BLANCHE LAMBERT LINCOLN
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359 DIRKSEN BUILDING
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'99 NOV 9 PM 4:53

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
ENERGY AND NATURAL RESOURCES
SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510

1. cc: [illegible] Sec to reply Gov. [illegible]
2. cc: NB [illegible] aug to Patrick Crawford -
3. This is a must - mother [illegible] Peter [illegible] years law

November 1, 1999

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500-2000

Dear Mr. President:

It is my pleasure to recommend Mark McNulty for your internship program. Mark is an exceptional young man who will be an asset to your program while taking seriously the opportunity to learn and using the experience as a part of his overall education.

Mark graduated from high school in Pine Bluff, Arkansas in May of 1997. He was in the top 2% of his graduating class with a 4.2 GPA. He is currently enrolled at Rhodes College in Memphis, Tennessee where he has earned the Rhodes' College Presidential Scholarship and maintains a GPA of 3.83 as a Business Administration and Economics major. In January of 1999, Mark was chosen to participate in the Continental Europe Exchange Program and attended the University of Saint Ignatius School of Economics for the 1999 spring semester.

Mark's parents are Jack and Montine McNulty who have served as important role models for Mark, particularly in the area of community involvement. Jack is an attorney in Pine Bluff and former President of the Arkansas Bar Association. Montine is the former director of the Downtown Pine Bluff Development Association and is now the Executive Director of the Arkansas Hospitality Association.

I urge you to give Mark McNulty every consideration as you review the internship applications. Should you need any additional information or have any questions, I hope you will not hesitate to call me.

Sincerely,

Blanche L. Lincoln

Blanche L. Lincoln

11-9-99

BLL:dkm
cc: Mr. Patrick Crawford, Director
White House Internship Program

To Legislative Affairs for reply? Yes ✓ No __

Coordinate with Intern Office? Yes ✓ No __

United States Senate
WASHINGTON, DC 20510–0404
OFFICIAL BUSINESS

Blanche Lambert Lincoln /99 22:2
U.S.S.

The Honorable William Jefferson Clinton
President of the United States of America
The White House
Washington, D.C. 20500-2000

20500-2000

Foundry United Methodist Church

J. Philip Wogaman
Senior Minister

November 2, 1999

'99 NOV 9 PM4:53

Dear Mr. President:

It was good to see you and Hillary in church last Sunday. I'm sorry we didn't deal with the Egyptian airplane tragedy–at the time of the service I simply didn't know it had happened! (It will be a part of our concerns during next Sunday's All Saints service.)

Meanwhile, I have been visited by Daniel Mulunda, an outstanding former student of mine at Wesley Seminary who is Executive Secretary for International Affairs of the All African Conference of Churches. He was also in the service on Sunday and this afternoon visited in my office, expressing the deep concern of the Conference of Churches for the deteriorating situation in the Congo.

He asked me to deliver the memorandum that follows. My inclination is not to bother you with such messages, but this seems different. He is a man of great sensitivity and intelligence, and he has high credibility with people like Archbishop Tutu and (I believe) former President Mandela. I know that you are also deeply concerned about the human tragedies of central Africa. Daniel reports that you are highly regarded in Africa, and he believes that the right word from you might make an important difference.

Grace and peace,

Phil

11-9-99
To Burkhardt for reply?
Yes ✓ No ___

Coordinate with NSC?
Yes ✓ No ___
B.

1500 16th Street, N.W., Washington, D.C. 20036

ESTABLISHED IN 1814

ALL AFRICA CONFERENCE OF CHURCHES (AACC)
PO Box 14205
NAIROBI-KENYA

INTERNATIONAL AFFAIRS DESK
tel. 00254-2-441483
fax 00254-2-443241
email: mulunda@africaonline.co.ke

MEMORANDUM

TO: **Mr. William Jefferson Clinton**
President of the United States of America
The White House
Pennsylvania Avenue
Washington DC

FROM: **Reverend Ngoy Daniel Mulunda-Nyanga**
International Affairs Executive Secretary
AACC International Affairs Desk

Ngoy Mulunda-Nyanga

COPY: **Dr. Philip Wogaman**

SUBJECT: APPEAL TO INTERVENE IN THE DEMOCRATIC REPUBLIC OF CONGO

DATE: **November 1, 1999**

Mr. President,
Greetings from the 170 member churches and 20 national councils of churches in 39 African countries who are members of the All Africa Conference of Churches (AACC).

The AACC is deeply saddened by the atrocities that are being perpetrated by the armies of Burundi, Uganda and Rwanda that have occupied much of the territory of the Democratic Republic of Congo since August 2, 1998. The AACC and its member churches have made efforts through meetings, consultations, visits and letters to the political leaders of Congo, Rwanda and Uganda to put an end to this war that has killed many innocent women, children and elderly people.

The AACC welcomed with joy the signing of the Lusaka Agreement by all the parties involved in the conflict and had hoped that this could put an end to the war. It is with deep sadness that we are coming to make a special appeal to you to say a word for this war to stop, as the centurion told Jesus when his son was dying: "If you say a word, my son will be healed. You don't have to go to my house". We are convinced, Mr. President, that a firm position from you would immediately bring an end to this war. You do not have to send troops but only your words will stop the war and save thousands of people who are dying every minute in that vast central African nation.

What we have noticed since the signing of the Lusaka Agreement is that Mr. Paul Kagame of Rwanda and Yoweri Museveni of Uganda are not ready to stop this war.

lb

Mr. President, the AACC would like to propose some of the measures that could be taken to force the leaders of Burundi, Rwanda and Uganda to withdraw their troops once you so order:

1. Suspension of U.S. military cooperation with Rwanda and Uganda until their troops are withdrawn to the borders. All US military instructors to be withdrawn into Kenya where they will train African peacekeeping forces. Disqualification of the participation of these invading forces in any United Nations peacekeeping force training.

2. Suspension of visas to enter the United States of America to Rwandan, Ugandan and Burundian officials until their troops are out of Congo. (Burundian troops are occupying the towns of Kalemie and Moba .)

3. Halt of economic cooperation and activities with the above countries and ask all US partners to do the same, especially the United Kingdom.

4. Suspension of all financial assistance from the Unites States, the World Bank and the IMF to Rwanda, Burundi and Uganda.

5. Recall the United States envoys from Rwanda, Burundi and Uganda.
Such a major step will send a serious signal to these countries and we are sure that in less than three months, the war will end.

The following indicate that Rwanda and Uganda are not willing to end the war and justify your taking a firm stand:

1. NEW TROOPS AND WAR EQUIPMENT SENT TO THE FRONT LINES
Rwanda, Uganda and Burundi continue to send troops and heavy war equipment to the front lines. Massive killings to intimidate the people continue. The recent discovery of mass graves containing bodies of women and children is an indication of the type of violence and ruthless killings taking place since the Agreement was signed. Attacks in violation of the Lusaka Peace Agreement continue.

2. SETTLING OF UGANDANS AND RWANDANS ON CONGOLESE SOIL
Since last month, many people from Rwanda and Uganda are being taken and settled into the Democratic Republic of Congo, occupying the lands of the people who have been either killed or displaced by the war. According to our member churches on the scene, the occupying forces of Rwanda and Uganda are conducting massive killings to clear villages where their people can settle to make sure that they continue to have access to the Congo. This is why mass killings are being conducted to intimidate and displace the people.

3. RAPE OF WOMEN BY HIV POSITIVE SOLDIERS
It has long been a strategy of Uganda to exterminate the Congolese who live in villages bordering Uganda and Rwanda. Mr. President, as you know, Uganda is one of the most HIV infected countries in the Great Lakes Region. Many HIV positive Ugandan soldiers have been sent into Congo raping women and young girls. Congo is expecting to have villages wiped out by the AIDS pandemic. As death by Aids takes a long time and the Agreement has been signed, now massive killings are being conducted. We cannot hide these atrocities from you Mr. President. As a body of Christians we find it important for you to be informed so that you can make an executive decision to intervene for humanitarian reasons.

Nb

4. TENDENCY TO CREATE A NEW REBEL MOVEMENT
Early October, under the instigation of Rwanda, the traditional chiefs held a meeting where they called for the arming of young persons to defend their lands. This may seem all right to somebody who does not know what is happening on the ground. Church leaders in the region told us that Rwanda and Uganda would like to create a new rebel faction which would be made up of young Congolese. This new faction will not be bound by the Lusaka Agreement and will therefore continue the war. This is a strategy that is being used.

5. LOOTING OF CONGOLESE RESOURCES
The scandalous looting of Congolese natural resources goes on unpunished. Gold, diamond, timber, coffee and properties belonging to Congolese are daily taken to Rwanda and Uganda. We want to tell you, Mr. President, that the question of Rwandan and Ugandan border security is an excuse. If these two countries were serious about the claim of border security they should not be 1500 kilometers inside the territory of Congo. Our records show that the security question is not resolved in Rwanda, Uganda or Burundi despite the fact that they occupy the region and control the borders. This is to tell you that the primary reason they are in Congo is to loot the country and settle their people because of scarcity of land in their respective countries.

It is because of conflict over resources that Ugandan and Rwandan forces fought for three days in Kisangani, destroying the infrastructures that were remaining in that area. Today tension is very high in the region between the two armies who might again fight on the Congolese soil to delay the implementation of the Lusaka Peace Accord.

6. STRATEGY TO ANNEX PART OF KIVU TO RWANDA
One of the aims of Rwanda is to annex the Kivu Region to Rwanda or to push it to declare its independence. This is being done through putting in place an administration that depends on Rwanda, a "marriage" between Kivu and Kigali held without consulting the Congolese authorities. The leaders of Uganda and Rwanda enter Congo like it is their own country.

The project to annex Kivu is a real one because President Bizimungu of Rwanda continues to claim that Kivu belonged to Rwanda before the Berlin Conference and that therefore the borders should be reviewed. Many strategies are put in place to either annex the region by force or to push the defenseless population of Kivu to declare their independence.

Mr. President, the above examples are showing that the danger of a long and protracted war is intact and peace will not come unless serious major actions are taken to stop what is going on.

On the side of Congo, the AACC wanted to know where President Kabila stands in the process. It is with satisfaction that we noticed his willingness to see the war end. Recently he allowed church members and civil society representatives from the rebel-occupied territories to enter the capital Kinshasa and organize a meeting to reflect on the Lusaka Agreement. He sent ministers to explain the government position and its willingness to enter the dialogue with the rebels as soon as they were ready. By allowing the forty- five delegates from the rebel-occupied territories, the Government of Congo has implemented one of the clauses of the Agreement that allows people to freely move in the country once the parties sign the agreement.

During their meeting the Churches and Civil society called for the political space to be opened. The Government is ready to do it during the proposed inter Congolese dialogue which is another key element of the Lusaka Agreement. We have noted with satisfaction the willingness and openness of President Kabila's government to implement the agreement and start the reconstruction of the country. We think that he needs to be encouraged because Congolese people have suffered.

Mr. President, the AACC is convinced that such a firm stand from you will change the situation in the region and spare many lives. Any delay prolongs the suffering of the people of the Congo and increases the number of dead people and broken families. While we are aware of the tragedy that Rwanda went through and the need to continue helping that nation to reconstruct, it is our Christian belief that the atrocities that country is committing in the Congo cannot be ignored.

Mr. President, we want to acknowledge and thank you for all your efforts that led to the signing of the Lusaka Agreement and continue to encourage you to stand with the Congolese people for them to enjoy peace before your term is over. The greatest gift you will give to the people of Congo in particular and the people of the Great Lakes Region in general is to stop this war while you are still in office. This will allow the people of Congo to enter the new millennium with joy and peace that would have come through you.

We, at the All Africa Conference of Churches, Mr. President, are convinced that God is going once again to use you as his instrument of Peace. It is with you that God is bringing Peace to the Middle East, with you God has brought hope of peace in Northern Ireland on the symbolic day of Good Friday, and we believe that with you God is going to bring Peace to Congo and the Great Lakes Region. With you God is bringing hope and relief to the people of Kosovo. Even though this memo is on the Congo, we ask you to remember the Sudan and to support the IGAD initiatives. Any other initiative would be disruptive and delay the peace process in the Sudan. The recent symbolic meeting between the Secretary of State and the Head of SPLA was very well appreciated. Please support the people of South Sudan and President Moi who is leading the IGAD.

Mr. President, say one word, and peace, hope, and, life will come to Congo and the Great Lakes Region. Death will run away.

May God Almighty who chose you to lead this great nation and the world use you now to stop the war and its massive killings, abduction and exploitation of children, and displacement of people in the Democratic Republic of Congo.

Yours sincerely,

Ngoy Mulunda-Nyanga

Reverend Ngoy Daniel Mulunda-Nyanga
Executive Secretary for International Affairs
All Africa Conference of Churches
Nairobi, Kenya

cc: Sandy

J. Philip Wogaman was glad to see you both in church. He encloses a memorandum from **Daniel Mulunda-Nyanga**, a former student of his, who is Executive Secretary for International Affairs of the All African Conference of Churches, expressing concern for the deteriorating situation in the Congo. He has high credibility with people like Archbishop Tutu and former President Mandela. You are highly regarded in Africa, and he believes the right word from you might make a difference. (cc Staff Secretary for response)

Sandy Berger

THE PRESIDENT HAS SEEN
11-9-98

Jennings
What about this?

BC

copied
Jennings
Podesta

THE PRESIDENT HAS SEEN
11-9-99

Flu Research Concerns Lawmakers

U.S. Agency Urged to Move Work From Rockville Site

By Michael E. Ruane
Washington Post Staff Writer

The House Commerce Committee has asked the Department of Health and Human Services to seek another location for exotic influenza research that has been conducted at a government laboratory in Montgomery County near the White Flint Mall.

Rep. Thomas J. Bliley Jr. (R-Va.), the committee chairman, and Rep. Fred Upton (R-Mich.), the oversight subcommittee chairman, said they were worried about research on avian flu at the Food and Drug Administration's labs in the Nicholson Lane Research Center.

In a letter sent last week to Health and Human Services Secretary Donna E. Shalala, who oversees the FDA, the legislators said the complex "is located essentially next to a shopping center and the White Flint Mall in Rockville. We are concerned about the wisdom of locating a . . . laboratory in such proximity to the general public."

The letter expressed concern in general about biosafety at department labs there and at the National Institutes of Health, in nearby Bethesda. But the committee was especially worried about the handling of so-called biosafety level 3 materials—on a rising danger scale of 1 to 4—that are permitted at the Nicholson Lane facility.

The congressmen asked the department to report by early next year on locations that might be "alternatives" for the research.

A spokesperson for HHS referred queries to the FDA.

The FDA said research on potential vaccines for the avian flu that killed several people and sickened others in China two years ago was conducted last year at the Nicholson Lane lab. More may be conducted on a new, less dangerous strain that appeared this year, the agency said. None is underway now. The FDA said that the labs are designed to be safe and secure and that the amounts of flu virus used are small and not in the aerosol form that might infect humans.

"You're dealing with an appropriate level of protection to prevent this agent from infecting humans," said Jesse Goodman, deputy director for medicine at the FDA's Center for Biologics Evaluation and Research, which is conducting the research.

"These standards of protection have been designed by experts in laboratory safety and environmental health and are felt to ensure against that danger," Goodman said.

Some other experts agreed. "I wouldn't be concerned having a biolevel 3 facility in my back yard," said Matt Jackson, associate professor of immunology and microbiology at the Wayne State Medical School in Detroit. "They're pretty safe and pretty contained. You'd have a greater risk of catching the flu from somebody that you ride home on the subway next to."

Scientists rate the danger of microorganisms in a laboratory on a scale of 1 through 4 and call for corresponding levels of safeguards when handling such materials.

Level 1 refers to substances that are not known to cause disease, and it requires procedures like those used in a high school lab, according to the federal Centers for Disease Control and Prevention.

Level 2 refers to infectious agents such as measles and may require modest protective clothing, handling procedures and equipment.

Level 3 involves agents that may cause serious or potentially lethal diseases such as tuberculosis or encephalitis and requires stringent procedures and special containment equipment.

Level 4 concerns deadly, exotic agents such as Ebola about which little is known and for which there is no treatment. This level requires extreme handling caution and state-of-the-art lab facilities.

Flu research is generally considered to be level 2, but the avian flu study was conducted in the level 3 Nicholson Lane facility "to err on the side of safety," the FDA's Goodman said.

The Commerce Committee, which performs FDA oversight for Congress, became concerned after learning about the Nicholson lab's flu work and about a water leak in an FDA level 3 lab on the grounds of the National Institutes of Health two years ago.

Steve Schmidt, the committee's communications director, said the Nicholson lab is safe for level 2 testing.

"The question is whether it's safe for level 3, when they're testing pathogens that can be spread airborne," he said. "This is not a lab. This is an office building that has been turned into a lab."

Last summer, the General Accounting Office, at the behest of the committee, reported that the FDA first leased the Nicholson Lane office space in 1989. The agency gutted the inside and turned it into a laboratory research facility, with a level 3 lab where research on the AIDS virus was done.

The GAO also reported that at a Food and Drug Administration lab at NIH in January 1997, water from a loosened hose seeped from the supposedly sealed lab through a faulty pipe gasket in the floor and into a lab below. No research was underway, and no incident report was ever filed, the GAO found.

"It is disturbing that their response to this is, 'No harm, no foul,'" Schmidt said. "We're very troubled by that."

Don Peterson, director of office management for the biologics center, acknowledged that the leak at NIH should not have occurred and said it was quickly fixed. He said no report was filed because no one appeared to have been exposed to any agents.

As for an alternate site to Nicholson Lane, he said: "We can look for another place. But the work that's been done in that lab has either met or exceeded all of the safety procedures for working with the agents that we have been working with."

The Washington Post
Tuesday, November 9, 1999

THE PRESIDENT HAS SEEN
11-9-99

'99 NOV 9 AM12:09

THE WHITE HOUSE

WASHINGTON

copied
Jennings
Reed
Sperling
Podesta

November 8, 1999

I agree w/ you
we must improve
HCFA
BC

MEMORANDUM TO THE PRESIDENT

FROM: Chris Jennings

SUBJECT: Proposal to Create a Medicare Board

CC: Bruce Reed, Gene Sperling

Secretary Shalala has drafted the attached memorandum to respond to a proposal by Senator Breaux and Congressman Thomas to create an independent board to supervise the Health Care Financing Administration's (HCFA) administration of the Medicare fee for service system, as well as to separately oversee operation of private plans participating in the Medicare program. Although it appears that proposals for a Medicare board will not be passed by this Congress, the ongoing frustration of the Congress and its constituents regarding HCFA's role in administering the Medicare program are certain to lead to future discussions about this issue.

Recognizing this, we have been strongly encouraging the Department to integrate a series of private sector practices that would hopefully lead to better coordination and administration of the agency's substantial responsibilities. Nancy-Ann Min DeParle has indicated her willingness to advocate for and implement these initiatives because she thinks that they will improve the agency's operational status and credibility, making it possible to fend off unconstructive initiatives that undermine the agency's ability to manage the program effectively.

BACKGROUND

HCFA remains one of the most passionately reviled agencies in the Federal government. This is logical, as it is responsible for denying reimbursement for desired claims from providers and state and local agencies alike. In addition, HCFA's numerous responsibilities makes it difficult for it to effectively manage, and there tends to be little time available for anything other than crisis management. Long-term planning is rare and frequently altered substantially by Congress and other outside entities, making stable and predictable management impossible.

Congressman Thomas and Senator Breaux believe that an independent board would help facilitate better management and utilize the best private sector management techniques. They believe the agency is inherently biased against private insurance plans participating in the program, causing the frustration and problems HMOs participating in the Medicare program have experienced. They also view this board as a possible vehicle to develop and implement benefit coverage and policy changes in a process independent of political intervention from the Congress and other outside sources.

THE PRESIDENT HAS SEEN
11-9-99

In the memo from the Secretary, she counters that a Medicare board would reduce beneficiary protections, dilute Presidential authority, and provide the infrastructure to end the Medicare entitlement. The Department also argues that such a structure would lead to limited accountability by the Medicare program to both the White House and the Congress, and create extreme difficulties in managing program integrity initiatives, including anti-fraud and abuse efforts, within all aspects of the agency. While these are valid arguments and should be taken seriously, the same effort that was exerted to make these arguments should also be applied to the Department's commitment to reform the agency.

While we concur with the Secretary's memo that proposals such as those developed by Congressman Thomas and Senator Breaux would be detrimental to the Medicare program and the beneficiaries it serves, this type of proposal should serve as a warning to the agency to be more efficient and responsive to both the White House, the Congress, and the various advocacy, provider, and insurer communities it deals with.

We believe that we should use this opportunity as a means to strengthen the Medicare program and push HCFA to ensure that it is more prudently managed. In so doing, the agency will have the additional benefit of strengthening its credibility when opposing harmful and poorly thought out reform proposals.

'99 NOV 1 PM 7:35

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

OCT 25 1999

MEMORANDUM FOR THE PRESIDENT

I am writing to express my deep concern over discussions occurring in Congress that could result in creation of a new, independent Medicare board. As envisioned by its proponents, this board would operate as an independent entity designed to oversee the Medicare+Choice program, including the competition among private plans and between private plans and fee-for-service Medicare. The creation of such a board seriously undermines your authority over Medicare, the beneficiary protections that you have worked hard to establish for this program, and the significantly improved refocused management which has reduced the Medicare error rate by over fifty percent. This new board also sets the stage for capping government expenditures for Medicare, threatening Medicare beneficiaries' entitlement to first-class medical care.

The board's advocates say they want to bring private-sector expertise into the administration of the program and say they want to avoid conflicts of interest in running a competitive system. Their first goal is being accomplished without undermining the current strengths of Medicare and their second contention is a false promise. Not only will their proposals not achieve their goals, but, for the reasons stated below, they would substantially undercut our ability to serve beneficiaries and efficiently administer the program. At the end of this memorandum, I will describe the activities that we have already undertaken to garner additional private sector expertise in administering Medicare.

Medicare Board Leads to Reduced Beneficiary Protections. Under your leadership and through the hard work of this Department, we have ensured that Medicare includes the beneficiary protections outlined in your Patients' Bill of Rights. Medicare was one of the first programs in the country to incorporate these protections and remains a model program. This would not have been possible if the Medicare+Choice program were administered by an independent board.

Given the hostility we have seen in the private sector to even the modest proposals in the Patients' Bill of Rights, I do not believe that a board comprised of private sector health officials would have taken a strong, pro-beneficiary stance. It is not surprising that the strongest proponents of a Medicare board, including managed care interests, are among the most active opponents of strong patient rights legislation. I believe that we must maintain our ability to keep Medicare in the forefront of beneficiary protection. Creation of an independent Medicare board is not consistent with that imperative.

Medicare Board Dilutes Presidential Authority. Placing the Medicare+Choice program under the control of an independent board splits accountability for the program and substantially dilutes your authority over a substantial portion of Medicare. This is a significant loss given that Medicare serves 39 million beneficiaries and makes up 11 percent of the Federal budget.

The Administration's ability to make changes to Medicare in the context of the President's Budget would be limited. This is especially true since proposals for treating traditional fee-for-service Medicare as a health plan under the structure of Medicare+Choice would allow a new board to exercise substantial authority over the entire program. In particular, a board could be given substantial authority over what private health plans would be paid by Medicare. It could also be given authority to oversee aspects of traditional Medicare, including benefits and, under some proposals, total spending by traditional Medicare.

As a result, the presence of a board would have hampered our ability to exert strong budget discipline, such as the steps we have taken to extend the life of the Medicare Part A Trust Fund to 2015. Similarly, it would not have been possible to use Medicare changes to help finance key domestic initiatives to improve the health of the nation, such as the Children's Health Insurance Program.

Furthermore, creation of a board would limit the Administration's authority to make key program changes to address Medicare problems identified by beneficiaries, providers, or other segments of the American public.

Medicare Board Diffuses Accountability for Medicare. Authority over certain key functions would be unnecessarily complicated by bifurcating control of Medicare between a board and the Health Care Financing Administration (HCFA).

For example, Administration efforts to reduce fraud and abuse in Medicare have been successful because we have provided clear, consistent policy guidance and because we have been willing to take the political heat generated by our aggressive stance. I do not believe that an independent board (especially one that includes private sector health care executives, as would be likely with any congressionally created board) would have initiated or sustained such a controversial, yet productive, program. Specifically, the HCFA actuaries credit aggressive fraud control efforts with bringing down the Medicare baseline through reducing either the rate of growth or the actual level of spending on inpatient hospital services, home health, and lab services. Our efforts have also led to the first-ever decline in hospital upcoding since the inception of a prospective payment system in 1984. The bifurcation of authority under a board would threaten the significant advances made by this Administration by complicating the relationship between the program and the HHS Inspector General and between Medicare and the Department of Justice.

Similarly, this Administration has taken significant steps to measure and hold health plans and providers accountable for quality of care for seniors and other vulnerable populations. The diffusion of accountability threatens our ability to move aggressively in this area as we have on the Patients' Bill of Rights.

Medicare Board Creates Potential Confusion of Authority That Would Be Detrimental to Beneficiaries. HCFA is currently responsible for a wide range of activities that might become the responsibility of either the board or HCFA, or both. These functions include beneficiary education, procedures for appeals and grievances, provider enrollment, survey and certification of providers, and quality assurance. If these functions were assigned to HCFA, their applicability to private plans would become uncertain; if assigned to the board, more functions would be removed from the lines of public accountability. If assigned to both, there would be confusion and uncertainty among all parties involved.

A Medicare Board Provides the Infrastructure for Ending the Medicare Entitlement. Although the proponents of a board deny that they intend to fundamentally change Medicare, it is clear that creation of an independent board would establish the administrative framework for a defined contribution plan, which specifies the government's financial contribution toward beneficiaries' health care but does not specify the benefits to which beneficiaries are entitled. Creating an independent board is an ideal first step toward capping government contributions for Medicare, and beneficiary advocates will see it as such. It is not surprising that some of the strongest advocates in Congress for a board are the same Members who tried to cap Medicare spending in the 1995 budget bill that you vetoed.

Claims About Current Conflicts of Interest in Managing Medicare Are Not Legitimate. Advocates for a board argue that HCFA has an inherent conflict of interest in both managing the competition among private health plans and fee-for-service Medicare and operating the fee-for-service Medicare program. In fact, the risk of conflict of interest could be greater if managed care executives, hospital administrators, physicians, durable medical equipment suppliers, or any other individual who benefits from Medicare payments were given statutory powers through participation on the board.

Today, HCFA manages both original Medicare and Medicare+Choice, having successfully supervised the growth of Medicare+Choice to a program that enrolls about one of every six beneficiaries. HCFA's role is not unique – conflicts of interest are successfully avoided by CalPERS and many private employers that run self-insured plans while contracting with competing health plans.

The assertion that HCFA's dual role creates a conflict of interest may stem from certain decisions that private plans may find onerous, such as those in setting standards for consumer protection and quality assurance. Such decisions stem directly from HCFA's primary concern for serving the needs of beneficiaries, not from any desire to bias the competition. If a Medicare board also places serving the needs of beneficiaries as its core mission, it will inevitably make similar decisions. Thus, it will also be subject to the same charges of conflict of interest.

Under your proposal for a competitive defined benefit, traditional Medicare and private health plans would compete on an equal footing, allowing both Medicare and beneficiaries to save when beneficiaries choose efficient health plans. As discussed above, I believe that many board proponents are using the conflict of interest accusation as an excuse to take the first step toward ending the entitlement.

Private Sector Involvement Can be Achieved Without a Medicare Board. While I am deeply concerned about the proposals to create an independent board to administer a portion of Medicare, I am committed to expanding the program's access to private sector expertise. In September, we chartered a Management Advisory Committee for HCFA. This step was part of HCFA management modernizations contained in your budget. The committee allows HCFA to get expert advice from individuals in the public and private sector regarding innovations in management practices. It also will allow HCFA to maintain critical relationships with public and private sector experts in management, leadership, and purchasing strategies. The committee will address issues including how HCFA can better manage its private sector contractors and how it can be a more prudent purchaser of fee-for-service Medicare services. The committee need not make recommendations regarding payment or coverage policy, because the Medicare Payment Advisory Commission (MedPAC) and the recently established Medicare Coverage Advisory Committee already fulfill these functions.

I will chair the committee, which will include up to 11 additional members that I will appoint. The members will be selected from among nationally recognized authorities in academia, private consulting, public and private sector health purchasing entities, and private companies. The committee would not include provider or beneficiary representatives since they are already represented in many advisory committees to the Congress and the Department.

If Medicare reform is successful, this committee could also easily be adapted to serve as an advisory body for the implementation of the fee-for-service modernization reforms included in your Medicare plan. Experts from private and public sector organizations that purchase health care for their employees and beneficiaries, as well as experts in public administration, would provide recommendations to the Secretary on how to implement these reforms to purchase services more competitively. HCFA would benefit from the advice of these experts in a forum open to public participation.

In Conclusion, Creation of a Medicare Board to Oversee a Portion of the Program Would Be a Grave Mistake. It would be a disservice to our successors and to future generations of beneficiaries if we were to weaken the executive management of Medicare, not only because it is a substantial and growing proportion of federal outlays, but because older and disabled Americans are particularly vulnerable and need government protection. This Administration has strengthened Medicare in innumerable ways: extending solvency, increasing benefits, advancing new beneficiary protections, and strengthening program integrity. The Medicare program would most likely not be experiencing the benefits of the Administration's improvements had the Medicare board, as proposed, been in existence.

Donna E. Shalala

Xxou 4030 to Cost

JAMES A. HARMON
PRESIDENT AND CHAIRMAN

EXPORT-IMPORT BANK
OF THE UNITED STATES

'99 NOV 9 PM12:25

November 9, 1999

11-9-99

Send to OSC?
Yes ✓
No ____

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am delighted to report to you on my recent trip to Ghana, Nigeria, South Africa and Mozambique (10/15 to 10/28).

In Ghana, we spent considerable time with President and Mrs. Rawlings, Ministers and private sector banks. In the year ended September 30, 1999, Ex-Im Bank completed 29 transactions in Ghana in support of approximately $150 million of US exports to the country. We have a number of additional projects in process. Ghana is a model of a successful program between Ex-Im Bank and the African private sector.

In Nigeria, we announced that after being closed to all business for more than seven years, we opened our programs in the private sector. We will also sign in the near future a Memorandum of Cooperation to provide financing for hard currency generating projects in Nigeria.

In South Africa, we announced that Ex-Im Bank would guarantee loans in South African rand. This will allow small- and medium-sized businesses to purchase US goods and services without taking currency risk.

In Mozambique, we announced the opening of all our programs for the private sector for the first time since 1969. We met with government agencies responsible for attracting trade and foreign investment to Mozambique and conducted seminars for banks and companies describing Ex-Im Bank programs.

PHONE (202) 565-3500 FAX (202) 565-3513
811 VERMONT AVENUE, N.W. WASHINGTON, D.C. 20571

Throughout sub-Saharan Africa, we have applied our programs in meaningful ways that will expand US exports to Africa and promote economic growth in those nations. For the year ended September 30, 1999, Ex-Im Bank supported $600 million of exports to sub-Saharan Africa. This was eleven times the amount of the prior year. I fully expect that we will increase this again this year to an amount in excess of $1 billion.

We are now open in 32 countries compared to only 13 countries at the time of your trip to Africa in 1998. Ex-Im Bank is making a difference in sub-Saharan Africa, and we have just begun. I am often embarrassed to admit that I was the first Chairman of Ex-Im Bank to visit Nigeria, Ghana, Mozambique and South Africa. However, looking at it from a positive point of view, this is an opportunity to add significant value. Years from now, I believe that trade with Africa will be substantially greater and that your trip last year will mark the beginning of a new partnership between the US and sub-Saharan Africa.

I am taking the liberty of including a copy of my speech given at the Nigerian Economic Summit.

With best regards,

Sincerely,

Jim

James A. Harmon
Chairman and President, Export-Import Bank of the United States Nigerian Economic Summit
October 21, 1999

Good morning Mr. Vice President, the Senate President, Ministers, Senator and Special Advisers here present and distinguished guests.

It is a pleasure to be here in Nigeria with such a distinguished group with whom we share a common interest in developing trade and expanding upon Nigeria's great economic potential.

This is the first visit of an Ex-Im Bank Chairman to Nigeria in our 65-year history and I hope it will prove to be a memorable one through the trade and business we create in the coming months and years.

I am pleased to be serving as Chairman of the Bank at this time because there has never been a President of the United States who cared more about partnering for trade and development with Africa.

For those of you who do not know us, the Export-Import Bank of the U.S. is the Unites States government's official export credit agency. In 1999, we financed $16.7 billion of U.S. exports worldwide by providing loans, guarantees and insurance to creditworthy buyers in emerging markets.

In sub-Saharan Africa, we provided loans and guarantees of $600 million in 1999 à more than ten times the previous year. In the coming year, we expect to exceed $1 billion.

Today, I would like to focus on the potential for increasing trade between the U.S. and Nigeria, and how the Export-Import Bank proposes to expand its financing to support this increased trade.

The importance of Nigeria in the overall economic development of Africa is clear to the U.S. government and business leaders. That is one reason why I am here today, why Secretary of State Albright was here yesterday and why so many high-ranking U.S. government officials have and will come to your country this year.

Africa's time has come. The World Bank is forecasting a 4.2 percent annual growth rate for sub-Saharan Africa during the next 20 years. Government subsidies and barriers to trade and investment are being reduced. Net foreign direct investment in the region has increased four-fold from 1990 to 1997. Aircraft and aircraft parts, oil and gas equipment and machinery are leading the way, but there has been recent strong growth in sales of telecommunications equipment and motor vehicles.

Africa's time has come - and the moment is now - for a strong U.S.-Nigerian partnership. Never has U.S. leadership supported this more than it does now, never has there been a larger, more successful African-American population residing in the U.S. - almost 30 million, and never has there been more liquidity of wealth in the U.S. searching for investment opportunities.

Nigeria's transition to a civilian democracy is helping to lay the foundation needed to improve economic conditions and attract capital that will provide greater prosperity to the country and to other countries on the African continent.

We are encouraged by President Obasanjo's first actions as head of state. He has taken a prominent leadership role in the region.

If there is anything we at Ex-Im Bank have learned from the recent global financial crisis - it is that we cannot have economic stability without political stability and we cannot have political stability without economic stability. Where these two conditions exist - by example Korea and Brazil - recovery progressed.

Conversely in Russia and Indonesia, more difficult economic conditions continue to persist. Where there is transparency, good government, respect for the rule of law and leadership against corruption - there is also capital investment.

President Obasanjo has spoken of a democracy dividend. I like this term. I will copy it. I told him that there is such a dividend. Where there is economic and political stability of the kind that promotes transparency and good corporate governance, the investment climate becomes attractive and the country prospers. Ex-Im Bank programs may be considered a democracy dividend.

Ex-Im Bank operates in high-risk, emerging markets but it does not act imprudently. Ex-Im Bank has not done business in Nigeria for 10 years. So I am especially pleased to report that two weeks ago, the Board of directors of the Bank approved the opening of our programs in Nigeria.

Ex-Im Bank chose to open its programs in Nigeria because we believe there has been progress in promoting transparency and good governance, and routing out corruption. We believe that further progress will materialize because your President is committed to reform of the economic and political systems.

It is for these reasons that Ex-Im Bank makes its financing available and that I believe there are tangible dividends accruing to Nigeria from these important steps of reform.

If Nigeria pursues a realistic budget, tax reform, and privatization - investors could become very bullish. In short - business confidence and attracting foreign capital is not difficult to attain if Nigeria follows this recipe for economic reform.

Two weeks ago, we took a significant step forward in our partnership when we opened our financing in Nigeria. By providing financing in the private sector, Ex-Im Bank is opening the door for Nigerian businesses to obtain capital goods, raw materials, spare parts, and services from the United States.

We will consider applications for any of these purchases - small or large dollar transactions. Ex-Im Bank pre-cleared credit authorizations for 11 Nigerian banks and we are considering other banks at this time. So, qualified businesses in the private sector can access Ex-Im Bank financing directly or through these banks.

During my visit to Nigeria, I have discussed with Nigerian leaders, the signing of a memorandum of cooperation that will lay the foundation for developing the specialized financing structures needed for large-scale economic development to proceed by using hard currency commodity export contracts as security.

Entering into a project incentive agreement with the Government of Nigeria and Central Bank will allow us to take an important step forward that has the potential to create another form of financial empowerment, one that will provide economic growth and stability, along with the ability to invest in infrastructure development. With this project incentive agreement, the bank would be interested in considering financing for the Escravos Gas Project and the West Africa Pipeline.

As someone who spent 38 years as an investment banker in New York City, I cannot emphasize enough how important it is to have a strong private sector economy.

But the U.S. Capital markets must come to know Africa better. During my private banking career, rarely did anyone make the case to me that there were investment opportunities in Africa.

The private sector must be engaged in the economy, and the best tool is through trade and investment. Africa will make its way onto the front pages of the American business and financial communities.

At the time President Clinton came to Africa eighteen months ago, Ex-Im Bank was open for business in about one-third of the countries of sub-Saharan Africa. I felt strongly that we should do more. So I am pleased that we were able to expand our programs twice this year, now making Ex-Im bank financing available in two-thirds of the countries of sub-Saharan Africa. That's right, over the course of last year, we have doubled the number of African markets where we are open from 16 to 32.

I am personally taking Ex-Im Bank's message directly to Africa's governments and businesses through forums like this and through official visits. In addition to my visit last year and this year, both members of Ex-Im Bank's board of directors and our senior Africa specialist have visited in Africa in the last 18 months, visiting 12 countries.

As I said earlier, I truly believe that Nigeria and Africa's time has come. With the tools available through Ex-Im Bank, together with our sister trade-finance agencies, OPIC and TDA, we can make a difference in the region.

Expanding commerce between the U.S., Nigeria and the rest of Africa is more than just good business. It is also good for the people of all our countries. It helps foster greater understanding and cooperation among nations. Trade is essential for African development and for continued American growth and prosperity.

I hope that when people look back at this time, they will recognize that the year 2000 marked a turning point in U.S. Africa trade relations, and our trade partnership, Beyond the symbolism, I hope that economic statistics will tell the story of expansion in trade that will have helped ignite economic growth throughout Nigeria and Africa. Most importantly, I hope the people of our nations see the benefit of expanded trade and I hope that Ex-Im Bank will have played an important role in making this happen.

Thank you very much.

EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, DC 20571

OFFICIAL BUSINESS

The President
The White House
Washington, DC 20500

11/9/99

Send to Legislative Afr.

Yes ✓

No

EMBRACING THE ABUNDANCE OF LIFE

THE LEGACY OF DOÑA MARINA MEDINA DE HINOJOSA

Hers was a life of abundance. She gave abundantly and was blessed with abundance – an abundance of faith, of love, of strength in the face of adversity, of family, of spirit, of generosity, of learning, of struggle, of creativity, of dignity and of playfulness and good humor. Surely a life of such abundance, both given and received, is the gift of a bountiful God who after ninety four years has called this favored child back to the source of all that is true and eternal.

Doña Marina has left us the legacy of a life lived with grace. She embraced God's abundant creation. She learned from the joy and the pain of a life lived abundantly. She smiled easily, or so she made it seem, even unto the last moment before her spirit embarked on its final, welcome journey to those she loved.

In the midst of a violent revolution, Chachita was protected and cherished – *concentida* – by a strong and doting father whose vision of the man worthy of his beautiful and high spirited daughter was realized when the hardworking and charismatic Salvador Hinojosa asked to come to call. She smiled and laughed and baked the famous coffeecake that would grace a thousand *meriendas* through the years, through the joys and through the tears. Salvador vowed to make his *chachita - la mas concentida* - his strategic objective in life and the family she would give him his beacon of light.

Together they would raise eleven children, build a business, send sons to war, bury their precious four year old daughter Hildita, bury their beloved first son Salvador Hector and help to raise his four children. Together they established standards of family, educational, business, community service, civic and cultural values that would affect the lives of thousands whom their children would employ, teach, serve and befriend.

She would ensure that eleven children and anyone that those children or her husband brought home were properly fed; that a house filled with eleven children and their friends was orderly, attractive and welcoming; that those children got off to school *bien planchaditos y bien peinaditos;* that they were well-mannered, disciplined workers, well spoken in both English and Spanish, and well educated in both the American and Mexican sense of the word. They understood her expectations were high. After all, they were Hinojosas, *y unidos* and they had a mother who looked lovely, smiled readily, conversed graciously and always appeared *concentida.*

Doña Marina embraced becoming Mama Grande to 40 grandchildren and 58 great grandchildren. Again she would experience loss: her beloved husband, a second son, a daughter in love and two grandsons. She would embrace the learning, the certainty that comes with faith and the abundance of God's love. She would rejoice in the *apprecio* shown to her children and grandchildren as they lived out the values of excellence, generosity and service that she and Salvador had tried to instill. Through ninety-four years of change, *Chachita* taught in her inimitable style those whose life she touched to love, to smile, to set a great table (and particularly those memorable *meriendas)* and to embrace life.

Gracias Chachita!

APRIL 28, 1905 – OCTOBER 26, 1999

Staff

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HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

RUBÉN HINOJOSA
FIFTEENTH DISTRICT
TEXAS

November 5, 1999

Mr. President,

You telephone call Wednesday evening expressing your condolences on the death of my mother meant a great deal to me. I will always remember your kindness.

I want you to know how special it was for my mother and my entire family to have met you. She treasured the photograph of the two of you, and never looked at that memento without being filled with pride.

Enclosed please find a special remembrance given to mother's sons and daughters and many grand children and great-grand children. It describes the Legacy of Doña Marina Medina de Hinojosa..

Best personal regards, I remain your friend —

Sincerely, Rubén Hinojosa

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

President William Jefferson Clinton
The White House
Washington, D.C. 20502

— Personal and Confidential —

Congressman Rubén Hinojosa
House of Representatives
Washington, D.C. 20515

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Tab C -	Sperling/Podesta
Tab D -	Reed/Liu/Podesta
Tab F -	Lane/Podesta/Burkhardt (for reply)
Tab H -	Entire Report: Ibarra/Podesta; pg 1: Reed/Podesta
Tab N -	Moore/Podesta

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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

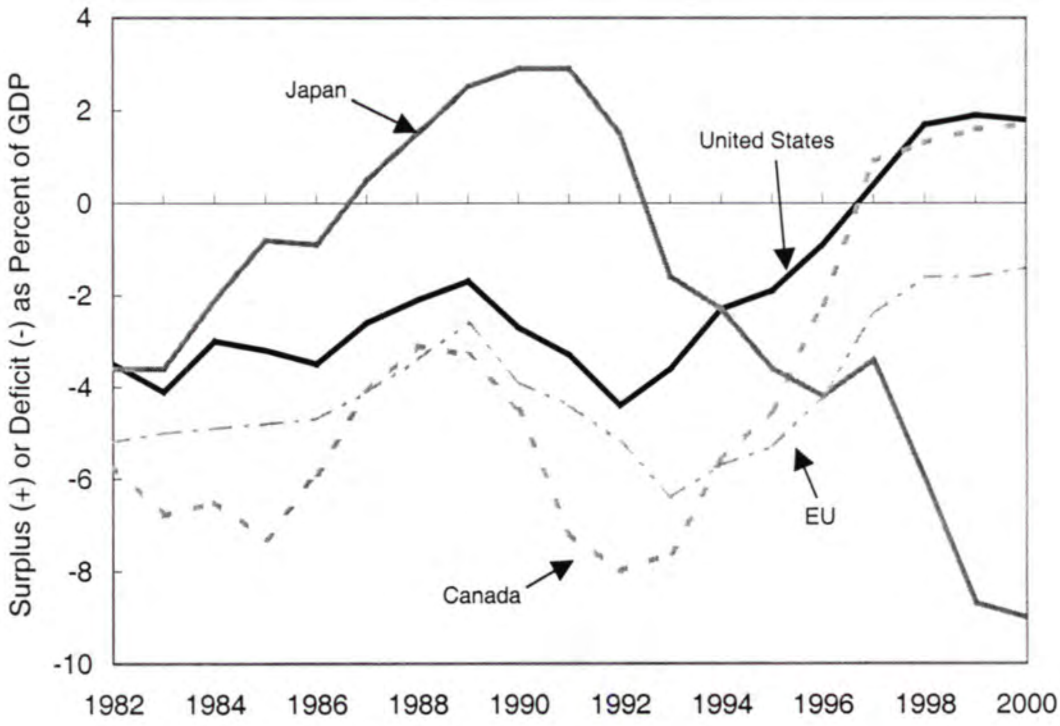
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

November 5, 1999

copied
Entire Report:
Baily
Podesta
Pg. 3
Reed
Burson
Podesta

CHART OF THE WEEK

Fiscal Balances Generally Improving Outside of Japan



Data for 1999 and 2000 are projections

The government balance sheets of many industrialized countries improved markedly over the last decade, except in Japan where they have gone from a sizable surplus of about 3 percent of GDP to a deficit of about 9 percent of GDP. Only part of the deterioration in Japan's budget position is related to its macroeconomic performance: OECD estimates of Japan's structural deficits (deficits adjusted for the state of the business cycle) show a similar trend.

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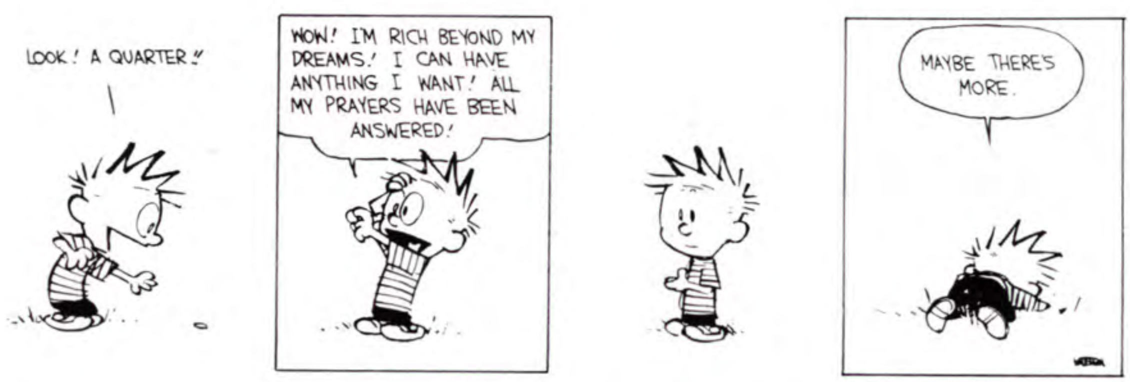


SPECIAL ANALYSIS

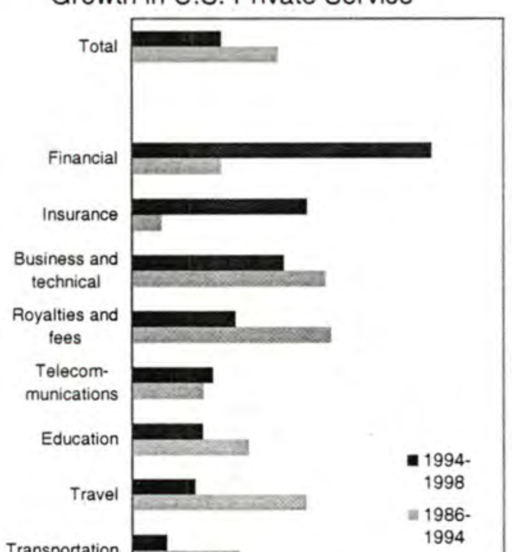
U.S. Service Sector Poised to Gain from New WTO Round

The CEA has prepared a report on America's interest in the WTO. The report finds that the trading system has played a central part in opening foreign markets, establishing an effective rule of law, and promoting economic development internationally. A key finding is that services are becoming increasingly important to the U.S. economy and that U.S. firms are highly competitive in global markets and stand to gain from additional market access.

Background. The Uruguay Round, which concluded in 1994, brought trade in services into the multilateral trading system by creating the General Agreement on Trade in Services (GATS). The GATS covered all traded services (except most air transport services) but did not open markets fully. Nevertheless, it provided a framework for ongoing liberalization. Post-Uruguay Round negotiations have yielded additional commitments in financial and basic telecommunications services, opening up new opportunities in areas in which the United States is competitive. Moreover, countries agreed to begin a new round of negotiations on services no later than January 1 of next year.

Services account for a large and growing share of U.S. economic activity. Services accounted for about 55 percent of U.S. GDP in 1998, up from 32 percent in 1950. U.S. service exports have also grown dramatically, at a rate exceeding that of merchandise exports. Service exports accounted for about 29 percent of total exports last year, up from 17 percent in 1950.

Growth in U.S. Private Service



U.S. services are highly competitive in the global market. In 1998, the United States accounted for over 18 percent of all commercial service exports, ranking first in the world. The top five categories of U.S. private service exports, ranked by export value, were: travel services; transportation services; royalties and license fees; business, professional, and technical services; and financial services. Recent data on U.S. exports suggest areas of potential gain from the GATS:

- Between 1994 and 1998, total U.S. exports of private services increased from \$186 billion to \$246 billion, a 7 percent annual growth rate (see chart). The top gainers were financial services which increased about 24 percent per year; insurance services which grew about 14 percent per year; and business, technical, and professional services which grew about 12 percent per year. For the most part, these types of service exports have experienced more rapid growth since 1994 than they did during the period in which the Uruguay Round was negotiated.

- In the post-Uruguay Round period, U.S. exports of travel and transportation services grew less rapidly than they did in the earlier period. The slowing of growth in U.S. exports of travel and transportation services reflects a number of factors: most aviation services were not covered under GATS, these markets are more mature, and the growth slowdown in many Asian and European economies.

Services agreements provide first steps toward potential gains. As a leader in the global services market, the United States is highly competitive in many areas of services and stands to benefit from future negotiations to open markets.

cc: B Reed/C Brunson

SPECIAL ANALYSIS

Gun Industry Innovation and Gun Violence

Faced with limited growth opportunities in the market for hunting and sporting firearms over the past two decades or so, gun manufacturers have turned to the development and marketing of increasingly lethal pistols. This development has contributed to an increase in the economic and societal costs of gun violence.

copied Reed Bunson Podesta

The changing market for firearms. Major (non-criminal) sources of demand for firearms include military and police purchases, hunting and sport shooting, and self-protection. Into the mid-1960s, rifles and shotguns accounted for more than two-thirds of all civilian firearm purchases. While the total U.S. production of civilian firearms has fluctuated in the range of 3.3 to 7.8 million guns per year since then, the mix of guns produced has changed along two dimensions:

- More handguns. With the declining importance of demand for hunting and sporting guns, in part because of increased levels of urbanization, rifles and shotguns have declined, while handguns have increased as a share of all guns available for sale. The number of hunting licenses issued by states dropped 11 percent between 1982 and 1997 and target-shooting participation has been flat in recent years. Handguns represented more than 40 percent of guns available for sale in every year between 1980 and 1997 and more than half of guns available for sale in some years.

- More pistols. Within the handgun category, pistols (which carry their extra cartridges in a magazine usually located in the handle of the gun) became more important than revolvers (whose rotating cylinder functions as both the magazine and the chamber). Pistols typically hold more rounds than a traditional six-shot revolver and can be fired more quickly.

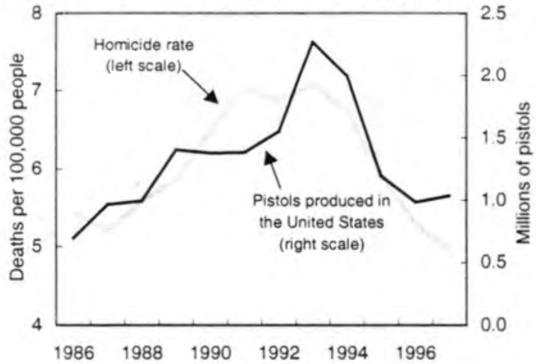
Lethal innovation. With limited demand growth and a growing stock of existing firearms (well-maintained guns are highly durable), the gun industry appears to have viewed the development of pistols as an area where innovation and product differentiation might boost sales. U.S. pistol production doubled in the late 1980s, and pistols represented 74 percent of handgun production in 1998. In addition to increasing the production of pistols relative to revolvers, manufacturers have increased the magazine capacity of pistols (allowing more bullets to be fired between reloadings) and their caliber (allowing more deadly bullets to be used). Finally, to cater to the self-protection market and with the enactment of concealed-carry laws in some states, manufacturers have tried to develop smaller but still powerful weapons that can more easily be concealed. Although these innovations may have contributed to an increase in pistol sales for a time, pistol production has recently fallen back to mid-1980s levels.

Social costs. The industry's innovations have had important consequences for the social costs of gun violence. In addition to being a factor in increased rates of

11-9-99

unintentional death and suicide, handguns are the primary weapon used in homicide. In 1998, over 80 percent of all firearm-related homicides involved a handgun—while handguns represent only about a third of all guns in existence.

Firearm Homicide Deaths and Pistol Production



The increased prevalence of pistols shows up in the crime statistics as well. In 1989-90, only 3 or 4 of the top 10 guns that were used in crimes and traced by the Bureau of Alcohol, Tobacco, and Firearms were pistols, but this number rose to 7 to 9 in 1992-95. Firearm homicide death rates rose into the early 1990s with the increased production of pistols, but both have since declined sharply (see chart). The increasing prevalence of pistols may also account for research findings such as the increase in the average number of wounds per gunshot victim in the late 1980s and the increase in the caliber of bullets recovered in autopsies into the early 1990s.

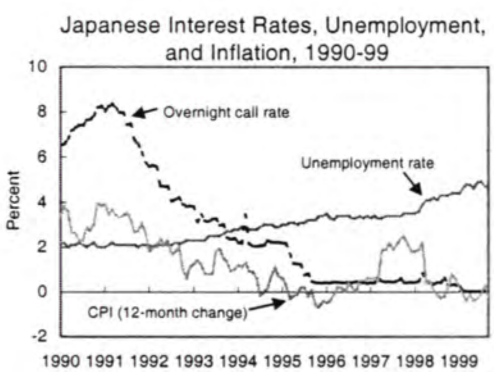
Conclusion. Limited demand for traditional hunting and sporting guns has led gun producers to pursue product innovations that have raised the economic and social costs of gun violence. The challenge for public policy is to create incentives that would encourage the industry to pursue innovations that would reduce the cost of gun violence, such as the development of child safety locks or reliable "smart guns" that could only be fired by their owners.

ARTICLE

The "Liquidity Trap" and Monetary Policy

Monetary policy primarily affects the economy through the control of short-term interest rates. But what if an economy were in a recession and interest rates were already near zero? Monetary policy would be unable to push interest rates below zero—and thereby stimulate the economy—because people can always hold currency yielding a zero interest rate. Economists refer to this situation as a "liquidity trap." A recent Federal Reserve conference explored the policy implications of liquidity traps.

Liquidity traps in practice. The Great Depression in the United States provided a clear example of a liquidity trap. In the early 1930s, the unemployment rate exceeded 20 percent (see upper chart). The Fed brought Treasury bill rates to nearly zero percent, but was then unable to lower rates further. This constraint likely increased the severity and duration of the Depression.



The Japanese recession of the 1990s provides a more recent, albeit less dramatic, example of a liquidity trap. The unemployment rate in Japan has more than doubled since 1993 and consumer price inflation, which had been running at about 3 percent per year in the early 1990s, turned to deflation (see lower chart). The Bank of Japan reduced overnight rates to below 1 percent 4 years ago and reduced them again to below 0.1 percent earlier this year, but it has been unable to cut rates further because of the liquidity trap. This has likely delayed Japan's recovery.

The potential for a liquidity trap in the United States. Research presented at the conference suggests that the likelihood of an economy finding itself in a liquidity trap depends in part on the average rate of inflation. Over the last 40 years, the inflation rate in the United States averaged about 4 percent and short-term rates averaged about 6-1/2 percent, providing monetary policy with a sizable cushion to lower rates in an economic downturn. In contrast, if the average inflation rate were zero, short-term interest rates would likely average around 2-1/2 percent, leaving the Fed with little room to reduce rates in a recession. Some economists have therefore argued that the Federal Reserve should aim for an average inflation rate a few percentage points above zero.

Implications. One way to avoid or lessen the impact of the liquidity trap is for monetary policy to move quickly and decisively at the first signs of recession or deflation in order to avoid a severe downturn. A firm commitment to continue with a zero-interest-rate policy until the economy has fully recovered may also help restore confidence and bring down long-term interest rates. However, if interest rates are near zero, other policies may be needed. Some economists have argued that a central bank could attempt to bid down the exchange value of its currency through massive purchases of foreign exchange, thereby boosting net exports. Another approach would be to use stimulative fiscal policies designed to substitute for monetary policy when interest rates are near zero.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Study Finds Benefits from High-Quality Childcare. Low-income children who received high-quality child care at a young age scored better on tests into early adulthood and were more likely to have attended college relative to those who did not receive such care, according to a recent evaluation of the Abecedarian Project. The 57 children from low-income families who received full-time high-quality childcare from infancy to age 5 had higher average scores on cognitive tests at ages 12, 15, and 21, were twice as likely to be in school at age 21, and were more than twice as likely to have attended a 4-year college or university. The study provides evidence that early childhood education can significantly improve scholastic success and educational attainment of poor children well into early adulthood.

Americans Lacking Adequate Life Insurance. A significant share of American couples approaching retirement do not possess adequate life insurance, according to a recent study. The study uses survey data from nearly 2,300 couples aged 51 to 61 in 1992. It finds that nearly one-third of wives and more than 10 percent of husbands would have suffered reductions in living standards of 20 percent or more had their spouses died in the year of the survey. A striking finding of the study is that households most vulnerable to economic hardship resulting from the death of a spouse do not adequately protect themselves against this risk.

Beige Book Reports Strong but Slowing Growth. Most districts continue to report strong economic growth but some slowing is noted. Manufacturing activity continues to advance in almost all districts and for most industries. Although four districts report some slowing in consumer outlays, spending generally remains strong and most retailers are expecting increases in holiday sales from last year. Real estate and construction are still robust in most districts, though there are signs of some moderation in activity. The mining and energy industries are showing signs of recharging. In terms of agriculture, most of the country is having a good harvest. Labor markets remain tight across the country, with numerous districts reporting continued difficulty in finding and retaining qualified workers. Many districts report a pickup in wage increases, but overall prices remain stable with some notable exceptions: Increases in prices were noted for some manufacturing inputs, health care, memory chips and construction materials. By contrast, low prices continue to weigh heavily on some important segments of the agricultural sector.

INTERNATIONAL ROUNDUP

New Polls on Global Corruption. A report released by Transparency International, a global anti-corruption organization, indicates that of 99 countries included in its survey, officials in Cameroon are perceived to be the most corrupt and those in Denmark the least. The survey included business people, risk analysts, and the general public. The United States ranked 18th best on the "Corruption Perceptions Index," little changed from its rank in the past 2 years. Although many major industrial countries do well at combating corruption at home, companies based in these countries often pay bribes while doing business abroad, according to a survey of respondents from 14 emerging markets. Among 19 leading exporting countries, companies from China were viewed as the most likely to pay bribes in order to win business overseas, while those from Sweden the least. The United States ranked in the middle of the "Bribe Payers Index".

EU Adopts Cuts in Agricultural Export Subsidies. Responding to financial constraints in the Common Agricultural Policy (CAP) budget, the European Commission has started to cut export subsides for certain agricultural products. Last Thursday, the EU decided to cut certain milk product subsidies up to 7 percent and subsides for sugar used in certain products will be cut up to 4.5 percent. More cuts are expected with the total amount of cutbacks likely to be around 200 million euros ($192 million), according to EU officials. However, even with these cuts, the European Union remains one of the largest users of export subsidies and the U.S. has stated that the elimination of export subsidies is a priority in the next round of WTO negotiations.

Nissan Plans Radical Restructuring. The Japanese car company Nissan has unveiled a radical corporate restructuring plan which is likely to include massive job cuts and dramatically reduce its number of suppliers. Nissan has been losing money in recent years and is currently operating at only 53 percent of capacity. Earlier this year, Nissan formed an alliance with Renault and Nissan's new chief operating officer is an executive from Renault. The goal of the restructuring plan is to reduce costs by 1 trillion yen ($9.5 billion) by 2002 and return Nissan to profitable growth. Many features of this plan are at odds with traditional Japanese employment and management practices. The plan foresees the closure of five plants and the elimination of 21,000 jobs, of which 16,500 are in Japan. Nissan has stated that the reduction in employment will take place through a combination of attrition, an increase in part-time employment, spin-off of non-core businesses, and early retirement. In another change from traditional Japanese practices, Nissan plans to establish a performance-based career advancement program in Japan.

RELEASES THIS WEEK

Employment and Unemployment
****Embargoed until 8:30 a.m., Friday, November 5, 1999****

In October, the unemployment rate was 4.1 percent; it was 4.2 percent in September. Nonfarm payroll employment increased by 310,000.

Leading Indicators

The composite index of leading indicators fell 0.1 percent in September, following no change in August.

NAPM Report on Business

The Purchasing Managers' Index fell 1.2 percentage points in October to 56.6 percent. (A reading above 50 percent indicates that the manufacturing economy is generally expanding.)

MAJOR RELEASES NEXT WEEK

Producer Prices (Wednesday)
Retail Sales (Friday)
Productivity (Friday)

U.S. ECONOMIC STATISTICS

	1970-1993	1998	1999:1	1999:2	1999:3
Percent growth (annual rate)					
Real GDP (chain-type)	3.0	4.6	3.7	1.9	4.8
GDP chain-type price index	5.2	1.1	2.0	1.3	1.0
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	2.6	3.6	0.6	N.A.
Real compensation per hour:					
Using CPI	0.6	2.5	2.9	1.5	N.A.
Using NFB deflator	1.3	3.7	3.0	3.7	N.A.
Shares of Nominal GDP (percent)					
Business fixed investment	**11.4**	12.5	12.6	12.6	12.8
Residential investment	**4.5**	4.2	4.4	4.5	4.4
Exports	8.2	11.0	10.7	10.7	10.9
Imports	9.2	12.7	12.9	13.4	13.9
Personal saving	**6.6**	2.6	2.2	1.8	1.5
Federal surplus	**-2.8**	0.5	1.1	1.3	N.A.

	1970-1993	1998	August 1999	September 1999	October 1999
Unemployment Rate (percent)	6.7**	4.5**	4.2	4.2	**4.1**
Payroll employment (thousands)					
increase per month			**129**	**41**	**310**
increase since Jan. 1993					**19794**
Inflation (percent per period)					
CPI	5.8	1.6	0.3	0.4	N.A.
PPI-Finished goods	5.0	0.0	0.5	1.1	N.A.

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

New or revised data in **boldface.**
Employment and unemployment data **embargoed until 8:30 a.m., Friday, November 5, 1999**.

FINANCIAL STATISTICS

	1997	1998	September 1999	October 1999	Nov. 4, 1999
Dow-Jones Industrial Average	7441	8626	10714	10397	10640
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.68	4.86	4.95
10-year T-bond	6.35	5.26	5.92	6.11	5.95
Mortgage rate, 30-year fixed	7.60	6.94	7.82	7.85	7.84
Prime rate	8.44	8.35	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	**Current level November 4, 1999**	**Percent Change from Week ago**	**Year ago**
Euro (in U.S. dollars)	1.044	-0.8	N.A.
Yen (per U.S. dollar)	104.5	-0.6	-10.4
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. $)	92.38	0.0	0.2

International Comparisons [1]	**Real GDP growth** (percent change last 4 quarters)	**Unemployment rate** (percent)	**CPI inflation** (percent change in index last 12 months)
United States	4.1 (Q3)	**4.1** (Oct)	2.6 (Sep)
Canada	3.7 (Q2)	7.8 (Aug)	2.5 (Sep)
Japan	1.1 (Q2)	4.7 (Aug)	-0.2 (Sep)
France	2.1 (Q2)	11.3 (Aug)	0.7 (Sep)
Germany	0.6 (Q2)	7.1 (Aug)[2]	0.6 (Sep)
Italy	0.8 (Q2)	12.1 (Apr)	1.8 (Sep)
United Kingdom	1.8 (Q3)	6.0 (Jun)	1.1 (Sep)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, November 5, 1999.**

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics.

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for August was 9.2 percent.

THE WHITE HOUSE

WASHINGTON

11-9-99

copied
Sperling
Podesta

November 5, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

'99 NOV 6 PM1:22

SUBJECT: NEC WEEKLY REPORTS

cc: JOHN PODESTA

Debt Relief: The House on Friday passed its version of the foreign operations appropriations agreement. The House-passed bill includes a total of $123 million for bilateral international debt relief but no support for multilateral debt relief. The bilateral funds, when combined with the approximately $40 million in available carryover funds, should be sufficient to meet our projected bilateral debt reduction needs in FY 2000 under the Cologne Initiative. However, substantial multilateral funding is also needed to make the Initiative truly credible. To this end, Treasury is working with Rep. Pelosi and Rep. Armey in an effort to gain agreement on the IMF gold sale authorization and an additional IMF funding piece called the SCA-2 reserve transfer with the goal of adding these either in the bill the Senate will consider next week or in conference. Senators Mack and McConnell (Foreign Ops. Subcommittee Chair) are open to supporting both gold sales and the SCA-2 funds, but Reps. Armey and Callahan have been opposed to both out of their distaste for the IMF and foreign assistance generally. Rep. Leach, whose Banking Committee this week reported out a debt relief authorization bill with gold and SCA-2 funding on a bipartisan basis, talked to Speaker Hastert on Friday to seek his support. Funding the HIPC trust fund is necessary for multilateral debt reduction efforts so that bilateral debt reduction does not simply permit the HIPC countries to use the funds freed up by U.S. government debt relief to pay off other creditor nations. We might consider appealing to Speaker Hastert as well, arguing that his support on this would be a nice complement to our bipartisan efforts to reduce domestic poverty through New Markets.

Africa/CBI: The bill passed the Senate by a vote of 76 - 19. Democratic and Republican Finance and Ways and Means Committee staff met informally on Friday to assess the possibility of gaining rapid conference agreement on the package by Wednesday. All are willing to try. The key to enactment is whether enough House Democrats will support a package including CBI enhancement, given its textile and apparel provisions (the House Africa bill did not include CBI). The Senate-passed CBI legislation is narrower than the Crane CBI bill that was defeated in the House last year. Nevertheless, organized labor remains opposed and Gephardt has been negative about CBI all year (although he hasn't yet taken a position on the Senate version). Reps. Levin and Rangel are meeting with Gephardt on Tuesday. Rep. Levin appears to be generally comfortable with the Senate version, which, courtesy of an amendment offered this week on the Senate floor by his brother and Sen. Moynihan, places labor rights on the same par as other criteria that must be considered in determining country eligibility for CBI. Rep. Levin is likely to seek only a couple modest additional changes, such as requiring an annual report on labor conditions in CBI countries and perhaps adding an environmental eligibility criterion. While Gephardt's posture will have an important bearing on the bill's political prospects, the most important substantive issue in play concerns the treatment of African textile and apparel imports. The Senate provisions are very narrow and may be of little material benefit to Africa. They would require garments to be made from US fabric and yarn in order to gain duty- and quota-free access to our market --- an unrealistic requirement given the substantial distance and cost involved in shipping US fabric to Africa. The House bill's provision in this respect, which we support, provides special access to our market for African garments whether they are made from US, African, or third country (e.g., Asian) fabric. Thus, a key objective for us in this conference will be to achieve a compromise in which garments made from US, regional African, and perhaps a limited amount of non-US, non-African fabric (given that there is little capacity to produce textile fabric now in sub-Saharan Africa) will be eligible for the bill's preferential tariff treatment.

Financial Modernization: While there has clearly been some controversy over this bill, in the end the support for the financial modernization bill was overwhelming. And although there certainly were some Democratic friends who oppose the bill for various reasons, the bill received the strongest Democratic vote recorded in recent memory on financial modernization. In the Senate the vote was 90-8 – with over 80% of Democrats voting in favor and in the House (361-57) remarkably over 75% of the Democrats voted yea -- 155-51. Even in the Congressional Black and Hispanic Caucuses we had nearly two-one support – 24 –13 and 10-4 respectively. While two major coalitions of Community Development groups wrote letters urging your veto many have argued that CRA expansion in the bill is significant achievement.

Bankruptcy: Late Thursday, Daschle and Lott reached agreement on the procedure for consideration on the Bankruptcy bill. Ruled in order are three Democratic non –relevant amendments on: (1) East Timor; (2) Concentration in Agriculture; (3) Minimum wage. Similarly, three Republican non-relevant amendments: (1) An education amendment that DPC advises would gut your class size initiative; 2) An anti-drug penalties provision that includes DOJ studies of the impact of your FLNA clemency; (3) Small Business Cost savings to offset minimum wage . In addition there will be unlimited debate on relevant bankruptcy amendments continuing well into next week. While most of your advisors feel there may be a veto proof majority for what we feel would still be a sub-par bankruptcy bill, we do have a joint amendment strategy with Democrats that we hope would show our efforts making some modest improvements in the bill. If, however, one of the onerous Republican amendments were to pass that could force many Democratic supporters to jump off the bill leaving us with a more viable veto option.

House and Senate Action on Steel Amendments: The Senate on Wednesday defeated a WTO inconsistent amendment to the Africa Trade Bill proposed by Senator Specter that would have permitted U.S. companies to file in U.S. federal courts to seek relief from dumped products, rather than following the administrative mechanism established under U.S. law consistent with our international obligations. The bill was tabled by a vote of 54-42. Meanwhile, the House, in party line procedural vote over control of the House floor agenda, voted down a Visclosky resolution that would bar the U.S. from participating in WTO negotiations in which antidumping and antisubsidy rules are part of the negotiating agenda.

China: You are aware of where we are on the WTO talks. In other areas, an USDA led team traveled to China on Thursday to discuss sanitary and phytosanitary measures covering apples, grapes, potatoes, plums. The talks will not address implementation problems on last April's agreement on wheat, citrus and beef, which appears to be frozen pending a broader China WTO agreement. In other areas, China has announced that beginning January 1, U.S and Japanese solid wood packing material coming to China must be heat treated to address a pest risk from our pinewood nimatode, which is present in 39 states. Chinese cooperation and advance consultation has been good, according to U.S. Embassy Beijing, USDA and USTR. APHIS is evaluating China's scientific analysis. APHIS also says that Chinese cooperation and implementation of our requirement that China appropriately treat exports of solid wood packing material to address Asian Longhorned beetle risks has been strong.

U. S.-Nigerian Joint Economic Partnership Committee (JEPC) Meetings: Following up on your meeting last week with President Obasanjo, NEC staff participated in the inaugural meetings of the U.S.-Nigeria JEPC. These talks featured frank discussions about the economic challenges that Nigeria faces in selling off inefficient state enterprises, reducing subsidies, and creating a positive environment for both domestic and foreign investment. NEC staff stressed to the delegation of 15 Nigerians the need to act swiftly while there is a political mandate for change, but also noted the importance of developing good social safety nets. In a note that we hope does not portend a reluctance to pursue a strong reform agenda, the Nigerians indicated that it would be hard to end the heavy subsidies they are now channeling to the agricultural sector, which is notoriously inefficient.

Montenegro Converts to Deuschemark (DM): Montenegro's leader Djukanovic this week announced that his government would legalize the DM as part of a dual currency scheme, and also that he would start paying pensions and wages in DM instead of Yugoslavian dinars. In deputies and principals meetings this week, NEC stressed the fact that this was unattractive from an economic viewpoint: with no DM revenue base he will be heavily dependent upon Western aid. Also this will be no panacea for economy--without sound reforms, little economic progress can be expected in Montenegro. Djukanovic visited Washington on Thursday and Friday.

Minimum Wage and Tax Bill: The House once again failed to bring up the Lazio-Shimkus Republican minimum wage and tax bill, which had been scheduled for this past week. Majority Leader Armey said that he would not bring it up unless the Republicans had the votes, leaving many to consider the measure dead in the House. Thursday (11/04), the Senate reached a unanimous consent agreement providing for consideration of the bankruptcy bill, with a minimum wage and tax cut amendment on each side. The Republican amendment costs $75 billion over 10 years and is not paid for; the Democratic amendment has gross tax cuts of $29 billion over 10 years and is offset. The Democratic bill raises the minimum wage a dollar over 2 years, the Republican bill over 3 years. Votes on the amendments are expected Tuesday (11/9).

Child Labor Convention: Late Friday the Senate approved on voice vote ILO convention # 182 – the Worst Forms of Child Labor. The press office released a statement from you applauding the rapid and bipartisan adoption of the convention as yet another indication of the US leadership in the fight against child labor. In the coming weeks the Department of State will formally present the convention to you with the appropriate transmittal papers to you for signing and official ratification.

11-9-99

FAA Bill/ATC Reform: House and Senate conferees have not yet reached agreement on a funding level/mechanism for the FAA, and they may have to adjourn without a bill. NEC and OMB would not be disappointed at that outcome, because it would make it easier to get Congress to focus on fundamental reform of air traffic control next year, which we believe is both critical and achievable. Toward that end, Dorothy Robyn on my staff will host a breakfast on Tuesday (Nov. 9) with 30 presidents of air taxi and charter companies to try to win their support for ATC reform.

Hushkits: Dorothy Robyn, of my staff, will chair a deputies meeting on Monday (Nov. 8) to decide on next steps in our dispute with the EU over an aircraft noise regulation. The EU adopted the discriminatory regulation on May 1 but suspended it for a year. Since then, the US and EU have held accelerated talks within the International Civil Aviation Organization on a next-generation noise standard, which the Administration very much wants to achieve. Although we hoped these talks would give the EU political cover to repeal the regulation that has not been the case. Following your meeting with President Prodi, Amb. Aaron and EC Commissioner de Palacio discussed the possibility of an indefinite postponement of the regulation. Although our industry wants us to forego further negotiations and challenge the regulation under an international aviation treaty, we would prefer to find a compromise. Moreover, several US airlines with older fleets appear to have as a hidden agenda to disrupt the talks on a new noise standard, for fear it would disadvantage them competitively -- a fear we think is not justified at this early stage in the talks.

11-9-99

THE WHITE HOUSE

WASHINGTON

Copied
Reed
Liu
Podesta

November 5, 1999

'99 NOV 5 PM 12:33

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: DPC Weekly Report

1. Health Care – Unreported Deaths Associated with GeneTherapy Trials. You asked for an update on recent reports that gene therapy researchers failed to report six deaths and two serious illnesses of clinical trial participants to the NIH. The researchers were reportedly reluctant to report any adverse results out of fear that NIH's policy of publicly releasing this information (after removing identifiable patient characteristics to protect privacy) would hurt their company's financial standing. The researchers' failure to report these deaths is a clear violation of the current guidelines regulating research funded by NIH or conducted at institutions receiving NIH funding and can lead to suspension, limitation, or termination of NIH funding for the researchers and their facility. Recognizing these penalties, the investigators are now claiming that they withheld the names of the participants because the population studied is so small that it is impossible to maintain patient confidentiality. NIH does not believe that there is a viable confidentiality issue here (since no individually identifiable information is released). HHS is contemplating additional reporting requirements and enforcement action.

2. Health Care – Medical Records Privacy. Late this week, we met with the AMA and the American Psychiatric Association to review their concerns that the proposed privacy regulation would actually undermine current patient protections, rather than augment them. After reviewing the regulation in detail, representatives of the AMA acknowledged that our regulation provides a level of patient protection that is beyond what exists today. While they still would like to have a signed patient consent form before the release of information for any purpose, they pledged to emphasize their positive response to the privacy regulation as a whole and to work out any lingering concerns through an ongoing process with HHS, not through the media. Comments on the regulation are due in early January and we anticipate that the doctors, and hopefully the specialists, will give us constructive suggestions to strengthen the proposed regulation, which is due to be released next February.

3. Health Care – Jeffords-Kennedy. It appears very likely that the Republican conferees on the Work Incentives Improvement Act will complete work on this legislation in short order. Although we have not been invited to participate in these most recent discussions, we expect that the bill will be strong enough to gain your support. The primary outstanding issue continues to be the offsets for this solid bill, however, we expect that resolution on this legislation could be achieved by the end of next week.

11-9-99

4. Crime – Guns. On Thursday, the Vice President and congressional Democrats held an event with the domestic violence community calling on the Republican leadership to bring the gun bill to the floor with the Senate-passed provisions. The Vice President released a new Department of Justice report showing that more than 32,000 people with domestic violence convictions or restraining orders have been prevented from purchasing firearms by Brady background checks. Later that day, Rep. Carolyn McCarthy and Senators Schumer and Durbin held a separate news conference calling for a Presidential veto threat on any final budget agreement that does not contain legislation closing the gun show loophole.

5. Crime – COPS. On Friday, we met with all 12 major national law enforcement groups, including the Fraternal Order of Police and the National Association of Police Officers. The entire law enforcement coalition joined us in a press conference demanding that Congress go along with your budget request for 50,000 more police officers. John Podesta and Attorney General Janet Reno chaired the meeting and swore in our new COPS Director, Tom Frazier, the former police commissioner in Baltimore.

6. Crime – Recent shootings. (1) Honolulu. Because Hawaii has some of the toughest gun laws in the nation, the NRA has used the shooting in Hawaii to argue that gun laws don't work. Hawaii has licensing and registration laws that require local police to approve every handgun purchase by issuing a purchase permit and a 14-day waiting period. The alleged shooter, Byran Uyesugi, owned 17 legally registered firearms. While gun laws may not have prevented Uyesugi's tragic shooting spree, they have helped keep Honolulu's violent crime rate the lowest of any city its size in the nation. (2) Seattle. Washington State has weaker gun laws that do not include licensing or registration, although the state does have a five-day waiting period for handgun sales. As of this writing, the shooter is still at large and no murder weapon has been found. The ATF is utilizing ballistics technology to trace bullet casings left at the scene of the crime that may help them to determine the suspect's identity.

7. Education – Bush Education Speech. Governor Bush gave his third education speech, focusing on school safety, discipline and character. Once again, he borrowed heavily from our agenda, endorsing increased funding for character education, freedom of religious expression in the schools, and reforms in the Safe and Drug-Free Schools program to hold states and districts accountable for results. He also called for a lifetime gun ban for violent juveniles, which would already be law if House Republicans hadn't blocked the gun bill with his blessing. (Bush called for increased federal prosecution of juveniles who bring guns to school, but legislative provisions to do just that are hostage to the gun bill as well.) To increase discipline, Bush called for a "zero tolerance" policy for disruption and legal protection for teachers, principals and school board members enforcing that policy. Finally, he proposed vouchers for students in schools that are "persistently dangerous."

8. Immigration – INS Restructuring. For the past few months, Administration officials have been negotiating with Representatives Rogers (R-KY) and Lamar Smith (R-TX) on INS restructuring legislation and have made some progress toward reaching an agreement. On Thursday, the House Judiciary Subcommittee on Immigration reported legislation that includes some of the agreed-upon provisions, but does not ensure that a single, high-level immigration official has the appropriate staff support to manage and direct our immigration system full-time. The Attorney General will continue to work with Congress to achieve an agreement.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

WASHINGTON, D.C. 20502

THE PRESIDENT HAS SEEN
11-9-99

November 5, 1999

'99 NOV 5 PM5:15

copied
Lane
Podesta
Burkhardt
(for reply)

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *Neal Lane/kg*

CC: JOHN PODESTA

SUBJECT: OSTP WEEKLY REPORT

Deaths in Gene Therapy Trials

The *New York Times* and *Washington Post* reported this week that two researchers had failed to report the deaths of six subjects enrolled in gene therapy clinical trials to NIH. NIH's Recombinant DNA Guidelines require reports on adverse events associated with all DNA research conducted at institutions receiving Federal funds for such work and for all gene therapy research using any materials that were developed by NIH. Reports to NIH become part of a public record (within the bounds of patient privacy). Adverse events must also be reported to FDA, which maintains the information as confidential prior to product marketing. NIH has ceded much of its gene therapy oversight role to FDA and some investigators are operating under the faulty impression that NIH no longer requires reports of adverse events. However, reporting is required because all gene therapy vectors (the viruses used to carry genes into the patient) currently in use came from NIH. A letter to gene therapy investigators describing their FDA and NIH reporting responsibilities was sent out today by the FDA.

United Nations Premier Environmental Prize Awarded to PCAST Member Mario Molina

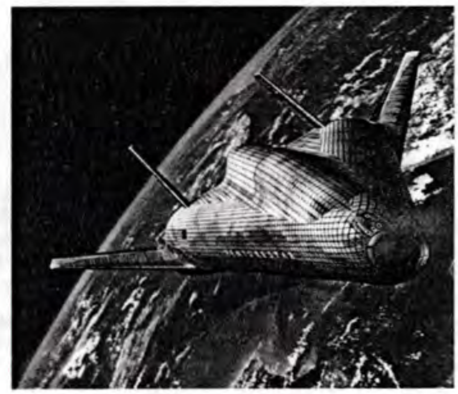
The United Nations Environment Programme (UNEP) announced yesterday that the 1999 UNEP Sasakawa Environment Prize has been awarded to PCAST member and Massachusetts Institute of Technology Professor Mario J. Molina for his outstanding global contributions in the field of atmospheric chemistry. The $200,000 prize is considered one of the world's most prestigious environmental awards, and will be presented at the United Nations Headquarters in New York on November 17. Dr. Molina played a key-role in the development of the PCAST "Report on Sustainable Development" that led to comprehensive reports on biodiversity and energy R&D, and subsequent Administration budget initiatives in these critical areas.

UNEP cited Professor Molina's pioneering investigations of the chemistry of the ozone layer, which have led to a better scientific understanding of the effect of human activities on the atmosphere. The confidence with which many aspects of the science of ozone destruction is now understood comes directly from Professor Molina's work. Dr. Molina's efforts in this area led to his being awarded the 1995 Nobel Prize in Chemistry. He donated two-thirds of his Nobel prize money to set up fellowships to help scientists from developing countries conduct research in environmental sciences at MIT.

Cyber Security at DOE

In the wake of reported security lapses at the DOE weapons labs, the Department has announced plans to tighten cyber security at all of its facilities. However, a number of the non-weapons labs are concerned that unless these plans are carefully evaluated, and implemented in a tailored manner, they will harm the unclassified – and necessarily open – scientific work being conducted at these labs. OSTP will continue to monitor DOE's plans, and their implementation, to assess their impact on our science programs and on international collaboration.

X-33 Tank Damaged During Test



A liquid hydrogen tank intended for NASA's experimental X-33 reusable launch vehicle was damaged during tests Wednesday at NASA's Marshall Space Flight Center. NASA and Lockheed Martin have formed an investigation team to assess the damage to the tank and the impacts to the program. While the impacts to the program are not officially determined yet, NASA's preliminary assessment is that in the worst case the tank may not be repairable. Because there is no substitute tank available, there will likely be a substantial delay to the program – measured at least in months. The X-33 was scheduled to make its first flight next summer. When completed, the X-33 will complete a series of flights to test a wide variety of technologies that could be used in future generations of reusable launch vehicles.

Release of Pacific Northwest Climate Assessment

The first assessment of climate impacts on the Pacific Northwest is scheduled for release on November 9. This is the first regional report published as part of the ongoing National Assessment of the Consequences of Climate Variability and Change, sponsored by OSTP and the US Global Change Research Program. The report, produced by the Climate Impacts Group of the University of Washington, projects that the Pacific NW is likely to see temperature increases by the 2020s that are well outside the natural range of climate in the 20th century. Increased flooding in winters and increased drought in summers would result. Reduced streamflow and warmer water temperatures will likely further endanger already-threatened salmon stocks. After the release, the report will be described by the authors in a series of public meetings in Portland, OR (11/10), Salem, OR (11/10), Boise ID (11/15), Seattle WA, (11/16), and Pasco, WA (11/17 or 18).

University-Government Partnership

I keynoted the second regional meeting on the Government-University Research Partnership at Purdue University yesterday. The well-attended meeting responded to your April directive to work with the universities on the three goals contained in the NSTC University-Government Research Partnership report, prepared in response to your Presidential Review Directive - 4. Additional meetings are planned for California in December and New York in January. Representatives of academia and industry have endorsed the investment principles proposed in the report and praised this kind of outreach effort on the part of the Administration. I found strong support for your initiatives in S&T on the Purdue campus, particularly for your Information Technology for the 21st century initiative. President Steve Beering sends along his best wishes to you and Mrs. Clinton.

'99 NOV 5 PM8:23

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
11-9-99

November 5, 1999

Copied
Entire Report:
Ibarra
Podesta
pg 1:
Reed
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra

SUBJECT: Office of Intergovernmental Affairs Weekly Report

BORDER ISSUES

Border Health Commission: On November 3, IGA and Maria Echaveste hosted a meeting with staff from the relevant departments to develop an action plan for the appointment of the Border Health Commission. The State and Justice Departments were charged with reviewing the options discussed. Our goal is to have the commission appointed before President Zedillo's visit to the White House next month.

Southwest Border Initiative: An interim report from the Southwest Border working group is due to the Vice President in approximately two weeks. Secretary Summers will convene the first of several regional forums with community leaders and local and state elected officials in Tucson, Arizona on November 15th to pursue the goals and mission of the Executive Order.

NEW MARKETS

IGA provided staff support for the New Markets tour this week. Local and state elected officials have been very responsive to our requests for their participation and support.

OKLAHOMA CITY

Dale Haney, head gardener, has agreed to mount the Edward T. Murrah Building stone for display next to the tree that you planted to commemorate the Oklahoma City bombing tragedy. Mark Schwartz, former NLC president and Oklahoma City council member, who recently presented you with the stone, is very pleased.

GOVERNORS

Governor Hodges (D-SC): Secretary Shalala met with Governor Hodges to discuss HHS' suspension of approximately $21.5 million in federal payments for the State's child support enforcement system. South Carolina is appealing HHS's decision. Secretary Shalala and HHS officials have pledged to continue to work closely with Governor Hodges' staff to resolve this issue.

Bruce
Really try to help

Gov. Hunt (D-NC): On November 2, IGA and Cabinet Affairs hosted another meeting with Governor Hunt's staff to continue working on the federal response to Hurricane Floyd. On November 4, Governor Hunt met twice with John Podesta to discuss housing buyouts for the 11,000 damaged and destroyed homes in the 100-year floodplain. John told the Governor that you had directed OMB to seek congressional authorization for using FEMA funds to pay for the unprecedented level of buyouts. The Governor was satisfied with your action. Today, he traveled to eastern North Carolina to highlight the extraordinary level of federal and state cooperation in responding to the Hurricane Floyd disaster.

MAYORS

Mayor Serna (D-Sacramento, CA): Mayor Serna took a turn for the worse. On Wednesday he was hospitalized suffering from a diabetic coma. He will be released from the hospital today. However, treatment of his cancer has not been successful and has now been suspended. You called the Mayor on July 1st to wish him well following the announcement of his illness. We will let you know when the Mayor is well enough to accept another call.

Mayor Campbell (D-Atlanta, GA): Yesterday, I participated in a press conference with Mayor Campbell to announce the Atlanta gun buy-back program that will be held on Saturday in City Hall. The city will pay $50 for every gun surrendered. While $10,000 was donated for this activity, the Mayor has made a commitment to find additional resources to buy back as many guns as are offered. The Mayor also called on Congress to support your common-sense gun legislation initiatives.

SCHOOL BOARDS

On November 3, IGA hosted a White House briefing for representatives from the CA, TX, NY, and NJ state school board associations. The briefing focused on Y2K compliance issues, appropriations, the reauthorization of Title I, and special education funding.

INSULAR AREAS

Vieques Bombing Practice: Senior Defense department officials met with Puerto Rico's lead representative on the Vieques bombing issue, but no agreement was reached. Afterwards, Governor Pedro Rossello (D) said there was no further purpose in talking to DoD and suggested that he may request a meeting with you if Secretary Cohen recommends any further bombing. The Governor told IGA that the Puerto Ricans would not accept any further bombing, even if he did, and the Governor quoted former Navy commanders who have said that the bombing practice is not essential. However, the Governor would support Marine amphibious landing training for a transition period and would help remove protesters blocking access to Roosevelt Roads on the main island, but he advised against trying to remove protesters from the Vieques range. Meanwhile, Senate Majority Leader Trent Lott (MS) suggested cutting benefits for Puerto Rico specifically, the full transfer of the rum tax and the extension of the research and experimentation tax credit, if Puerto Ricans continue to prevent bombing practice.

podesta.com

November 9, 1999

'99 NOV 9 PM4:17

MEMORANDUM TO SEAN MALONEY

FROM: **Tony Podesta**

RE: **Letter to President from Defense Industry Requesting Support**

Attached is a letter to President Clinton on behalf of American industry emphasizing the importance of defense sales to Turkey. They asked that I deliver the letter to ensure the President received it in advance of his upcoming trip to Turkey.

The letter is signed by Mr. Terry Stinson, Chairman and CEO, Bell Helicopter, Phil Condit, Chairman and CEO, Boeing, Mr. Jim McNerney, President and CEO, GE Aircraft Engines and Dr. Vance Coffman, Chairman and CEO, Lockheed Martin. Your assistance in making sure this letter gets to the President and appropriate advisors would be appreciated.

Thanks. Please don't hesitate to contact me if you have any questions.

11/9/99

Send to NSC?

Yes ✓

No

OK - BUT COPY FOR ME PLEASE

1001 G Street, NW
Suite 900 East
Washington, DC 20001
T 202.393.1010
F 202.393.5510
www.podesta.com

November 8, 1999

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We write on behalf of American industry to underline the importance of our defense sales to Turkey. We wish you success on your trip to Turkey in November for the OSCE Summit and your State visit to that important ally.

Turkey is in the final stages of a procurement competition for the purchase of attack helicopters valued at several billion dollars. Two US helicopter manufacturers (Bell Helicopter and Boeing) and three non-US candidates (Eurocopter, Agusta and Kamov) have submitted best and final offers. A decision on the winner by the Prime Minister, Defense Minister and Chief of the General Staff is scheduled for February 2000.

We are concerned about obtaining the necessary US export licenses. The Government of Turkey has repeatedly expressed its preference for US equipment. However, doubts about USG export license approval disadvantage our companies in relation to the three European competitors.

We request that you support approval of our export license requests and convey to the Turkish Prime Minister and other Turkish officials that the necessary export approvals will be forthcoming for a winning American system.

We thank you for your support.

Sincerely,

Bell Helicopter
Mr. Terry Stinson
Chairman and CEO

Boeing

GE Aircraft Engines
Mr. Jim McNerney
President and CEO

Lockheed Martin
Mr. Vance Coffman
Chairman and CEO

cc: Secretary Madeline Albright

THE WHITE HOUSE

WASHINGTON

cc: NH
Scheduling

November 9, 1999

Sandra Wheatley Wilson
132 Oscar Gray Road
Hot Springs, Arkansas 71913

Dear Sandra:

Thanks for sending the clipping from the Arkansas Democrat-Gazette. It was a great time, wasn't it?

I appreciate the thoughtful invitation to have a going away party at your home in Hot Springs. I will think about it -- and thanks for the idea.

Hope to see you again soon.

Sincerely,

Bill

Sandra Wheatley Wilson
132 Oscar Gray Road
Hot Springs, Arkansas 71913

CB/ Nov. 1, 1999

Bill,

I thought you might like this article that was in the Ark. Democrat.

I also wanted to ask you if you are interested in having a going away party for when you leave office. Several people have asked about it. We would love to have one for you.

I spoke with Mary Morrison and she said for me to write you a note and if you are interested, they will take it from there.

I would think it should be next fall sometime, but you tell me when you would like it. Also where you would like it. I thought about here in Hot Springs. We would love to have it at our house. There is plenty of space and room.

Think about it.

Sincerely,

Sandra

Sandra Wheatley Wilson
132 Oscar Hays Rd.
Hot Springs, Ar. 71913

PERSONAL

Class of '64

RECEIVED
WHITE HOUSE MAIL SECTION
1999 NOV -5 AM 8:13

LITTLE ROCK AR PM

33 USA

President Bill Clinton
The White House
1600 Pennsylvania Ave.
Washington, D.C. 20500-2000

Hot Springs High

Class of '64 enjoys benefits of friends in high places — one high place in particular

Marilyn Smith Mann of Hot Springs, Connie Dierks Whitney of Seattle and Jerry and Carolyn Staley of Falls Church, Va.

Steve and Janie Ramsey of Little Rock with son Nelson and Janie's mother, Mary Jo Nelson Rogers of Hot Springs, and her sister, Leigh Ann Van Gorder, also of Hot Springs

Rodney Jamison of El Paso, Texas; Phil Jamison of Rockville, Md.; and Dennis Jamison of San Francisco

Photos special to the Democrat-Gazette

Marty Elam Walker of Hot Springs with granddaughter Katelynn Hogue of Little Rock; Ricky Silverman of Greeley, Colo.; and Chris Walker of Memphis, Marty Walker's son

WASHINGTON — Members of the graduating class of 1964 of Hot Springs High School were entertained by a member of their class, **President Clinton**, at a reception Oct. 16 at the White House.

About 90 classmates attended along with their children and grandchildren. Some came from as far as Hawaii and Seattle to experience the White House and see the president.

In the West Room, under a portrait of Abraham Lincoln, the group mingled and enjoyed a cocktail buffet. Many reminisced about old times and compared notes on the class's reunion at the White House in 1994.

The menu included roast beef biscuits, petite quiches, Maryland crab cakes, black bean wraps with salsa, tiny pastries and fruit tarts.

The president spoke in the East Room, apologizing for the absence of Hillary Rodham Clinton, who was in New York. He gave a brief history of the White House and the room. Beneath portraits of George and Martha Washington, the group danced as the U.S. Marine Band played music from the '60s.

Clinton greeted his classmates and their families in the Blue Room where each family had a portrait made with him. Later, photos were not permitted.

Marty Elam Walker of Hot Springs was chairman of the event, along with class president **Phil Jamison** of Rockville, Md.; secretary **Carolyn Yeldell Staley** of Falls Church, Va.; vice president **Dr. Jim French** of Great Falls, Va.; and treasurer **Bruce Sigman** of Evergreen, Colo.

Jamison presented the president a watercolor of the old Hot Springs High School, which is being converted into a fine arts center and apartments.

Making the trip were **Karen Miller Burks, Mary Jo Zullo, Sandra Wheatley Wilson, Donna Stone Vincent, Mike Tuberfield, Linda Hughes Sorrells, Diane Lambert Pyron, Pat Penor, Mark Palmer, Mike Muldoon, Bobby Jimes, Dale Hobgood, Rick Henry, Paula Kilby Graham, Sheila Reynolds Dunn, Mary Diomes Daniel, Wayne Bennett, Mary Jo Nelson Rogers, Marilyn Smith Mann** and **Barney Bond**, all of Hot Springs; **David Lockwood** and **Tom Baron**, both of Little Rock; **Jack Wells** of Hot Springs Village; **Frances Hensley Sublet** of Nashville; **Brenda Corder Short** of Russellville; **Paula Teague Petit** of Searcy; and **Dixie Terrell Kline** of Fort Smith.

Dixie Terrell Kline contributed to this report.

cc: Gen File
Taylor Branch
Back to me

copy to
POTUS
Personal File
Taylor Branch

THE WHITE HOUSE

WASHINGTON

November 9, 1999

Patrice Bugelas-Brandt
Villa 39
2000 South Bayshore Drive
Coconut Grove, Florida 33133-3251

Dear Patrice:

It was great to see you and Bill last month. I hope you've managed to put the hurricane behind you.

Thank you for your letter and wise, kind comments. I think you're right -- and I will use every opportunity to remind the American people what we've accomplished, lest we negate the important progress we've made in the last seven years. But I also haven't forgotten that there's a lot still to be done in the months ahead.

Give my best to Bill. Hope to see you both again soon.

Sincerely,

Bill

I loved your letter and I do plan to take to the road—

Patrice Bugelas-Brandt
Villa 39
2000 South Bayshore Drive
Coconut Grove, Florida 33133-3251

gb 11/5/99

MR. AND MRS. WILLIAM A. BRANDT, JR.
2000 SOUTH BAYSHORE DRIVE
VILLA 39
COCONUT GROVE, FLORIDA 33133-3251
305/250-5661

October 21, 1999

President William Jefferson Clinton
1600 Pensylvania Avenue
Washington, D.C.

Dear President Clinton,

Since we saw you last week, Bill and I spent several days trying to return to Miami, and then several more days mopping up after Hurricane Irene. A humbling counterpoint after spending such an amazing evening as your guests in the White House. I spent hours repeating what we heard and saw to our kids and I am sure the stories will be part of the family lore passed on to our grandchildren. Thank you for such a wonderful experience.

This however, is not a thank you note. It is a request for action. First, please forgive my arrogance. A stay-at-home, graying baby-boomer mom hardly has the knowledge or political experience to claim astute political insights. But contrary to all the news and editorial writers, I do not believe Americans are suffering "Clinton fatique." The indifference sensed by pollsters is a reaction to a perceived void in leadership and a rejection of the partisan politics that has almost effectively obscurred the significant accomplishments of your administration. Political observers are in a "can't see the forest for the trees" stage in assessing your tenure. I am confident history will correct this visual distortion. But short term, your achievements are in jeopardy of being destablized and discounted.

There is currently much discussion in the media about the intangible qualities Americans look for in candidates seeking the Presidency. Seven years ago, voters found that unique balance of intellectual capability and human warmth in William Jefferson Clinton and entrusted you with our short term future. Your personal story was one we all believed in and identified with. Those who argue that old American dreams and myths are "atrophied" are wrong. (Check out Gary Hart's quote in Arianna Huffington's Monday column). What we seek are leaders who reaffirm our commitment to those myths and dreams, and who seem dedicated to working towards making them realities. President Reagan caught America's heart by eloquently restating those beliefs. They are the common bonds that hold our diverse people together. The Clinton years put muscle behind the words

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closing the gap bewteen stated ideology and implementation.

End-of-term Presidents usually quietly let the new flock of contenders restate and redefine America's vision of itselff. But the current void in effective spokesmen threatens the legacy of your work. So, I selfishly ask that you kick into "campaign" gear. Get on the road. Spend the next 14 months of your term reminding us why our system is one worth dedicating a lifetime of service to and remind us what more needs to be done to further strengthen the reality of the American dream domestically and on the international front. We liked it when you blasted the partisan politics that turned down a qualified black judicial nominee and that iced the nuclear non-proliferation treaty. We want to once again be told by an American son about the successes of the American public school system and why the system needs to be protected and strengthened. We want to believe that any American child can grow up to be President or an astronaut, or a musician. Tell us why the American story stands above others and still has value in the world of six billion people.

This is a selfish request to ask of someone already so over-taxed and abused by the very system we entrusted in your hands. It would be more that understandable if you chose to just focus on the remaining day-to-day responsibilities of your office. But with the current absence of effective, authentic American voices there is a void to be filled. You have the ability and talent to reaffirm the best in us once again --- and in doing so reconnect us with the best in your Presidency. Indirectly, it might also help raise interest and respect for the next crop of contenders.

However the next year plays out, I wish to thank you for all that you have already done to keep our dreams alive. It will make a difference for our kids and their children. My fifteen-year-old daughter says this is corny, but that is part of the charm of the American dream.

MR. AND MRS. WILLIAM A. BRANDT, JR.
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Again, thank you for a memorable evening last Thursday. Our only regret is that we did not have the stamina to stay up later; our kids were totally disgusted that we couldn't keep pace.

Sincerely,

Patrice Bugelas-Brandt

Patrice Bugelas-Brandt

P.S. John Foster Dulles continues to confuse me. The mistakes made under his watch go counter to the kind of man he appears to have been; at least on paper. Your comments after the movie last week reminded me that after the Korean armistice Dulles argued: "In war men make vast sacrifices for peace. And then when peace is won, they fail to make the lesser sacrifices needed to keep the peace."