the next few weeks.

- **Medicare Subvention:** Medicare subvention dollars coming to VA are a critical revenue source that must be available as soon as possible in order for VA to achieve its non-appropriated funding goal by FY02. There continues to be strong support for the subvention concept among members of both Veterans Affairs Committees. The Ways and Means Subcommittee on Health may introduce a subvention measure this week. OMB has expressed opposition to a major provision in that measure.

ENVIRONMENTAL PROTECTION AGENCY

- **Midwest Power Plant Emissions:** This week, EPA will file in federal court an agreement that EPA reached with eight northeastern states to address transported air pollution. This agreement will be filed in the Federal District Court for the Southern District of NY.

UNITED STATES TRADE REPRESENTATIVE

- **Taiwan Market Access:** On February 20, Ambassador Barshefsky announced the conclusion of a comprehensive market opening agreement with Taiwan, the seventh leading export market for the U.S. The agreement provides immediate market access and phased-in commitments which will remove import bans for key U.S. agricultural products, including pork and poultry.

- **African Initiative:** On February 25, by voice vote, the House Ways and Means Committee favorably reported the Africa Growth and Opportunity Act.

- **Japanese Semiconductors:** The foreign market share of Japan's semiconductor market fell from 35.8 percent in the second quarter to 32.1 percent in the third quarter of 1997. This decline from the second quarter share is the first reduction since second quarter 1996. Sustained openness of the Japanese semiconductor market, reflected in strong foreign participation, is an important part of the Japanese response to the Asian financial crisis.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Anti-Drug Message:** On March 6, Director McCaffrey will join Representative Levin in Troy, MI to speak to citizens involved in the local community anti-drug coalition. Director McCaffrey will also present an anti-drug message to 600-800 junior high and high school students at Detroit Business College.

- **Crack/Powder Cocaine Sentencing:** ONDCP and DOJ have had several meetings with members of Congress about the Administration's proposal to reduce the disparity in sentencing for crack and powder cocaine. These efforts have not resulted in significant support for the Administration's proposal. Instead, there appears to be bipartisan support for a proposal by Senator Abraham to retain the existing crack sentencing structure, but reduce the threshold for the five year mandatory sentence for powder cocaine from 500 to 100 grams. While this proposal would reduce the sentencing disparity, it would also increase the prison population and could divert law enforcement resources to lower-level dealers.

SMALL BUSINESS ADMINISTRATION

- **African American History Month:** On February 24, SBA celebrated African American History Month with a lunch and a special program with key community and sports leaders. An African Queen spoke about her country and her visits to American cities.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **Project Impact:** Deerfield Beach, FL, Pascagoula, FL, Wilmington, DE, Oakland, CA, and Seattle, WA are the first of seven pilot communities that FEMA plans to kick off in the next three months with the goal of having one designated Project Impact community in every state within the next year. FEMA continues to use Project Impact as a model to demonstrate how the federal government can work with state and local governments, business and civic leaders to make communities and citizens safer and reduce the cost of future disasters.

United States Information Agency

- **Iraq:** Comment in the foreign media welcomed UN Secretary General Annan's deal with Iraq as a victory for diplomacy that forestalled what many feared might prove a de-stabilizing military intervention by the U.S. and Britain. Many remained skeptical about Saddam Hussein's willingness to keep his promises, while others worried that the U.S. might yet decide to strike Iraq if not fully satisfied with Baghdad's behavior. Analysts feared that this agreement might prove a respite, rather than a long-term solution.

- **Dayton Peace Accords:** The Dayton Accords continue to be supported by sizable majorities of Bosnian Muslims (97 percent), Croats (73 percent) and Serbs (67 percent), according to a January 1998 USIA survey. Most in each group agree that "just or not, the accords are better than war." Despite Bosnian stated support for Dayton, only the Bosnian Muslims support a unified Bosnian state (97 percent); 60 percent of Bosnian Croats and 75 percent of Serbs are opposed.

General Services Administration

- **FL and CA Disaster Assistance:** GSA has contacted FEMA and is prepared to send a disaster relief team to FL to provide support. GSA support in the past has included leasing temporary space for headquarters, procuring supplies, equipment and vehicles, and providing other services.

Social Security Administration

- **FL Disaster Assistance:** SSA's Atlanta Regional Office has sent representatives to the FEMA Centers in Oceola and Seminole Counties in FL to process survivor claims and provide other Social Security assistance to individuals affected by the tornadoes. SSA has also made special provisions for check delivery and immediate emergency payments.

cc:
The Vice President
Erskine Bowles
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Jack Gibbons
Mickey Ibarra
Janis Kearney
Ron Klain
Ann Lewis
Sylvia Mathews
Michael McCurry
Katie McGinty
John Podesta
Franklin Raines
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Larry Stein
Melanne Verveer

STATE DEPARTMENT

Korea: South Korea's most distinguished pro-democracy leader, Kim Dae-jung, was inaugurated as president on February 25. Kim took de facto control upon his election on December 18 as a result of South Korea's financial crisis. His handling of that situation has won universally high marks. In his inaugural address, Kim called for expanded North-South dialogue and stated his readiness for a summit with the dialogue and state his readiness for a summit with the DPRK. Kim also expressed support for the Four Party talks, stated Seoul's willingness to provide food aid to the North, and reaffirmed the ROK's commitment to fund the light water reactor project.

Northern Ireland: Gerry Adams has reacted angrily to the British/Irish decision to expel Sinn Fein from the multi-party talks. He continues, however, to express strong desire to regain his seat at the negotiating table, which depends on the IRA's maintaining its cease-fire through March 9. The danger is that IRA hard-liners who oppose the peace process may mount new attacks to scuttle Sinn Fein's chances of resuming participation. Adams is also unhappy with the decision to issue him only a single-entry, one-week visa and has canceled his planned visit to the U.S. this week. Adams is aware that his attendance at the White House St. Patrick's Day reception depends on whether Sinn Fein has been readmitted to the talks.

DEPARTMENT OF DEFENSE

Secretary's Schedule: On February 25, Secretary Cohen met with Uzbekistan Minister of Defense General Hikmatulla Tursunov. The General is in Washington to co-chair the Military/Security Committee of the U.S.-Uzbekistan Joint Commission with the Assistant Secretary of Defense for International Security Affairs.

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February 27, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig T. Smith

SUBJECT: Weekly Political Update

CALIFORNIA

Gubernatorial candidate Representative Jane Harman (D) has started running TV ads to introduce herself to the voters. She is reportedly willing to spend $15-20 million of her own money on the primary race. One of her opponents, businessman Al Checchi (D), has already spent $7 million on TV ads, about $700,000 a week.

A Mason-Dixon poll conducted February 19-21 found the following in the gubernatorial and U.S. Senate races:

Gubernatorial Open Primary Race	**All**
Atty. Gen. Dan Lungren (R)	28%
Lt. Gov. Gray Davis (D)	22%
Businessman Al Checchi (D)	21%
U.S. Rep. Jane Harman (D)	6%
Marijuana activist Dennis Peron (R)	1%
Undecided	22%

Gubernatorial General Election Matchups

Checchi (D)	41%	Lungren (R)	42%	Lungren (R)	43%
Lungren (R)	38%	Harman (D)	29%	Davis (D)	40%
Undec.	21%	Undec.	29%	Undec.	17%

U.S. Senate Open Primary Race	**All**	**Fav/Unfav**
U.S. Sen. Barbara Boxer (D)	41%	42%/37%
State Treasurer Matt Fong (R)	24%	
Car Alarm Tycoon Darrell Issa (R)	11%	
U.S. Rep. Frank Riggs (R)	4%	

U.S. Senate General Election Matchups

Boxer (D)	44%	Boxer (D)	48%	Boxer (D)	50%
Fong (R)	35%	Issa (R)	33%	Riggs (R)	29%
Undec	22%	Undec	19%	Undec	31%

In Lois Capps' race for the 22nd Congressional District seat, the Campaign for Working Families plans to spend $100,000 on issue ads that support Capps' opponent Tom Bordonaro's (R) position on partial-birth abortion. To counter those ads, the National Abortion and Reproductive Rights Action League announced its plans to spend $100,000 to inform voters of Bordonaro's extreme agenda. The Americans for Limited Terms also will run issue ads against Bordonaro, spending almost $230,000 on the race. Former Vice President Dan Quayle (R) attended a fundraiser last week that brought $30,000 to Bordonaro's campaign.

On February 25, Sandra Dunn (D), an attorney specializing in California water issues, said she plans to run for the 3rd CD seat being vacated by U.S. Representative Vic Fazio (D). She is being supported by Fazio, Assemblywoman Helen Thomson (D), and Yolo County Supervisor Mike McGowan (D). The only other Democrat to announce so far is Howard Beeman, a Yolo County farmer. Republicans in the race to date are Assemblywoman Barbara Alby (R), and Charles Schaupp (R), a Yolo County farmer and Esparto school board member.

CONNECTICUT

Bridgeport Mayor Joseph Ganim (D) took another step toward running for governor this week by forming a Ganim for Governor Committee to raise funds for his potential bid. The Bridgeport Democratic Party has commissioned a poll to measure Ganim's gubernatorial primary prospects against Rep. Barbara Kennelly (D).

FLORIDA

A *New York Times* regional newspaper poll conducted January 31-February 11 shows businessman Jeb Bush (R) leading his Democratic opponents in the gubernatorial race, Lt. Governor Buddy MacKay, former state Senator Rick Dantzler, and state Rep. Keith Arnold.

General Election Matchups

Bush (R)	44%	Bush (R)	47%	Bush (R)	48%
MacKay (D)	36%	Arnold (D)	24%	Dantzler (D)	23%
Undecided	18%	Undecided	29%	Undecided	29%

ILLINOIS

The Chicago Tribune endorsed John Schmidt (D) for governor in the Democratic primary and Secretary of State George Ryan (R) in the Republican primary.

On February 24, *The Chicago Sun-Times* endorsed state Senator Peter Fitzgerald (R) for U.S. Senate in the Republican Primary.

State Senator Penny Severns (D), 46, died of cancer February 21, only two days after she folded her campaign for Secretary of State.

IOWA

A poll conducted January 31- February 4 for the *Des Moines Register* tested the job approval ratings of the President, the Vice President and top state leaders. The results follow:

	Job Approval Rating
Vice President Gore	62%
President Clinton	64%
Senator Chuck Grassley (R)	75%
Senator Tom Harkin (D)	71%
Governor Terry Branstad (R)	70%

A December *Des Moines Register* poll showed that among likely Democratic caucus goers, the Vice President had an 85%/12% favorability/unfavorability rating.

Lt. Governor Joy Corning (R) announced this week that she is quitting the race for the Republican nomination for governor. She was the only moderate in the Republican field. Corning's withdrawal leaves a field of three Republicans: former Rep. Jim Ross Lightfoot, Secretary of State Paul Pate and businessman David Oman.

MINNESOTA

A Mason-Dixon/PMR poll conducted February 20-22 tested the gubernatorial candidates from both parties.

Republican Primary

	All
Coleman	37%
Benson	14%
Quist	11%
Terwilliger	4%
Undecided	34%

Democratic Primary

	All
Humphrey	35%
Mondale	11%
Freeman	9%
Dayton	7%
Johnson	6%
Marty	5%
Undecided	27%

General Election Matchups

Humphrey (D)	39%	Coleman (R)	34%	Coleman (R)	36%
Coleman (R)	33%	Mondale (D)	33%	Freeman (D)	29%
Undecided	28%	Undecided	33%	Undecided	35%

NEVADA

A Mason-Dixon/PRM poll conducted February 19-21 shows retired businessman Kenny Guinn (R) as the early front-runner in the governor's race. Other Republicans considering running are state Lt. Governor Lonnie Hammargren (R) and former Hollywood producer Aaron Russo (R). The likely Democratic nominee is state Sen. Joe Neal (D).

General Election Matchups

Guinn (R)	35%	Neal (D)	26%	Hammargren (R)	28%
Neal (D)	24%	Russo (R)	22%	Neal (D)	25%
Undecided	41%	Undecided	52%	Undecided	47%

The poll also showed Senator Harry Reid (D) with a nine-point lead over his likely Republican challenger, Rep. John Ensign (R-01).

General Election Matchup

Reid (D)	45%
Ensign (R)	36%
Undecided	19%

The race to replace Rep. John Ensign (R-01) has drawn University of Nevada Regent Shelley Berkley (D), District Judge Don Chairez (R), University of Nevada Regent Nancy Price (R), and former Department of Defense expert Robert Tauber (R). The poll shows Berkley with a slight lead.

General Election Matchups

Berkley (D)	26%	Berkley (D)	27%	Berkley (D)	28%
Chairez (R)	25%	Price (R)	23%	Tauber (R)	24%
Undecided	49%	Undecided	50%	Undecided	48%

NEW JERSEY

A *Star-Ledger/Eaglston* poll of New Jersey residents published February 20 shows the President's job approval rating at an all-time high. The survey shows 27% of New Jersey residents believe the President is doing an excellent job, 42% believe he is doing a good job, 19% believe he is doing a fair job, and 10% believe he is doing a poor job.

NEW YORK

A Marist poll conducted February 16-17 shows the Vice President leading all Democrats in a presidential primary and New York City Mayor Rudolph Giuliani (R) leading all Republicans.

Democratic Primary Matchup

	2/98	10/97	3/97
Al Gore	44%	40%	48%
Bill Bradley	16%	22%	20%
Jesse Jackson	14%	12%	12%
Dick Gephardt	5%	7%	3%
Bob Kerrey	3%	3%	1%

Republican Primary Matchup

Rudolph Giuliani	19%	Newt Gingrich	4%
George W. Bush	18%	Dan Quayle	4%
Jack Kemp	17%	Pat Buchanan	2%
George Pataki	14%	Lamar Alexander	0%
Steve Forbes	6%	Other	1%
Elizabeth Dole	5%	Undecided	12%

On February 25, Rep. Bill Paxon (R-27) announced he will retire from Congress at the end of the year, citing family reasons, and promised to never run for elective office again. This district's conservative leanings make it an uphill battle for any Democrat.

A Quinnipiac College poll conducted February 17-23 shows Lt. Governor Betsy Ross with a slim lead over New York City Council Speaker Peter Vallone in the Democratic primary to challenge Governor George Pataki (R). The poll also shows Governor George Pataki leading all potential Democratic challengers by a minimum 33-point margin. The poll also shows former Rep. Geraldine Ferraro (D) leading the Democratic candidates in the primary for Sen. Al D'Amato's (R) seat. Ferraro also leads D'Amato in a general election matchup.

Democratic Gubernatorial Primary Matchup

Ross	18%
Vallone	17%
Hynes	12%
Larocca	4%
Kahan	1%
Undecided	40%

Democratic U.S. SenatePrimary Matchup

Ferraro	46%
Schumer	18%
Green	19%

U.S. Senate General Election Matchups

Ferraro (D)	50%	D'Amato (R)	43%	D'Amato (R)	45%
D'Amato (R)	38%	Green (D)	43%	Schumer (D)	41%

PENNSYLVANIA

Former Rep. Marjorie Margolies-Mezvinsky (D) announced that she will seek the Democratic nomination for Lt. Governor. State Democrats are looking to Margolies-Mezvinsky to jazz up a lackluster ticket and energize the Party faithful. Her campaign also will provide a boost to Joe Hoeffel (D), who is challenging Congressman Joe Fox (R). Fox who won his seat by defeating Margolies-Mezvinsky in 1994.

SOUTH CAROLINA

Republicans are concerned that neither Rep. Bob Inglis (R-04) nor former Greenville County Chair Stephen Brown (R), who are both running for the U.S. Senate, can beat Senator Fritz Hollings (D). State and national Republican leaders are reportedly disappointed in Inglis' stealth campaign strategy and his fundraising efforts. They are openly looking for another senatorial candidate and have approached state Attorney General Charlie Condon (R) to reconsider running in the June 9 primary. Condon has made no signs of reconsidering. In a December poll, Inglis trailed Senator Hollings by 17 points.

WASHINGTON

This week, millionaire real estate developer Ron Taber (R) became the first Republican to challenge freshman Rep. Adam Smith (D-09) for his seat. In 1996, Taber lost his self-financed bid for state school superintendent. Smith is unopposed in the Democratic primary. No incumbent has won re-election in this district since its creation in 1990.

WHITE HOUSE 2000

U.S. House Speaker Newt Gingrich (R-GA) will travel to Iowa, Illinois, Mississippi, Texas, and Wisconsin, February 27-March 2.

At the request of Governor John Engler (R), New York City Mayor Rudy Giuliani (R) will headline a fundraiser next month for Michigan Republican Legislative candidates.

Approximately 1,600 GOPers from 13 Southern states will be attending the GOP Southern Leadership Conference this weekend in the gambling mecca of Biloxi, Mississippi, that will feature presidential hopefuls Lamar Alexander (R), Jack Kemp (R), John Ashcroft (R), and Alan Keyes (R), Steve Forbes (R), Dan Quayle (R), and U.S. House Speaker Newt Gingrich (R-GA). Other GOPers attending are U.S. Senate Majority Whip Don Nickles (R-OK) and U.S. Senate Majority Leader Trent Lott (R-MS). Texas Governor George Bush (R) will not be attending. The conference is important to GOP presidential hopefuls because a straw poll will be conducted, and because the South accounted for about a third of the delegates at the '96 RNC Convention. The following 27 GOP names will appear on the straw poll ballot:

Lamar Alexander	John Ashcroft	Gary Bauer	George W. Bush
Pat Buchanan	Elizabeth Dole	Bob Dornan	John Engler
Steve Forbes	Newt Gingrich	Rudy Giuliani	John Kasich
Frank Keating	Jack Kemp	Alan Keyes	John McCain
Oliver North	George Pataki	Colin Powell	Dan Quayle
Bob Smith	Fred Thompson	Tommy Thompson	J.C. Watts
William Weld	Pete Wilson	Christie T. Whitman	Other

cc: The First Lady
Mrs. Gore
Erskine Bowles
Sylvia Mathews
John Podesta
Doug Sosnik
Maria Echaveste

Ann Lewis
Rahm Emanuel
Bruce Reed
Mike McCurry
Larry Stein
Mickey Ibarra
Thurgood Marshall, Jr.
Paul Begala
Sidney Blumenthal
Susan Liss
Ron Klain
Maurice Daniel
Stacy Spector