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THE WHITE HOUSE

WASHINGTON

December 27, 1999

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: U.S. Funding for UN Interim Administration in Kosovo

In response to your discussions with Special Representative Kouchner about the lack of, and slowness of, contributions from the international community to support the UN Interim Administration in Kosovo (UNMIK), we have reviewed the status of U.S. funding commitments to UNMIK.

As of December 21st the United States:

- **Assessed costs:** Paid its full 25 percent share ($31.25 million) for the portion of UNMIK's budget so far assessed;
- **Voluntary contributions pledged directly to UNMIK:** Delivered $4 million; is in the process of transferring a further $8 million; and has $2 million on hold with Congress;
- **Voluntary contributions to the International Organization for Migration (IOM) in support of UNMIK:** Delivered $4 million for ex-KLA registration, reorientation and employment programs; is in the process of transferring a further $2.5 million; holding a final $2.5 million pending receipt of a full budget;
- **Other contributions:** Deployed our full commitment of 450 American police officers to the UN International Police force and approximately 50 police trainers for the local Kosovo Police Service.

Funding support for UNMIK is only part (in the range of ten to twenty-five percent) of our total assistance program for Kosovo, which will total nearly $700 million from FY 99 funds including humanitarian aid. Our FY 00 assistance is likely to be over $300 million.

cc: Vice President
Chief of Staff

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The attached chart depicts the status of several of the most important contributions. As it shows, payments to UNMIK can take several months to disburse. Delays are due to a combination of congressional holds and the lengthy paperwork requirements that involve several offices at State, AID, OMB, and Treasury.

Attachment
Tab A   Timeline for US Funding for UNMIK in 1999

Do whatever you
can to speed up
ask Madeline
Jack
Larry
to help

Do what you
can to speed up
ask ~~ask~~ Madeline
Jack
Larry
to help

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Independent counsel, White House at odds

By Laurence McQuillan
USA TODAY

WASHINGTON — The feud between the White House and the independent counsel's office flared anew Monday.

President Clinton's chief spokesman accused aides to independent counsel Robert Ray of creating mischief by speculating that Clinton will ask taxpayers to pay his legal fees from the Monica Lewinsky and Whitewater probes.

Lawyers in Ray's office reportedly have been reviewing steps to challenge any request by Clinton or his wife, Hillary Rodham Clinton, for reimbursement of the $10 million in expenses they incurred as targets of the investigation led by Ken Starr.

Ray took over Starr's inquiry in October.

White House press secretary Joe Lockhart called the preparations by Ray's office "premature."

He refused, however, to rule out the possibility that the Clintons might seek compensation for their legal expenses.

Lockhart said the president faces "a lot of decisions he's got to make right now, and decisions that are down the road, he'll make when he gets down the road."

White House officials said the president and his wife would not consider whether to seek reimbursement until after the independent counsel's office closes its operations. Under the counsel statute, no reimbursements could be approved until after the office completes its work.

Neille Russell, spokeswoman for Ray's office, declined comment on preparing a legal challenge. She said the office would conclude its work "in a timely and cost-effective manner" but declined to predict when that would be.

Under the law establishing the independent counsel's position, an investigation's subjects can seek government reimbursement if they are not found guilty of wrongdoing.

The special panel of federal judges that appoints an independent counsel would decide what would be considered reasonable compensation.

"I'm not going to get drawn into a silly debate that some mischievous people want people to have (for) their own political reasons," Lockhart told reporters.

"I will leave it to you all to try to figure out why the independent counsel now is spending time preparing objections to something that hasn't been raised. You know there is an element of mischief here."

Russell declined comment on Lockhart's remarks.

GOP senator threatens to block all of Clinton's judicial nominees

By Jim Abrams
The Associated Press

WASHINGTON — Sen. James Inhofe, accusing the White House of violating a deal to clear appointments of senior officials with lawmakers while Congress is in recess, said Monday that he will block every nominee President Clinton makes for federal judgeships until Clinton leaves office.

Inhofe, R-Okla., said he would put "holds" on every judicial nominee submitted to the Senate for confirmation. "I will urge my colleagues to do the same," he said.

Inhofe said Clinton broke a pact Friday on appointments when he named Sara Fox to another five-year term on the National Labor Relations Board. He said the president had submitted a list of appointments and Fox, a former attorney for the International Union of Bricklayers, was not on it. The issue was not Fox's reappointment, Inhofe said, but that "the president has broken his word."

The Constitution gives the president the right to bypass the Senate confirmation process temporarily by appointing an individual during a congressional recess.

The nominee can serve until the end of the following year.

President Clinton has angered Senate Republicans in the past by using the power to install controversial nominees.

White House spokesman Jake Siewert said the counsel's office discussed Fox's reappointment with Senate Majority Leader Trent Lott's office before acting.

Under Senate rules, one senator can put an indefinite hold on any nominee.

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12-28-99

B Nash
What's the deal here
BC

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Nash
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Staff Sec

LLOYD R. GEORGE
ROUTE 1 EAST
OLA, ARKANSAS 72853
501-489-5641

December 10, 1999

'99 DEC 28 AM 9:15

President Bill Clinton
White House
Washington, D.C. 20500-2000

Dear Mr. President (Bill),

I regret you have not had time to meet, as we discussed at Mr. Gore's reception. I would like very much to talk to you about my Pardon Request. All of my court requirements will be completed in December 1999. My papers are completed and ready. James Lee Witt told me, he would pick them up at Christmas and deliver them to you, (if I don't see you by then).

You are well aware of what a Federal Prosecutor and the Federal Bureau of Investigation can do to an individual citizen over a 3 year period, with unlimited power and finances. I now know how the Jewish people felt in NAZI Germany in 1940, under Relentless Persecution By The Government.

I have asked a few of our mutual friends to write you on my behalf. I have had many people tell me they were in complete sympathy with me. Not one negative comment. After 35 years of public service I want my name cleared. I have four children and nine grandchildren I want to travel with. A Federal Felon has many problems.

I have never used my position for personal gain. You are the only person I can ask to clear my record.

Thanks in advance.

BURKHARDT FOR REPLY. COORDINATE W/ COUNSEL
PS

Sincerely,
Lloyd
Lloyd R. George

LRG:kk

12-28-99

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

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Gene - FYI
Interesting
BC

December 23, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Lawrence H. Summers

SUBJECT: My trip to Berlin and London

Last week I visited Berlin for the first meeting of the G20, the group that you created for broader discussion of global financial issues among industrial and emerging market economies. While the chatter in the hallways focused on the search for a new Managing Director of the IMF, there was genuine enthusiasm about this American addition to the international financial architecture, especially from the emerging market participants but also, seemingly, the rest of the G7. On the way I also stopped in London, where I met with senior officials and gave a speech on the IMF. These were my main impressions.

The G20

In addition to welcoming the G20 and musing on its role, discussion focused on two issues:

- *Sources of national vulnerability to crises.* Debate centered on two areas of vulnerability that we have highlighted: pegged exchange rate regimes that are not strongly institutionalized and supported by domestic monetary policy; and weaknesses in national balance sheets, especially excessive amounts of short-term debt. We stressed that just as an otherwise sound business can fail as a result of being over-levered, so countries with basically well-functioning economies can fall into crisis due to excessive levels of debt. We agreed that the G20 would work with the IMF to develop indicators to help investors better evaluate these kinds of risks, on a country-by-country basis, before crises strike.

- *The international response to crises:* There was general agreement on the potential value of the many "best practice" codes and standards that are being developed for countries to follow in areas such as bank regulation and corporate governance. The rest of the discussion centered on the Contingent Credit Line and was inconclusive, although there was some support for refining the terms of the CCL to encourage more countries to apply.

The IMF Succession

- The corridor chatter confirmed that the Europeans have not yet coalesced behind a single candidate to succeed Michel Camdessus at the IMF. Germany is unable to generate broader support for its candidate, Finance Ministry Under-Secretary Caio Koch-Weser; indeed, France and the UK are more or less openly opposed. There is also considerable opposition to his candidacy from emerging market economies, particularly Mexico and Egypt, whom he seems to have rubbed the wrong way during his time at the World Bank.

- The live alternatives to Koch-Weser being discussed at Berlin were BIS Chairman Andrew Crockett, Italian Finance Minister Giuliano Amato and his vice-minister Mario Draghi – with Crockett likely to attract the broadest support. The Japanese continue to push Eisuke Sakakibara, their former vice-finance minister, but to date there is little enthusiasm outside Asia for a non-European candidate.

Reform of the IMF

The prospect of new IMF leadership affords an opportunity to consider the Fund's role in a world that is light years away from Bretton Woods. The framing new reality of the late 21st century global financial system is that the private sector is the overwhelming source of capital for growth. In this new environment, the role of the IMF shifts from providing finance to providing a framework for strong and sustainable private sector flows. The IMF's policies and most of all, its culture, need to reflect that shift. I am attaching my speech to the London Business School, which generated some debate in Berlin and emphasized six key changes:

- Promoting the flow of information to markets and investors, not simply collecting it for IMF staff and shareholders.

- Attention to financial vulnerabilities, not just macro-economic fundamentals, especially the risks posed by excessive leverage at either the sovereign or the corporate level.

- More selective financing, focused on emergency situations, with less long-term lending and a clear expectation that countries will graduate from IMF support.

- Greater emphasis on appropriate private sector involvement in resolving crises; and a Market Conditions Advisory Group to increase understanding of market trends and views.

- A more tightly focused role in the poorest countries that is centered around growth and poverty reduction and which gives the World Bank the lead.

- Modernization of the IMF as an institution, with greater openness and transparency and deeper contact with civil society groups and views.

London

I was pleased to have extended meetings with both Gordon Brown and Tony Blair, who continues to enjoy remarkable popular support. With an election expected in around eighteen months, I am told that the salient question for pundits is not whether there will be a second Blair term, but whether there will be a third.

- Gordon was much focused on HIPC and the need for countries to benefit from the new Cologne terms as soon as possible in the New Year, if not before. He recognizes, but does not entirely internalize, the tension between delivering relief quickly, on the one hand, and doing so in a way that will maximize its effect on poverty, on the other.

- Blair was predictably concerned about Seattle and its aftermath and notably dark on Russia, which he believes now has "all the ingredients for a catastrophe". In both contexts he returned several times to the need for greater US-EU solidarity.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED FOR 6:00 PM (LOCAL TIME)
Text is prepared for delivery

"The Right Kind of IMF for a Stable Global Financial System"
Remarks by Lawrence H. Summers
Secretary of the United States Treasury
London Business School
London, England
December 14, 1999

These are challenging times for the international community. That globalization offers enormous potential for raising global living standards and opportunities is not in question. What is, in many ways, the public challenge of our time is showing all of the world's citizens that international integration will work for them.

No part of that challenge will be more important for global prosperity than helping countries to develop the capacity to realize the benefits of a global flow of capital and to manage its risks. This is the goal at the heart of the global initiative that has come to be called the reform of the international financial architecture, which will take another step forward this week in Berlin as finance ministers and central bank governors from key industrial and emerging market economies gather for the first regular meeting of the G20.

There are many aspects of financial architecture. Today I would like to draw on recent experiences and the active debate that these have provoked to consider the future role of the IMF. This seems an appropriate occasion to focus on the IMF because, for the moment, the crisis of recent years has passed, and the prospect of new leadership at the IMF is drawing near.

Recent events have reaffirmed that the IMF is indispensable. We would all of us involved with global finance be breathing less easily this holiday season if the IMF had not taken the steps that it did in response to the crises in Asia and elsewhere. But as I have said many times, to say that the IMF is indispensable is not to say that we can be satisfied with the one we now have.

The founders of the Bretton Woods institutions more than half a century ago were right to recognize that there could be no successful global integration without financial stability within countries and a well-functioning system for the flow of capital between them. This was the painful lesson of the 1930s, when the absence of an effective international response to financial panics helped pave the way for deflation and depression – and ultimately, World War II. The same lesson has been taught again and again in the postwar period.

While that insight remains valid today – indeed, has been pointed up by recent events in Asia and elsewhere – a great deal in the global economy has changed since Bretton Woods. The framing new reality of the late 20^{th} century global financial system is that the private sector is the overwhelming source of capital for growth.

This has been true domestically and increasingly in the flow of capital to emerging markets:

- In the 1990s, nearly $1.3 trillion in private capital has flowed to the emerging market economies, compared to around $170 billion in the previous decade.
- In 1990, one emerging market economy issued a sovereign Eurobond. In 1998, nearly twenty did.

As we have seen in so many areas – ranging from mortgage finance in industrial countries to building bridges and roads in the developing world – as private capital markets develop, the role of the public sector increasingly shifts from providing finance to providing a framework for strong and sustainable private sector flows.

The IMF must reflect that change, with a focus on promoting financial stability within countries, a stable flow of capital between them, and rapid recoveries following any financial disruptions. Apart from the question of concessional finance for the poorest countries, an issue to which I will return, a reduced emphasis on the provision of finance is desirable. It is also inevitable. The IMF cannot expect its financial capacity to grow in parallel with the growth of private sector capital flows.

The best organizations are constantly reinventing themselves. The same should be true of international organizations. This is a matter of policies and procedures, but also and perhaps most crucially of culture and orientation. We believe that to maximize the IMF's effectiveness, consideration should be given to six critical areas:

- A greater focus on promoting the flow of information from governments to markets and investors.
- Attention to financial vulnerability as well as macro-economic fundamentals.
- A more selective financing role that is focused on emergency situations.
- Greater emphasis on catalyzing market-based solutions.
- A more limited role in the poorest countries focused on growth and poverty reduction.
- Modernization of the IMF as an institution.

We will be outlining these proposals in more detail to the members of the IMF going forward and working with them to build the consensus necessary to bring about real change.

I. Promoting the Flow of Information to Markets

In a more integrated global capital market, IMF surveillance needs to shift from a focus on collecting and sharing information within the club of nations – to promoting the collection and dissemination of information for investors and markets.

If one were writing a history of the American capital market I would suggest to you that the single most important innovation shaping that capital market was the idea of generally accepted accounting principles. Countries all over the world need that kind of infrastructure, and the IMF needs to promote that goal in its dealings with member governments.

Notably:

- The IMF needs to encourage more countries to adopt and comply with the Special Data Dissemination Standard, including its new provisions relating to the reporting of reserves. We also need to add to the SDDS both strengthened standards for reporting external debt and indicators of financial sector soundness.

- It needs to: encourage countries to implement the many international standards and codes for sound policies that are being developed; assess, with the World Bank and others, countries' compliance with these benchmarks going forward; and release these assessments publicly.

- It needs to pay more attention, not just to the quantity of information disclosed to markets, but also to its quality. In the context of countries receiving IMF finance we believe it is appropriate that independent external audits of central banks and other relevant government entities be required and published. This should be something that private capital markets come to expect – and look to the IMF to promote in other contexts.

More generally, we are learning that transparency and the closely related issues of governance and corruption are fundamental to maintaining financial stability – indeed, they may be as important as the details of the budget. Substantial deficiencies in the accuracy and quantity of data that a country discloses should be noted in the course of IMF surveillance, and highlighted in the way that more conventional macro-economic deficiencies are highlighted. It should no longer be tenable for countries to block the release by the IMF of key data that would help investors make better-informed decisions.

II. Not Just Macro-economic Fundamentals but Financial Vulnerability

Just as the goal of IMF surveillance needs to change, so too must its content. Every crisis teaches lessons of emphasis. Refining our understanding of what makes countries vulnerable to modern-style crises and helping countries to guard against those risks will be a central focus for the G20 as it carries forward its work. And here too, the IMF can play a critical role.

The series of crises that began with Thailand in the summer of 1997 - and the Mexican crisis of 1995 - each had a variety of elements. But looking back we can now see that central to all of them was a sudden loss of confidence and large-scale withdrawal of capital by domestic and foreign investors, initially out of a concern about the fundamentals, but increasingly out of a concern not to be the last out. A kind of bank run psychology took hold, and the opportunity to fix the problems that had triggered the crisis, without up-ending the economy, drained away.

In the wake of these events, the IMF needs to focus its attention on countries' vulnerability to this kind of dynamic. It should no longer be possible to joke, as I have done in the past, that IMF stands for It's Mostly Fiscal.

Two changes in IMF practices will be essential.

A greater focus on the strength of national balance sheets

While it has become fashionable to blame capital account crises on a voracious global capital market, a large part of the problem in these crises came from governments' own efforts to attract short-term inflows that could not reasonably be sustained. We saw this, for example, in Mexico, with the increasing resort to issuing dollar-indexed *Tesobonos* in the lead-up to crisis; we saw it in Thailand in tax breaks for offshore foreign borrowing; and we saw it in Russia, in the government's efforts to attract foreign capital to the domestic bond market.

In light of these experiences, the IMF should actively promote a more fully integrated assessment of a country's liquidity and balance sheet. Governments need to think long and hard about their approach to financial liberalization – and, in particular, the dangers of opening up to short-term capital in the presence of too many domestic guarantees. And they need to manage the government's own debt in a way that best insures them against future risks. The most sophisticated debt managers are not those who achieve the lowest possible cost of borrowing.

What you count, counts. We believe that the IMF should work with member countries, including through the G20, to develop and publish a set of explicit quantitative indicators that provide more meaningful guides to the adequacy of country's reserves than simply their size relative to imports. For example: the maturity of the sovereign's debt and any worrisome deterioration in it; the scale of foreign currency related claims on the official sector; and the scale, maturity and composition of aggregate external claims on the financial and corporate sectors.

Highlighting more clearly the risks of unsustainable exchange rate regimes

These crises have reaffirmed the impossibility of maintaining both a fixed exchange rate and substantial discretion in domestic monetary policy. The IMF must increasingly bring to the fore in its discussions with countries the implications of this fact when it comes to the choice of an exchange rate regime.

Countries maintaining a fixed exchange rate should be expected to make explicit the extent to which monetary policy is to be subordinated to the exchange rate objective. And those using fixed exchange rates as a tool of disinflation should be expected to disclose the nature of their exit strategy. The presumption needs to be that countries that are involved with the world capital market should increasingly avoid the "middle ground" of pegged exchange rates with discretionary monetary policies, in favor of either more firmly institutionalized fixed rate regimes or floating.

III. Focusing Finance on Emergency Situations

International financial institutions, no less than private companies, need to focus on core competencies. Going forward the IMF needs to be more limited in its financial involvement with countries, lending selectively and on short maturities. It can and must be in the front line of the international response to financial crises. It should not be a source of low-cost financing for countries with ready access to private capital, or long-term welfare for countries that cannot break the habit of bad policies.

This suggests a number of core imperatives:

A more selective financial role

The IMF must be a last, not a first, resort – and its facilities and approaches should increasingly reflect that. We believe that the IMF's shareholders and management need to review carefully and comprehensively the myriad lending facilities that have been established over time. That review should be guided by the principles that official finance should be a backstop, not an alternative, to private sector finance.

In our view, a necessary result of this kind of streamlining would be that longer-term lending would be phased out as a normal part of IMF operations and that the IMF would come to rely on three core instruments for the bulk of its lending. These would be:

- The new Contingent Credit Line, to help countries ward off external contagion.
- Short-term stand-by arrangements for countries with non-systemic balance of payments problems.
- The Supplementary Reserve Facility (SRF), for countries suffering systemic capital account crises, to be lent on a very short-term basis at prices to encourage rapid repayment.

The question of the pricing of these facilities needs careful consideration. The agreement on premium finance for the SRF in 1997 was an historic step. Going forward it would be appropriate to introduce significantly higher charges for normal standby loans to deter excessive recourse to the core IMF financing arrangements. We also believe that it makes sense to consider making the terms of the CCL more attractive than those of the SRF – so as to motivate countries to invest earlier in policy changes that will better protect them from contagion.

As we said many times in 1998, when the world faces a truly exceptional systemic threat, it is vital that the IMF continue to be in a position to provide very large scale financing to respond to that threat. But the overwhelming presumption must be that, in all but a fraction of cases, normal access limits will apply.

Effective conditionality

When crises come, there can be no hard and fast rules for an effective response. The sources of crises vary, and so must the solutions. But it bears emphasis that those who have carried out consistently their programs with the IMF – Mexico, Thailand, Korea, and more recently, Brazil – have all seen very strong results. By contrast, the more dramatic failures of this period have followed countries' unwillingness to follow through on commitments in their programs – as in Russia in 1998 and Indonesia the previous year.

In the wake of recent crises there has been and will doubtless continue to be great debate about the appropriate scope for IMF policy conditions. The basic principle is clear: programs must be focused on the necessary and sufficient conditions for restoring stability and growth. Intrusion in areas that are not related to that goal carries costs that exceed the benefits, and may undermine the legitimacy of the IMF's advice. But the stability of banking systems, issues of social cohesion and inclusion, and the capacity to enforce contractual arrangements – these will all, in many cases, be critical to restoring confidence, and they can and should be addressed as a condition for IMF support.

In thinking about conditionality, we should never forget that financial stability is only a means to the ultimate objective of restoring growth. Austerity can never be an objective for its own sake. But avoiding hyperinflation and maintaining confidence in a country's currency are essential to restoring growth. The IMF staff is to be commended for altering initial judgments about the need for contractionary fiscal policy in Asia as the depth of the recession became more evident.

We can never guarantee that the right balance will be struck in every case. But let us be clear: the success of a government in implementing its program with the IMF will and must be judged by the restoration of sustainable growth.

A clear path toward graduation

There is no economy too prosperous to benefit from the analysis and insights afforded by regular consultations with the IMF. But the IMF should not and need not be financially involved in countries forever. In 1976 people were not surprised when the UK turned to the IMF. Today it is inconceivable. The IMF's goal now must be to mark a path for the graduation of the emerging market economies, so that they too will reach the point when calling on the IMF for financial support is unthinkable.

Achieving this will involve a number of reforms. A reduced willingness on the part of the IMF to offer long-term finance is one. Higher pricing to deter prolonged use would be another. Going forward the IMF should also be insisting on stronger prior actions in countries with a record of missing targets and not completing programs – and considering other ways that repeated resort to the IMF might be discouraged.

IV. Supporting the Right Kind of Private Sector Involvement

In a world of private capital flows the IMF has not, cannot and should not aspire to having financial capacity that is proportionate to those flows. That goes to the need for rapid graduation of countries from IMF support. It goes to the need for constant vigilance about the scope for alternative private sources of finance. And in times of crises – it points up an important role for the IMF as a facilitator of more market-based solutions.

In order to play this role more effectively we believe that the IMF should establish a Market Conditions Advisory Group to help it have a deeper knowledge of the private sector systematic access to market trends and views. In the context of individual crises, the official sector should also stand ready to facilitate coordination among debtors and creditors, including through creditor committees, where these are appropriate.

We all need to recognize that a capital market depends on the idea that debtors must meet their obligations if they can, but that there will be times when debtors cannot meet their obligations. A global capital market in which dozens of issuers are issuing at spreads of hundreds of basis point can only function if there is the capacity for managing situations where debts cannot be serviced in full and on time.

In its response to crises, several basic presumptions should now be guiding the IMF's approach with respect to the private sector.

- IMF lending should be a bridge to and from private sector lending not a long-term substitute.
- Official lending along with policy changes can be constructive in helping to restore confidence in situations where a country does have the capacity to repay.
- Where possible, the official sector through its conditionality should support approaches – as in Korea and, more recently, Brazil – that enable creditors to recognize their collective interest in maintaining positions, despite their individual interest in withdrawing funds. Such agreements should have the maximum feasible degree of voluntarism, but they should not fill short-term financing gaps in a way that promises renewed problems down the road.
- As we have seen, for example in Pakistan and Ecuador, it will be necessary in some rare cases for countries to seek to change the profile and structure of their private sector debts.
- In exceptional cases, the IMF should be prepared to provide finance to countries that are in arrears to their private creditors: but only where the country has agreed to a credible adjustment program, is pursuing a cooperative and transparent approach with its creditors, and is focused on a realistic plan for addressing its external financing problems that will be viable over the medium and longer term.

We have become convinced that it is not appropriate for the official sector to mandate the terms of debt contracts between countries and their creditors. But lenders and borrowers alike must recognize that if they choose contractual arrangements that are costly and inefficient in the event of failures, the official sector will not be prepared to shoulder the consequences.

V. A New Focus on Growth and Poverty Reduction in the Poorest Countries

The focus of my remarks has so far have been directed at the IMF's work in emerging markets. Different issues are posed by the poorest countries, which cannot attract significant private capital, and can borrow from the official sector only on concessional terms.

Helping these nations has rightly been high on the global agenda in recent months in our efforts to translate debt relief for the Heavily Indebted Poor Countries into concrete reductions in poverty. As part of this effort, we have worked closely with the UK and others to establish a fundamentally new framework for the international community's efforts to combat poverty, one that gives the World Bank the lead and the IMF a more tightly focused role.

The premise for this new approach is that macro-economic stability may be necessary, but it is far from being sufficient to creating lasting and inclusive growth. The approach looks to the IMF to continue to certify that a country's macro-economic policies are satisfactory before debt is relieved or new concessional lending is advanced. But much of the dialogue between countries and the official sector will center on issues relating to poverty that have not traditionally received the attention they deserve.

As a result of recent agreements among the G7, I am confident that a number of countries – including Bolivia, Uganda, Mozambique and Mauritania – will be able to benefit from the Cologne initiative very early in the new year, with a number of others also benefiting before the Spring meetings of the World Bank and IMF in Washington. What will be critical will be effectively implementing the new framework for official support in these and other countries, so that the poorest will also see rapid results.

VI. Institutional Reform

Finally, if the work of the IMF is to change, its nature may need to change in the 21st century as well.

- It should move over time toward a governing structure that is more representative and a relative allocation of member quotas that reflects the changes under way in the world economy – so that each country's standing and voice is more consistent with their relative economic and financial strength.

- It should deepen the commitment to transparency that is built into the IMF's own operations, especially by making the IMF's own financial workings clearer and more comprehensible to the public. For example, there is no reason why there should not be regular publication of the IMF's operational budget.

- And it should become more attuned, not just to markets, but the broad range of interests and institutions with a stake in the IMF's work. Just as the institution need to be more permeable for information to flow out, so too must it be permeable enough to let in new thoughts – by maintaining a vigorous ongoing dialogue with civil society groups and others.

This seemed a propitious moment to focus on the IMF. But as our international discussions on these issues continue, it will be important for its shareholders to consider not just the role of the IMF, but the World Bank and other development institutions and also how these institutions relate to each other.

VII. Concluding Remarks

Let me re-emphasize the observation with which I began. As important as it is, the IMF is just one component of the international financial architecture. Indeed, if I have learned one thing in my seven years in government, it is that national policy shapes national outcomes. The international community cannot want reform and stability in a country more than its own government and people do.

But international institutions do matter, and so do the individuals who lead them. Michel Camdessus's imaginative leadership has made its mark in helping the IMF prepare itself for a 21st century global financial system. What is critical is that we maintain the spirit of change and adaptation in the months and years ahead. Thank you.

THE PRESIDENT HAS SEEN
12-28-99

FAX to Nancy Hernreich
202-456-6703

Terry
This is shorter version — you might look at it & tighten ours a little. It's good & has some good specifics —
BC

for the President's Prayer
at the National Cathedral
on
January 2, 2000

Terry
This is shorter version — you might look at it & tighten ours a little. It's good & has some good specifics —
BC

as requested from
— Tony Campolo

610-687-3494

copied
Edmonds
Podesta

God of Creation, Ruler of History and Molder of the Future...
We beseech Thee this day, the first Sunday of a new millennium to forgive us, to help us and to guide us...

Forgive us,

for confusing our material prosperity with spiritual riches,
for neglecting our families in the pursuit of wealth,
for being so preoccupied with our own well being that we forget those who are poor and hungry,
for being so comfortable with our own freedoms that we forget the oppressed,
for failing to care for the sick and the old.

Help us,

to be filled with that love and compassion that is the essence of inner peace,
to be filled with the dreams and visions of the prophets of old wherein swords are beaten into plowshares and spears into pruning hooks and people learn war no more

Guide us, by thy grace,

* to use our new technologies to find cures for cancer, AIDS and other scourges upon the health of Your people,
to overcome the dark side of our humanity,
and to seek thy face in the faces of all peoples of all races and of all creeds

In the name of the Foundation of our Faith, The Basis of our Hope and the Source of All Love.

AMEN

THE PRESIDENT HAS SEEN
12-28-99

'99 DEC 28 PM12:29

THE WHITE HOUSE

WASHINGTON

December 28, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: TERRY EDMONDS

SUJBECT: NATIONAL CATHEDRAL'S DRAFT – PRAYERS OF THE PEOPLE

Mr. President, just prior to delivering your personal prayer, the church has requested that you and the First Lady read the attached prayer, entitled "Prayers of the People for the Nation and the World led by the First Family." This prayer was composed by the church for this occasion, but they are willing to incorporate any changes you might like to make. They will be printing this and your personal prayer in the program tomorrow. (see attached)

Additionally, you should know that the sermon, which precedes these prayers, is titled "Being Truly Christian in a Religiously Pluralistic Nation."

good

see edits

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DRAFT

PRAYERS OF THE PEOPLE FOR THE NATION AND WORLD
LED BY THE FIRST FAMILY
NATIONAL CATHEDRAL
January 2, 2000

THE PRESIDENT: Gathered in the spirit of truth and hope, in unity and peace at the beginning of the New Year; the dawn of the new Century; and at the turn of the Third Millennium; let us offer before God our prayers and thanksgivings.

We give you thanks O God, for the goodness and love you have made known to us in creation. You fill the world with beauty; open our eyes to see your handiwork in all creation and in one another.

CONGREGATION: *We thank you and praise you O God.*

THE FIRST LADY: We give thanks O God, for your Church throughout the world and for religious faith and freedom in this country. Grant that all who seek you by many Names may be united in your truth, live together in your love and reveal your glory in the world.

CONGREGATION: *We thank you and praise you O God.*

THE PRESIDENT: We give you thanks O God, for our Nation; for the gifts of liberty, freedom and peace; and for the women and men who have made this country strong. Give us, like them, a zeal for justice and truth; and grant that we, and all the people of this land may, by your grace, be strengthened to maintain our liberties in righteousness and peace.

CONGREGATION: *We thank you and praise you O God.*

THE FIRST LADY: We pray also that for the world, for the leaders of the nations, and for those who strive and work for peace, that all swords may be turned into ploughshares, and none may hurt or destroy.

CONGREGATION: *We thank you and praise you O God.*

THE PRESIDENT: We give you thanks O God, for creating all humanity in your image; for the wonderful diversity of your children, or races and creed, cultures and tongues. Enrich our lives by ever widening circles of fellowship and show us your presence in those who differ most from us.

CONGREGATION: *We thank you and praise you O God.*

THE FIRST LADY: In offering you thanks O God, we become aware of our failings and shortcomings. Time after time we fail to strive for the vision and world you hold out to us. We do not honor one another. We abuse your creation; we take for granted our resources; and fail to recognize your gracious hand in the harvest of land and sea. Grant us a respect for your whole world.

CONGREGATION: *We thank you and praise you O God.*

THE PRESIDENT: Time after time O God, we fail to follow your ways and to live up to the hopes of your founding fathers and mothers. We turn from the path of justice and peace to follow the way of hatred and anger. So move our hearts that barriers which divide us may crumble, suspicious disappear and hatreds cease, and that in your wisdom and love we may live with our world family in true justice and peace.

CONGREGATION: *We thank you and praise you O God.*

THE FIRST LADY: Time after time, O God, we hoard the bounty of your goodness. We store up goods for ourselves and ignore the cry of the poor and hungry. We store up liberty and justice of ourselves and ignore the cry of the oppressed. Look with favor upon the people of this and every land who live with injustice, terror, poverty, disease and death; and grant that we who are so richly blessed, may with your help, respond with costly love and compassion.

CONGREGATION: *We thank you and praise you O God.*

THE PRESIDENT: SPACE HERE FOR THE PRESIDENT'S PRAYER.

CELEBRANT: O God our Creator, you have divided our life into day and seasons, and called us to acknowledge your providence year after year, and especially at this, the start of a new year and a new era: Accept your people who come to offer their praises, and, in your mercy, receive their prayers, through Jesus Christ our Lord. AMEN.

Draft 12/23/99 10:00am
Terry Edmonds

THE PRESIDENT HAS SEEN
12-28-99

PRESIDENT WILLIAM J. CLINTON
PRAYER FOR THE NEW MILLENNIUM
NATIONAL CATHEDRAL
JANUARY 2, 2000

Let us pray: Dear Lord: As we awaken to the morning of a new millennium, help us to remember that all we are and all we do begins with you. For as Moses teaches us, "a thousand years in thy sight are but as yesterday when it is past, and as a watch in the night." [Psalm 90:4]

And so it is fitting that we begin this new century and Jubilee year by offering our profound thanks for the divine light first revealed two thousand years ago, that has brought us to this sacred place today. First, ~~I want to~~ I give personal thanks for ~~[illegible]~~ good health and the chance ~~and strong faith that you~~
to be a servant, ~~[illegible]~~ by yr. will, of the Am people
~~have so graciously showered upon me and my family. It is by your hand that I have found the strength to be a servant~~, to the best of my ability, ~~of your word, your will, our precio~~us ~~Constitution and the American peop~~le.

I also ~~want to thank you~~ give thanks for ~~your blessed and~~ the amazing grace you have showered on America. Through the darkest hours of the 20th century: the shameful trauma of racial oppression…the pain and sacrifice of war …the fear and deprivation of ~~our~~ the Great Depression -- when all we could do was walk by faith…it was your guiding light that saw us through. ~~And~~ A so, we meet this new dawn with deep and humble thanks for the ~~triumphant~~ wondrous journey of our past and the even greater promise of our future.

THE PRESIDENT HAS SEEN
12-28-99

Our prayer this day, Dear God, is for a new century of hope for all the peoples of the world. We pray: That no child will know hunger or neglect or war. That we will honor and protect this living earth – your precious gift -- which is our common home. That we will do all we can to ~~release~~ ease the burdens of those who are less fortunate. That we will stand by those who struggle to raise their ~~families~~ children in dignity. That our latest technologies and discoveries will lift up your world and draw the human family closer together.

And finally, as we cross the threshold into this amazing new frontier, with its bold promise of answers to so many of our greatest questions, I pray that we will conquer humanity's oldest and greatest challenge: how to overcome our fear of those who are different.

Jesus taught that the two most important commandments are to love your God with all our might and to love our neighbor as ourselves. All who search for divine wisdom have said the same. ~~Help us to honor our highest spiritual values by living your word and living up to the founding promise of America – that all men [and women] are created equal. In Christianity it is expressed as loving thy neighbor as thyself.~~ In Islam ~~we are instructed~~ instructs us to "Do unto all men as you wish to have done to you and reject for others what you would reject for yourself." The Talmud teaches us, "Should anyone turn aside the right of the stranger, it is as though he were to turn aside the right of the most high God."

Heavenly Father, as we enter the new millennium, we ask that you and open our hearts so that ~~My prayer is that in this new century~~ all of humankind will finally ~~recognize~~ embrace our kinship as brothers and sisters, grateful and happy to be Your children. ~~in the spirit and our Oneness as children of God, And so, dear God, as we begin the second day of the third millennium,~~ "Teach us to number our days, that we may apply our hearts unto wisdom." ~~[Psalm 90:12]~~ Amen.

THE PRESIDENT HAS SEEN
12-28-99

Podesta Stephanie

Q: Maybe I should just fly on to Switzerland at 6:00 so I can rest + get reoriented there I think that would be better

BC

DAVOS, SWITZERLAND DRAFT SCHEDULE

<u>FRIDAY, JANUARY 28TH</u>

10:00 AM- 6:00 PM	**STATE OF THE UNION TRAVEL** (1 STOP VIA C-9 AIRCRAFT)
6:30 PM- 12:00 AM	**DOWN TIME**
12:00 AM	DEPART WHITE HOUSE EN ROUTE AAFB
12:10 AM	ARRIVE AAFB
12:25 AM	DEPART AAFB EN ROUTE ZURICH AIRPORT [flight time: 7 hours, 20 minutes] [time change: + 6 hours]
RON	**AIR FORCE ONE**

Podesta Stephanie

Q: Maybe I
should just fly
on to Switzerland
at 6:00
So I can rest + get
reoriented there
I think that
would be better
BC

<u>SATURDAY, JANUARY 29TH</u>

1:45 PM 7:45 AM ET	ARRIVE ZURICH AIRPORT
2:00 PM	DEPART ZURICH AIRPORT EN ROUTE DAVOS LZ [flight time: 45 minutes]
2:45 PM	DEPART DAVOS LZ EN ROUTE SITE TBD
2:55 PM	ARRIVE SITE TBD
3:00 PM 4:00 PM	**ADDRESS TO WORLD ECONOMIC FORUM**
4:30 PM 6:00 PM	**HOLD FOR BRIEFING & POSSIBLE BILATERAL MEETINGS**
6:05 PM	DEPART SITE TBD EN ROUTE DAVOS LZ
6:15 PM	ARRIVE DAVOS LZ
6:25 PM	DEPART DAVOS EN ROUTE ZURICH AIRPORT [flight time: 45 minutes]
7:10 PM	ARRIVE ZURICH AIRPORT

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7:25 PM	DEPART ZURICH EN ROUTE AAFB [flight time: 8 hours, 35 minutes] [time change: - 6 hours]
10:00 PM	ARRIVE AAFB
10:15 PM	DEPART EN ROUTE WHITE HOUSE
10:30 PM	ARRIVE WHITE HOUSE
RON	**THE WHITE HOUSE**

SUNDAY, JANUARY 30

	DAY AND EVENING OFF
6:00 PM	SUPERBOWL
RON	**THE WHITE HOUSE**

THE PRESIDENT HAS SEEN
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THE PRESIDENT HAS SEEN
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Confessions of Rwanda

JUST ONE month after the United Nations released a self-incriminating report on the massacre in the Bosnian town of Srebrenica, another equally damning report has appeared on Rwanda. During 100 days in 1994, a staggering 800,000 civilians were slaughtered in this small Central African state. The United Nations had 2,500 troops in the area in early 1994. All but a few hundred were withdrawn when the killing started.

This awful abdication had many authors. The report, which was commissioned by the United Nations and compiled by an independent team, names both Kofi Annan and his predecessor as U.N. secretary-general among the culprits. But it also blames Madeleine Albright, the U.S. ambassador to the United Nations at the time, for playing down the massacre and resisting intervention. President Clinton apologized for American inaction on a trip to Rwanda last year. On Thursday Mr. Annan apologized as well, calling the report "thorough and objective."

The U.N. claims to have learned some lessons from Rwanda. Its bureaucracy failed to respond to several warnings of impending genocide: Six months before the massacre, for example, a report by the U.N. Human Rights Commission in Geneva signaled what was to come, but the report never made it to the desks of senior peacekeeping officials in New York, who might have acted on it. That failure of communication is less likely now. Mr. Annan has instituted weekly meetings of top officials from all U.N. agencies, and those based in Geneva or other outposts participate by teleconference.

Still, better internal communication is not the whole answer: The U.N.'s ability to respond to crises can be only as strong as the will of its leading members to provide necessary resources. Mr. Annan is better at goading member governments into action than his predecessor was. But Russia and China are inclined to veto U.N. action that might set a precedent for future international interventions in Chechnya or Tibet, and the United States and Europe often balk at costly or dangerous missions.

Given its membership, the U.N. will never meet all of the world's many humanitarian challenges. But it should at least avoid empty efforts that serve to excuse the world's inaction. The shame of the Srebrenica massacre was that the U.N. had stationed a token peacekeeping force in the town, large enough for the world to pretend that it cared about the fate of Bosnian Muslims, but too small actually to help them. The shame of Rwanda, likewise, is that the U.N. did send a token force to the region, as a salve to its members' consciences, but then stood by as the horror unfolded.

If the world's leading governments are indifferent to genocide, the U.N. should not act as the vehicle for token interventions to hide their shame. It should use that shame to fight indifference; it should broadcast the horror of genocide to voters and stir the outrage that might produce serious intervention. Mr. Annan likes to say that the U.N. should not be neutral in the face of evil. Indifference to evil is not a matter for polite neutrality either.

The Washington Post
Monday, December 20, 1999

THE PRESIDENT HAS SEEN
12-28-99

Arkansas town still reeling over death of 13-year-old

Homosexual suspects, gruesome death anger residents

By Hugh Aynesworth
THE WASHINGTON TIMES

ROGERS, Ark. — Residents of this small but booming northwest Arkansas town have circled their wagons — and they don't much care if outsiders drop by or not.

It's not that they aren't hospitable. It's just because many of them are angry, irate that outsiders would judge their town harshly — and so unfairly, they claim — in the wake of a horrific murder a few weeks ago.

"I don't think people know much about Rogers at all," said Rosemary Williams, a waitress, "or they wouldn't be blaming us for things we had no control over."

This bustling little town 20 miles north of Fayetteville in northwest Arkansas (population 38,000) was no different than many other such towns in this part of the country — conservative, law-abiding, church-going, a friendly place — until a horrible death 11 weeks ago left everyone reeling.

A 13-year-old boy, Jesse Dirkhising, died of "positional asphyxia," the result of homosexual rape and ritual, on the morning of Sept. 26.

Two homosexual men, Davis Don Carpenter, 38, and Joshua Macabe Brown, 22, told police they had been "playing games" with the youth. He had been bound, blindfolded and gagged, and various objects had been inserted in his anus to rape him.

The boy actually died choking on his own underwear, which had been stuffed in his mouth by the younger defendant, who told the cops he wanted to pause long enough to fix a sandwich in the kitchen.

The two defendants were jailed in Bentonville, the county seat, eight miles north of here.

Within hours, prosecutor Brad W. Butler announced the state would seek the death penalty.

"To say this town was on fire would be a massive understatement," said Roger Edwards, a local salesman. "There was nothing else on people's minds."

> *"To say this town was on fire would be a massive understatement. There was nothing else on people's minds."*
>
> *—Roger Edwards*

Rogers Police Chief Tim Keck said he could not recall "a case more brutal." He vowed to make a strong, solid case so that the perpetrators would be correctly punished.

Then, to further fuel rage, somebody — obviously either the Benton County Prosecutor's Office or somebody at the Rogers Police Department — leaked the police reports with the defendants' statements detailing the gruesome perversions inflicted on the boy, a seventh-grader. Some lawyers suggest that the disclosure might so prejudice residents as to make selection of a jury impossible.

The story was widely covered by newspapers and broadcast stations inside Arkansas, but was largely ignored by the Associated Press and the media elsewhere.

Some Rogers residents suggest this proved their darkest suspicions of a liberal press bias favoring homosexuals. Some commentators and columnists compared coverage of the Dirkhising death with that of Matthew Shepard, the homosexual killed in Wyoming earlier in the year.

Hate mail, irate phone calls to police and city offices often blamed Rogers for a "cover-up." Outsiders arrived to demonstrate against Rogers as "an evil town."

As the town anticipates what the trials — early next year — might bring, two unconnected facts confused public perceptions. One of the most debated aspects of the tragedy is the role of, or the lack of, parental guidance of the victim. Jesse Dirkhising lived with his mother and stepfather in nearby Prairie Grove but was said to have been spending weekends at the Carpenter-Brown apartment so he could do odd jobs at the hair salon where Mr. Carpenter was a stylist.

Mr. Carpenter was a known homosexual. He was said to be friends with the victim's parents. It was not only obvious that they knew that Mr. Carpenter was homosexual, but that he lived with a lover.

"What kind of mother would allow her 13-year-old to be around that situation?" asks Fran Singleton, a woman who once lived in the apartment complex near the site of the murder.

"I don't want to pass judgment here," says the mayor. "I don't know enough about their personal circumstances, don't know how much they knew about these two individuals' lifestyles." But he added, "I do find it surprising, even somewhat incredible, they would allow him to stay with a person they either knew about or didn't know enough about."

Meanwhile, the prosecutor is facing questions about affairs he is said to have conducted with two women here, including a 20-year-old criminal defendant his office was prosecuting. Mr. Butler denies both accusations. The results of a special prosecutor's report has been sealed, and reporters have gone to court to have the report made public. Mr. Butler will not discuss the case.

"The results of that investigation should be made public," says Kermit Womack, owner of local radio station KURM, who hosts a daily talk show on which he discusses topics of interest. "If he's telling the truth and is innocent, that report will be kind to him," Mr. Womack says. "I think there are things there he does not want the public to know about."

The Washington Times
MONDAY, DECEMBER 20, 1999

THE PRESIDENT HAS SEEN
12-28-99

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12-28-99

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Farm and Pharma

Monsanto Boss's Vision Of 'Life Sciences' Firm Now Confronts Reality

Biotech Backlash Is Battering A Plan Shapiro Thought Ecologically Enlightened

Democracy's 'Robust Process'

A1

By SCOTT KILMAN
And THOMAS M. BURTON
Staff Reporters of THE WALL STREET JOURNAL

Monsanto Co. Chief Executive Robert B. Shapiro gazed into the future four years ago and envisioned his company as a biotechnology factory on the cutting edge, churning out novel foods and medicines.

Monsanto could invent crops to lower people's cholesterol and prevent night-blindness in India. It could alter food crops' characteristics based on science's growing understanding of human nutritional needs. It could help nourish the poor in developing nations. And it could modify plants to produce medicines such as blood substitutes, promising disease-free supplies.

He saw this project as environmentally enlightened, using terms like "sustainable agriculture" and "holistic solutions." Also, not incidentally, as one that would serve shareholders well in the age of technology.

Robert B. Shapiro

Billions of dollars later, that concept of a unified "life sciences" company – using technology to improve both medicines and foods – has become an affliction itself for Monsanto. The crop-biotechnology half of the program has grown so controversial that Monsanto has agreed to a deal that is likely not only to push biotech to the back burner, but also to cost Monsanto its independence. And investors are reacting harshly (see related article on page A3).

Monsanto's agreement to combine with Pharmacia & Upjohn Inc. is billed as a merger of equals, but it leaves the Pharmacia side with the upper hand. Pharmacia's 54-year-old chief executive, Fred Hassan, is to run the combined company. He plans to operate from Pharmacia's headquarters in Peapack, N.J., not from Monsanto's base in St. Louis. Mr. Shapiro, 61, is expected to become nonexecutive chairman and retire after 18 months.

That agricultural business that Mr. Shapiro has championed will become a separate business, and as much as 19.9% of it will be sold off. While many projects will continue, and Mr. Hassan has expressed support for the business, it isn't likely to have anywhere near the priority it had. Mr. Hassan's chief focus is Monsanto's drug business, G.D. Searle, whose Celebrex arthritis medicine is the hottest-selling new drug in the U.S. this year.

In retrospect, some former colleagues say Mr. Shapiro was so taken with his vision of a biological revolution that he ignored the paramount issue of consumer attitudes. Surrounded by a handful of like-minded biotechnology enthusiasts within the company, known as Friends of Bob, he had few voices in his inner circle providing a reality check.

Mr. Shapiro had huddled with environmentalists to plan his program, and he saw the results it would produce as an environmental good: less need for pesticides, weed control without disturbing the soil so much, and greater food production from less land. Yet it is environmentalists, fearful of unintended ecological consequences, who have organized this year's fierce opposition to genetically modified food.

And for all of Mr. Shapiro's futuristic thinking about genetic engineering of plants, he overlooked a vital issue: Crop biotechnology would trust Monsanto's fortunes to customers the company knew little about: grocery shoppers.

"We did proceed on the basis of our confidence in the technology," Mr. Shapiro says. "And we saw our products as great boons both to farmers and to the environment. I guess we naively thought that the rest of the world would look at the information and come to the same conclusion."

Monsanto initially had much success with biotechnology. American farmers embraced its new seeds, sowing vast reaches of the Midwest to crops made hardier through genetics. But another Monsanto invention almost ready for marketing – soybean and canola modified to make healthier cooking oil – isn't generating as much excitement from food companies.

And recently two Monsanto competitors in Europe decided they are getting out. Swiss pharmaceutical giant Novartis AG and Anglo-Swiss drug maker AstraZeneca PLC plan to combine their agricultural units into one business and spin it off, effectively washing their hands of crop biotechnology.

They say farms and pharma turn out to have less in common than hoped. The lab equipment for reading genes of humans and crops is largely the same, but the marketing issues are far different.

The public accepts biotechnology in medicine because it sees a clear benefit: saving lives. But about all crop biotechnology can do for now is make plants that are easier and cheaper for farmers to grow. While that's great for farmers, it's hardly an appeal to middle-class consumers, particularly when they are being cautioned by opponents that the foods' safety hasn't been proved.

Before crop biotech became so controversial, Mr. Shapiro could make a better deal for Monsanto in the merger game. American Home Products Corp., though roughly twice Monsanto's size in revenue and market value, offered 18 months ago to make Mr. Shapiro co-CEO in a merger. The deal, finally doomed by personality conflicts, would have valued the company at $35.1 billion, far more than the deal with Pharmacia does.

Mr. Shapiro took over at Monsanto four years ago, and few chief executives have changed an old industrial company more quickly, on the force of an idea, than he did. Arriving via Monsanto's 1985 acquisition of Searle, where he headed the NutraSweet artificial-sweetener business, he became head of the agricultural unit and then CEO in 1995.

Mr. Shapiro represented a major change–from old school to New Age. He succeeded Richard J. Mahoney, who had run the 95-year-old commodity-chemicals company almost as if it were reform school. When senior staffers made presentations before Mr. Mahoney, they were sometimes timed by green, yellow and red lights, and expected to stop in midsentence when the red light flashed.

Mr. Shapiro (who is trained as a lawyer, not a scientist) was professorial and informal, wearing vivid sweaters and baggy corduroys to work, and often no tie. "I'm Bob Shapiro, and I'm in charge of the dress

THE WALL STREET JOURNAL
TUESDAY, DECEMBER 21, 1999

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code," he joked at an early meeting with employees. Initially he turned down the offer of a company chauffeur, saying, "I learned how to drive a long time ago."

The new CEO convened a forum of 500 Monsanto people from around the world, where, clad in a sweater-vest decorated with little quilted cats, he laid out his vision of the future. He had assembled not just senior managers but also representatives from production plants, clerks and bosses alike. Environmentalists such as Peter Raven, director of the Missouri Botanical Garden, spoke. So did Ken Dychtwald, a guru of the "Age Wave" movement who focuses on how the growing size of the elderly population affects society.

Copies of Mr. Shapiro's remarks aren't available, but he retraced them in a later interview in the Harvard Business Review. "Without radical change," he said, the impending doubling of global population would someday mean an "unthinkable" world of "mass migrations and environmental degradation on an unimaginable scale." His remedy: designer crops that need less land and yield more—and more-nutritious—food. "The market is going to want sustainable systems," he said, "and if Monsanto provides them, we will do quite well for ourselves and our shareowners."

By all accounts, he riveted the crowd at his forum. A loyal following ensued, one that some have called almost a personality cult. At a dinner in Chicago's Field Museum after the conference, one enamored employee hung her name tag around Mr. Shapiro's neck. Soon, others were doing likewise.

Within months, project teams on "sustainability"—focusing on topics like world hunger and global water supplies—started up within Monsanto. Preaching that Monsanto needed to become an "ecosystem" capable of making decisions quickly, Mr. Shapiro ordered executives out of big offices and into cubicles. They were linked in a novel organizational structure called "two in a box" that forced managers from different departments to work together.

The business Monsanto had pursued for close to a century, commodity chemicals, was spun off. Instead, the company invested heavily in the pharmaceutical half of the life-sciences equation Mr. Shapiro envisioned. And in the agricultural half, it went all-out: buying seed companies and gene technology and ultimately spending several billion dollars to build a crop-biotech empire.

Mr. Shapiro approved paying huge premiums to buy seed producers, figuring Monsanto needed them to get its genes into the hands of farmers. Two years ago, the company paid $1 billion for a family-owned seed company in Iowa that had roughly $50 million in yearly revenue.

As a marketer, Monsanto, when it made commodity chemicals such as carpet fiber, was accustomed to staying in the background. Mr. Shapiro evidently didn't have a clear plan to get public acceptance of bioengineered food. "He didn't realize that he had to start thinking like a food executive," says Bill Jorgenson, managing principal of SJH & Co., a food consultant in Danvers, Mass.

The first genetically modified seeds Monsanto brought to the world didn't have anything to do with healthier food or cheaper drugs, the vision that inspired Mr. Shapiro's followers. Instead, they were products created in the laboratory to sell more of a Monsanto weedkiller called Roundup.

The potent herbicide will kill almost anything green. In 1996, Monsanto began selling seeds for soybean plants it had genetically altered so they could survive a dousing with Roundup. This made it far easier for farmers to get rid of weeds. No longer would they have to drive their tractors across soybean fields several times every year rooting out the weeds mechanically. They lined up to plant Monsanto's "Roundup-ready soybeans"—and buy more Roundup.

As it turned out, tinkering first with soybeans, of all crops, was a bad idea from a consumer standpoint. A lot of American soybeans go to Britain, where food calamities such as mad-cow disease had made consumers extremely wary of any food seen as unnatural. Some consumers felt trapped, because soybeans are ubiquitous in British grocery stores as an ingredient in foods ranging from cooking oil to candy.

Europeans began claiming a right to know whether food contained ingredients from genetically modified plants. It became such a torrid issue that the European Union imposed mandatory labels on some foods with such ingredients. And soon, British grocery chains were racing to advertise house brands as "GMO-free"—no genetically modified organisms.

Mr. Shapiro wishes now that, instead of herbicide-resistant soybeans, he had entered the marketplace first with a crop genetically modified to make healthier cooking oil or vitamin-enriched food. "Certainly if our first products had been something that had health benefits, it would have been easier to make our case. Then many consumers would have seen benefits, like has happened in the pharmaceutical world," where biotechnology isn't such a cause of opposition.

Early this summer, the efforts of European environmental groups fervently opposed to genetically modified foods began to raise awareness of them in the U.S. The activists argued that the crops risked inadvertently unleashing genes in the environment, with unpredictable effects.

Regulators such as the Food and Drug Administration hadn't interfered with genetically modified crops, seeing no reason to think they weren't safe to eat. But surveys now show that the vast majority of Americans want such foods labeled. A labeling bill has been introduced in Congress, and the FDA has held hearings on the matter.

So now, after three years of surging sales of modified seeds by Monsanto, Novartis and others, the business has hit a hitch. The industry now expects sales to farmers to flatten or drop next year. While few Midwestern farmers share the environmentalists' concerns, they fret that the crops won't be exportable to Europe or that food companies will stop buying them to avoid the issue.

Mr. Shapiro's dream goes far beyond soybeans and corn (which is made resistant to insects so it doesn't need to be sprayed with pesticide). Monsanto has also been trying to genetically engineer colored cotton that would reduce the need for synthetic dyes. For the developing world, it is rigging canola and mustard plants to make nutrients such as beta-carotene, a vitamin A source; the plants' oil could be cheaply added to spreads and other foods. Monsanto is also trying to engineer soybeans whose texture and flavor mimic meat, making soy a more pleasing source of protein.

Impressive, some say, but will it sell? "You don't build a business around research—you build it around consumers," says Charles Arntzen, president of Boyce Thompson Institute for Plant Research at Cornell University. To him, "Shapiro is brilliant, but he is wrong."

And how does Mr. Shapiro feel, seeing a vision he figured could serve both humanity and shareholders come under such attack—its products labeled "Frankenfoods" and the company demonized as "Monsatan"?

He leaves no doubt of how misguided he thinks the environmental activists opposing genetically modified food are, and he even suspects short-seller investors, those who profit when a stock declines, might have some role in the horrible press Monsanto has been getting. As for himself, though, he simply says, "Everybody likes to see themselves as Jimmy Stewart: In the end everyone picks you on their shoulders and carries you around the room and sings he's a jolly good fellow. But this is the real world. There are people who have concerns about the technology and are expressing them."

Mr. Shapiro says he is sure that farm biotech will eventually be recognized as "a very important tool in feeding people and moving toward sustainable agriculture." But in the meantime, he adds, "Democracy is a pretty robust process."

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