Copied
Sosnik
Podesta

1-10-00

Sonia
What do you
think about this?
BC

**Memorandum**

**TO:** The President

**FROM:** Bill Titelman WAT

**DATE:** October 26, 1999

Pursuant to your request, the following is my idea for debates we discussed last Tuesday evening at Jay Rockefeller's home.

Premises

1. Democrats win on the issues – our positions are favored by a majority of the electorate.

2. Republicans in Congress are avoiding any debate on the issues that confront us.

3. Some Republicans, particularly some of their more serious thinkers like William Kristol and George Will, are publicly unhappy over the lack of any discussion of the issues, especially in the Bush Presidential Campaign.

4. The post convention disparity in financial resources between the Republicans and Democrats could be a significant disadvantage in focusing adequate attention on the issues to move the necessary votes.

5. The sooner we focus the attention of the electorate on where we and our candidates stand on the issues, in contrast to the Republicans, the better we will do.

Proposal

Challenge the Republicans to a series of debates in front of live audiences around the country beginning now.

The over-arching theme of the debates – both parties are parties of change – the question is – change in which direction? The topics could include health care, environment, education, gun control, public safety, nuclear test ban treaty, etc.

Our debate team would include Al Gore, Bill Bradley, Dick Gephardt and Tom Daschle. It could include other members of Congress as stand-ins for their leaders on different issues to demonstrate our depth and diversity. The Republicans can name any of their presidential candidates and congressional leaders – along the same lines.

If the Republicans refuse – we debate the empty chairs! If only McCain accepts – we debate McCain! If they all accept – GREAT!

Any way you cut it – this will cause the Republicans to have substantial problems.

highlight their internal disagreements and begin to make clear to the American public that we are where they are on the issues that affect their lives – and the Republicans are not.

It will also show the quality of our leadership and our presidential candidates in sharp contrast to theirs.

I am prepared to discuss this in further detail with anyone you suggest. I can be reached at 717-975-3740 or 202-258-5858.

BReed
I have followed this
little girl w/ HIV since '92
campaign — can we help her
— am optimistic — It's important to me —
RC

1-10-00 Letter from Laura
Duth re: Jimiya
education

November 10, 199?

Copied
Reed
Podesta

Dear President Clinton,

I am writing to you concerning two issues that are currently being considered in the budget debate. I figured that you were just begging for another expert out here to help you on how to spend tax money, so here I go.

I have served on the Board of Directors of the Legal Services Corporation of Iowa for five years. I am quite concerned about the funding levels. I read the article in the National Legal Aid and Defender Association's "Update" that you and Hillary helped celebrate LSC's 25th anniversary on July 27, 1999, at the White House. I was moved by your remarks and support for LSC.

I believe that funding should be increased to $340 million. There are people, many in the House and Senate, who constantly complain that criminals are the only people who have their rights protected and receive free legal representation; while victims are not afforded that kind of protection in our judicial system.

LSC is an example of how the victims are given the best representation our system can provide. Yes, somehow this message has been lost in the debate. There are those who would like to see this protection taken away, forgetting that the LSC benefits the very victims they claim to be concerned for. I won't mention any names.

Please continue to advocate for LSC funding. As a Board Member, I've seen the importance of the LSC.

Another issue that is being discussed is education. I will write down our experiences with schools and I hope to be of help when it comes to changes in that system.

In the past four years that Jimiya has been in school, I have had a difficult time finding a school that would work with us regarding Jimiya's health situation and necessary absences. The treatment she has received from NIH has kept her health stable, but the frequent trips to Maryland have interfered in Jimiya's school attendance. It is very necessary that I continue taking Jimiya to NIH because doctors in this area simply do not have the expertise or experience with HIV.

Since 1996, when I first began taking Jimiya to NIH, she has made little progress in school whatsoever. Two years ago, when I moved into the Iowa City school district, I was hopeful that by being up front and honest with the school about Jimiya's situation I could ensure that Jimiya did not fall too far behind. She most certainly has not missed so much school that she should be over two years behind, but that is what school officials have told me.

Jimiya is so far behind now that the benefit of being in a regular classroom as far as reading and math goes is significantly impaired. She's expected to learn how to divide when she hasn't yet mastered the skills of basic addition and subtraction. When my youngest son Nathan was in kindergarten, there were 31 students in his class and the teacher managed to do very well; last year Jimiya has 18 classmates, and her teacher was unhappy with Jimiya's needing extra help. While reducing class size is important in theory, I haven't seen the benefits in it at all.

On the other end of the spectrum, I have been pressured to place her in special education, where the goal is NOT to get her caught up. The goals for special education usually apply to children who, unlike Jimiya, have learning disabilities. Therefore these children are not expected to make a year's progress in one school year. Which means that, from what I've been told, Jimiya will never be caught up nor should I expect that. She's somewhere in the middle of most children. The regular classroom is too demanding, while the special education program isn't demanding enough. This child yearns to learn, and as each year goes by and she watches her friends reading and doing well in school I see how much this impacts her self-esteem. It's yet another obstacle this little girl is having to deal with, and it's heartbreaking for me.

The public school system is set up to benefit "normal" children or those who have specific learning disabilities. There is no program for a child who must miss school. I do not have any choice in the matter of taking Jimiya to NIH. Her education is going to do her little benefit if she can't have the treatments that have thus far saved her life. I know how very important an education is, but I'm very worried about what I can do to help Jimiya's education.

I completely understand the argument against vouchers and the worry that our public school systems will deteriorate if more and more children go to private schools. However, it is in situations like ours that makes funding for vouchers or tutors necessary. It isn't a matter of not supporting the public school system, it's a matter of wanting what's best for the child. Unfortunately, public school is not always what's best for the child. This isn't for religious reasons or because I dislike the public school system (my three eldest children all graduated from public schools). It's because I want for Jimiya to get an education. That is all. She has a right to an education, and if public schools are unwilling or unable to give that to her, it seems only fair to her to have other options.

I've seen many families of children with AIDS and other illnesses forced to completely remove their children from school because of similar problems. Last year, Jimiya was out of school for a few months while I tried to figure out a home schooling plan. I had not yet mastered the plan and what was expected of me as a home schooling parent, when I received a letter reminding me that if I did not meet a deadline that the issue would go before the county attorney and could possibly have legal implications. I decided to place Jimiya in another school (her third in two years) rather than deal with these types of harassment and threats.

Ultimately, I sincerely want for Jimiya to get the best education as possible in a school setting. At this point, though, I am at a loss of how I can accomplish that. She's in fourth grade now and making slow progress going back and forth from the regular classroom to special education. If I was able, I would send her to the private school in Iowa City that does seem capable of accommodating her needs. But I can't afford it. I'm not sure what to do.

As you continue to discuss education and the public school system, please keep in mind that there are many students like Jimiya struggling in school. There has to be a way to help children like her get an education, though I don't expect you to have all the answers.

Thank you for taking the time to read this. Jimiya and I will be in Bethesda at NIH from Sunday, November 14th through Wednesday, November 17th. I hope you have a great vacation, and wish you the best of luck with your new house.

Best Wishes,

Laura Deeth & Jimiya
2009 Union Road
Iowa City, IA 52240

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# Fax Transmission

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Gene – Did Ag ask for this in budget? Did we OK? – BC

THE PRESIDENT HAS SEEN 1-10-00

11-5-99

## Delta Center for Agriculture and the Environment

**Vision:** A research program that enhances the health and longevity of Mississippi Delta citizens through collaborative research between the Agricultural Research Service and the public and private institutions of the Delta. A technology transfer and rural development program that emanates from this research and builds wealth, creates jobs, and improves education and the standard-of-living in the Delta. An outreach program that assures farm workers and all citizens of an opportunity to participate in improved local economies as well as local, State, and federal programs to enhance the health and wellness of all Americans.

## Proposed Research Program for the Center

The Delta Center for Agriculture and the Environment will conduct research to :

- Determine the transport and fate of chemicals and natural substances in the air, soil, and water of the Mississippi Delta;
- Assess the exposure of citizens to risk factors through the soil, air and water;
- Assess the medical status of Delta citizens related to risk exposures;
- Assess the exposure of citizens to risk factors through food consumption;
- Develop agricultural practices to minimize risk factors associated with agricultural chemical usage and natural products;
- Develop nutritional interventions to improve the dietary status of Mississippi Delta citizens;
- Develop new agricultural products that sustain agricultural productivity and enhance the economic status of Mississippi Delta small farmers.

The research program of the Delta Center for Agriculture and the Environment will be managed by the Agricultural Research Service of the USDA. However, success would be dependent on collaboration with the public and private institutions of the Delta that have specialized expertise and a mandate to conduct agricultural, nutritional, environmental, and biomedical research.

## Capital Needs for the Center

copied
Sperling
Podesta

The program described above to meet the communities needs will require:

-- Building of approximately 48,000 square feet
-- 10 acres of land in proximity to required infrastructure
-- Estimated cost of building and land: $ 17.35 million

## Program Needs for the Center

-- Permanent funding for 20 ARS SY's ($6,000,000/yr)
-- Funding to collaborators for programs on technology transfer and community outreach

Carl Whillock [illegible]

cc T Branch
pers file
Bottys to all who
signed ≥
BR

1-10-00

copied
T. Branch
personal file
Podesta
original to
Burkhardt
for reply

# Clinton's White House record reveals a diverse administration

Mimi Hall's question at President Clinton's Dec. 8 news conference and her USA TODAY article on White House diversity that ran the next day not only were based on a faulty premise and painted a misleading picture, they totally missed the mark as well ("White House's missing voices," Cover Story, News, Dec. 9).

As a small sampling of the unprecedented diversity that characterizes the Clinton administration, we want to start by stating that whether you are in the White House or in the larger society, when it comes to the issue of race in America, we have come far but have a long way to go. But, if progress is our common goal, it makes no sense to ignore the real story of historic inclusion in the Clinton administration and White House to focus on an arbitrary subset of so-called "top aides" who are white.

The president was rightly taken aback by Hall's diversity question at the news conference because he and we had never considered that there were only seven top aides to the president. There are, in fact, 28 assistants to the president, the highest staff rank at the White House. Fourteen of them, fully half, are either people of color, women or both — the most in history. Moreover, several of the minority staff hold positions that are both non-traditional and firsts in American history, such as deputy chief of staff, director of political affairs, director of speechwriting, director of presidential personnel and director of intergovernmental affairs. All of the individuals who hold these positions regularly advise the president and have a direct influence on administration policies.

It also should be noted that when Charles Ruff resigned as White House counsel a few months ago — one of Mimi Hall's big seven jobs — the president offered the job to Cheryl Mills, an African-American woman who was deputy counsel. She decided to take another job outside the administration.

And we wonder how anyone could say that the jobs of director of Office of Management and Budget and deputy chief of staff are not key positions. Clearly the decision to exclude these jobs and others arbitrarily was done to manipulate the facts to suit the story the reporter was determined to write. For example, responsibility for the federal budget was in the hands of an African-American for almost two years when Franklin Raines was OMB director. And when Harold Ickes and John Podesta held the job of deputy chief of staff, no one would have suggested that they were not top-tier advisers. But when a Hispanic woman becomes deputy chief of staff, somehow the job no longer is seen as key.

Anyone who has even remotely followed the president's political career, as a governor and as president, should know that he has always sought the best advisers — without regard to race or gender. In fact, notwithstanding the assertion in Mimi Hall's article to the contrary, Gov. Clinton's senior-most advisers were women and people of color.

It did not come as a surprise that many of our friends and colleagues who pay attention to such things found Hall's article off base. We also found Hall's thesis painfully contrived, and, frankly, quite offensive. But aside from the personal slight, we recognize that there are millions of Americans of conscience and children of color looking to the White House for leadership on the issue of race. That's why we wanted to set the record straight.

President Clinton has been a champion of racial reconciliation and has moved us closer to that ideal by fulfilling his pledge to assemble an administration that "looks like America." The women and people of color he has appointed have played major roles in the past seven years of expanding opportunity and unprecedented prosperity in our country.

The president's efforts, we believe, have proved beyond a doubt that excellence and diversity go hand in hand and that America is stronger as a result. Is there room for improvement? Of course. And we each are working to build on the progress we have made. Far from wanting to whitewash the problem of race in America, all we are saying is give truth a chance.

Signed by: Maria Echaveste, deputy chief of staff; Minyon Moore, assistant to the president and director of political affairs; Ben Johnson, assistant to the president and director of the president's Office for One America; Bob Nash, assistant to the president and director of White House personnel; Terry Edmonds, assistant to the president and director of speechwriting; Mickey Ibarra, assistant to the president and director of intergovernmental affairs; Mark Lindsay, assistant to the president and director of management and administration; Thurgood Marshall, assistant to the president and director of Cabinet affairs

Washington, D.C.

**To comment . . .**

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# The Buck Stops at Justice 9-26-00

JP
This is good
PK

Copied Podesta

By Michael R. Bromwich

The finger-pointing has begun in the failed case against Wen Ho Lee, and there is plenty of blame to go around.

President Clinton, strangely positioning himself as an outsider, said he was troubled by the actions of the Justice Department and F.B.I. in detaining Mr. Lee without bail prior to trial. Mr. Clinton has called for an inquiry of unspecified dimensions by unspecified entities. Members of Congress, many of whom denounced Attorney General Janet Reno for insufficient zeal in going after Mr. Lee, now want to find out how things could have gone so wrong in prosecuting him. The press, notably this newspaper, played an active role in stirring the investigative pot.

Ultimately, who deserves blame? Only one entity had the power to launch a criminal investigation, to prosecute and deprive someone of liberty before trial: the executive branch. Accountability for what went wrong must be placed squarely at the feet of the F.B.I. and Justice Department.

Ordinarily, the F.B.I. and prosecutors are partners in investigation and prosecution. But this relationship has been impaired in recent years by the bureau's proclivity in high-profile cases to air differences in public, seeking political gain at the Justice Department's expense. This was the case when Louis Freeh, the F.B.I. director, embarrassed Ms. Reno by urging her to appoint an independent counsel to investigate possible violations of political fund-raising laws.

In the Wen Ho Lee case, the bureau went public early and often, most notably over the attorney general's decision in 1997 not to approve F.B.I. requests to seek authority for placing a national security wiretap on Mr. Lee's phones. Ms. Reno took enormous heat for that decision. In retrospect, her ruling — that the evidence was too fragmentary and dated — seems to have been correct.

## Wen Ho Lee's ordeal began with an overeager F.B.I.

Even though F.B.I. officials discovered in 1999 that Mr. Lee had mysteriously downloaded sensitive information, it is not clear why they chose to press ahead with its 59-count indictment against him, accusing him of gathering, retaining and receiving restricted information.

It is almost impossible to imagine that such unprecedented charges — the first-ever criminal charges under the Atomic Energy Act — would have been made if Mr. Lee had not been previously targeted. The government's claim that it wanted to solve the mystery of what happened to the information is not compelling. Criminal charges are rarely brought to solve mysteries and, as the judge pointed out, the government has yet to explain why Mr. Lee's offers, before his arrest, to explain the missing tapes were not sufficient to meet the government's legitimate concerns.

The F.B.I.'s unflagging commitment to prove Dr. Lee guilty of something made it extremely difficult for the Justice Department to resist throwing the book at him. In the end, it was the department's job to resist, despite the intense pressure. That is the crucible in which a prosecutor proves himself, asking tough questions, pointing out weaknesses to aggressive investigators and, if necessary, saying "no" to prosecuting a case that shouldn't be brought. That is where prosecutors in the Wen Ho Lee case appear to have failed.

The experience proves that an aggressive F.B.I. and compliant prosecutors are a risky combination. We can only hope that the self-scrutiny and investigations to come yield meaningful warnings to the next generation of agents, prosecutors and others in pursuit of a hot case. □

*Michael R. Bromwich served as the inspector general of the Justice Department from 1994 to 1999.*

1-10-00

UNITED STATES COURT OF APPEALS
EIGHTH CIRCUIT

CHAMBERS OF
RICHARD S. ARNOLD
CHIEF JUDGE
UNITED STATES COURTHOUSE
600 WEST CAPITOL AVENUE, ROOM 208
LITTLE ROCK, ARKANSAS 72201

1. cc: Joel Klein 12/15
John P.
2. Pres.

BR
Clearly urge
need to judge
BR

BY FAX: (202) 456-6703

December 14, 1999

copied
Lindsey
Podesta
original to
Burkhardt
for Reply

The President
The White House
Washington, D.C. 20500-2000

Dear Mr. President:

It's my understanding that you will be deciding within a day or so whether to include any money for courthouse construction in your proposed budget for FY 2001.

You will recall that the last three or four years' budget requests have included nothing for courthouse construction. I write to urge you to include this important item in the coming year's request. Courthouses are not built primarily for the judges. They are built for the public. It's important for the public to have a place to go get their disputes resolved, and it's important for these places to be both commodious and dignified - even beautiful, if possible.

I was part of a group that met on this subject last year with Mr. Podesta and Mr. Lew. I gathered that the reservations on the part of Mr. Lew included a feeling that every judge should not have his or her own courtroom. I can agree that every judge in senior status does not necessarily need a full-time courtroom of his or her own, though most of our senior judges, Judge Woods for example, work virtually full-time and need their courtrooms just as much as they did when they were in regular active service. I suggested last year, and would suggest again, that if this matter of courtroom sharing is of central importance, it could be worked out between the Executive Branch and us without the necessity of omitting courtroom construction from the budget altogether.

I know that you are vitally interested in the administration of justice. The Judicial Branch needs help on this issue. Please help us if you can.

Respectfully yours,

Richard

Richard S. Arnold

RSA/bk

cc: The Hon. John Podesta 202 456-1907
Chief of Staff
The White House
Washington, D.C. 20500

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email: forskning@aol.com

1-10-00

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Moore
Podesta

BL - Have Skip check on Govs. Mansion matters - we have to decide on oral history [illegible] 1-10-00

1. cc Bruce ✓ Nicole Seligman John Podesta Jonathan [illegible]

2. Pres.

Carl Sferrazza Anthony

1720 16th Street, NW~Washington, D.C. 20009~202-667-3270~csfanthony@aol.com

BR

Copied Lindsey Podesta

November 2, 1999

The President
The White House

Dear Mr. President:

I hope this note finds you well. It was good to see you again, at Hillary's birthday and the VH-1 concert. That night, I told Marsha Scott that I want to help in any way as you plan the Library.

One thing I think might be important is perhaps trying to set up some sort of program to begin to conduct oral history interviews, perhaps on videotape. Not only would these be useful in the long march of time for future historians, but also perhaps as clips to be interspersed throughout the exhibit space. Since the museum will cover your entire life, some of the older folks who have known you the longest--relatives, neighbors, teachers, friends of your parents and grandparents--might be a first priority for these interviews. All of these voices can help tell the story of your life. Also, there might be some effort made soon to begin collecting the ordinary pieces of your early life--the school or band uniforms, the term papers, any old clothes or instruments or cars. While I'm sure some of this might have been saved and storaged by your mother, perhaps other relatives or friends would have some items.

I know when I came along to Little Rock two years ago and talked with Skip, he mentioned how important the kitchen in the Governor's Mansion had been to brainstorming sessions and meetings. Now this may sound funny, but if that kitchen has been remodeled (as I recall during my visit there with Hillary, a renovation was being discussed), perhaps those swivel chairs and the big island have been saved. As you know from visits to other presidential libraries, various pieces of rooms and homes have been recreated for the public which had an importance to the President. Perhaps there are other items from the Governor's Mansion which you used which can be retrieved or placed in the library on permanent loan. Perhaps also, as you and Hillary now plan your new home, you will rediscover in storage furniture or other items which you have had either in the Governor's Mansion, or your first home in Fayettesville, that can go to the library.

Anyway, this is just a dash of thoughts. My pride in you personally and in the accomplishments of your presidency continues unabated. Last year at this time, I was stricken with rage by the political threats. It is joyous to see not only how rapidly they faded, but to see how envigorated you are as you shatter the precedent of the "lame duck." Keep going. Better than anyone I can think of, you know how much can be accomplished each day. Have a wonderful Thanksgiving and perhaps we'll see each other soon.

Warmest Regards —
Carl

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Moore
Podesta

1-10-00

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Rüdiger Löwe

Sommerstraße 9
81543 München
Telefon 0 89 / 6 51 51 28

Artur-Landgraf-Straße 34
96049 Bamberg
Telefon 09 51 / 5 50 99

Fax (Büro):
0 89 / 38 06 - 76 87

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Hernreich
Podesta
Berger
wwdesk
Streett

1-10-00

11/2 cc NSC

URGENT!

Nancy
I need following
What should we do
Should we call him?
JPC

November 2, 1999

His Excellency
Bill Clinton
President of the
United States of America

c/o Mrs. **Nancy Hernreich**
Dep. Assistant to the President
and Director of Oval Office Operations
The Executive Office
The White House
Washington D.C. 20500
Fax: 202-456-6703

Dear Bill,

Thank you so much for the wonderful and unique invitation to stay in the White House, even in your favorite guest room, last Wednesday/Thursday. I enjoyed your gorgeous hospitality immensely. Ann Mc Coy did a great job showing me around, arranging many things, etc. A pity that Claudia hadn't recovered soon enough to join me - she would have loved it.

Bill, since I have to fly from D.C. to New York City on Thursday morning and on the same evening to Munich, I would be happy if we could meet briefly - for a minutes only - on Wednesday or speak on the phone. As you asked me in the Oval Office last Thursday morning, I gave my phone number here (703-356-1958) to Mary Morrison and Ann McCoy so that we could arrange that. As you know, I had reason to hope that we would have breakfast on Thursday in order to speak about a few personal things.

Perhaps most important : Dr. Teltschik, board member of BMW and Chairman of the Board of the Quandt Foundation, is organizing next year's "Wehrkunde-Tagung" known as The International Security Conference in Munich, Europe's most important security conference. It is held every year during the first weekend in February. Mr. Teltschik would like to know whether you could participate, perhaps giving a far reaching foreign policy speech (Feb. 4-6, 2000). More than 20 Foreign Ministers and Defense Secretaries will participate. The American delegation will include Secretary Cohen and Senator Lieberman. You and I have

no way to know now - NSC & Sched should decide

Not Pres or heads of state is prob. what NSC would say often talked about this annual conference, which is unique in Europe. You will recall that two years ago Chancellor Dr. Kohl invited you for February 1998. How about this time? I have much more information for you. By the way, I have heard that you may give a Quandt lecture next Monday at Georgetown University.

Well, so much for now. It would be good getting in contact tomorrow.

All the best,
Sincerely,
Rudy.

1-10-00

Copied
Podesta

**AGENDA: TAXES**
**December 20, 1999**

**OUTLINE**

I. **Last Year's Budget – Revenue Proposals**

II. **Framework of FY 2001 Tax Cut**

III. **Should a Tax Cut be Contingent on Social Security and Medicare Reform?**

IV. **Role of USAs**

V. **Major Themes**

John P

We have to discuss soon –
I think I'm in a different
place from staff eg I'm
interested in a version of
Summers plan – helps to
broaden appeal

BC

## FY 2000 Budget

- Last year's tax initiatives (other than USAs) cost about $26 billion over 5 years and $70 billion over ten years. These were fully offset by revenue raising provisions.

| | 5-year | 10-year |
|---|---|---|
| • Education (primarily school construction) | 2.4 | 8.0 |
| • Health | | |
| 1. Long term care | 5.6 | 14.2 |
| 2. Disabled worker credit | 0.7 | 1.7 |
| • Climate change initiatives | 3.4 | 8.8 |
| • Child care tax credits | 6.4 | 14.3 |
| • Revitalize communities | | |
| • New Markets | 1.0 | 2.0 |
| • Better America Bonds | 0.6 | 2.8 |
| • Low income housing tax credit | 1.0 | 5.4 |
| • Tax Simplification | 0.6 | 0.8 |
| • Pensions | 1.4 | 2.9 |
| • Miscellaneous | 1.6 | 6.2 |
| **Total** | **25.9** | **69.5** |

- Last year's USA proposal cost $250 billion over ten years.

## How Big Should Tax Cut Be?

**Options**

1. Gross tax cut of $320 billion; net tax cut of $250 billion.

   - Traditional offsets and could include some tobacco

2. Gross tax cut of $320 billion; net tax cut of $200 billion

   - Traditional offsets plus last year's tobacco proposal (i.e., 55 cent excise tax)

3. Gross tax cut of $370 billion; net tax cut of $250 billion

   - Traditional offsets plus last year's tobacco proposal (i.e., 55 cent excise tax)
   - $50 billion higher gross tax cut than in the FY2000 Budget

4. Gross tax cut of $270 billion; net tax cut of $200 billion

   - Traditional offsets and could include some tobacco
   - $50 billion smaller gross tax cut than in the FY2000 Budget

**Issues**

- Warning: because the on-budget surplus is currently projected to be small in the first five years, there may be little room for tax cuts in the early years of the budget. It may be a challenge to phase in significant tax cuts in a way that makes sense.

- Some of your advisors would like a smaller tax cut to allow some of the surplus to be set aside to address Social Security solvency in the ten-year window.

- Last year, the tobacco excise tax was used to offset mandatory spending. Some used this to label our budget as "tax and spend."

## Should the Tax Cut be Contingent?

1. Should the tax cut be contingent on <u>both</u> Social Security and Medicare solvency?

2. Should the tax cut be contingent on <u>either</u> Social Security or Medicare solvency?

3. Should we have a paid for tax cut and a separate and contingent unpaid for tax cut like last year?

4. Without a single large savings-oriented tax cut, is there a way of logically dividing an unpaid tax cut from a paid for tax cut?

5. It is the feeling of some of your advisors and Democratic Hill staff that USAs would be a more effective block to a large tax bill next year than proposing other new tax initiatives.

Hypothetical Tax Package

| | | |
|---|---|---|
| 1. | Poverty | $30 (in billions of dollars) |
| 2. | Education | $10 |
| 3. | Middle Class | $40 |
| 4. | Health Care | $35 |
| 5. | AMT | $25 |
| 6. | Philanthropy | $10 |
| 7. | Savings Plug | $100 |
| | | $250 |

**Approximate** Ten-Year Revenue Cost for Some **Illustrative** Tax Cut Packages (in Billions)
Compared with Last Year's Package

| | Last year's Package | Size of USA / Pension: 150 | 100 | 50 | 5- and 10-year Cost: 5 years | 10 years |
|---|---|---|---|---|---|---|
| **Encourage saving** | | | | | | |
| **USAs/Pensions** | | | | | | |
| USA | 250.0 | 150 | | | | |
| *Expand pension coverage / simplify rules* | -- | | [redacted] | | | |
| *Matching credit only* | -- | | | [redacted] | | |
| *Tax credit for IDAs* | | | [redacted] | | | |
| Simplify pension rules | 1.0 | 1.0 | 1.0 | 1.0 | | |
| **Total** | 251.0 | 151.0 | 101.0 | 51.0 | | |
| **Poverty Relief and Revitalizing Communities** | | | | | | |
| ***EITC relief for families*** | -- | | | | | |
| *(1) 3kid plateau allowance; (2) 2-earner allowance; (3) slower phaseout for 2 kids* | -- | 16.7 | | | 7.2 | 16.7 |
| *(1) higher credit rate for 3kids ($500 increase in max credit) plus (2) and (3)* | -- | | 19.2 | 19.2 | 8.3 | 19.2 |
| Child and dependent care tax credit | 12.9 | 12.9 | 12.9 | 12.9 | 5.8 | 12.9 |
| *Refundable credit* | -- | | | | 2.9 | 8.1 |
| Tax credit for employer child care centers | 1.4 | 1.4 | 1.4 | 1.4 | 0.5 | 1.4 |
| New markets tax credit | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 2.0 |
| *Double the allocation* | -- | 2.0 | 2.0 | 2.0 | 1.0 | 2.0 |
| Better America Bonds | 2.8 | 2.8 | 2.8 | 2.8 | 0.6 | 2.8 |
| ***Digital Divide:*** | | | | | | |
| *Improve access to computers and the internet* | -- | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Encourage sponsorship of zone academies | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| *Double and expand to include libraries and technology centers* | -- | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Workplace literacy tax credit | 0.5 | | | | 0.1 | 0.5 |
| *Modify and expand to include worker training and technology training* | -- | 4 | 4 | 4 | .2 | .4 |
| *Extend and expand empowerment zone incentives* | -- | 4.0 | 4.0 | 4.0 | 2.0 | 4.0 |
| Increase the cap for low-income housing credit | 5.4 | 5.4 | 5.4 | 5.4 | 1.0 | 5.4 |
| *index the cap* | -- | 0.3 | 0.3 | 0.3 | 0.0 | 0.3 |
| **Total** | 25.1 | 51.9 | 54.4 | 54.4 | | |

**Approximate** Ten-Year Revenue Cost for Some **Illustrative** Tax Cut Packages (in Billions)
Compared with Last Year's Package

5- and 10-year Cost

| | Last year's Package | Size of USA / Pension 150 | 100 | 50 | 5 years | 10 years |
|---|---|---|---|---|---|---|
| **Education** | | | | | | |
| *Expand the lifetime learning credit* | -- | 10.8 | 10.8 | 10.8 | 6.0 | 10.8 |
| *Refundable credit* | | | | | [redacted] | |
| School construction | 8.0 | 8.0 | 8.0 | 8.0 | 2.4 | 8.0 |
| Employer provided graduate education | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other proposals | 1.0 | 1.0 | 1.0 | 1.0 | 0.4 | 1.0 |
| **Total** | 9.4 | 20.2 | 20.2 | 20.2 | | |
| **Health Care** | | | | | | |
| *Tax credit for COBRA continuation coverage* | -- | | | | 6.1 | 15.8 |
| *Tax credit for purchase of insurance through State high-risk pools* | -- | | | | 0.5 | 1.3 |
| Tax credit for long-term care expenses | 14.2 | 14.2 | 14.2 | 14.2 | 5.6 | 14.2 |
| *Increase to $2,000* | -- | 8.2 | 8.2 | 8.2 | 3.4 | 8.2 |
| *Refundable credit* | | | | | | |
| Tax credit for disabled workers | 1.7 | 1.7 | 1.7 | 1.7 | 0.7 | 1.7 |
| Tax credit for small business health coalitions | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| *Double and expand* | -- | 0.3 | 0.3 | 0.3 | 0.1 | 0.3 |
| *15 percent credit for nonemployer health insurance* | -- | | | | 30.0 | 50.0 |
| *25 percent credit for Medicare buyin* | -- | | | | | |
| *[25] percent credit for expenses up to age-adjusted cap* | | | [redacted] | | | |
| **Total** | 16.0 | 24.5 | 49.5 | 74.5 | | |

**Approximate** Ten-Year Revenue Cost for Some **Illustrative** Tax Cut Packages (in Billions)
Compared with Last Year's Package

| | Last year's Package | Size of USA / Pension 150 | 100 | 50 | 5- and 10-year Cost: 5 years | 10 years |
|---|---|---|---|---|---|---|
| **Simplify and Cut Taxes** | | | | | | |
| ***Ease burden of AMT on middle class*** | -- | | | | | |
| *(1) personal exemption and standard deduction through 2001* | -- | 2.9 | | | 2.9 | 2.9 |
| *(1) + phase in indexing starting in [2007]* | -- | | 29.3 | 29.3 | | 29.3 |
| *(1) + indexing in 2000+2001* | | | | | | 37.0 |
| *(1) + indexing in 2001* | | | | | | 23.0 |
| *dependent exemptions in excess of [1]* | -- | | | | [redacted] | |
| ***Reduce returns that file schedules B&D*** | | | | | | |
| *Raise thresholds for Schedule B* | -- | 0 | 0 | 0 | 0.0 | 0.0 |
| *Allow simplified mutual funds (no schedule D)* | | | | | [redacted] | |
| *Encourage electronic filing* | -- | [redacted] | | | | |
| *Simplify taxation for small businesses* | -- | | | | | |
| Other simplification proposals | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| **Total** | 1.0 | 3.9 | 30.3 | 36.3 | | |
| **Middle Class Tax Relief** | | | | | | |
| Raise the standard deduction by $250 for single, $500 for joint filers | | [redacted] | | | [redacted] | |
| ***Marriage penalty relief options*** | | | | | | |
| *Higher standard deduction for two-earner couples* | | | | | 14 | 29.5 |
| *Higher standard deduction for two-earner couples (phased in)* | -- | | | | 4.3 | 16.6 |
| *Standard deduction for couples twice that of singles effective 2001* | -- | -- | -- | -- | 25.6 | 55.8 |
| **Total** | - | 45.0 | 45.0 | 45.0 | | |
| **Encourage Philanthropy** | | | | | | |
| *Reduce excise tax on foundations* | -- | 4.0 | 4.0 | 4.0 | 1.8 | 4.0 |
| *Above the line deduction for nonitemizers* | -- | | | | | |
| *100% deduction over $500 for single filers; $1,000 for joint filers* | -- | | | | 18.9 | 43.3 |
| *50% deduction over $500 for single filers; $1,000 for joint filers* | -- | | | 14.8 | 6.4 | 14.8 |
| **Total** | - | 4.0 | 4.0 | 18.8 | | |

**Approximate** Ten-Year Revenue Cost for Some **Illustrative** Tax Cut Packages (in Billions)
Compared with Last Year's Package

| | Last year's Package | Size of USA / Pension 150 | 100 | 50 | 5- and 10-year Cost: 5 years | 10 years |
|---|---|---|---|---|---|---|
| **Climate change** | 8.9 | 8.9 | 8.9 | 8.9 | 3.4 | 8.9 |
| **Other provisions** | 8.6 | 10.6 | 6.7 | 10.9 | 2.3 | 8.6 |
| **Grand Total** | 320.0 | 320.0 | 320.0 | 320.0 | | |

**Other Provisions that Have Not Been Scored**

- Vaccines
- Exclusion for telecommuting expenses
- Telecom taxes
- Excluding teacher pay from gross income
- Reforestation incentives
- 50% capital gains exclusion for land sold to conservation organizations
- Expansion of Brownfield tax incentives
- Modify estate tax conservation easement rules
- Children's savings accounts
- Section 415
- Tax exemptions for civil rights awards
- Modifying the allocation on Better America Bonds
- Expanding the disabled worker tax credit
- FMLA tax credit
- Homestead tax credits
- Tax incentives for first-time homebuyers

**Key**

All numbers in billions of dollars
*New proposals are in italics*
[redacted]
* Would reduce the off-budget surpluses

To Bruce Reed
cc T Edwards

1-10-00

From Sec Riley

# ANCHORING PRESIDENT CLINTON'S LEGACY IN EDUCATION

## Keeping up the Momentum to Lock in the Legacy

- For the last 7 years you have been America's "Education" President. In this last budget you have the opportunity to lock in that record and establish yourself as America's "Education" President here at the end of the 20th Century.

- With the Nation on the edge of a new century—the Education Century—our schools are on the verge of making real improvements in student achievement. Now is the right time to make a final statement demonstrating your leadership by including in your 2001 budget request a major new investment to anchor in your legacy.

- In 1993, when we began the effort to raise standards we promised skeptical Democrats that we had to raise standards first before we could convince the public to make new investments in education. We also agreed with them that additional investments would be needed to lift students up to meet new high standards. With this argument, we made "standards" a Democratic issue. And the standards movement is working!

- We are now at a time when we see a growing and even dangerous softening of support for high standards as the first results of new high stakes test are reported. This is precisely the time to make those educational investments that support standards and fulfill our promise.

- Education is the number one priority of the American people, and all sides will be bidding for the mantle of education leadership starting in the primaries and throughout next year's appropriations process, which will conclude just weeks before the general election. If we fail to continue our momentum we will hand a powerful weapon to our political opponents

- We also should not underestimate the ability of the Congress to learn from previous defeats. They are getting better and more sophisticated in broadening their message. Republicans in the Congress were successful, for example, in gaining political advantage on us in the last session when it came to special education and increases in Pell Grants.

- A strong budget request for education would be a powerful, winnable strategy for securing the resources needed to lock in your legacy. The attached table outlines key priorities in our appeal of the OMB passback.

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Reed
Edmonds
Podesta

T/C

1. Joe – Millineum
Radio PSA's
Diane Rehms' radio show

2. Trade – Gene was supposed to do – figure out % of America's ~~Wor~~ GDP – % of World's exports we buy (our imports). Same figure for Europe / Japan
Also comparison of trade deficits

3. Steel & rod – where is the decision – he was talking to Paul Stern (he knows his vested interest – he's lobbyist) Wants to know where this is
Strategy asked about this

John DP meeting next week good recommendation

4. Encryption – he got noise in Silicon Valley – that our proposed rules are being undermined by NSC – looks like we're back tracking. He's working on it
Eric's still next

Jeff Orozak – was on transfer list at 12/31

Attachment A

## IMPROVEMENTS AND INVESTMENTS IN EDUCATION ARE A TOP PRIORITY FOR CONGRESS AND THE PRESIDENT

### 1) Education is the top priority for Congress.

If you could tell Congress to focus on just one of the following issues, which would that be?

| | All people surveyed |
|---|---|
| Improving Education | 25% |
| Protecting Social Security | 25% |
| Reforming Health Care | 19% |
| Cutting Taxes | 11% |
| Fighting Crime | 8% |
| Rebuilding national defense | 7% |
| Protecting the environment | 5% |

Source: Market Strategies and the Feldman Group, reported on October 29, 1999, surveyed 1,000 registered voters.

**2) <u>Improving Education: A "high priority" for the President</u>.** We find that "improving education and the schools" will be "very important" to 79 percent of Americans when choosing a president next year, more than any other issue. Only 44 percent say "cutting taxes is very important, making it 14th out of 15 issues.

| Top 5 issues | | Bottom 5 issues | | |
|---|---|---|---|---|
| 1. Improving Education | 79% | 11. | Helping Middle Class | 61% |
| 2. Handling the Economy | 74% | 12. | Handling Gun Control | 56% |
| 3. Managing the Budget | 74% | 13. | Handling Foreign Affairs | 54% |
| 4. Handling Crime | 71% | 14. | Cutting Taxes | 44% |
| 5. Protecting Social Security | 68% | 15. | Campaign Finance Reform | 30% |

Source: ABC NEWS poll, released on September 5, 1999

12/09/99

# U.S. Department of Education—FY2001 Education Budget Passback And Appeal

| Selected Education Programs | Current Budget | OMB Passback For FY2001 | Appeal Over Passback For FY2001 |
|---|---|---|---|
| | (Amounts in Thousands of Dollars) | | |
| **Improving Teaching and Recruiting Quality Teachers** | | | |
| Teacher Recruitment and Preparation<br>*Presidential initiative passed in 1998* | $98,000 | $98,000 | +$102,000 |
| Teaching to High Standards:<br>*Combines Goals 2000, Eisenhower Professional Development, Title VI into President's new ESEA initiative.* | $1,173,000 | $503,000 | +$970,000 |
| **Accountability and Helping Students Meet High Standards** | | | |
| Extra Help in the Basics (Title I LEA Grants)<br>*Includes President's accountability initiative passed in 1999 to turn around failing schools.* | $7,941,397 | $8,141,397 | +$566,003 |
| Special Education<br>*Includes funds for accountability and state improvement efforts.* | $6,036,646 | $6,035,146 | +$601,765 |
| 21st Century Community Learning Centers<br>*Extremely popular after-school and summer program* | $453,710 | $525,000 | +$246,290 |
| **College Opportunity and Access** | | | |
| Pell Grants<br>*With this increase, the value of Pell grants will have risen by 50% under the President's watch.* | Budget Authority<br>$7,700,000<br>[Max Grant $3,300] | Budget Authority<br>$8,180,000<br>[Max Grant +50] | Budget Authority<br>+$766,000<br>[Max Grant +$200] |
| SEOG Supplemental grants for low-income students<br>*A high priority among college leaders* | $631,00 | $631,000 | +$100,000 |
| TRIO Programs<br>*Includes new Presidential initiative for college completion grants.* | $645,000 | $645,000 | +$100,000 |
| GEAR UP<br>*Third year of new presidential initiative* | $200,000 | $240,000 | +$100,000 |
| | | Sub-total: | +$2,882,058 |
| **Other Critical Initiatives** (ie: *expanding President's safe schools/healthy students initiative, increasing advanced placement courses, expanding comprehensive school reform models, providing teacher training in bilingual education, expanding President's literacy and civics initiative, providing loan cancellations for teachers.)* | | | +$909,425 |
| | | **Total:** | **+$3,791,483** |

99 DEC 20 PM 8:35

1-10-00

DEPARTMENT OF THE TREASURY
WASHINGTON D.C.

SECRETARY OF THE TREASURY

December 20, 1999

**MEMORANDUM FOR THE PRESIDENT**

**FROM:** Lawrence H. Summers

**SUBJECT:** Financial Times Series on the U.S. Economy

I think these are the best pieces written on this subject in some time.

Copied
Sperling
Podesta

# The US.com – click here to refresh the economy

In a few months the US economy will have reached its longest period of uninterrupted growth. Usually when an economy grows this fast for this long prices rise sharply. So far this does not appear to be happening. This benign inflation performance has been even more remarkable in the last four years, when the economy has expanded at a much faster rate than was previously considered sustainable. Even those who were sceptical at first are now talking of a 'New Economy', one in which a number of structural changes are making Americans more productive. **Gerard Baker** begins a week-long series

In the heart of the plains, as far as it is possible to be in America from the bi-coastal buzz of information age frenzy, Kansas City seems an unlikely place to search for evidence of a late 20th century US economic transformation.

As the jumping-off point for the pioneers headed west in the last century, it has endured a reputation as something of a backwater. Kansans describe their outlook with self-deprecating humour.

"People with creativity and imagination went on and founded California," goes a local joke. "The chickens stayed here."

Its status as a great road and rail hub also gives it a faintly obsolescent air. Trucks and trains seem a quaint throwback in an age of networked hyperactivity. But it is a sure sign of the reach of economic regeneration that the humdrum business of transport – the very activity that put Kansas, quite literally, on the map – has also been swept along in the innovative wave that seems to have lifted US economic performance in the last few years.

Hunched over a computer screen in the central dispatch office of Yellow Freight, the nationwide trucking giant, Scott Osborn is moving numbers and arrows around as though playing a giant electronic game of snakes and ladders.

Using software called Sysnet, specially designed for Yellow in collaboration with Princeton University, the map on the monitor tells him that, on this particular morning, he has a shortage of truck drivers for some big consignments of goods on the route between St Louis and Chicago. Fortunately it also tells him he has the opposite problem in Nashville – too many drivers and too few loads. With a click of the mouse he can redirect drivers from oversupplied Nashville to under-supplied St Louis.

"A few years ago, before Sysnet, I would have had to trawl through pages and pages of schedules and data to figure out where these were," he says. "Now it takes me a few seconds."

Yellow, so-called because 75 years ago its founder drove a yellow taxi cab in Oklahoma City, has invested heavily in technology in the last few years. From wireless systems that keep drivers in close communication with local terminals to an automated scanning system that traces the movement of cargo across the country, the investments have saved the company hundreds of millions of dollars and have lifted its workers' productivity – the amount of output per hour each employee produces.

But most important of all, according to Gary Beggs, vice-president of express services, has been the impact of the investments on customers.

The innovations at freight companies such as Yellow have helped bring about a revolution in cost control for all businesses, by filling a massive information void.

Clicking on the internet, they can trace the hourly movement of their cargo as it rolls across the country, enabling them to maintain inventory levels at precisely the level they need, without costly stockpiling.

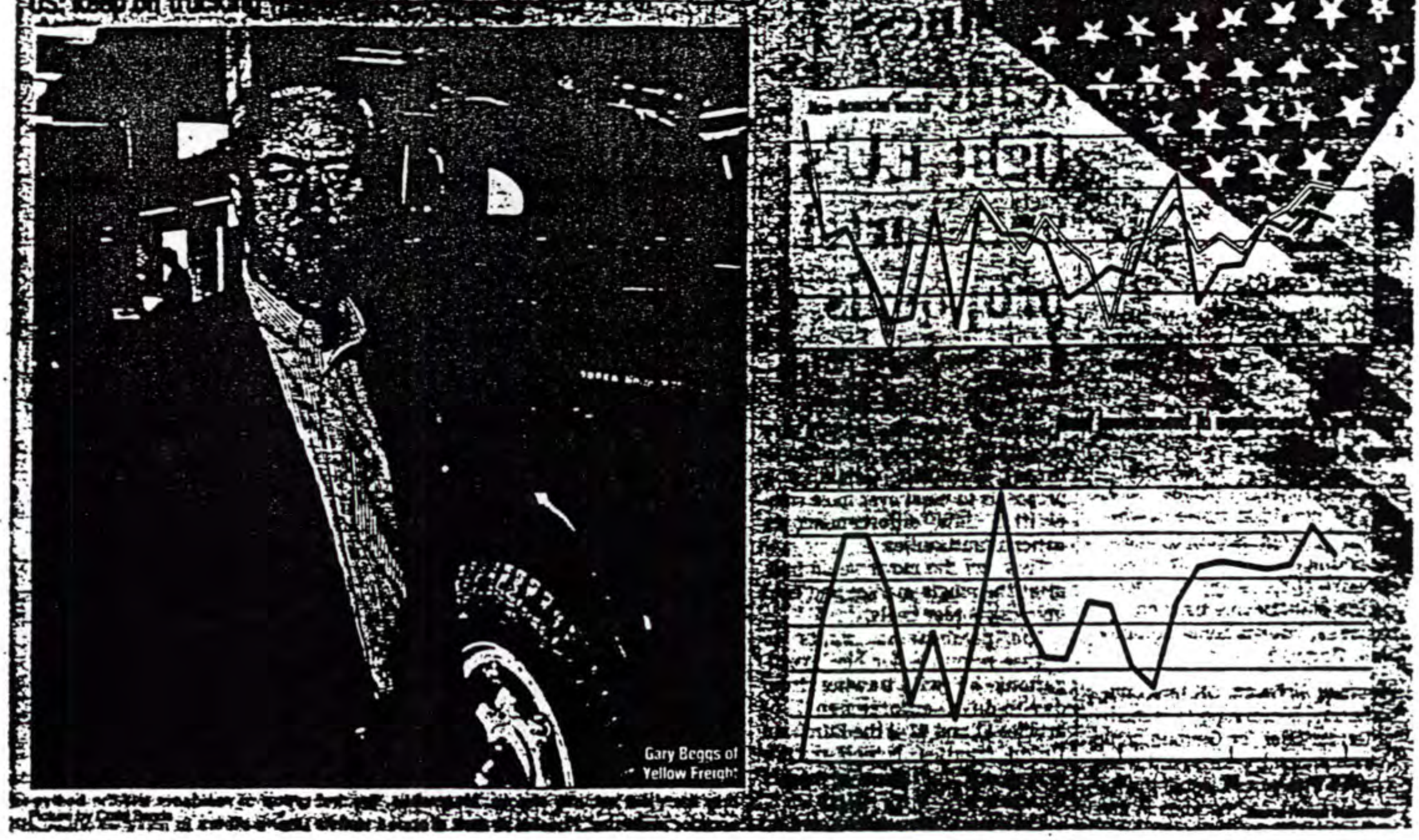
"Take car manufacturers, for example. We've become moving warehouses for them – delivering parts and supplies direct to assembly lines, cutting out whole mountains of inventory," says Mr Beggs.

This is the machinery of the so-called New Economy in action. As the US continues to enjoy elevated rates of growth, without clear evidence of customary inflationary pressures, economists point to the kind of changes at Yellow as an explanation. The massive investment in information technology – from desktop computers to biotech innovations to the explosive growth of the internet, sustained over a decade or more – has produced a revolution in the management of information.

"Information technology raises output per hour by reducing hours worked on activities needed to guard productive processes against the unknown and the unanticipated," said Alan Greenspan, chairman of the Federal Reserve, in a recent speech. That means the economy can grow faster than in the past without igniting inflation. Mr Greenspan went on to describe the recent advances as "a major surge in innovation – matching, if not exceeding, the other great waves this century".

But is the evidence that radical change has occurred really overwhelming? Some sceptics believe the current excitement is overdone, that the trumpeted arrival of the internet and other innovations are important but should be seen as merely part of the inexorable, steady progress of economic history, not as some

US: keep on trucking




and others include estimates for productivity gains for the whole "business sector" – that includes self-employed and others.

The intriguing aspect of Mr Gordon's findings is that they raise the possibility that productivity growth and, therefore, the economy's underlying potential may be even higher than New Economy advocates have argued. If gains in the non-technology sector are being understated, could not the real productivity increase for the economy be even higher than the 2.75 per cent annual rate of the last two years?

Mr Greenspan indicated this was a real possibility. Taking the apparently more reliable figures for the whole corporate sector (excluding financial institutions), the Fed chairman noted that gains had been running at 3 per cent a year in the last five years, and almost 4 per cent in the last two years.

"The acceleration in productivity appears reasonably widespread among non-financial corporate firms beyond the high-tech industries themselves, even though gains in the advanced technology companies have verged on the awesome," said Mr Greenspan.

But the Fed chairman and most respected economists warn that none of these measures is wholly reliable, and there is no guarantee that the outlandish gains of the last few years will in any case continue.

However, all but the most diehard of sceptics now agree that the US economy has become more significantly productive in the last few years. The consensus is that, at the least, the long period of sluggish productivity growth, which began in the mid-1970s, is for the time being over, and that US workers are now back to the rates of growth in their output that were last recorded in the 1950s and 1960s – a truly historic change, if it is sustained.

Technology may be the most important factor that has brought about this change and it has certainly gained most attention, but it cannot on its own explain why the US has enjoyed such an important shift. If it were merely the application of modern technological processes, other countries could reasonably have been expected to record a similar improvement, but there has been no evidence they have.

In fact a number of other critical elements of US economic organisation have moved into place in a way that has fundamentally altered the performance of the economy in the late 1990s. Over the next few days the FT will examine these in detail.

# Winning ways: ready bı

While the remarkable performance of the US economy in the 1990s owes much to the dynamic effect of new technology, the way companies are run and financed today means that new technology is exploited to the full. **Gerard Baker** reports

## New US economy: Part 2

Earlier this year Pete Blackshaw's career was riding the fast escalator up through the executive ranks of America's most famous consumer products company.

The 35-year-old Harvard Business School graduate seemed to have been handpicked for corporate greatness. He played a central role in Procter and Gamble's early efforts to develop a strategy for interactive marketing, and he represented the company in industry-wide discussions on how advertising would meet the challenges of the internet.

A few months later, however, Mr Blackshaw is working out of the third floor of a converted Victorian building in the old heart of Cincinnati, half a dozen blocks and a million miles from P&G's cathedral of commerce.

With a handful of like-minded friends and colleagues, this month he launched Planet Feedback.com, which he describes as an internet-based service "aimed at transforming the way consumers relate to companies" – an electronic system that will enable customers to channel more effectively complaints and comments on companies' products.

"The internet is a heart attack, not a hiccup, for big companies," he says. "It is rewriting the rules."

Mr Blackshaw's high-speed odyssey is a familiar tale that has been repeated in tens of thousands of offices, basements and coffee shops across America. Cincinnati itself provides a telling and unlikely demonstration of the power of the modern force of entrepreneurship. City blocks that were once deserted breeding grounds for crime are awash in post-modern sounding start-ups: Ethos Interactive, Digital Bang, Project Bark, VisualNet.

To the sceptics, the internet start-up frenzy is a classic symptom of a bubble – an irrational exuberance that begins with a plausible idea for a business venture and ends a few months later in the grotesque mania of a profitless company nursing a market capitalisation worth more than General Motors.

But while there is e-hype aplenty, there is something else about the growth of new companies in the last few years that may prove more durable and a critical element in understanding the remarkable performance of the US economy at the end of the century, what some are calling the New Economy.

The success of the US economy is not simply a story about productivity gains from technological innovation. It is also about broader economic conditions that have enabled companies to exploit the technology. Economists of differing ideological persuasions believe that a combination of flexible capital markets and an economic climate conducive to risk-taking have been at least as important as the investments themselves.

"Financial markets have played a central role, making available resources for guys who can raise a million dollars before they can buy their first suit," says Larry Summers, Treasury secretary.

**Guys can raise a million dollars before they buy their first suit**

"It may be that the nature of this technology is particularly favourable for the US," says Martin Feldstein, chairman of the National Bureau of Economic Research. "There are all kinds of facilitating characteristics here – the venture capital market, incentive-based rewards for managers."

Since he left P&G 10 weeks ago, Mr Blackshaw has spent most of his time with money people – from "angels" – wealthy individuals willing to risk their money in projects – to venture capitalists managing hundreds of millions of dollars in pension funds and life insurance.

He has already completed the first round of financing – upwards of $6m.

"The availability of venture capital is what compels us to leave the large corporations and put our own stake in the ground. A lot of smart money is looking for really good ideas out there," says Mr Blackshaw.

From his 11th floor offices a few blocks away Jack Wyant looks out over the lazy meanderings and graceful ironwork spans of the mighty Ohio river. His company, Blue Chip Capital Ventures, can plausibly claim to have been the water that has allowed so many of the start-up seedlings in the Cincinnati area to grow. Starting from scratch less than 10 years ago, Blue Chip now has more than $400m in

Start me up: funding the fr

80 companies, including Project Feedback.

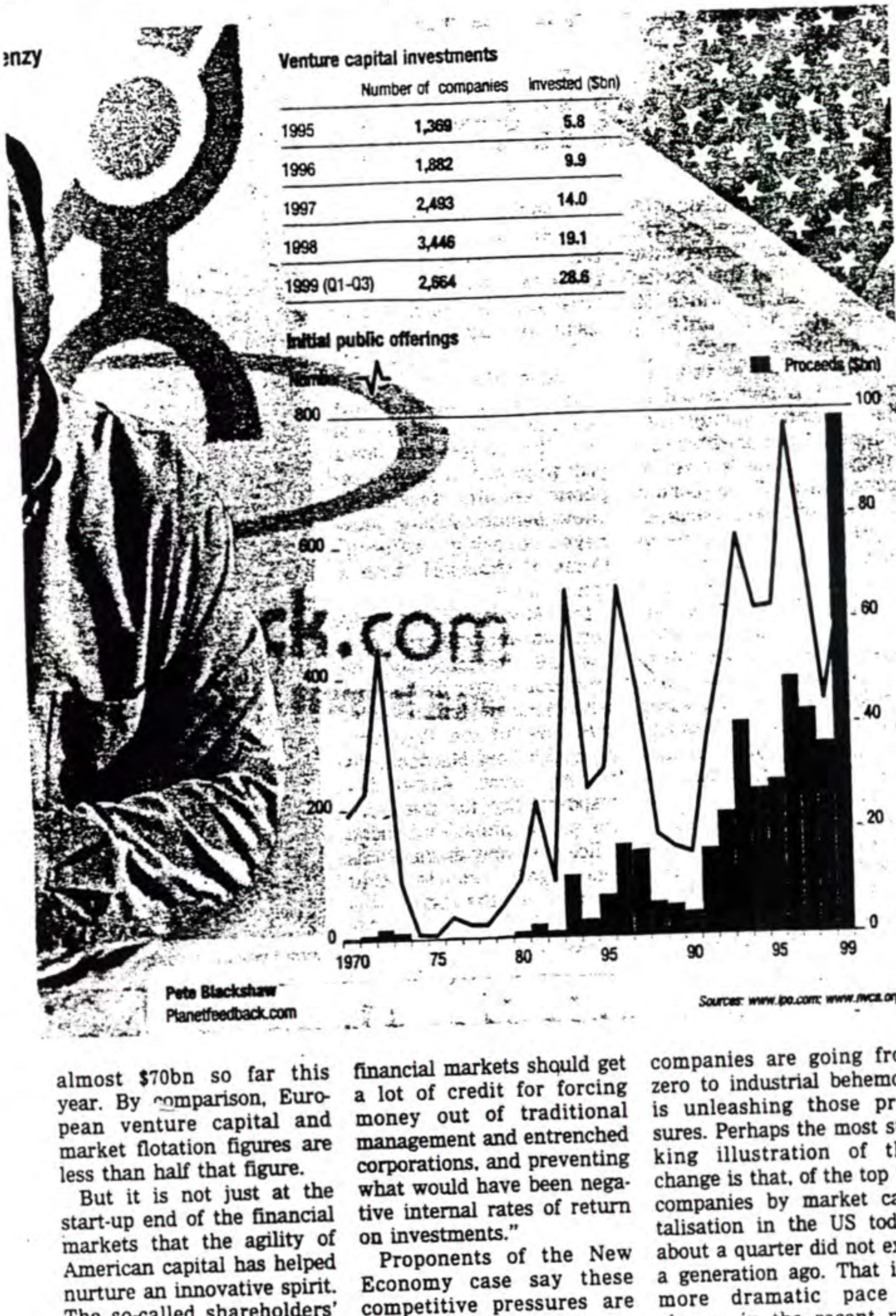
"It probably is fair to say that the internet would not exist without venture capital companies," he says. "By providing the critical link between the initial private funding and the broader, public capital markets, venture capital makes the ideas of entrepreneurs a reality."

For 15 years until 1993, funds raised by venture capital firms in the US for investment were remarkably steady, between $3bn and $5bn a year. But in the last six years, venture capital funds have exploded, reaching $25bn last year. Funds under management last year were more than $80bn, up from $31bn in 1993.

This explosion of financial activity goes much further up the corporate development chain. Sums raised in initial public offerings (IPOs) rose from $28bn in 1994, to

# ucks and a flair for risk

enzy



Pete Blackshaw
Planetfeedback.com

almost $70bn so far this year. By comparison, European venture capital and market flotation figures are less than half that figure.

But it is not just at the start-up end of the financial markets that the agility of American capital has helped nurture an innovative spirit. The so-called shareholders' revolt of the 1980s, which resulted in much more aggressive control of companies' by equity holders, was a critical factor in restructuring US business.

Even economists who have been critical of the short-term focus of US capital markets in the past, now acknowledge that the pressures of that short-term focus have had a deeplypositive effect on US companies.

In the last 10 years, Mr Summers says, "increasing pressure for performance for shareholders" has played a crucial role. "I think our financial markets should get a lot of credit for forcing money out of traditional management and entrenched corporations, and preventing what would have been negative internal rates of return on investments."

Proponents of the New Economy case say these competitive pressures are quickening the pace at which companies mature.

## The internet is a heart attack, not a hiccup, for big companies

"On conventional estimates it used to take five years to build a business to the point at which venture capital would be entering. Now it's less than a year. We're becoming adolescents before we're out of diapers," he says.

The speed with which companies are going from zero to industrial behemoth is unleashing those pressures. Perhaps the most striking illustration of this change is that, of the top 100 companies by market capitalisation in the US today, about a quarter did not exist a generation ago. That is a more dramatic pace of change in the recent past than in any comparable period this century.

"The turnover rate among firms is increasing markedly," says Paul Krugman, professor of economics at Massachusetts Institute of Technology. "It could be that what is happening now is that we're shifting from an economy dominated by stable oligopolies - the "Big Three" car manufacturers model - to one dominated by temporary oligopolists - the Microsoft model.... When you're General Motors, you know who your competitors are and what they are doing. If you're Digital-Something-Or-Other you know that the company that is going to destroy you is one you haven't even heard of yet. That inevitably keeps the pressure on."

On this view, the benign performance of the US economy in recent years - with rapid growth, but scant sign of inflation - may be a result of these increased competitive pressures.

Mr Krugman acknowledges that it is too early to tell whether these changes will prove lasting, and other economists are sceptical. "It's not true to say the economy in the past was as static as we like to think it was," says Gregory Mankiw, an economics professor at Harvard University. "For one thing, if companies face so much more competition today, why are profits so strong?"

Part of the answer lies in the financial markets themselves. The intensified pursuit of financial rewards may indeed have raised aggregate profitability even as it increased competitive pressures.

No one can say for certain yet what the impact of changing technology will be on the dynamics of American capitalism. Barriers to entry are clearly being reduced in some sectors, though that process may yet prove not to be quite so comprehensive as proponents now claim. And the same financial markets that have facilitated much of the economic growth of the last few years may be undermining it through over-confidence and heated speculation.

But there has been an accentuated dynamism to the behaviour of US financial markets in recent years that goes beyond short-term and cyclical factors. It is no accident that a surge in investment has been among the most outstanding features of the expansion.

*This is the second in a series. Part 3 appears on Thursday*

FINANCIAL TIMES. THURSDAY DECEMBER 16 1999

# America's jobs puzzle: a labour market that works

In parts of the US the labour market is so tight that businesses openly poach workers. Yet there has been no explosion in wage levels. **Gerard Baker** investigates some of the answers to a phenomenon that has puzzled economists

Nuisance telephone calls have become something of an epidemic at Newfield Construction, a medium-sized building concern in Hartford, Connecticut.

The switchboard operators were recently given strict instructions to report any suspicious calls to the company's vice-president in charge of business development, Richard Ostop, an authoritative figure with a straight-talking telephone manner who usually manages to scare them off.

These troublesome callers are a very 1990s phenomenon. They are not mouthing profanities or peddling unwanted services. They are poachers – Newfield's competitors and headhunters trying to lure away the best of the company's staff.

A favoured technique is to ring the company's switchboard and ask for the names of site managers and supervisors on specific projects, then ring back later and ask to speak to them directly. Once the callers are through they offer them a job with a fat signing-on bonus.

A labour war has broken out in the streets and offices of Connecticut. Unlike previous clashes, it is not being fought with pickets and strike-breakers. The antagonists are not, in fact, workers and employers at all. The battle is between companies, desperate – in the tightest labour market in memory – to get their hands on workers.

"This is the toughest I've ever seen it," says Mr Ostop, who has more than 25 years' experience in the business. "Companies are looking for more and more underhand ways to get and keep workers."

Unemployment in the state hit an all-time low of 2.1 per cent this summer, the lowest in the nation. Though it has edged up a little since, it is still among the tightest labour markets in the US. And Connecticut is only the most extreme manifestation of the conditions that now prevail across America. Unemployment nationally is 4.1 per cent, the lowest since 1970.

The performance of the US labour market in the late 1990s is as much a feature of the puzzlingly benign so-called New Economy as are technological change and productivity gains.

For the past four years the US has enjoyed an average annual growth rate of 4 per cent – up from an average of about 3 per cent in the previous decade. Productivity improvements account for about two-thirds of that elevated output, as workers have increased their output per hour.

The rest has come from a rapid increase in the total number of workers, what economists call labour inputs. There has been a surge in new jobs – 7m in the last three years – that has pushed the unemployment rate down into the uncharted territory of barely 4 per cent.

Recent economic history suggests that, whenever unemployment has gone this low, the scramble for workers becomes so difficult that wages are rapidly bid up, and an inflationary spiral follows. But in the US in the past five years, wage growth has been muted. In the last year, total employee compensation in the private sector rose by just 3.3 per cent, almost unchanged on the figure three years ago, when the unemployment rate was 5.4 per cent.

"In some ways it's a bigger puzzle than the productivity puzzle," says Paul Krugman, professor of economics at the Massachusetts Institute of Technology. "How can we have such a low unemployment rate without an explosion of wages?"

A number of factors appear to have contributed.

In a shelled-out restaurant in New London, an hour down the interstate highway from Hartford, Hope Becker is admiring the fruits of her labour. She and a handful of other trainees have just finished plastering the walls of the building as part of the final stages before its conversion into a colony of artists' apartments.

Ms Becker is especially pleased with her training: she has not been in the officially measured labour force much in recent years. She is a recovering drug addict and former prostitute who lost a daughter to adoption as a result of her addiction. Now

**'This is the toughest I've ever seen it. Companies are looking for more and more underhand ways to get workers'**

FINANCIAL TIMES FRIDAY DECEMBER 17 1999

# Did a brave Fed kill off inflation, or was it luck?

Six years ago US monetary policymakers deliberately switched tactics in a bid to break the boom-bust cycle. But they might not be able to claim all the credit, writes **Gerard Baker**

In the closing days of 1993, as the US economy ended what had been a banner year of solid growth and buoyant equity markets, the Federal Reserve's monetary policymakers gathered for their final meeting of the year to decide what to do about interest rates.

It had been a quiet 12 months at the US central bank; most unusually the Fed had not changed rates in more than a year. The economy had bounced back from the early 1990s recession, but there was no obvious evidence of inflation – either in consumer prices or further along the pipeline – and investors were looking forward to another year of supportive central bank policy.

Before their formal proceedings got under way, the policymakers gathered around the great conference table in the Fed's boardroom and listened as two of the central bank's most senior economists gave a special presentation.

David Stockton, the Fed board's chief economist, and Jack Beebe of the San Francisco Fed presented the results of a year-long analysis from evidence around the world of the relationship between inflation and an economy's long-term growth prospects.

They found that, on the whole inflation did tend to depress growth, but noted a broad range of economic opinion on the subject. While economists seemed to agree that very high inflation rates were damaging for growth there was "no smoking gun" on inflation – and much less consensus about moderate inflation rates.

As Alan Greenspan, the chairman, put it: "The crucial question is what happens to the evaluation about inflation of 5 per cent (or less); there, views start to spread all over the place."

The discussion for the Fed was particularly apposite, since US inflation was in exactly the low range – about 3 per cent – that seemed to suggest, at least to some economists, that there was not much to be gained from trying to press it lower.

Nothing definitive was decided at that meeting; there was no change in rates. But the discussions that day are probably as critical to an understanding of the success of the US economy in the late 1990s, as technological changes or demographic shifts in the labour market.

The principal distinguishing characteristic of the expansion of the 1990s is this: inflation, after nearly nine years of growth is lower than it was when the expansion started. This remarkably benign inflation performance is seen by economists as not just a symbol of the US economy's strength in the last decade, but an important contributing factor. It has, uniquely in the past 25 years, created a lengthy period of stability that has proved supportive to growth.

**'Monetary policy has been a major factor behind this outstanding US performance in recent years'**

The leading US expert on monetary policy attributes much of this environment of disinflation to the Fed itself.

"Monetary policy has been a major factor behind this outstanding US performance in recent years," says John Taylor of Stanford University. "The price stability it has engendered has probably itself improved productivity....

In early 1994, the Fed recommitted itself to squeezing inflation harder, in the growing conviction that the long-term benefits of low inflation far outweighed the short-term costs of fighting it.

At the next meeting of the FOMC, six weeks after that discussion, the central bank surprised financial markets with a rate increase. In the next year it raised the cost of borrowing a further six times, doubling the Fed funds rate from 3 to 6 per cent. All this in spite of only limited signs of price inflation, and against a chorus of criticism that it was in danger of killing off the short-lived expansion.

With hindsight, in fact, it was clear the Fed's tightening action kept the recovery on a sustainable path and laid the foundations for the

# Recession or soft-landing: how will the boom end?

The US may have undergone a dazzling economic revolution, but financial overreach is often the reaction to such a beneficial structural transformation, says **Gerard Baker**


To the true believer it is a New Paradigm, a modern industrial revolution that has lifted the US permanently on to a higher track of faster sustainable growth.

Exploiting a remarkable confluence of structural changes – technological innovation, financial and entrepreneurial dynamism, increasingly flexible labour markets and new-found policy stability – America is deploying its traditional economic strengths of agility and openness to reassert its century-old global economic supremacy.

In recognition of the transformed landscape, the stock market has broken out of historically established trends and, punching higher towards ever-more elevated valuation levels, now reflects the high-tech, high-speed, low-inflation economy, that seems to guarantee an extended prosperity.

As Alan Greenspan, the chairman of the Federal Reserve, a man who has built a professional career avoiding hyperbole, said recently: "It is safe to say that we are witnessing this decade, in the United States, history's most compelling demonstration of the productive capacity of free peoples operating in free markets."

To the sceptic, it is a familiar tale of hype and hubris. History is full of talk about "new paradigms" whenever an economy enjoys a few good years. But it is excited chatter that is nearly always proved wrong. This time, the self-delusion has gained an added patina of respectability through some significant, though unremarkable changes.

The fantasy that the US can enjoy much faster sustainable growth has been prolonged by a striking confluence of unrepeatable strokes of luck that have temporarily depressed the usual inflationary pressures in a rapidly growing economy.

All this has combined to produce another wave of over-confidence, resulting in massive financial imbalances, propelled ever higher on a stock market bubble, and certain to end, as all others have done, in an inflationary bust and a vicious and perhaps even prolonged recession.

The modern sceptic echoes the words of Paul Warburg, the investment banker, who wrote, with telling prescience, in March 1929: "History, which has a painful way of repeating itself, has taught mankind that speculative over-expansion invariably ends in over-contraction and distress."

Which view is correct?

It is in the nature of historic change that it is rarely visible at the moment of transition, and since "false dawns" have proved plentiful, the risk of over-confidence is always high.

But curiously, it is possible that this time, both the optimist and the sceptic are right. The US does indeed seem to have enjoyed a structural change in its fortunes that, at the very least, has taken the economy's long-run productive potential back to where it was before the 20-year slowdown began in the mid-1970s.

But history suggests that the very process of change – whether it be the spread of rail transport in the mid-19th century, electricity 50 years later, or the arrival of mass production techniques in the first few decades of the 20th century – leads to even more extended estimates of what might be possible than are justified by the expanded economic base.

The performance of the last few years has indeed been impressive, by almost all standards of the economic history of the last 40 years. Next February, nine years after it began, the current expansion will become the longest ever. Most striking has been the performance over the last four years, when growth has actually accelerated.

Since the beginning of 1996, the economy has grown steadily at a real annual rate of 4 per cent, up from an average of just under 3 per cent for most of the last 20 years.

The raw data seldom capture the full scale. Examined another way, the US in the last three years has increased its output by $1,300bn, an amount equivalent to an economy the size of the UK. The sense of a unique American prosperity has been accentuated by years of sluggish growth in much of the rest of the world.

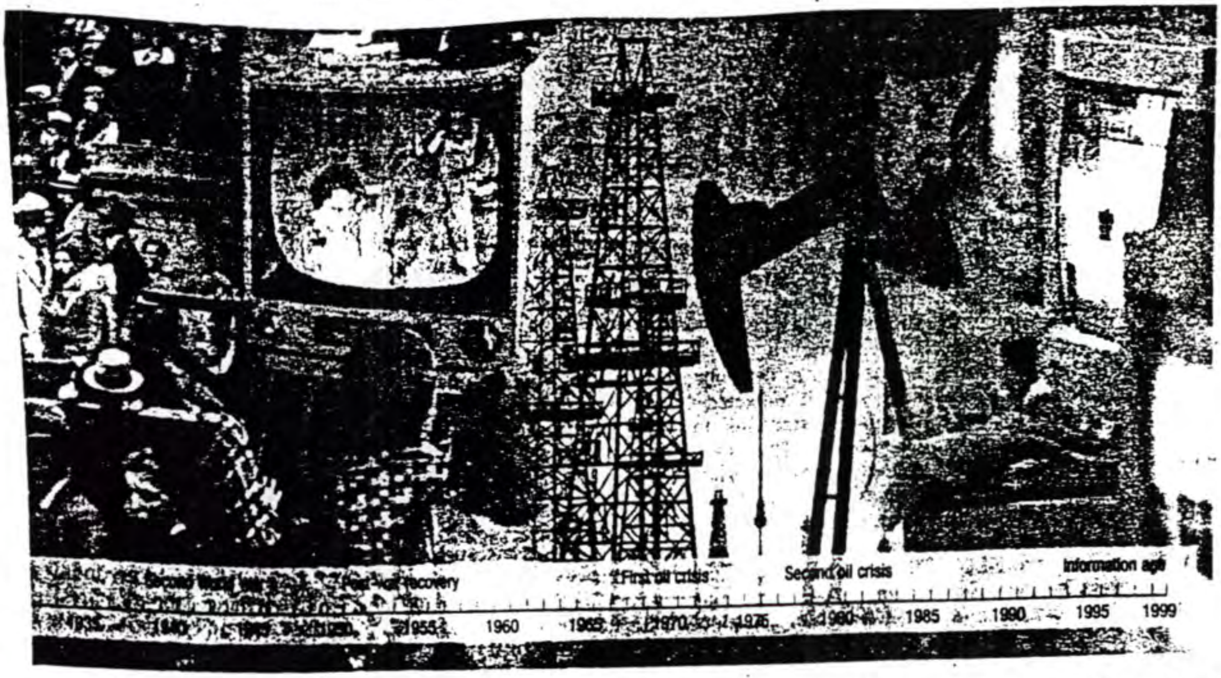
There have been periods of accelerated growth before, of course – for a few years in the 1980s, and for even longer in the mid-1960s. But what makes the current expansion unique is that this speeded up growth has occurred without inflation.

In the two previous long expansions of the last 40 years – the 1960s and 1980s – inflation gradually picked up

speed, as the capacity of the economy failed to keep up with growing demand. Between 1960 and 1970, the broad, GDP-based measure of inflation, the price deflator, rose from an annual rate of increase of 1.4 per cent to a rate of 5.3 per cent.

In the 1980s, the price performance was better – inflation fell sharply during the 1981-82 recession and for a short while after. But by 1986 it was firmly back on a rising trend. Between that year and 1990, the rate rose from an annual pace of 2.2 per cent to a high of 3.9 per cent in 1990.

But the deflator has actually fallen every year throughout the current expansion – except one, 1993. Overall it has dropped




from 3.9 per cent in 1990, to 1.2 per cent last year, and a new low of 0.8 per cent on an annualised basis in the third quarter of 1999.

For supporters of the New Paradigm case, this inflation performance, which suggests the rapid growth this time is sustainable, is a real change attributable to the range of changes the FT has examined in this series.

Across a range of economic opinion, there is now a consensus that the changes are real.

# New US economy: Part 5

"I think it is always appropriate to be prudent and cautious in forecasting, particularly as the horizon of forecast increases," says Larry Summers,the US Treasury secretary, "But something clearly has changed. How long it will be different is not something we can know."

"It's always difficult to compare major historic economic changes," says Michael Boskin, who served as chairman of President George Bush's council of economic advisers.

"But I think it's quite possible that the changes we've seen in the last decade will come to be viewed in their way as important as the steam engine or many of the other great industrial innovations." But however important the innovations, past experience of previous periods of structural change suggests there is a real danger they have created an uncontrollable over-confidence.

That may be happening again in the late 1990s. The economy may be able to grow comfortably at an annual rate up to 3.5 per cent, compared with the old rate of just over 2.5 per cent. But at the current rate of more than 4 per cent – too fast, for even the new "speed limit" – imbalances have started to develop that threaten a collapse.

Much of the increased demand has been spent on imports, raising the current account deficit to dangerously high levels. This year it could be as high as 3.5 per cent of gross domestic product – a level most economists regard as unsustainable and likely to result in a significant drop in the value of the dollar, with damaging implications for domestic inflation and financial markets.

Another concern is the private sector financial deficit – the amount of borrowing individuals and companies need to finance their spending. The total deficit is 5 per cent of the income of the whole private sector, the highest level since the second world war.

The labour market is also stretched to a point where inflationary pressures could ignite quickly.

Above all, perhaps, the level of the stock market, predicated on the assumption that the current rate of expansion can continue indefinitely, worries even some of the most optimistic New Economy believers.

Precisely how serious these imbalances will be is almost impossible to gauge. They may not be as threatening as some suppose. The current account deficit, for example, will probably gradually diminish as growth in the rest of the world starts to accelerate. And nobody can be absolutely certain of the extent to which stock prices – if they are too high – may be overstretched.

But growing evidence of these strains suggests one rather obvious probability: at the least, even if the economy is now capable of growing at a faster sustainable rate than in the past, it is probably still expanding too fast even for that new rate.

Long-term potential annual growth may have gone from the 2.5 per cent of old to perhaps 3.5 per cent today. But only the most wildly optimistic would claim it was as high as the 4 to 4.5 per cent now recorded.

That means demand growth must slow over the next year or so – either through the much sought-after "soft landing" of gradually slowing demand, or through something more dramatic, such as a serious financial dislocation in stock or currency markets that might result in a nasty and painful recession.

Either way, some of the shine may start to come off the New Economy. Yet, though it may lose some of its hyperbolic lustre of the last few years, it would be a mistake to assume that a downturn or slowdown would invalidate the changes that have occurred in the last decade or so.

Economic history suggests financial overreach is often the reaction to significant underlying change. But while it may mask the genuine structural changes that have taken place, it does not undo them.

"As the 1920s showed, technological change is not armour against cyclical or financial problems," says Larry Summers. But, he adds, the spread of electricity that characterised that decade helped transform US economic fundamentals of the US economy. And though the 1920s ended in the most spectacular financial collapse in US history, the structural improvements endured. Electricity, after all, has proved to be a lasting benefit.

*This is the last in a series that began last Monday. The full series can be read on the website* - **http://www.ft.com/hippocampus/warner.htm**

Minyon apparently she decided not to run – If not so, I'll still call let me know 1-10-00

December 6, 1999

'99 DEC 6 7:0

RECOMMENDED TELEPHONE CALL FOR THE PRESIDENT

Copied
Moore
Lombard
Podesta

TO: Marjorie McKeithen (D), potential Congressional candidate

Home: 225-926-4040

Office: 225-766-6500

Cellular: 225-266-6902

DATE: December 6, 1999

RECOMMENDED BY: Minyon Moore, Political Affairs
Tanya Lombard, Political Affairs

PURPOSE: This call comes as a personal request from Congressman Gephardt to urge Ms. McKeithen to run for Congress in the Louisiana's 6th Congressional District.

BACKGROUND: Marjorie McKeithen was a candidate in LA-06 in 1998 and narrowly lost to the incumbent, Richard Baker (R), 50.7% - 49.3% even though she was outspent two-to-one. African-Americans are one third of this district and McKeithen was helped a great deal by a turnout program designed and implemented by Cleo Fields. She carried all six of the Democratic parishes and ran ahead of the Democratic Performance in each of the six as well.
However, she lost because Baker carried all three of the largest parishes. You carried the district overall in 1996, 50% - 43%. McKeithen is a well-known attorney whose father is the current Louisiana Secretary of State, Fox McKeithen (R). Her grandfather, John McKeithen (D), who died in June, was a governor. McKeithen has once again delayed the decision to run, this time until after January 1. But time has become critical and she needs to aggressively start her campaign.

SUMITTED: December 6, 1999

ACTION:

______________________________

______________________________

______________________________

Minority Bus
Contractor Johnson
problem -
meet at BNG
or Weldon Latham
event - PB call -

1-10-00

copied
Johnson
Podesta

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Washington, D.C. 20005
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E-mail: ajones@tonyainc.com

BC 1-10-00

He's coming up w/ a scaled down, less costly plan - it's a great idea

BC

Critical

| | | | |
|---|---|---|---|
| Date: | December 8, 1999 | | |
| To: | Ms. Betty Currie | From: | David Hayden |
| Fax | | Phone: | (415) 808-8738 |
| Phone: | (202) 456-1210 | Fax: | (415) 808-8898 |
| Re: | | # Pages | 3 |

copied Lindsey Podesta

Dear Ms. Currie,

Beth Dezoretz asked me to forward this information to you, so that it could be presented to the President. I have attached a copy of the eMail that Mr. Hayden sent to those in attendance in the meeting held in San Francisco on November 30. This "eMail" is a very preliminary rough draft of David's ideas on the Presidential Library.

Elece Hempel

Elece Hempel
Office of the Chairman

**Date: December 8, 1999**
**From: David Hayden**

**Brief re-cap on last week's meeting, and suggested next steps:**

**Issue:** The "Library" as conceived to date is an exceptional physical presence in Arkansas, scheduled completion date, probably 2004.
**Point:** Our discussion focused on creating what we called the Virtual Presidential Library ("VPL") - essentially an on-line portal, which can be ready the day the President leaves office, and would be a part of his active program for years to come.

**Issue:** $120M fundraising effort underway for the physical library in Arkansas, which includes an endowment.
**Point:** An additional $50M (my number) needs to be raised for establishing the VPL start-up company.

**Issue:** 46 Advisors to date have signed up for $1M donations each for the Library.
**Point:** VPL Advisors should be part of this group.

**Issue:** Design and content issues around the VPL will need lightning fast resolution to get this operation up and running in *time*.
**Point:** The VPL start-up needs to be action driven and momentum sensitive. It needs an Internet/business focused leader as CEO, but the President needs to be its active Chairman.

**Issue:** The VPL could generate revenue over time - in fact, we should seriously look at structuring it this way.
**Point:** The revenue/profit should be re-invested in social causes.

**Issue:** VPL needs a first class design/development team with crystal clear direction.
**Point:** The President needs to appoint a *real* steering committee to establish/hire for this right away.

**Conceptually:**

*Some of the following thoughts we discussed some we didn't.*

**The Mission:**

To create an interactive and archivalable platform for the President to execute his agenda of issues and programs as a private citizen.

**The Flavor:**

This is a personal/individual "broadcast network" for the President (his "Virtual Stump"). It can be the Amazon of Libraries, the first of many personally driven networks to come from the Internet. It can also be an interactive center for research, "the" place to go on the Internet for global data. It can bestow awards, it can host on-line conferences, and it can be very, very global in nature. It can also have humor!

**The How:**

*Big* readable database - *lots* of supporting staff to answer emails and engage in 24/7/365 communication - links to the world's libraries, links to major world government web-sites - the "pulse of the planet" is a click away on this site.

**The When:**

Executive search now, steering committee now ("now" means December 1999). Locate temporary offices in Silicon Valley. Team up and running with innovative capitalization structure by mid March. Beta site by August. Launch on Inauguration Day 2001.

Let's get started! Feedback please ;-)
Hayden

1/5/00

Carolyn,

Per our conversation this date, attached are two letters that Rich would appreciate being hand delivered to President Clinton.

Thanks for your help!

Sincerely,

Peggy Payne
Assistant to Rich Michalski
IAM&AW

To Burkhardt
For Reply

Justin -
Karen wants these to
go to POTUS.

**International Association of Machinists and Aerospace Workers**

9000 Machinists Place
Upper Marlboro, Maryland 20772-2687

Area Code 301
967-4500

OFFICE OF THE INTERNATIONAL PRESIDENT

GL-2 Legislative

January 3, 2000

The Honorable William Jefferson Clinton
President
The White House
Washington, DC 20500

Dear Mr. President:

The International Association of Machinists and Aerospace Workers represents employees of United Airlines and United Parcel Service (UPS). These two premier companies maintain their competitive edge by working in cooperation with our members to constantly improve their services. A partnership like this extends outside the workplace and into the community. Both United Airlines and UPS are original sponsors and active participants in this Administration's successful Welfare-To-Work program. We take great pride in the fact that IAM members are volunteer mentors for welfare recipients to insure this program's continued success. The IAM has a long history of community service. The corporate community would be well served to follow the example of these two corporate citizens.

Continued success is prefaced by continued opportunity. On July 7 and July 19, 1999, we requested that Secretary Slater ensure that United Airlines and UPS be granted access to China. UPS at that time was denied and United Airlines was granted additional frequencies from San Francisco to Shanghai.

At this time, we are requesting that United Airlines be granted two additional frequencies to the San Francisco to Shanghai service. This would provide seven-day service for the business communities of the respective cities and regions. In addition, we again request that UPS be granted complete access to China. UPS is a world-wide company that has demonstrated it will compete and provide quality, low-cost service anywhere in the world. It is unfair that this company is stopped at the China border and poses a competitive disadvantage to UPS and its US employees.

We are prepared to discuss with you in detail the need for these two requests to be granted. If you have any questions, please contact Richard Michalski, Director, Legislative and Political Action Department, at 301/967-4575.

Very truly yours,

R. Thomas Buffenbarger

R. Thomas Buffenbarger
International President

RTB/mmp

**International Association of Machinists and Aerospace Workers**

9000 Machinists Place
Upper Marlboro, Maryland 20772-2687

Area Code 301
967-4500

OFFICE OF THE INTERNATIONAL PRESIDENT

GL-2 Legislative

January 3, 2000

The Honorable William Jefferson Clinton
President
The White House
Washington, DC 20500

Dear President Clinton:

The International Association of Machinists and Aerospace Workers (IAM) represents the largest amount of employees in timber, forest products, and forest service. Our members in this industry know that timber is a renewable resource and that there is a delicate balance that must be maintained through managed harvesting, the processing of timber products, and the environment. As with any other industry or service that IAM members provide, the timber industry and our forest products compete within the global economy. As recent as the World Trade Organization Ministerial Meeting, the IAM vigorously lobbied Members of Congress that attended that meeting as well as the US trade representatives for accelerated tariff liberalization on value added forest products. These unfair tariffs put our members at a competitive disadvantage.

There are other potential threats to the economic stability of the forest products industry, specifically the proposed rules set forth by the Forest Service and Environmental Protection Agency (EPA). We object to these rules as proposed. Clearly, no consideration was given to the immediate negative impact these rules would have on our employers and our members in their ability to sustain competitive viability. The concepts and perceived goals of these proposals may appear to be sound. They are not. We believe if the Forest Service and the EPA would have invited labor and the companies within the forest industry to share our concerns and, more importantly, our working knowledge of this industry, our objections would have been avoided. An open and candid discussion is necessary to address the impact of these proposed rules on the environment, employment, and communities. For this reason, we request that the Administration extend the comment periods for the proposed rules and that we have the opportunity to express our specific objections and modifications to these proposed rules to Chief of Staff John Podesta. If we are given the opportunity, we believe these issues can be resolved and that balance will be struck between all concerned parties.

If you have any questions, please contact Richard Michalski, Director, Legislative and Political Action Department, phone 301/967-4575.

Very truly yours,

R. Thomas Buffenbarger

R. Thomas Buffenbarger
International President

RTB/mmp
cc: Podesta
Tramontano
Dombeck, Forest Service
Browner, EPA

Munjon
manner for
VP's campaign to
contact - Som
auth - by Orosz

1-10-2000

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3RD ASSEMBLY DISTRICT
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E-mail: Minnie.Gonzalez@po.state.ct.us

(312) 307-5936

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**Executive Director**
**6701 So. Emerald**
**Chicago, Illinois 60621**

**Mailing Address:**
**257 West 60th Street**
**Chicago, Illinois 60621**

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Podesta

Mallar Solai, President
msolai@solcam.com

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Tel 773-506-2720 Fax 773-506-2717

To McAuliffe —

I met the son
in Florida —
I think they'll
keep on the
money + Be

1-10-00

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*Vice President*

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Fax (954) 846-7035

To Stephanie Streett
cc Sandy

These 2 guys want to come to Syrian peace ceremony if there is one — I'd like them to come

Etc.

1-10-00

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[redacted]

copied
Streett
Berger
wwdesk
Podesta

Mr. President,

I would be deeply honored to attend the Israeli/Syrian peace signing. You deserve enormous credit for bringing these two nations together to the negotiating table.

ISRAEL ROIZMAN
610-278-1733

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# THE GEORGE GROUP

**Thomas Tony George**
CEO
Kristine George
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MR. President
As A 2nd generation U.S. BORN SYRIAN
AMERICAN If there IS ANY way that my

**THE GEORGE GROUP**

wife + I CAN witness The Peace Signing,
WE Know what this means to you but
CAN you imagine what it means to US.

Wherever the Signing
May be. Sincerely Your Friends

Tony + Kristine
George

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1-10-00

Washington Post
DAY, DECEMBER 18, 1999

BL

Don Thomas -
old friend called
& said he could
raise $ for library
asked Skip to
call him after 1st
of the year - Pls tell
him — BC

- 506-513-0988 (Don Thomas)
- Darwin Deason, Affiliated Computer
- Skip Rutherford

Says Deason was
quite too - Hell
with ——

THE PRESIDENT HAS SEEN
1-10-00

Sammy
This is actually quite good I think
BC

# A PRIMER ON CONFLICT RESOLUTION AND GROUP TRANSFORMATION

1. Killlman identified five styles and outcomes of conflict resolution; collaboration, cooperation, compromise, avoidance and accommodation. All five have adaptive and destructive components, based upon situation and context. In this process, compromise has been identified as a realistic goal, given the parties requirements for "giving up" symbolic and practical assets.

2. In response to the origins and psychology of violence, Alice Miller identified the dynamic of the repetition compulsion; the unconscious drive to repeat violent patterns in a drive toward mastery. In this model, the parties have a long history of repetitive behavior based on differences in ideology, distorted projections, irrational impulsive behaviors and mistrust. Therefore, they are correct in seeking a reparental agent, in the form of President Clinton to facilitate a transformation (as defined by a magnitude of change beyond the group's level of adaptation to change). Therefore, the process will roller coaster from progress to regression cyclically.

3. Along with progression and regression, transformation has an additional critical dynamic of "abreaction" which moves the process along in a positive direction. Abreaction requires the parties each have a confidential resource and space to ventilate their historic and embedded fears and predictions, so that their "egocentonic reality" (interior and self fulfilling view of the world) can be re-engineered. This process requires a figure for each who is observant, trusted, dispassionate, reality based and "available upon demand" for transforming consciousness at critical junctures.

4. Given the challenge, therefore, the psychic and group process dynamics must be predicted and stimuli identified that will guarantee results. All media for maneuvering dynamics, including the manipulation of power and intimacy, use of time, space, energy, affect, symbolism and meaning (Kantnor and Lehr) as well a triangular dynamics (the bonding through a passion for a common enemy or victim to break up group dynamics) are essential strategies.

5. Finally, there must be the dynamics of death and rebirth, including passion and rage. Death will occur as transformation is viewed as inevitable. Without passion, terror and rage, there cannot be rebirth. This will occur in the group and subgroup settings as well as in the confidential sessions with the abreaction figure.

6. Without knowing the players and histories, and only predicting outcome and process using the above principles and models, the following is a strategy for the agenda that provides a transformational context to be created.

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WINNING STRATEGY FOR GROUP PROCESS AND AGENDA

1. Group leaders must "Hold the Vision" that success is inevitable, and there is a clear path to overcoming obstacles that are predicted and erupt in vivo based on dynamics of group. The players can succeed only if the reparental agents have a vision and greater tolerance for success than they. Utilizing quantum physic principles of energy exchange, the players will unconsciously "introject" the expectations of the reparental leaders only if the leaders can internally "hold the space" for transformation. Therefore all facilitators must be trained to assume success. In contrast to reality testing, this dynamic creates the conditions for "transference" i.e. suspending disbelief due to surrendering to the belief system of the reparent. This is an unspoken but attitudinal/symbolic strategy.

2. Expect buyers remorse initially. There has been a regression since the euphoria felt when leaving last session. Additionally, each player has been regressed by internalizing the advice of staff and comrades which is toxic to the process (i.e. each party has a fantasy that he must win to save face at home, at the expense of the process).

3. Remove obstacles by the process of "elevating resistance." Vocalize the inner fears of each party, vivify through dramatic metaphor/anecdote and validate the fears of each party to the group to build intimacy. "What we are about to do is probably impossible, as it has not ever been possible. We need to remember the long road behind us. However, we are each here to give this our best shot, despite the low probability for success."

4. Resolve conflicts by confidentially elevating the negative pole, such that the player has the space to choose the positive pole. Conflicts, by nature, are ambivalent dilemmas including both polarities. To resolve them, emphasis on the negative unconsciously influences the embracement of the positive pole. For instance, "Of course you can't trust this party, given it's history. However, trust is secondary and basically nonessential with the correct monitorization process implemented."

5. Enforce a process for teambuilding and listening behaviors up front by outlining the communication rules of the group discussion and purpose of agenda/action steps. There will be a high need for structure in order for transference to occur. Set expectations for how communication will occur. For instance, the facilitator who sets the tone outlines acceptable and unacceptable behaviors, then asks each player what his expectations for results are, and what would sabotage the group from reaching them. "I have thought of little else but the importance and timeliness of this session since we left, and given the courage and difficulty we all anticipate, my hope would be our process can include…"

6. Identify roles for each participant for both teamwork and confidential abreaction so that during breaks, abreaction has been given permission and regression can be engineered and anticipated, rather than erupting and slowing the progress of the group.

7. Let the players set expectations for results first, so that facilitators and leaders witness ceiling barriers to success as they are verbalized within the frame of session expectations.

8. Control the environmental dynamics so that sub or hidden agendas do not have the space to surface.

9. Facilitators and team leaders must be in the positive reparental stance privately (sensistive, empathic, mirroring, etc.) Only can the chief facilitator discipline the group publically. This way, projections and blame can be projected onto the chief, and team leaders can remain trusted confidantes when death or dilemma dynamics occur.

10. Daily debriefing in a public setting of the pkayers and team leaders will help the group evolve by abreacting without interruption. At the end of each agenda item, facilitator asks each player to critique how facilitators can improve their effectiveness.

11. Establish the limitless nature of the group's potential success without being attached to outcomes. This helps remove ceiling barriers and opens right brain creativity (out of the box contextual thinking). "You know, when I think about this, we are really all there is in this room. There is no one else who can make these calls. So there are no holds barred. An idea may seem trivial, yet contain the potential for a solution with further input from the group. Personally, I see many roads up the mountain with equal merit."

12. Stop group regression before it occurs by calling breaks when dynamics go south. Communication is 90% nonverbal and behavior is 80% unconsciously driven. Each player has to save face, as they are burdened with representing their history as well as ghosts from back home. The ego of the group is essentially weak and immature.

13. Encourage nostalgia of national unique strengths and successes by encouraging anecdotal story telling. This will extend the ceiling limits for positive outcomes.

14. Alternate group time then private abreactive time, then reconvention with critique to allow for all three transformational dynamics (progression, regression and abreaction) to unfold in an engineered manner for faster results. However, predict who and what will trigger regressions. The group can only move to evolve by shoring up it's weakest member's ego.

15. The facilitators should frequently prize the group's progress by mirroring it at the end of each session or action item. This will reduce negative projections from players onto each other.

DETERMINED TO BE AN ADMINISTRATIVE

January 2, 1999

MARKING INITIALS: MI DATE: 4/5/10
2010-0940-S

Mr. Sandy Berger
National Security Advisor to the President of the United States
The White House
1600 Pennsylvania Ave.
Washington, D.C. 20005

PERSONAL AND CONFIDENTIAL; SENT VIA CLASSIFIED FACSIMILE

Dear Sandy:

Congratulations on a masterful transition on a global scale into the new millennium. Because of your hard work, the United States was able to lead the world by symbolizing the values and vision of the 21st century: peace, diversity, innovation, technology, global leadership, creativity and prosperity as the world watched our celebration on CNN unfold. I thought of you as each country's celebration was shown on CNN; and obviously, when Yelsin resigned. Good luck on your negotiations and thanks for a thorough edit of my notes. I will fax Sharon a corrected copy tomorrow. I was specifically disallowed taping interviews as a security measure, so I apologize for any misinterpretations and will correct the material.

Attached are some thoughts to support your process that originate from transformational as well as military psychology, which became a respected discipline in the fifties with the creation of the Tavistock Institute in London organized specifically to study warmaking and peacemaking individual and group dynamics. Additionally, the neuropsychology field was broadened in the sixties to include the relationship of the brain, language and behavior (neurolinguistic programming); ultimately it was integrated with the original French principles of hypnosis discovered by Mesmer. This led to the notion in the seventies that in fact, all human behavior was driven by mostly unconscious dynamics, therefore could be consciously engineered toward a predicted and desired outcome without the person or group consciously aware that their perceptions were being led. In the eighties and nineties, the notion of strategic directive therapy became a norm for power oriented psychologists.

I assume that you are extremely busy and don't have the time to read the original theoretical landmark papers, so I have summarized what may be relevant and helpful as these models apply to the dynamic of conflict resolution and group evolution toward transformation. If you have time, I will be happy to fax/fed ex some of the original work and a chapter from my book on the transformational journey groups can be led through toward breakthrough consciousness and behavior.

As for me, watching our celebration from the seventh row at the Lincoln Memorial and then celebrating with the President at the White House after was an unexpected and life enhancing experience. As a Millennium Committee appointee, it was impossible, even knowing what to expect, to imagine the emotional impact the experience would bring: particularly the pride in being an American, and tremendously proud of our President and First Lady.

My energy and thoughts will be with you et al on this journey, and let me know if I can help you in any way behind the scenes.

Take care,

Iris Martin

See B - Fyl - interesting
fr. Paul Rock letter

Rc

THE PRESIDENT HAS SEEN
1-10-00



In: Masterpieces of Eloquence: famous orations of great world leaders from early Greece to the present time (Hazeltine, 1905)

# WALPOLE

SIR ROBERT WALPOLE, Earl of Orford, a celebrated English prime minister, was born at Houghton, Norfolk, August 26, 1676. He was educated at King's College, Cambridge, and entered Parliament in 1701 as member for Castle Rising, and the next year as member for Lynn Regis. He rose rapidly into notice, becoming secretary of war in 1708 and treasurer of the navy in 1709. He placed himself among the leaders of the Whig Opposition during the impeachment of the famous Dr. Sacheverell in 1710, and on the overthrow of the Whig ministry was expelled from the House of Commons in January, 1712, and sent to the Tower, where he was confined for six months. On the accession of George I he became privy councillor and paymaster-general of the forces. After Bolingbroke and the Tory ministers were impeached by his means in 1715, he was made chancellor of the exchequer and first lord of the treasury, with the rank of prime minister. He resigned in 1717, but came again into power as prime minister in 1721, and practically ruled England until his resignation in 1742. In the latter year he was created Earl of Orford. He died at Houghton, March 18, 1745. Walpole's aim as prime minister was to keep England at peace and to establish sound principles of finance. He was the first premier after the Restoration who made a special study of finance and commerce, and to him may be attributed the foundations of free trade and the modern colonial policy. As an orator he did not attempt the higher flights of eloquence and in this respect resembled more nearly the orators of our own time.

## ON A MOTION FOR ADDRESSING THE KING FOR HIS REMOVAL

[The unpopularity of Walpole was greatly increased by the disasters of the Spanish war, all of which were ascribed to his bad management or want of preparation. The Opposition therefore decided, early in 1741, on the extreme measure of proposing an address to the king for his removal. Accordingly, Mr. Sandys, who was designated to take the lead, gave notice of a motion to that effect on the 11th of February, 1741. At the end of two days the motion was made. A few days after, Walpole made a speech of four hours, in reply to Sandys and others, by whom he had been attacked. We have only an imperfect outline of his argument in the speech given below, but there is reason to believe that the introductory part and the conclusion are very nearly in his own words.]

IT HAS been observed by several gentlemen, in vindication of this motion, that if it should be carried neither my life, liberty, nor estate will be affected. But do the honorable gentlemen consider my character and reputation as



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of no moment? Is it no imputation to be arraigned before this House, in which I have sat forty years, and to have my name transmitted to posterity with disgrace and infamy? I will not conceal my sentiments that to be named in Parliament as a subject of inquiry is to me a matter of great concern. But I have the satisfaction, at the same time, to reflect that the impression to be made depends upon the consistency of the charge and the motives of the prosecutors.

Had the charge been reduced to specific allegations, I should have felt myself called upon for a specific defence. Had I served a weak or wicked master, and implicitly obeyed his dictates, obedience to his commands must have been my only justification. But as it has been my good fortune to serve a master who wants no bad ministers, and would have hearkened to none, my defence must rest on my own conduct. The consciousness of innocence is also a sufficient support against my present prosecutors. A further justification is derived from a consideration of the views and abilities of the prosecutors. Had I been guilty of great enormities, they want neither zeal and inclination to bring them forward, nor ability to place them in the most prominent point of view. But as I am conscious of no crime, my own experience convinces me that none can be justly imputed.

I must therefore ask the gentlemen, from whence does this attack proceed? From the passions and prejudices of the parties combined against me, who may be divided into three classes, the Boys, the riper Patriots, and the Tories. The Tories I can easily forgive. They have unwillingly come into the measure; and they do me honor in thinking it necessary to remove me, as their only obstacle. What, then, is the inference to be drawn from these premises? That demerit with my opponents ought to be considered as merit with others.

But my great and principal crime is my long continuance in office; or, in other words, the long exclusion of those who now complain against me. This is the heinous offence which exceeds all others. I keep from them the possession of that power, those honors, and those emoluments, to which they so ardently and pertinaciously aspire. I will not attempt to deny the reasonableness and necessity of a party war; but in carrying on that war all principles and rules of justice should not be departed from. The Tories must confess that the most obnoxious persons have felt few instances of extra-judicial power. Wherever they have been arraigned, a plain charge has been exhibited against them. They have had an impartial trial and have been permitted to make their defence. And will they, who have experienced this fair and equitable mode of proceeding, act in direct opposition to every principle of justice and establish this fatal precedent of Parliamentary inquisition? Whom would they conciliate by a conduct so contrary to principle and precedent?

Can it be fitting in them [the Tories], who have divided the public opinion of the nation, to share it with those who now appear as their competitors? With the men of yesterday, the boys in politics, who would be absolutely contemptible did not their audacity render them detestable? With the mock patriots, whose practice and professions prove their selfishness and malignity; who threatened to pursue me to destruction, and who have never for a moment lost sight of their object? These men, under the name of Separatists, presume to call themselves exclusively the nation and the people, and under that character assume all power. In their estimation, the king, lords, and commons are a faction, and they are the government.

Upon these principles they threaten the destruction of all



authority and think they have a right to judge, direct, and resist all legal magistrates. They withdraw from Parliament because they succeed in nothing; and then attribute their want of success, not to its true cause, their own want of integrity and importance, but to the effect of places, pensions, and corruption.

May it not be asked on this point, Are the people on the court side more united than on the other? Are not the Tories, Jacobites, and Patriots equally determined? What makes this strict union? What cements this heterogeneous mass? Party engagements and personal attachments. However different their views and principles, they all agree in opposition. The Jacobites distress the government they would subvert; the Tories contend for party prevalence and power. The Patriots, from discontent and disappointment, would change the ministry, that themselves may exclusively succeed. They have labored this point twenty years unsuccessfully. They are impatient of longer delay. They clamor for change of measures, but mean only change of ministers.

In party contests why should not both sides be equally steady? Does not a Whig administration as well deserve the support of the Whigs as the contrary? Why is not principle the cement in one as well as the other; especially when my opponents confess that all is levelled against one man? Why this one man? Because they think, vainly, nobody else could withstand them. All others are treated as tools and vassals. The one is the corrupter; the numbers corrupted.

But whence this cry of corruption, and exclusive claim of honorable distinction? Compare the estates, characters, and fortunes of the Commons on one side with those on the other. Let the matter be fairly investigated. Survey and examine the individuals who usually support the measures of government, and those who are in opposition. Let us see to whose side the balance preponderates. Look round both Houses, and see to which side the balance of virtue and talents preponderates! Are all these on one side, and not on the other? Or are all these to be counterbalanced by an affected claim to the exclusive title of patriotism?

Gentlemen have talked a great deal of patriotism. A venerable word, when duly practised. But I am sorry to say that of late it has been so much hackneyed about that it is in danger of falling into disgrace. The very idea of true patriotism is lost, and the term has been prostituted to the very worst of purposes. A patriot, sir! Why, patriots spring up like mushrooms! I could raise fifty of them within the four-and-twenty hours. I have raised many of them in one night. It is but refusing to gratify an unreasonable or an insolent demand, and up starts a patriot. I have never been afraid of making patriots; but I disdain and despise all their efforts. This pretended virtue proceeds from personal malice and disappointed ambition. There is not a man among them whose particular aim I am not able to ascertain, and from what motive they have entered into the lists of opposition.

I shall now consider the articles of accusation which they have brought against me, and which they have not thought fit to reduce to specific charges; and I shall consider these in the same order as that in which they were placed by the honorable member who made the motion. First, in regard to foreign affairs; secondly, to domestic affairs; and, thirdly, to the conduct of the war.

As to foreign affairs, I must take notice of the uncandid manner in which the gentlemen on the other side have managed the question by blending numerous treaties and complicated negotiations into one general mass.



To form a fair and candid judgment of the subject it becomes necessary not to consider the treaties merely insulated, but to advert to the time in which they were made, to the circumstances and situation of Europe when they were made, to the peculiar situation in which I stand, and to the power which I possessed. I am called repeatedly and insidiously prime and sole minister. Admitting, however, for the sake of argument, that I am prime and sole minister in this country, am I, therefore, prime and sole minister of all Europe? Am I answerable for the conduct of other countries as well as for that of my own? Many words are not wanting to show that the particular view of each court occasioned the dangers which affected the public tranquillity; yet the whole is charged to my account. Nor is this sufficient. Whatever was the conduct of England, I am equally arraigned. If we maintained ourselves in peace, and took no share in foreign transactions, we are reproached for tameness and pusillanimity. If, on the contrary, we interfered in these disputes, we are called Don Quixotes, and dupes to all the world. If we contracted guarantees, it was asked why is the nation wantonly burdened? If guarantees were declined, we were reproached with having no allies.

I have, however, sir, this advantage, that all the objections now alleged against the conduct of the administration to which I have the honor to belong have already been answered to the satisfaction of a majority of both houses of Parliament, and I believe to the satisfaction of a majority of the better sort of people in the nation. I need, therefore, only repeat a few of these answers that have been made already, which I shall do in the order of time in which the several transactions happened; and consequently must begin with our refusing to accept of the sole mediation offered us by Spain, on the breach between that court and the court of France occasioned by the dismission of the Infanta of Spain.

I hope it will not be said we had any reason to quarrel with France upon that account; and therefore, if our accepting of that mediation might have produced a rupture with France, it was not our duty to interfere unless we had something very beneficial to expect from the acceptance. A reconciliation between the courts of Vienna and Madrid, it is true, was desirable to all Europe as well as to us, provided it had been brought about without any design to disturb our tranquillity or the tranquillity of Europe. But both parties were then so high in their demands that we could hope for no success; and if the negotiation had ended without effect we might have expected the common fate of arbitrators, the disobliging of both. Therefore, as it was our interest to keep well with both, I must still think it was the most prudent part we could act to refuse the offered mediation.

The next step of our foreign conduct, exposed to reprehension, is the treaty of Hanover. Sir, if I were to give the true history of that treaty, which no gentleman can desire I should, I am sure I could fully justify my own conduct. But as I do not desire to justify any own without justifying his late Majesty's conduct, I must observe that his late Majesty had such information as convinced not only him, but those of his council, both at home and abroad, that some dangerous designs had been formed between the Emperor and Spain at the time of their concluding the treaty at Vienna, in May, 1725; designs, sir, which were dangerous not only to the liberties of this nation, but to the liberties of Europe. They were not only to wrest Gibraltar and Port Mahon from this nation, and force the Pretender upon us; but they were to have Don Carlos married to the Emperor's eldest daughter, who would thereby have had a probability of uniting in his person, or in the person of some of his successors, the crowns of France and Spain,



with the imperial dignity and the Austrian dominions. It was therefore highly reasonable, both in France and us, to take the alarm at such designs, and to think betimes of preventing their being carried into execution. But with regard to us, it was more particularly our business to take the alarm, because we were to have been immediately attacked. I shall grant, sir, it would have been very difficult, if not impossible, for Spain and the Emperor, joined together, to have invaded or made themselves masters of any of the British dominions. But will it be said they might not have invaded the King's dominions in Germany, in order to force him to a compliance with what they desired of him as king of Great Britain? And if those dominions had been invaded on account of a quarrel with this nation, should we not have been obliged, both in honor and interest, to defend them? When we were thus threatened, it was therefore absolutely necessary for us to make an alliance with France; and, that we might not trust too much to their assistance, it was likewise necessary to form alliances with the northern powers and with some of the princes in Germany, which we never did, nor ever could do, without granting them immediate subsidies. These measures were, therefore, I still think, not only prudent, but necessary; and by these measures we made it much more dangerous for the Emperor and Spain to attack us than it would otherwise have been.

But still, sir, though by these alliances we put ourselves upon an equal footing with our enemies in case of an attack, yet, in order to preserve the tranquillity of Europe as well as our own, there was something else to be done. We knew that war could not be begun and carried on without money; we knew that the Emperor had no money for that purpose without receiving large remittances from Spain; and we knew that Spain could make no such remittances without receiving large returns of treasure from the West Indies. The only way, therefore, to render these two powers incapable of disturbing the tranquillity of Europe, was by sending a squadron to the West Indies to stop the return of the Spanish galleons; and this made it necessary, at the same time, to send a squadron to the Mediterranean for the security of our valuable possessions in that part of the world.

By these measures the Emperor saw the impossibility of attacking us in any part of the world, because Spain could give him no assistance either in money or troops; and the attack made by the Spaniards upon Gibraltar was so feeble, that we had no occasion to call upon our allies for assistance. A small squadron of our own prevented their attacking it by sea, and from their attack by land we had nothing to fear. They might have knocked their brains out against inaccessible rocks to this very day without bringing that fortress into any danger.

I do not pretend, sir, to be a great master of foreign affairs. In that post in which I have the honor to serve his Majesty, it is not my business to interfere; and as one of his Majesty's council I have but one voice. But if I had been the sole adviser of the treaty of Hanover and of all the measures which were taken in pursuance of it, from what I have said I hope it will appear that I do not deserve to be censured either as a weak or a wicked minister on that account.

The next measures which incurred censure were the guarantee of the Pragmatic Sanction by the second treaty of Vienna, and the refusal of the cabinet to assist the house of Austria, in conformity with the articles of that guarantee.

As to the guarantee of the Pragmatic Sanction, I am really surprised to find that measure objected to. It was so universally approved of, both within doors and without, that till



this very day I think no fault was ever found with it, unless it was that of being too long delayed. If it was so necessary for supporting the balance of power in Europe, as has been insisted on in this debate, to preserve entire the dominions of the house of Austria, surely it was not our business to insist upon a partition of them in favor of any of the princes of the empire. But if we had, could we have expected that the house of Austria would have agreed to any such partition, even for the acquisition of our guarantee? The King of Prussia had, it is true, a claim upon some lordships in Silesia; but that claim was absolutely denied by the court of Vienna, and was not at that time so much insisted on by the late King of Prussia. Nay, if he had lived till this time, I believe it would not now have been insisted on; for he acceded to that guarantee without any reservation of that claim; therefore I must look upon this as an objection which has since arisen from an accident that could not then be foreseen or provided against.

I must therefore think, sir, that our guarantee of the Pragmatic Sanction, or our manner of doing it, cannot now be objected to, nor any person censured by Parliament for advising that measure. In regard to the refusal of the cabinet to assist the house of Austria, though it was prudent and right in us to enter into that guarantee, we were not therefore obliged to enter into every broil the house of Austria might afterward lead themselves into. And therefore we were not in honor obliged to take any share in the war which the Emperor brought upon himself in the year 1733; nor were we in interest obliged to take a share in that war as long as neither side attempted to push their conquests farther than was consistent with the balance of power in Europe, which was a case that did not happen. For the power of the house of Austria was not diminished by the event of that war, because they got Tuscany, Parma, and Placentia in lieu of Naples and Sicily; nor was the power of France much increased, because Lorraine was a province she had taken and kept possession of during every war in which she had been engaged.

As to the disputes with Spain, they had not then reached such a height as to make it necessary for us to come to an open rupture. We had then reason to hope that all differences would be accommodated in an amicable manner; and while we have any such hopes it can never be prudent for us to engage ourselves in war, especially with Spain, where we have always had a very beneficial commerce. These hopes, it is true, sir, at last proved abortive; but I never heard it was a crime to hope for the best. This sort of hope was the cause of the late Convention. If Spain had performed her part of that preliminary treaty, I am sure it would not have been wrong in us to have hoped for a friendly accommodation, and for that end to have waited nine or ten months longer, in which time the plenipotentiaries were, by the treaty, to have adjusted all the differences subsisting between the two nations. But the failure of Spain in performing what had been agreed to by this preliminary put an end to all our hopes, and then, and not till then, it became prudent to enter into hostilities, which were commenced as soon as possible after the expiration of the term limited for the payment of the £95,000.

Strong and virulent censures have been cast on me for having commenced the war without a single ally; and this deficiency has been ascribed to the multifarious treaties in which I have bewildered myself. But although the authors of this imputation are well apprised that all these treaties have been



submitted to and approved by Parliament, yet they are now brought forward as crimes, without appealing to the judgment of Parliament, and without proving or declaring that all or any of them were advised by me. A supposed sole minister is to be condemned and punished as the author of all; and what adds to the enormity is that an attempt was made to convict him uncharged and unheard, without taking into consideration the most arduous crisis which ever occurred in the annals of Europe. Sweden corrupted by France; Denmark tempted and wavering; the Landgrave of Hesse Cassel almost gained; the King of Prussia, the Emperor, and the Tsarina, with whom alliances had been negotiating, dead; the Austrian dominions claimed by Spain and Bavaria; the Elector of Saxony hesitating whether he should accede to the general confederacy planned by France; the court of Vienna irresolute and indecisive. In this critical juncture, if France enters into engagements with Prussia, and if the Queen of Hungary hesitates and listens to France, are all or any of those events to be imputed to English counsels? And if to English counsels, why are they to be attributed to one man?

I now come, sir, to the second head, the conduct of domestic affairs. And here a most heinous charge is made, that the nation has been burdened with unnecessary expenses for the sole purpose of preventing the discharge of our debts and the abolition of taxes. But this attack is more to the dishonor of the whole cabinet council than to me. If there is any ground for this imputation, it is a charge upon King, Lords, and Commons, as corrupted or imposed upon. And they have no proof of these allegations, but affect to substantiate them by common fame and public notoriety!

No expense has been incurred but what has been approved of and provided for by Parliament. The public treasure has been duly applied to the uses to which it was appropriated by Parliament, and regular accounts have been annually laid before Parliament, of every article of expense. If by foreign accidents, by the disputes of foreign states among themselves, or by their designs against us, the nation has often been put to an extraordinary expense, that expense cannot be said to have been unnecessary; because, if by saving it we had exposed the balance of power to danger, or ourselves to an attack, it would have cost, perhaps, a hundred times that sum before we could recover from that danger or repel that attack.

In all such cases there will be a variety of opinions. I happened to be one of those who thought all these expenses necessary, and I had the good fortune to have the majority of both houses of Parliament on my side. But this, it seems, proceeded from bribery and corruption. Sir, if any one instance had been mentioned, if it had been shown that I ever offered a reward to any member of either House, or ever threatened to deprive any member of his office or employment, in order to influence his vote in Parliament, there might have been some ground for this charge. But when it is so generally laid I do not know what I can say to it unless it be to deny it as generally and as positively as it has been asserted. And, thank God! till some proof be offered, I have the laws of the land as well as the laws of charity in my favor.

Some members of both Houses have, it is true, been removed from their employments under the Crown; but were they ever told, either by me or by any other of his Majesty's servants, that it was for opposing the measures of the administration in Parliament? They were removed because his Majesty did not think fit to continue them longer in his service. His Majesty had a right so to do; and I know no one that has a right to ask him, "What doest thou?" If his



Majesty had a mind that the favors of the Crown should circulate, would not this of itself be a good reason for removing any of his servants? Would not this reason be approved of by the whole nation, except those who happen to be the present possessors? I cannot, therefore, see how this can be imputed as a crime, or how any of the King's ministers can be blamed for his doing what the public has no concern in; for if the public be well and faithfully served it has no business to ask by whom.

As to the particular charge urged against me, I mean that of the army debentures, I am surprised, sir, to hear anything relating to this affair charged upon me. Whatever blame may attach to this affair, it must be placed to the account of those that were in power when I was, as they call it, the country gentleman. It was by them this affair was introduced and conducted, and I came in only to pay off those public securities which their management had reduced to a great discount; and consequently to redeem our public credit from that reproach which they had brought upon it. The discount at which these army debentures were negotiated was a strong and prevalent reason with Parliament to apply the sinking fund first to the payment of those debentures; but the sinking fund could not be applied to that purpose till it began to produce something considerable, which was not till the year 1727. That the sinking fund was then to receive a great addition was a fact publicly known in 1726; and if some people were sufficiently quick-sighted to foresee that the Parliament would probably make this use of it, and cunning enough to make the most of their own foresight, could I help it, or could they be blamed for doing so? But I defy my most inveterate enemy to prove that I had any hand in bringing these debentures to a discount, or that I had any share in the profits by buying them up.

In reply to those who confidently assert that the national debt is not decreased since 1727, and that the sinking fund has not been applied to the discharge of the public burdens, I can with truth declare that a part of the debt has been paid off; and the landed interest has been very much eased with respect to that most unequal and grievous burden, the land tax. I say so, sir, because upon examination it will appear that within these sixteen or seventeen years no less than £8,000,000 of our debt has been actually discharged by the due application of the sinking fund; and at least £7,000,000 has been taken from that fund and applied to the ease of the land tax. For if it had not been applied to the current service, we must have supplied that service by increasing the land tax; and as the sinking fund was originally designed for paying off our debts and easing us of our taxes, the application of it in case of the land tax was certainly as proper and necessary a use as could be made. And I little thought that giving relief to landed gentlemen would have been brought against me as a crime.

I shall now advert to the third topic of accusation: the conduct of the war. I have already stated in what manner and under what circumstances hostilities commenced; and as I am neither general nor admiral — as I have nothing to do either with our navy or army — I am sure that I am not answerable for the prosecution of it. But were I to answer for everything no fault could, I think, be found with my conduct in the prosecution of the war. It has from the beginning been carried on with as much vigor and as great care of our trade as was consistent with our safety at home and with the circumstances we were in at the beginning of the war. If our attacks upon the enemy were too long delayed, or if they have not been so vigorous or so frequent as they ought to have been, those only are to blame who have for many years been haranguing against standing armies; for, without a sufficient number of regular troops in proportion to the numbers kept up by our neighbors, I am sure we can neither defend ourselves nor offend our enemies. On the supposed miscarriages of the war, so unfairly stated and so unjustly imputed to me, I could, with great ease, frame an incontrovertible defence. But as I have trespassed so long on the time of the House I shall not weaken the effect of that forcible exculpation so generously and disinterestedly advanced by the right honorable gentleman who so meritoriously presides at the admiralty.



If my whole administration is to be scrutinized and arraigned, why are the most favorable parts to be omitted? If facts are to be accumulated on one side, why not on the other? And why may not I be permitted to speak in my own favor? Was I not called by the voice of the King and the nation to remedy the fatal effects of the South Sea project and to support declining credit? Was I not placed at the head of the treasury when the revenues were in the greatest confusion? Is credit revived, and does it now flourish? Is it not at an incredible height, and if so, to whom must that circumstance be attributed? Has not tranquillity been preserved both at home and abroad, notwithstanding a most unreasonable and violent opposition? Has the true interest of the nation been pursued, or has trade flourished? Have gentlemen produced one instance of this exorbitant power; of the influence which I extend to all parts of the nation; of the tyranny with which I oppress those who oppose, and the liberality with which I reward those who support me? But having first invested me with a kind of mock dignity, and styled me a prime minister, they impute to me an unpardonable abuse of that chimerical authority which they only have created and conferred.

If they are really persuaded that the army is annually established by me, that I have the sole disposal of posts and honors, that I employ this power in the destruction of liberty and the diminution of commerce, let me awaken them from their delusion. Let me expose to their view the real condition of the public weal. Let me show them that the Crown has made no encroachments, that all supplies have been granted by Parliament, that all questions have been debated with the same freedom as before the fatal period in which my counsels are said to have gained the ascendency; an ascendency from which they deduce the loss of trade, the approach of slavery, the preponderance of prerogative, and the extension of influence. But I am far from believing that they feel those apprehensions which they so earnestly labor to communicate to others; and I have too high an opinion of their sagacity not to conclude that, even in their own judgment, they are complaining of grievances that they do not suffer, and promoting rather their private interest than that of the public.

What is this unbounded sole power which is imputed to me? How has it discovered itself, or how has it been proved?

What have been the effects of the corruption, ambition, and avarice with which I am so abundantly charged?

Have I ever been suspected of being corrupted? A strange phenomenon, a corrupter himself not corrupt! Is ambition imputed to me? Why then do I still continue a commoner? I, who refused a white staff and a peerage. I had, indeed, like to have forgotten the little ornament about my shoulders [the garter], which gentlemen have so repeatedly mentioned in terms of sarcastic obloquy. But surely, though this may be regarded with envy or indignation in another place, it cannot be supposed to raise any resentment in this House, where many may be pleased to see those honors which their ancestors have worn, restored again to the Commons.



Have I given any symptoms of an avaricious disposition? Have I obtained any grants from the Crown since I have been placed at the head of the treasury? Has my conduct been different from that which others in the same station would have followed? Have I acted wrong in giving the place of auditor to my son and in providing for my own family? I trust that their advancement will not be imputed to me as a crime unless it shall be proved that I placed them in offices of trust and responsibility for which they were unfit.

But while I unequivocally deny that I am sole and prime minister, and that to my influence and direction all the measures of the government must be attributed, yet I will not shrink from the responsibility which attaches to the post I have the honor to hold; and should, during the long period in which I have sat upon this bench, any one step taken by government be proved to be either disgraceful or disadvantageous to the nation, I am ready to hold myself accountable.

To conclude, sir, though I shall always be proud of the honor of any trust or confidence from his Majesty, yet I shall always be ready to remove from his councils and presence when he thinks fit; and therefore I should think myself very little concerned in the event of the present question if it were not for the encroachment that will thereby be made upon the prerogatives of the Crown. But I must think that an address to his Majesty to remove one of his servants, without so much as alleging any particular crime against him, is one of the greatest encroachments that was ever made upon the prerogatives of the Crown. And therefore, for the sake of my master, without any regard for my own, I hope all those that have a due regard for our constitution and for the rights and prerogatives of the Crown, without which our constitution cannot be preserved, will be against this motion.

THE PRESIDENT HAS SEEN
1-10-00

cc Beth / Pat / Sosnik / T Branch

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RETURN to Editorial Section / Wednesday, January 5, 2000

Pres. File

# New book on impeachment follies

## GENE LYONS

A bit less than a year after the fact, the first book about the presidential impeachment follies that was not written either by an active participant in Linda Tripp's big adventure or a certifiable Clinton-hater has reached the bookstores.

According to no less authoritative a source than *The Drudge Report*, Jeffrey Toobin's acid portrait of Kenneth Starr's zealotry and incompetence already has an "inside player" muttering darkly about filing a multimillion dollar libel suit. Assuming *Drudge* didn't make it up, a good guess would be one of the "elves" connected with Paula Jones and also playing footsie with the OIC. If so, let's hope this mystery person hires some of Starr's Alpha male OIC staffers to represent him. What a droll spectacle that would be.

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Nolan
Lindsay
Sosnik
Branch
Personal file

A staff writer at *The New Yorker* and a legal affairs analyst for ABC News, Toobin is also a former federal prosecutor and one-time member of independent counsel Lawrence E. Walsh's staff. He has written two earlier, generally well-regarded books about the Oliver North and O.J. Simpson cases. Coyly entitled, "A Vast Conspiracy," his new book focuses almost exclusively on the Paula Jones and Monica Lewinsky cases and their political aftermath.

From the outset, Toobin labors a bit unconvincingly to take the high road, which in contemporary American journalism is imagined to lie straight down the middle. The "big idea" that animates the early chapters is that since World War II, "there has been a conspiracy within the legal system to take over the political system of the United States."

As De Toqueville observed, we're a litigious people, fond of dragging one another to court on the thinnest of pretexts. But does Toobin really mean to equate the pioneer civil rights lawyers of the 1950s with the God-demented ideologues at the Rutherford Institute? Thurgood Marshall with Paula Jones' own John Whitehead? Not really. It's more of a rhetorical ploy than a serious argument, although it's bitterly ironic that Republican prosecutors in Clinton's Senate trial insisted on referring to *Jones v. Clinton* as a "federal civil rights action."

But when he gets down to cases, Toobin is on target. "Toward the end of the century," he writes "it was extremists of the political right who tried to use the legal system to undo elections--in particular the two that put Bill Clinton in the White House. . . . The Clinton years abounded in purported scandals that offered much in the way of colorful names--Whitewater, Filegate, Travelgate, to name only the best known--but little in the way of actual criminal offenses. The futility of the endless searches for criminals in the White House only spurred the zeal of the pursuers."

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Like everybody else, Toobin subjects Bill Clinton to a ritual flogging over the Lewinsky business. We've administered a few of our own in this space, discreetly keeping the wet little secrets of Unsolicited Opinions Inc. staffers to ourselves in keeping with the canons of journalistic objectivity. "In spite of his consistently reprehensible behavior," Toobin nevertheless argues that "Clinton was, by comparison, the good guy in this struggle. The president's adversaries appeared literally consumed with hatred for him; the bigger the stakes, the smaller they acted. They were willing to trample all standards of fairness--not to mention the Constitution--in their effort to drive him from office . . . . to misuse the law and the courts in their effort to destroy Bill Clinton."

But it's not Toobin's rhetoric that makes his portrait of the pious and fastidious Starr and his testosterone-stoked henchmen so damning. It's the combination of his analytical and storytelling skills. Toobin repeatedly shows Starr and his deputies resorting to half-truths, distortions and legally dubious tactics in their zeal to turn the hapless, philandering president of the United States into a criminal. The monkey business began with the OIC's first interview with Justice Department officials on January 15, 1998, and didn't end until the House managers rested their case.

Actually, it started the moment Starr took over the OIC in 1994, but that's outside the scope of Toobin's book. According to his account, Starr's prosecutors fooled Janet Reno by claiming specific evidence of obstruction of justice which they did not have because it never existed, hid exculpatory evidence regarding Monica Lewinsky's job search that was clearly in their possession, and falsely denied any contact with lawyers for Paula Jones who were in reality helping Linda Tripp and Lucianne Goldberg choreograph the action. All of this is supposed to be under investigation by the DOJ, although Reno's staff is no doubt reluctant to explain to the nation how the attorney general got rolled into signing off on a federal adultery probe.

Having early bungled immunity negotiations with Lewinsky's lawyers, the "country club tough guys" who dominated Starr's team needed to keep pressure on her and the White House. Hence, Toobin contends, the policy of leaking false incriminating evidence to *The Washington Post* and other media outlets. Remember the hubbub over the "talking points"? Eyewitnesses who supposedly saw Clinton and Lewinsky embracing in the White House movie theater? Toobin cites several other examples, all products, he claims, of OIC imagineers in Starr's little workshop. He doesn't say who his sources are, although several disgruntled staffers clearly spoke to him.

"To be sure, *Post* reporters and editors," he writes, "did not intentionally mislead their readers; they merely put their trust in the wrong sources. . . . All of this misinformation had a distinct purpose--to persuade official Washington, and Lewinsky herself, that Starr had a strong case." Oddly, "A Vast Conspiracy" has nothing to say about the OIC's alleged leaks of carefully edited grand jury evidence, also under investigation by U.S. District Judge Norma Holloway Johnson. Our own suspicion is that Johnson has already ruled, and that Starr's appealing under seal. That's what happened to Starr's last criminal contempt citation, which became public only after the D.C. Court of Appeals reversed Judge Johnson.

Every corner Starr's team cut, Toobin thinks, was a product of their own fixed belief "that some grander conspiracy was sure to be uncovered, just over the horizon. . . . The persistence of this myth proved more about the fanaticism of those who believed in it than about the evidence against the president." If that opinion sounds familiar, it's because this column first expressed it several years ago with regard to Whitewater itself.

If we had a bone to pick with Toobin, it would be the false parallelism he draws between the media manipulations of the OIC and the Clinton White House. Did Clinton aide Sidney Blumenthal in his self-described role as "sorcerer's apprentice" distribute information hurtful to some of Starr's assistants? He did, but it had been previously published, and not even they dispute its accuracy. Anybody who wants to play political hardball had best invest in a helmet.

As for the insinuation that Blumenthal was somehow responsible for *Salon* magazine's "outing" of Rep. Henry Hyde's adulterous past, that's simply false. The story was shopped to at least 50 journalists (including this column) by a close friend of cuckolded husband. Only *Salon* bit, and all involved say the White House and Blumenthal had nothing to do with it.

Everybody is tired of the so-called "Clinton scandals." But there are some arguments a democracy simply has to have out. "A Vast Conspiracy" should keep one of them going.

*Gene Lyons is a Little Rock author and recipient of the National Magazine Award. His column appears on Wednesdays.*

**This article was published on Wednesday, January 5, 2000**

**RETURN to Editorial Section**

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THE PRESIDENT HAS SEEN
1-10-00

cc Loretta U.
Taylor Branch
file

THE SECRETARY OF THE INTERIOR
WASHINGTON

copied
Ucelli
Branch
Podesta

Antiquities Act Acreage*

| | |
|---|---|
| Theodore Roosevelt<br>(Including 808,120 for Grand Canyon) | 1,529,000 |
| Herbert Hoover<br>(Including Death Valley at 1.6 million) | 2,125,000 |
| Franklin D. Roosevelt<br>(Including Joshua Tree at 825,000) | 2,726,000 |
| William J. Clinton<br>(Including the four currently recommended monuments and the Grand Staircase at 1.7 million) | 2,896,000 |

* President Carter's Alaska actions are not included; they were a stop-gap measure awaiting the resolution of a pre-existing Congressional process.

From T.R. WATKINS
These American Lands

A CAPTIVE OF HISTORY

Today the Bureau of Land Management, "an unconvincing Goliath," in the words of law professor Sally Fairfax, remains a captive of its own history. So far it has almost no tradition of its own to pass on. The agency had no high-minded iconoclast in the mold of the Forest Service's Gifford Pinchot, no devoted idealist like the Park Service's Stephen Mather. Nor was the BLM spawned from the indefatigable legions that pressed for wilderness preservation and for the Alaska national interest lands. No President has come forward to champion the BLM's cause, as did President Theodore Roosevelt on behalf of wildlife refuges. Its directors have for the most part reveled in their low profiles, and often have been indistinguishable from those they supposedly regulate—a vestige of the McCarran era.

THE PRESIDENT HAS SEEN
1-10-00

**The Secretary of Energy**
Washington, DC 20585

January 4, 2000

cc [redacted] / 3/2 page / Gene S / for Econ. Opportunities BR

MEMORANDUM FOR THE PRESIDENT

FROM: BILL RICHARDSON BR

SUBJECT: U.S.-Africa Energy Ministers Conference

On December 13-15, 1999, I hosted the U.S.-Africa Energy Ministers Conference in Tucson, Arizona. The conference represented the first time that Energy Ministers from Africa and the U.S. convened as a collective body to discuss the future of Africa's energy sector. The response was overwhelming.

copied Sperling Podesta

Representatives from 48 countries participated, including 41 Ministers. We built in a day of public-private dialogue, with nearly five hundred representatives from private industry sitting down face to face with Energy Ministers to discuss fundamental issues of concern and opportunities for investment. The conference was designed to strengthen environmental and energy cooperation between the U.S. and the countries of Africa, building upon your U.S.-Africa Partnership.

The Conference focussed strongly on environmental concerns. The Ministers approved a Joint Statement on Sustainable Energy Development, which highlights important energy sector measures that can address climate change while maintaining economic growth. With support from private industry, we had intensive discussions on the use of market mechanisms to reduce global emissions, creative ways to finance and deploy innovative clean energy technologies, and ways to address the grave needs for rural electrification. Only 10 percent of Africans have access to electricity. We succeeded in reaching a consensus among traditional climate change foes, including Egypt, Algeria, and Nigeria. In our Joint Statement, they acknowledged the energy sector's role in environmental protection and recognized the benefits of market mechanisms to address climate change.

The Ministers stressed the importance of sustainable energy infrastructure to social and economic development in Africa. Of particular interest was the universal agreement that private investment is crucial for the countries in Africa to meet their energy needs. In that spirit, the Ministers adopted a Joint Statement on Investment Principles to demonstrate Africa's commitment to promoting a transparent and reliable investment climate and our commitment to help them.

**Follow-up**
During the conference, the Ministers identified areas for energy cooperation to attract private investment, access long-term financing, and promote the transfer of appropriate technologies. There appears to be a huge gap between the resources available and the projects in need of resources. Closer coordination is needed between the countries and international financial institutions, such as the World Bank and other regional development agencies.

Increased energy cooperation with Africa can also dramatically expand U.S. export opportunities. As concluded in the Powerful Partnerships report issued by the President's Council of Advisors on Science and Technology, promoting the use of innovative energy technologies abroad can build new markets for U.S. technologies while promoting sustainable development and increased access to energy for Africa's people. We have the technology they need, we need to find creative ways to make it affordable to the developing world, buy down the unit cost of these technologies at home and thereby make them affordable to American consumers.

For our part, the Department of Energy announced 1) a U.S.–Africa Sustainable Energy program (a partnership with OPIC to help nonprofit organizations and small businesses invest in sustainable energy projects in Africa) 2) a Conference on Sustainable Energy Technologies for North and West Africa (to be held in March 2000), 3) an Oil Spill Response Workshop, 4) a Summer Energy Institute to train African officials how to manage sustainable development, 5) an oil and gas capacity building program and 6) a cooperative effort with the Agency for International Development to provide technical assistance and training to the Southern Africa Development Community on creating competitive energy markets.

Finally, and most importantly, the African ministers present agreed on the value of the mechanism we had created. They agreed that South Africa would host the next meeting of this group in the fall of 2000.

Attachments

# U.S. - AFRICA ENERGY MINISTERS MEETING

**Tucson, Arizona**

**December 15, 1999**

## JOINT STATEMENT ON INVESTMENT PRINCIPLES FOR THE ENERGY SECTOR

The Ministers responsible for energy for the countries of the African continent or their representatives (listed below) and the Secretary of Energy of the United States, hereby referred to as the Energy Ministers, met in Tucson, Arizona, on December 13-15, 1999, and agreed to create or sustain a suitable environment that would allow and encourage the development of the energy sector of their economies to contribute to sustainable development, and to the welfare of their people and environment.

The Energy Ministers discussed the capital requirements necessary to enhance the exploration and development of energy resources and to build the energy infrastructure that will meet Africa's expanding needs and full potential as an important supplier to world markets and intend to create or sustain the institutional capabilities, legal structures, appropriate energy policies, regulatory frameworks, and national standards necessary to promote economic development and to attract the capital and technology required for sustainable development. The Energy Ministers also explored ways to finance such development. To that end, they proposed a set of investment principles that recognize and reaffirm, consistent with principles of international law, national sovereignty over natural resources, and various national investment codes and trade and investment agreements and instruments.

The Energy Ministers recognized the need to underscore the progressive implementation of policies allowing for opportunities for investment in the energy sectors of Africa and the significance of growing global interdependence and the importance of free and open energy markets to the effective operation of the international marketplace. Furthermore, they acknowledged that sustainable economic development, which is dependent on the availability of affordable energy, is key to stability, prosperity, and peace in Africa.

The Energy Ministers have an important role in promoting and protecting the flow of investments in the energy sector and plan to work both individually and collectively to strengthen their investment environment through the establishment of best practices, taking into account the particular circumstances of each country.

A Joint Statement of Investment Principles adopted by governments would aid the attraction of private investment to the basic energy infrastructure sector, help governments promote sustainable development, and support regional cooperation.

The Energy Ministers hereby support and will strive to implement the following investment principles for the energy sector:

- **Creating or sustaining transparent, independent, and stable regulatory and legal frameworks, based on the rule of law and sanctity of contracts**, that codify a commitment essential to attract investments to Africa, to strengthen economies, and to improve the lives of the African people. This would include: acceptance of cost-benefit and regulatory impact analyses, internationally recognized technical and operating standards, and effective dispute resolution and sunset provisions for dismantlement, whenever applicable; development of adequate local financing, technical expertise and authority to regulate and oversee the energy sector; institution of a simplified approval process for energy projects to reduce uncertainties and delays; and the establishment of a competitive bid process with published criteria and timetables, and clear and consistent approval processes.

- **Contributing to macro-economic policies that encourage investment in the energy sector and allow for close collaboration with international financial institutions.** This may include the reduction of barriers, the establishment of effective and realistic energy price structures, and investment in human capital and natural resources, that promotes fair distribution of wealth and empowers the people of Africa.

- **Striving for continued good governance in the energy sector,** aimed at preventing and combating corrupt practices and promoting transparency.

- **Working to achieve an integrated regional strategy for Africa's energy infrastructure in the 21st century.** Regional integration and cooperation could magnify the benefits of an economically sound energy strategy. Potential areas of cooperation could include coordination of plans to develop regional oil, gas, hydro, solar, wind, thermal, biomass, ocean, and electricity generation and supply infrastructure and development of standardized and compatible policies and programs to promote open and competitive markets.

- **Working cooperatively with the private sector and international financial institutions** in areas where privatization or public-private partnerships could attract needed capital.

- **Promoting the rational use of resources, good corporate citizenship, and protection of the environment** consistent with economic growth.

- **Fostering understanding, cooperation, and trust between the public and private sectors,** which are paramount to the development of efficient, environmentally friendly and flexible energy systems and markets worldwide.

The Energy Ministers acknowledge that by adopting and implementing these investment principles they signal to the investment community their recognition that these fundamental elements are needed to boost energy investment and trade in Africa.

## Implementation

The Energy Ministers support the implementation of these investment principles. Periodically, representatives of the Energy Ministers will consult bilaterally or through regional or multilateral economic, financial and political organizations, forums, and groupings. Such consultations could include review of efforts to implement these principles; identification of hindrances to implementation; and development of measures that eliminate mutually acknowledged hindrances and strengthen the overall U.S.-Africa Partnership.

Furthermore, the Ministers acknowledge the commitment by the U.S. Department of Energy to work independently and collectively with other U.S. public and private sector organizations and international financial institutions to help increase investments, enhance capacity building, and encourage technology transfer in the countries listed below.

Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Côte d''Ivoire
Democratic Republic of Congo
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Ghana
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Morocco
Mozambique
Namibia
Niger
Nigeria
Republic of Congo
Rwanda
Senegal
Sierra Leone
South Africa
Swaziland
Tanzania
The Gambia
Togo
Tunisia
Uganda
United States of America

# U.S. - AFRICA ENERGY MINISTERS MEETING

**Tucson, Arizona**

**December 15, 1999**

## TUCSON COMMUNIQUÉ

At the invitation of U.S. Energy Secretary Bill Richardson, the Energy Ministers from Africa met at the first U.S.-Africa Energy Ministers Meeting in Tucson, Arizona, U.S., on December 13-15, 1999. The Ministers responsible for energy or their representatives and the Secretary of Energy of the United States, hereby referred to as the Energy Ministers, from 48 countries attended. The Ministers met to carry forward a cooperative partnership initiated in March 1999 at the U.S.-Africa Ministerial, in Washington, DC, under the "Blueprint for U.S.-Africa Partnership" and to strengthen energy cooperation among and between the U.S. and the countries of Africa. In this meeting, the Ministers focused on policies and practices that promote economic development, address environmental concerns, encourage private investment, enhance regional integration, and increase access to energy for Africa's people. Such successful policies and practices will lead to the creation of sustainable energy infrastructure for Africa in the 21st century and will advance Africa's economic and social development.

The Ministers recognized the progress that has been achieved, individually and collectively through bilateral, regional, multilateral and international efforts, towards developing Africa's energy sector in a way that meets their mutual political, economic, social, and environmental goals. They also acknowledged the energy cooperation activities conducted under the framework of various regional economic and polictical organizations. They discussed the unique energy needs of Africa, including its serious energy shortages, limited access to exploitation and consumption of energy, and heavy dependence on traditional energy sources, taking into account its diversity and enormous potential.

The Ministers acknowledged the need to take concrete steps to establish policies and programs that foster sustainable energy development and increased access to affordable energy.

The Ministers accepted the invitation of the Government of Morocco to host a conference on sustainable energy technology next year. The Ministers accepted the invitation of the Government of South Africa to host a Ministers meeting next year and the invitation of the Government of Algeria to host a preparatory experts meeting next year and assess their progress in this regard.

The Ministers endorsed a Joint Statement on Sustainable Energy Development and Cooperation in Support of the Environment, confirming their agreement to implement sustainable energy policies and promote clean energy options.

The Ministers, aware that private investment and partnership are crucial to meeting Africa's growing energy needs in the 21st century, issued a Joint Statement on Investment Principles for the Energy Sector, demonstrating their agreement to create or sustain the conditions that encourage investment in the energy sector.

The Ministers expressed their gratitude to U.S. Energy Secretary Bill Richardson, the U.S. Department of Energy, and the people of the City of Tucson for their warm hospitality and effective planning and organization.

# U.S. - AFRICA ENERGY MINISTERS MEETING

**Tucson, Arizona**

**December 15, 1999**

## JOINT STATEMENT ON SUSTAINABLE ENERGY DEVELOPMENT AND COOPERATION IN SUPPORT OF THE ENVIRONMENT

The Ministers responsible for energy for the countries of the African continent or their representatives (listed below) and the Secretary of Energy of the United States, hereby referred to as the Energy Ministers, met in Tucson, Arizona, on December 13-15, 1999, and discussed the unique needs of Africa, including its serious energy shortages, limited access to exploitation and consumption of energy, and heavy dependence on traditional energy sources, taking into account its diversity and enormous potential.

As a result, the Energy Ministers agree to initiate a sustained cooperative effort, through governmental leadership and participation of the private, business and other sectors, including regional and sub-regional economic, intergovernmental, multilateral, and non-governmental organizations, to support the growth of adequate, accessible, environmentally safe and sound, secure, and affordable energy supplies.

The Energy Ministers stress the importance of the energy sector's role in poverty alleviation, social and economic development, and enhancing overall environmental protection on a local, national, regional and global basis to improve people's health and education, promote sustainable economic development, and improve the overall quality of life in the 21st century and beyond.

**Goals of Cooperation**

The Energy Ministers recognize energy's importance in economic development and in order to succeed in making sustainable energy development a reality, continued and aggressive efforts are needed to: promote the development of energy sources through exploration and production and through research and development; increase energy production and access to affordable energy; remove impediments to energy trade and investment; promote projects that address local, regional and global environmental concerns, including desertification and deforestation; promote institutional and infrastructure development and human capacity building; and further increase opportunities for African employment and for private sector participation in the development of energy industry partnerships.

Toward these ends, the Energy Ministers are committed to continue strengthening their cooperation in their effort to integrate their energy sector, economic, social, and environmental policies.

The Energy Ministers, recognizing the priorities of development for Africa, agree that sustainable energy policies and development are integral elements of any strategy to minimize or reduce greenhouse gas emissions and to reduce Africa's vulnerability to the negative impacts of climate change. Within the United Nations Framework Convention on Climate Change, all signatory countries have undertaken common, but differentiated responsibilities to address climate change. The Energy Ministers recognize that effective energy policies are fundamental to meeting these responsibilities.

Thus, the Energy Ministers reaffirm their commitment to the implementation of effective energy policies and to take concrete steps to establish policies and programs that will enhance investment and partnerships in clean energy technologies and the efficient production and utilization of traditional energy sources, and increase access to energy for Africa's people. The Energy Ministers also recognize the value of technology transfer and the use of market-based mechanisms among others to address climate change. The Energy Ministers further recognize that countries may elect, through their commitments, to take full advantage of these mechanisms, if they wish to do so.

**Targeted Areas for Cooperation**

**Regional Energy Integration:** programs and activities, among government and public and private sectors, to promote: (1) electricity grid interconnection and power pooling, including supply and transmission development; (2) joint oil and gas exploration and transportation; (3) other regional, sub-regional, and transboundary energy infrastructure projects, such as oil and gas pipelines; (4) human capacity building; and (5) industry partnerships in the energy sector and in environmental protection.

**Rural Electrification and Energy Supply:** urgent action, involving cooperation of government, public and private sectors, and multilateral institutions, to increase the means of production and access to affordable energy and to bring clean and cost-effective energy systems to Africa's rural areas using grid-connected and off-grid technologies, self-contained systems, distribution, and end-use technologies.

**Clean Energy Sources and Energy Efficiency:** programs, with cooperation, among government and public and private sectors, to promote cooperation among African nations and the U.S. on: 1) clean energy sources in such areas as solar, wind, ocean, geothermal, hydro, biomass, natural gas, coal-bed methane development, smokeless fuel, circulating fluidized bed coal technology, and other clean coal technologies and 2) energy efficiency in such areas as cooking, commercial and residential buildings, agriculture, transportation, electric motor systems, appliance standards, cogeneration, industrial process controls, lighting, and transformers.

__Urban Air Quality:__ programs with governmental cooperation on energy-related air pollution issues in such areas as air quality monitoring, development and implementation of emissions standards, housing (codes, building materials, heating and cooking), and the reduction of lead from gasoline and other harmful air pollutants; and enhanced business sector involvement in natural gas infrastructure development, coal gasification, manufacture and use of energy efficient homes, appliances and vehicles, emissions monitoring equipment, and improved and alternative vehicle fuels.

**__Energy Resource Management:__** programs, involving cooperation of government and public and private sectors, to effectively identify, research, develop, and use energy sources, including biomass, in such a way as to increase end use accessibility, promote rational use of energy, and address economic, social, and environmental concerns. In addition, the use of integrated energy planning systems to optimize demand and supply side options should be promoted.

## Principles of Cooperation

- The Energy Ministers actively support international, multilateral, regional, and bilateral cooperation in targeted fields; welcome investment and economic and technology cooperation throughout Africa on open and reciprocal terms to meet energy needs and protect the environment in a sustained way; and will develop and progressively implement energy policies and regulatory measures that enhance the climate for trade and investment in energy and environmental projects, taking into account the particular circumstances in their countries.

- The Energy Ministers will pursue measures to enhance private sector participation in their energy sector development. Measures could include promoting the use of cost-competitive, environmentally friendly energy technologies.

- The Energy Ministers intend to examine, use, and transfer environmentally sound energy technologies, while taking into consideration life-cycle and environmental impact costing, options for retrofitting, and innovative financing mechanisms.

- Activities under this Joint Statement could accelerate the deployment of clean energy projects and the appropriate transfer of related technologies by identifying project opportunities and necessary training to use those technologies and leveraging public and private sources of capital. It is anticipated that these activities will set the stage for broader cooperation on economic, social and global environmental issues.

## Implementation

- The Energy Ministers, individually, and collectively, will take steps to support implementation of activities under this Joint Statement.

- The applicable implementation by Energy Ministers will be in collaboration with all environmental and other related agencies in their respective governments.

- The Energy Ministers welcome the assistance of the U.S. Department of Energy to help leverage private sector participation in the U.S. and African countries' energy sector development, including through the demonstration and technology transfer of U.S. and African cost-competitive, environmentally friendly energy technologies and increased support for U.S. programs under the Trade and Development Agency, the U.S Overseas Private Investment Corporation, the U.S. Export-Import Bank, and the U.S. Agency for International Development that would expand energy trade and investment opportunities in the U.S. and Africa.

- Within the framework of this Joint Statement, representatives of the U.S. Department of Energy and the African Energy Ministries will conduct concrete discussions on cooperative efforts; enter into relevant memoranda of understanding and arrangements; and report regularly to the Energy Ministers and, as appropriate, to the leaders of their respective governments on progress in the implementation of activities under this Joint Statement.

- The Energy Ministers and their representatives will immediately consult and work within relevant regional, sub-regional, and intergovernmental organizations to develop action plans that will address the principles described herein, with a view towards defining and developing joint proposals and implementing joint projects and programs.

Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Côte d"Ivoire
Democratic Republic of Congo
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Ghana
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Morocco
Mozambique
Namibia
Niger
Nigeria
Republic of Congo
Rwanda
Senegal
Sierra Leone
South Africa
Swaziland
Tanzania
The Gambia
Togo
Tunisia
Uganda
United States of America
Zambia

THE PRESIDENT HAS SEEN
1-10-00

**EXECUTIVE OFFICE OF THE PRESIDENT**
**OFFICE OF NATIONAL DRUG CONTROL POLICY**
**Washington, D.C. 20503**

PERSONAL

copied
Echaveste
Sosnik
Marshall
Podesta

January 7, 2000

cc, Ibarra
Sosnik
Marshall

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

Dear Mr. President:

The purpose of this letter is update you on the progress we have made in our efforts to reduce the use of drugs in sport. Before turning to the substance, allow me to thank you for the support your White House team has provided to us, which has been a major factor in our success. In particular, Mr. Micky Ibarra, Mr. Thurgood Marshall, Jr., and Mr. Doug Sosnik have been tremendous in their efforts.

The following milestones show the forward movement that we have achieved:

- **The Sydney Communiqué:** On 14 to 17 November 1999, 26 nations gathered in Sydney, Australia for an international summit on ending drug use in sport. I served as Head of Delegation for the United States. The Summit Communiqué (attachment A) endorsed the thinking of the United States on virtually every issue. The Summit participants also agreed to form an ad hoc "Sydney Consultative Group" to organize governmental participation in the IOC's new World Anti-Doping Agency (WADA) and to monitor governmental and other efforts to combat doping. This marked a major turning point in our dealings with the IOC – with 26 nations on the same page, the United States could no longer be isolated. (We greatly appreciated Mr. Ibarra's participation on the U.S. delegation for this important meeting.)

- **The Washington Agreement:** On 14 December 1999, President Samaranch and I, along with your White House team, met in Washington, D.C. During this meeting, the IOC and the United States reached agreement on seventeen specific areas of improvement to the current WADA – ranging from good governance rules (such as, open books and open meetings, and a prohibition on conflicts of interest) to stronger sanctions for those who aid and abet doping. (*See* attachment B.) In essence, the IOC agreed to the ideas that the United States had been advocating for over a year – as blessed by the international community in the Sydney Communiqué.

- **The First WADA Meeting:** On 13 January 2000, the WADA will hold its inaugural meeting in Lausanne, Switzerland. Mr. Pound, who chairs the WADA, has invited the United States to participate in this meeting and we have accepted the invitation. We will attend this meeting along with Canada and Australia as representatives of the Sydney Consultative Group. Our three nations will also meet with President Samaranch during the visit. (Attachment C provides briefing materials on the trip.)

Our goals for the trip are three-fold:

1. Ensure the implementation of the Sydney Communiqué (and the December 14, 1999, Washington Agreement).

2. Begin efforts to improve the management of drug testing results during the actual Olympic games – in particular the Salt Lake games.

3. Work with the Canadians and Australians to advance the Sydney Consultative Group process.

We hope and expect the WADA board will use this meeting as an opportunity to vote into effect the 17 agreements that we have made with the IOC. Assuming that this occurs, the IOC and the WADA will have taken major steps forward both in combating doping and furthering the broader IOC reform process. This will create a new model for international organizations – more open to public oversight and input, combining the strengths of public and private sector direct participation, more democratic in its formation and control. Such progress would also help clear the way for the community of nations to support and participate in this new agency.

- **The Challenge Ahead:** The recent 1999 Monitoring the Future Study of youth drug use patterns has brought greater urgency to our efforts. Among its other findings, the study determined that **youth steroid use – the most widely used performance enhancing drug -- in the United States is up, on average, 50 percent across the eighth, tenth and twelfth grades from the past year alone.** The threat of drugs in sport is no longer isolated to the elite professional or Olympic ranks – it is in local little leagues, high school football programs and youth soccer leagues.

  This year, we will redouble our efforts to address this threat at home and at the international level. We have developed a national strategy to combat drug use in sport. Shortly, we – working with HHS and the White House Olympic Task Force co-chairs -- will stand up an inter-agency task force to begin formulating a comprehensive Federal response to this threat, as well as to help better organize and bolster non-governmental efforts.

All of us at the Office of National Drug Control Policy greatly appreciate the assistance that your team has provided us. We look forward to the continued involvement and support of you and your team in this effort to end drug use in sport.

Very Respectfully,

Barry R. McCaffrey
Director

INTERNATIONAL SUMMIT

# DRUGS IN SPORT

PURE PERFORMANCE

# SYDNEY COMMUNIQUÉ

# SYDNEY COMMUNIQUÉ

Government ministers and other authorised government officials responsible for anti-doping within their national jurisdictions came together at an international drugs in sport summit organised by the Government of Australia.
The summit was hosted by the Hon Jackie Kelly MP, Minister for Sport and Tourism and Minister Assisting the Prime Minister for the Sydney 2000 Games and chaired by the Australian Minister for Justice and Customs, Senator the Hon Amanda Vanstone.

## GOVERNMENT ROLES AND RESPONSIBILITIES IN THE FIGHT AGAINST DOPING

Participants at the summit:

a) Affirmed their belief that ethical sport plays a vital role in the well-being of their societies and, consequently, their conviction of the need for strong government leadership and action in the fight against doping in sport.

b) Confirmed that the role of governments in the fight against doping at the national level is to work with relevant sporting organisations to establish comprehensive national anti-doping programs based on the principles of independence, transparency, integrity, accountability and sound science, derived from an anti-doping policy that promotes public health among young sportsmen and sportswomen and the value of, and ethical basis for, doping free sport and respect for athletes' rights.

c) Confirmed governments' individual and collective commitment to take action within all relevant areas of governmental responsibility to eradicate doping in sport through the development of effective national anti-doping laws and policies, the establishment and conduct of national drug testing programs, support for research on prevention and detection methods, provision of anti-doping education and information services, and reducing the flow of prohibited substances.

d) Acknowledged governments also have a responsibility to contribute to the effectiveness of the international fight against doping in sport by working cooperatively with other governments, international sports organisations and the International Olympic Committee (IOC) to develop effective approaches for combating doping in sport.

e) Affirmed their commitment to the World Anti-Doping Agency (WADA) and its development towards an independent, transparent and accountable agency that has broad support and respect among governments, inter-governmental organisations, as well as international and national sporting organisations, in particular athletes, and acknowledged the significant work of the IOC and several inter-governmental bodies in its establishment.

f) Noted that the governments represented at the summit have adopted a variety of approaches to, and have different capacities for, fulfilling their dual responsibilities to sports development and the fight against doping.

g) Thanked the Australian Government for their leadership in convening the summit.

## 1. POLICY COMMITMENT

Recognising the need to adopt a strong and definitive position on anti-doping, and in cooperation with relevant national sporting organisations, participants agreed:

1.1. To develop national anti-doping policy frameworks that promote the ethics of doping free sport and respect for athletes' rights and education of athletes and young people.

1.2. Governments, the Olympic movement and sporting organisations must be involved and work together to develop and implement anti-doping policies.

1.3. The principles of fairness, ethics and equity should underpin anti-doping policies (e.g. the protection of athletes' rights).

1.4. Policies should comprehensively address all elements of anti-doping programs, including drug testing, education, national and international consistency, collaboration, research, sanctions and appeals.

1.5. To increase deterrence, there should be a system of internationally applicable and equivalent sanctions across all sports, such as a two-year minimum ban for first-time offenders.

1.6. Policies should include an independent system for prior approval to use substances from a predetermined list when there are genuine therapeutic reasons, no therapeutic alternatives, subject to appropriate competency based approval, accountability and verification procedures, to protect the system from abuse.

1.7. When hosting major sporting events, governments should adopt criteria that require promoters and organisers to ensure effective anti-doping programs are in place for those events.

1.8. Wh

## 2. DRUG TESTING

Recognising that high quality drug testing programs are an essential feature of a comprehensive national approach to anti-doping, participants agreed that:

2.1. Governments should work with their national sporting organisations to establish high-quality drug testing programs.

2.2. Governments should fund or otherwise enable high quality national drug testing programs in whole or in conjunction with national sporting organisations.

2.3. The elements of a high quality drug testing program include:

- 2.3.1 Year round, no notice, out-of-competition testing.
- 2.3.2. The strategic application of drug testing resources so as to most efficiently and effectively maximise the deterrent effect.
- 2.3.3. Protection of athletes' rights throughout the sample collection, analysis and result management, and appeals and arbitration.

Recognising the importance of establishing high quality drug testing programs that are based on the principles of world's best practice, participants agreed that:

2.4. Drug testing should be conducted in accordance with internationally accepted procedural standards, specifically the International Standard for Doping Control (ISO PAS 18873).

2.5. Sports drug testing laboratories should be accredited by an independent agency.

2.6. Accreditation standards should assess laboratories on the basis of their scientific capability, quality management and ethical standards.

## 3. INTERNATIONAL COLLABORATION

Participants recognised that international collaboration between government, the Olympic movement and sport is an essential component of progressing the fight against doping in sport. Participants agreed that:

3.1. International collaboration can be built by the use of existing or the establishment of bilateral and multilateral anti-doping agreements between and among countries through which they can harmonise anti-doping policies and promote cooperation on research, drug testing, education, sanctions and adjudication. To this end, they would encourage states from all regions to accede to the Anti-Doping Convention *(ETS No. 135, Strasbourg, 16 November 1989)* and use the Convention as a tool for coordinating their national anti-doping policies.

3.2. Participants expressed their support for the World Anti-Doping Agency (WADA). The WADA can provide international leadership and coordination for a range of anti-doping activities. For the WADA to operate effectively it needs to involve athletes, all sports and governments from all regions.

3.3. It is essential that the WADA undertake its functions always having regard to the principles of independence, accountability, transparency and expertise in its actions.

3.4. The functions of the WADA should be to:

- 3.4.1. promote and coordinate the fight against doping;
- 3.4.2. reinforce the ethical basis for anti-doping and protect the health of athletes;
- 3.4.3. establish and maintain a list of prohibited substances;
- 3.4.4. coordinate no notice, out of competition testing;
- 3.4.5. develop analytical standards;
- 3.4.6. promote harmonised sanctions;
- 3.4.7. develop education programs; and
- 3.4.8. promote and coordinate peer reviewed research.

3.5. Particular attention should be paid to address concerns regarding the WADA's regional, gender and athlete representation, and governance.

3.6. Pursuant to the Canadian Proposal to the summit, it was agreed to establish an interim *International Inter-governmental Consultative Group on Anti-Doping* as described in Appendix 1.

3.7. It was further agreed that the Consultative Group would undertake its function taking into account the issues raised in

## 4. RESEARCH

Acknowledging the importance of analytical, sociological, psychological and ethics research to the credibility of an effective anti-doping strategy and the development of appropriate drug deterrence models, participants agreed that:

4.1. Priority must be given to peer reviewed analytical research which focuses on the improved detection of prohibited substances and hitherto undetectable substances, such as EPO, human growth hormone, and the development of physiological profiles.

4.2. Research endeavours must include sociological and behavioural research to better inform drug testing and education programs.

4.3. The application of soundly based scientific disciplines by qualified experts must be applied to all research endeavours.

4.4. Governments should encourage the sharing of information about research projects and explore the potential for establishing an international registry to achieve this objective.

4.5. There is a need to coordinate and collaborate on research projects to ensure that there is more efficient use of resources.

4.6. Governments provide funding to support research and seek contributions from other sources, including the international federations and the private sector.

## 5. EDUCATION

Recognising the importance of implementing high quality, anti-doping education programs in order to inform athletes and deter them from doping, participants agreed on the need to:

5.1. Increase awareness of government anti-doping policy among key stakeholders.

5.2. Ensure information about government and sport anti-doping policies (e.g., prohibited substances, drug testing procedures, sanctions and ethics in sport), drug testing programs and athletes' rights is made available to athletes, coaches, team doctors, officials and others, in particular young people, in a variety of delivery modes to raise awareness and enable informed decision making regarding drug use.

5.3. Develop long term, preventative education programs which are based on sociological research findings and are targeted at all levels of sport. These programs should include ethical aspects, as well as the consequences of doping in sport.

## 6. REDUCING THE FLOW OF ILLICIT DRUGS

Participants acknowledged the importance of regulating the supply and illicit diversion of performance enhancing drugs, while recognising that government controls should not unduly constrain the legitimate use and trade in these products.

Participants agreed to recommend to their governments that they should review the adequacy of legislation controlling the supply of human and veterinary products with the object of tightening controls on illicit supply and harmonising international practice. This could include a review of:

6.1. Prescription and supply controls on these products.

6.2. Regulation and labelling of food supplements.

6.3. Border controls, with a view to making anabolic steroids and peptide hormones restricted imports.

6.4. Appropriate penalties for trafficking and diversion and related offences.

Participants agreed that effective action requires:

6.5. An appropriate level of resources allocated by governments.

6.6. Cooperative arrangements between sports agencies, customs and law enforcement agencies, and relevant regulatory authorities.

6.7. Arrangements for cooperation and information exchange at an international level between regulatory and enforcement agencies.

Sydney, Australia
17 November 1999

# CONSULTATIVE GROUP ON ANTI-DOPING

Pursuant to the Canadian proposal to the international drugs in sport summit held in Sydney, 14-17 November, 1999, it was agreed to establish an international inter-governmental consultative group on anti-doping.

The consultative group will be an inclusive group of nations representing all continental regions (a particular sensitivity will be shown to nations who were not present at the Sydney summit or who are not represented in other inter-governmental arrangements).

It is an interim mechanism which will be co-chaired initially by Canada and Australia.

The consultative group will provide a process to encourage the regional development of sustained inter-governmental associations or arrangements specific to the anti-doping issue.

Canada is prepared to host the first meeting of the consultative group.

This decision recognises that the foundation of enhanced international cooperation in the battle against doping is the presence of high-quality domestic anti-doping programs. It welcomes the development of the world anti-doping agency (WADA) and seeks to enhance the effective and sustained interaction of governments with the new world agency.

The initial responsibilities of the consultative group are:

- to carry forward and coordinate action on the outcomes of the Sydney summit, building on the momentum generated during the summit,
- to resolve, as soon as possible, the process(es) for coordinated world-wide governmental participation in WADA, recognising that certain governments have already developed a process for participation in WADA based on their membership in other pre-existing inter-governmental arrangements. A longer-term objective may be to encourage and facilitate, on a regional basis, ongoing governmental participation in the activities of WADA,
- to initiate a process to facilitate the harmonisation of policies in other areas of exclusive government jurisdiction or responsibility (i.e., customs regulations and policies, importation regulations, labeling of medications and supplements, harmonisation of legislation, treaties and other forms of inter-governmental agreement),
- to explore the need for, and develop the framework of, follow up inter-governmental conferences, and
- to encourage nations to develop high-quality national anti-doping policies and programs through the adoption of the IADA International Standard for Doping Control.

Sydney, Australia
17 November 1999

# SUMMIT DECLARATION ON THE WORLD ANTI-DOPING AGENCY

Participants at the international drugs in sport summit held in Sydney, Australia, 14-17 November, 1999, expressed support for the world anti-doping agency (WADA) established by the International Olympic Committee on 10 November 1999.

In the interests of all athletes and youth, they resolved to work with the agency in the pursuit of an effective world-wide, concerted campaign against the misuse of drugs in sport.

They acknowledged the invitation made at the summit by the International Olympic Committee (IOC) to contribute to the further development of WADA in cooperation with the IOC. In response to this invitation, participants at the summit agreed as follows:

The permanent location of WADA shall be determined by the WADA board, taking note of a very strong preference expressed for a city other than Lausanne. This process should be a priority issue. WADA would be registered under the applicable law of the country in which it is located.

Members of the board appointed by the public authorities under article 6(2) shall be appointed in such a way that ensures equitable representation from all the regions of the world.

In addition to the seats already appointed, which are

- two representatives from the member States of the European Union,
- two representatives from the Council of Europe: one from the Council of Europe and one from the Monitoring Group of the Anti-Doping Convention,
- one representative from the Supreme Council of Sport in Africa,

the remaining eleven seats available to the public authorities should be determined by a WADA-endorsed formula which ensures that equitable geographic representation is achieved from regions other than Europe and appropriate functional representation is achieved, such as, from governments of hosts of Olympic Games.

WADA should ensure that there is board representation from experts in disciplines relevant to doping in sport, such as ethics, medicine, science, education and law.

It is recommended that voting representation be given to other stakeholders, especially representing athletes' interests, including from Paralympic and non-Olympic sports.

WADA's decision-making processes should be transparent and accountable. Decision-making protocols should be developed that provide for consensus and voting majorities, as appropriate. With the exception of proprietary or confidential material, the minutes of meetings of the board and the executive committee should be publicly available.

There should be a process for declaration and review of conflicts of interest in accordance with sound corporate governance principles. There should not be representation on the board from anyone who has been found to have committed a doping offence.

It should be explicitly stated in the mission statement or mandate of WADA that it is empowered, subject to the necessary consent and cooperation of governments and international federations, to organise and carry out year-round out-of-competition testing of athletes around the world. In this regard, the autonomy of the international federations and the national Olympic committees and sports confederations will continue to be respected.

It should also be explicitly expressed in the mission statement or mandate that WADA has the tasks of coordinating and supporting priority research into detection methods; advising on protocols for out-of-competition testing to be included in appropriate policies; encouraging the harmonisation of legislation and sanctions, including recommending the minimum requirements for inclusion in all anti-doping policies; maintaining, publishing and reviewing annually a list of prohibited substances; coordinating an international education program; and establishing standards for accreditation of testing laboratories.

Participants noted the proposed arrangements for financing WADA. Some considered it appropriate for the public authorities to contribute to the annual operating costs of WADA. However, the participants expressed the view that governments make substantial financial contributions to national and international efforts against doping in sport. They also drew attention to their continuing commitments to national testing programs and other national and international actions, as set out in the summit communiqué. They expressed the belief that these substantial investments provided much of the infrastructure essential for the effective operation of WADA.

It was agreed that the consultative group, established pursuant to the Canadian proposal to the summit, should further engage with WADA on the issues set out above. Participants welcomed the cooperation of the IOC in this task.

Participants expressed appreciation to the IOC for its indication of willingness to engage with summit participants on issues relating to WADA, as set out above.

Sydney, Australia
17 November 1999

**PARTICIPANTS:**

| | | | |
|---|---|---|---|
| Argentina | Federal Republic of Germany | Netherlands | Spain |
| Australia | Greece | New Zealand | Sweden |
| Canada | India | Norway | Thailand |
| Peoples' Republic of China | Italy | Pakistan | United Kingdom |
| European Commission | Japan | Republic of Poland | United States of America |
| Finland | Republic of Korea | Portugal | |
| France | Malaysia | Republic of South Africa | |

In the presence of representatives from the Council of Europe, the International Olympic Committee and other members of the Olympic Movement, the Commonwealth Games Federation, and the Sydney Organising Committee for the Olympic Games.

INTERNATIONAL SUMMIT

DRUGS IN SPORT

PURE PERFORMANCE

14-17 NOVEMBER 1999 SYDNEY AUSTRALIA

**EXECUTIVE OFFICE OF THE PRESIDENT**
**OFFICE OF NATIONAL DRUG CONTROL POLICY**
**Washington, D.C. 20503**

**Joint Statement of**
**White House Drug Policy Director Barry R. McCaffrey and**
**IOC President Juan Antonio Samaranch**

**December 14, 1999**

The White House, Washington, D.C. -- Today, IOC President Juan Antonio Samaranch and White House Drug Policy Director Barry R. McCaffrey met at the White House to discuss a common agenda for strengthening the World Anti-Doping Agency (WADA). The discussions built upon progress made in earlier talks with IOC First Vice President Richard Pound.

We have begun an important process of cooperation, which we look forward to continuing. We share the common goal of creating a level, drug-free playing field for athletic competition. We agreed that the WADA would play an important in role in fulfilling this shared purpose. The IOC and the United States further agreed to work jointly to continue to strengthen the WADA and otherwise combat doping in sport.

Our discussions covered twelve topics and resulted in seventeen specific areas of agreement that the United States and the IOC committed to work together in fully implementing, namely:

## 1. Government Participation:

**Agreement:** The framework for national governmental participation in the WADA should be developed through the Consultative Group established at the Sydney Summit on Drugs in Sport and should ensure worldwide participation.

## 2. Other Participation Issues – Athletes:

**Agreement:** The WADA should consider a rule ensuring that four seats on the WADA board, from those allotted to the "Olympic Family," should be, by rule, designated in perpetuity for selection by the athletes. The IOC and the United States will support such a rule.

**Agreement:** It was also agreed that future athlete representatives to the WADA should be democratically selected by the athletes.

## 3. Other Participation Issues – Observers:

**Agreement:** The WADA statute should include a provision that allows interested stakeholders to participate in the WADA discussions as accredited observers. It was also agreed that the WADA should develop procedures and policies to implement and support the participation of observers.

4. **Transparency of Meetings:**

**Agreement:** The WADA should require that, except in instances dealing with proprietary and/or confidential information, that WADA meetings should be open to the public and that minutes of meetings should be kept and made public.

**Agreement:** The WADA should require the publication of annual reports, including audited finances, and that these reports should be made public.

5. **Conflicts of Interests:**

**Agreement:** The WADA should develop rules requiring that members report potential conflicts of interest and where a real conflict exists they should, by rule, recuse themselves from participating in discussions.

**Agreement:** The WADA should require that those convicted of doping are prohibited from serving on the board of the WADA.

**Agreement:** Lausanne will serve as an interim seat for WADA. The WADA should seek out proposals for potential venues and reach a decision on a permanent venue within roughly a year's time.

6. **WADA Authorities:**

**Agreement:** The WADA should have control over doping programs, such as out of competition testing. This will likely require an evolutionary process, vesting the WADA with new authorities as its expertise develops.

7. **Financing:**

**Agreement:** The WADA, with the full participation of the many interested parties, should develop a long-term financing scheme. Such a plan should take into account and provide flexibility for the full range of incremental support (e.g., in-kind contributions of research efforts) that governments and others may provide to the WADA.

8. **ISO Standards:**

**Agreement:** The WADA should, whenever possible, seek to implement International Organization for Standardization (ISO) standards for sample collection, lab testing processes and lab accreditation.

9. **Saving Samples:**

**Agreement:** The WADA should consider the appropriateness and feasibility of preserving select samples from the Olympic games.

**10. Statute of Limitations:**

**Agreement:** The WADA and the IOC working together should consider the appropriate statute of limitations for doping offenses.

**11. Sanctions for Those Who Aid and Abet:**

**Agreement:** The WADA should develop a more effective approach to sanctioning those – such as doctors, trainers, other athletes, and others -- who aid and abet doping.

**12. Results Management at Games:**

**Agreement:** The IOC, the WADA, the Salt Lake and Sydney organizing committees, and the two respective governments will begin joint efforts immediately to develop the results management for the upcoming games and beyond. At minimum this should include a public accounting of the results of testing at the games issued without delay at the close of, or immediately following the games. We also agreed to consider providing the WADA with a role in such efforts.

Both the IOC and the United States view the consideration and implementation of these matters as important steps forward in the development of the WADA. The United States agreed that on the basis of such agreements it could be fully supportive of the WADA and look forward to participating in the new agency's efforts.

In addition to these specific agreements we also agreed to hold a broader meeting between the IOC, the Australian government, the Canadian government and the United States government in Lausanne, in early January 2000. The purpose of this meeting will be to build on the momentum of today's meeting and further coordinate the role of all national governments in the implementation of the WADA. Both the IOC and the United States thanked Canada and Australia for their leadership in the fight against doping and for their efforts as co-chairs of the Consultative Group on Anti-Doping established at the Sydney Summit. We also welcomed the leadership of the European governments in this regard.

Our efforts here today reflect the seriousness with which both the IOC and the United States government view the threat of drug use and doping in sport. Together we are committed to ensuring that athletic honors are earned through natural talent, dedication, hard work and good coaching – not stolen by cheating. We are dedicated to providing Olympic athletes and all those who aspire to that lofty goal with a level drug-free playing field upon which to compete.

# # #

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

# Proposed Objectives—The Sydney Consultative Group
# Lausanne, Switzerland
# Inaugural World Anti-Doping Agency (WADA) Board Meeting
# January 12-13, 2000

Trip Objectives:

- Secure implementation of the Sydney Communiqué.
- Begin concrete discussions of how Salt Lake/Sydney Drug Testing Results Management will occur.
- Expand development of the Sydney Consultative Group initiative for supporting WADA.
- Support goals and objectives of the Sydney Communiqué at meeting with IOC President Samaranch and first meeting of WADA Board.
- Conduct public diplomacy.

# The Sydney Group--Lausanne/WADA
# Trip Itinerary (for Director McCaffrey, ONDCP)

**Tuesday, January 11, 2000**

| | |
|---|---|
| 1655 | Depart Washington-National (Delta Airlines Flight 646 to arrive JFK at 1817, and transfer to Delta/Swissair Airlines Flight 2997 departing 1950) |

**WASHINGTON-LAUSANNE**

**Wednesday, January 12, 2000**

| | |
|---|---|
| 0915-0925 | Arrive Geneva Airport and greeted by U.S. Mission-Geneva DCM Michael R. Arietti and Visit Control Officers Bill McPherson and Pat Fullerton---Move to VIP Lounge |
| 0925-0940 | Country Team briefing by DCM Arietti and change to ground transportation |
| 0945-1030 | Enroute Mövenpick Radisson Hotel, 4 Avenue de Rhodanie, Lausanne, RO1N |
| 1030-1045 | Arrive Lausanne---hotel check-in |
| 1045-1200 | Staff time at hotel |
| 1200-1330 | U.S. Delegation (no-host) working lunch meeting with Advance Team members |
| 1330-1530 | U.S. hosted meeting at Mövenpick Radisson Hotel with The Sydney Group--Australia, Canada, and other delegations to the inaugural World Anti-Doping Agency (WADA) Board Meeting |
| 1530-1630 | Staff time at hotel |
| 1630-1645 | Sydney Group enroute to International Olympic Committee (IOC) Headquarters Château de Vidy for meeting with IOC President Samaranch |
| 1700-1800 | Sydney Group meeting with IOC President Samaranch (Australia, Canada, and U.S. Heads of Delegation) |
| 1800-1845 | Sydney Group joint press conference with IOC President Samaranch and WADA Chair Dick Pound |
| 1845-1945 | Enroute Mövenpick Radisson Hotel and staff time (1900-1945) |
| 1945-2000 | Enroute WADA delegation dinner at Lausanne Palace Hotel |
| 2000-2130 | IOC-WADA-Sydney Group Delegations dinner |
| 2130-2145 | Enroute Mövenpick Hotel RON |

07 January 00 Bob Agresti, ONDCP/OSR

# The Sydney Group--Lausanne/WADA
# Trip Itinerary (for Director McCaffrey, ONDCP)

**Thursday, January 13, 2000**

**LAUSANNE-WASHINGTON**

| | |
|---|---|
| 0700-0730 | U.S. Delegation (no-host) working breakfast meeting at hotel |
| 0730-0815 | U.S. hosted meeting with The Sydney Group---Australia, Canada, and other delegations at Mövenpick Radisson Hotel |
| 0815-0830 | Enroute inaugural WADA Board Meeting-Sydney Group at IOC Headquarters |
| 0830-0850 | Greet other delegations and officials to WADA meeting |
| 0850-0900 | Photo-spray with officials to WADA meeting |
| 0900-1300 | Opening of WADA Board Meeting-Sydney Group morning session, including remarks by Director McCaffrey (time TBD following remarks by Australian and Canadian Delegations).<br>1230-1330, Director McCaffrey departs for Geneva airport and other U.S. Delegation members remain at WADA Board Meeting. (1300-1400 Lunch/1400-1600 Afternoon session) |
| 1330-1400 | Arrive Geneva airport for in-processing |
| 1400 | Depart Geneva (Delta/Air France Flight 8529 to arrive Paris/CDG at 1510 to transfer to Delta/Air France Flight 8206 to Washington/Dulles departing at 1630) |
| 1935-1950 | Arrive Washington/Dulles and clear U.S. Customs |

07 January 00 Bob Agresti, ONDCP/OSR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 6, 2000

cc: Gene/Podesta

This is good. Are we doing enough on enforcement? BC

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: Funding for Multi-Agency Programs in the FY 2001 Budget -- INFORMATIONAL

As we complete the FY 2001 Budget process, we have put together the information that you requested in December regarding funding for the multi-agency programs. This memo reviews funding levels for a number of multi-agency programs that have not been presented to you previously. Funding levels for the initiatives that we discussed with you in late December, such as the Digital Divide and the Manufacturing Initiative, are not included in this memo.

**Multi-Agency Programs**

**Racial and Ethnic Disparities (One America)**. In continuing the Administration's efforts to address racial and ethnic disparities and to build One America, we have focused on four areas: jobs and economic development; education; urban housing; and civil rights enforcement.

Increases in funding for major education initiatives (e.g., school construction, class size) will significantly benefit minority groups. Specific racial and ethnic education programs also receive generous funding increases, particularly the Hispanic Education Action Plan and funding for Historically Black Colleges and Universities. The Budget will propose $28 million of new funds for the Department of Commerce to strengthen programs in Minority Serving Institutions related to environmental and physical sciences.

While expanding opportunities, our recommended funding level also continues the Administration commitment to protecting opportunities by increasing Civil Rights Enforcement by approximately 13 percent (from $616 million to $693 million).

Significant increases are shown in the following table.

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THE PRESIDENT HAS SEEN
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**Key One America Programs**
**(In millions of dollars)**

| | FY 2000 Request | FY 2000 Enacted | Tentative FY 2001 | Change FY 2000 Enacted v. FY 2001 |
|---|---|---|---|---|
| Urban Empowerment Zones | 150 | 55 | 150 | 95 |
| Regional Connections | 50 | 0 | 25 | 25 |
| Brownfields | 50 | 25 | 50 | 25 |
| American Private Investment Corporation – New Markets | 37 | 20 | 37 | 17 |
| New Markets Venture Capital Initiative | 48 | 17 | 74 | 57 |
| Severely Distressed Public Housing/Hope VI | 625 | 575 | 625 | 50 |
| 120,000 New Housing Vouchers (including 32,000 Welfare-to-Work Vouchers) | 578 | 347 | 690 | 343 |
| EEOC | 312 | 282 | 322 | 40 |
| DOJ's Civil Rights Division | 82 | 82 | 98 | 16 |
| DOJ's Citizens Academies/One America Dialogues | 5 | 0 | 5 | 5 |
| HUD Fair Housing Audits | 8 | 6 | 8 | 2 |
| **Total, Selected One America Programs** | **1,945** | **1,409** | **2,084** | **675** |

**Critical Infrastructure and Combating Terrorism.** The total proposed FY 2001 funding for critical infrastructure protection across all Federal agencies is $2 billion, a 16 percent increase over the FY 2000 President's Budget request and a 17 percent increase over the FY 2000 enacted level. Government-wide funding for combating terrorism would increase nearly 6 percent, to $7.8 billion. The FY 2000 President's Budget requested $7.5 billion. These totals include a $51 million initiative for USDA to protect the food supply from disease outbreaks. The proposed funding level also makes substantial new investments in research and development related to critical infrastructure protection, increasing funds by 40 percent, and boosts funds for R&D related to defending against weapons of mass destruction by 9 percent.

**District of Columbia.** The proposed funding level provides the District of Columbia with $551 million in FY 2001. It includes $226 million, 8 percent above both your request for FY 2000 and the enacted level, to house the DC sentenced felon population. For the Court Services and Offender Supervision Agency, $121 million, 21 percent above your FY 2000 request and 29 percent over enacted, is provided to improve community supervision in the District. Also, $141 million, 3 percent above the FY 2000 request and 6 percent over enacted, is included for the DC Courts. The proposed funding level also includes $25 million for the Federal share of construction of a Metro station at the intersection of New York and Florida Avenues, in Northeast D.C., $10 million for environmental remediation at Poplar Point, and $6 million for inaugural-related expenses.

**Anti-Drug Abuse Funding**. The FY 2001 proposed level for Federal drug control funding is $1.6 billion (or nine percent) higher than FY 2000 levels -- from $17.4 billion enacted in FY 2000 to $19.0 billion in settlements for FY 2001. The largest single increase is $441 million associated with incarceration of drug offenders by the Bureau of Prisons (accounting for 27 percent of the FY 2000 to FY 2001 increase). We are still working on a substantial package for Plan Colombia as a program for both FY 2000 and FY 2001, with additional funding likely to be about $1.3 billion. Several drug programs for which additional funds are provided in settlements are shown in the table below.

**Key Agency Drug Budgets**
**(In millions of dollars)**

| | FY 2000 Request | FY 2000 Enacted | Tentative FY 2001 | Change FY 2000 enacted v. FY 2001 |
|---|---|---|---|---|
| DOD | 955 | 1,010 | 1,164 | 154 |
| DOJ/Bureau of Prisons | 2,352 | 2,283 | 2,724 | 441 |
| DOJ/Drug Courts | 50 | 40 | 50 | 10 |
| Prisoner Drug Testing and Intervention | 100 | 0 | 100 | 100 |
| DOT/Coast Guard | 566 | 566 | 626 | 60 |
| Education/Safe and Drug Free Schools | 591 | 606 | 656 | 50 |
| HHS/Substance Block Grant | 1,147 | 1,136 | 1,158 | 22 |
| ONDCP/Media Campaign | 195 | 185 | 195 | 10 |
| Treasury/Customs | 664 | 660 | 866 | 206 |
| HHS/Targeted Treatment and Prevention Capacity Expansion Grants | 188 | 193 | 247 | 54 |
| Other | 10,432 | 10,139 | 11,252 | 1,113 |
| **Total** | **17,240** | **16,818** | **19,038** | **2,220** |

**Environmental Funding**. We include a total of $37.4 billion in discretionary budget authority from 14 agencies for high-priority environmental and natural resource programs. This is a $2.1 billion, or 6 percent, increase over FY 2000 enacted. This total includes $1.4 billion in discretionary spending for the Lands Legacy initiative, a $675 million (93 percent) increase over FY 2000. The funding will be used for the three Lands Legacy components: 1) Federal land acquisition in USDA and Interior, 2) State and local conservation and wildlife programs in USDA and Interior, and 3) coastal zone protection and enhancement programs in Commerce/NOAA. Several new grant programs are proposed for FY2001, including planning programs for state open space conservation and smart growth, a non-game wildlife conservation program, and a coastal impact mitigation program. Other programs include state land conservation acquisition grants, wetlands protection, Forest Legacy, urban parks and community forests, endangered species habitat protection, Coastal Zone Management grants, Marine Sanctuaries and Estuarine Reserve enhancements, and coral restoration programs. In addition, USDA's Farmland Protection Program would be increased to $50 million per year as part of the Lands Legacy Initiative, but would be funded through mandatory funds as part of the Farm Safety Net proposal.

The Climate Change Technology Initiative is funded at $1.4 billion, a $317 million (29 percent) increase over FY 2000 enacted, and $50 million (4 percent) above the FY 2000 request. Most of this amount, $1.2 billion, goes to the Department of Energy. This initiative continues the five-year plan begun in FY 1999 to promote energy efficiency and technologies that reduce greenhouse gas emissions in buildings, automobiles, industrial production, and power generation. It includes programs in energy conservation, solar and renewable energy, wind, biomass, photovoltaics, and carbon sequestration.

The Clean Water Action Plan is funded at $2.1 billion, a $340 million (18 percent) increase over FY 2000 enacted, and a $164 million (8 percent) increase over last year's Budget. This is a five-year multi-agency initiative to protect and restore the nation's waters with an emphasis on reducing polluted runoff, the leading cause of water pollution. Highlights for the FY 2001 Budget include an increase of $145 million to EPA's grant programs that help states reduce polluted runoff, restore polluted waters and address contaminated sediments in the Great Lakes, and an increase of $126 million for USDA to help farmers reduce polluted runoff. Our funding level also provides an increase of $41 million to the Army Corps of Engineers for Florida Everglades restoration, and $20 million for the "Challenge 21" initiative to restore riverine ecosystems while providing flood protection to communities.

The Budget will also include several new environmental initiatives. These include an increase of $165 million for a Clean Energy Initiative to accelerate the shift at home and abroad to clean and efficient energy technologies and practices. An increase of $50 million is provided for a Global Forestry Initiative to better conserve international forests, and $50 million is included to help restore the Great Lakes.

The funding status of a number of other on-going environmental initiatives is shown in the following table.

**Other Environmental Initiatives**
**(In millions of dollars)**

| | FY 2000 Request | FY 2000 Enacted | Tentative FY 2001 | Change FY 2000 Enacted v. FY 2001 |
|---|---|---|---|---|
| Montreal Protocol | 55 | 40 | 55 | 15 |
| GLOBE | 13 | 11 | 13 | 2 |
| Endangered Species Act | 181 | 153 | 190 | 37 |
| Pacific Salmon | 260 | 141 | 251 | 110 |
| Partnership for a New Generation of Vehicles | 264 | 227 | 259 | 32 |
| Livability Initiative | 8,829 | 8,343 | 8,609 | 266 |
| **Total, Selected Environmental Initiatives** | **9,602** | **8,915** | **9,322** | **462** |

**Food Safety Initiative**. A total of $422 million is included for the Food Safety Initiative. This is a $53 million, or 14 percent, increase over your FY 2000 request and a $68 million, or 19 percent, increase over FY 2000 enacted. Significant changes from FY 2000 enacted for FDA and CDC include an additional $40 million to increase the frequency of annual inspections of high-risk domestic food establishments, expand the number of exams of imported foods, enhance the national network of public health laboratories capable of subtyping foodborne pathogen DNA for rapid response to disease outbreaks (PulseNet), and expand research, risk assessment and education activities. USDA's $28 million increase would extend risk assessment modeling and data collection to include the pre-harvest phase for all foods, expand education activities, support bioscience research to develop effective methods of handling and treating agricultural products to minimize microbial contamination. Funding is also included for HHS and USDA to begin implementation of the Egg Safety Action Plan adopted by your Council on Food Safety.

**Native American Programs**. A total of $9.3 billion from 15 agencies is included for contributions to Native Americans and Native American programs concentrating on improved healthcare, education, economic development, and infrastructure and other basic services. This is an increase of about $1 billion (13 percent) over FY 2000 enacted. Significant funding changes from FY 2000 include a $230 million increase for the Indian Health Service to maintain access, upgrade information technology, and expand preventive medical services; a $315 million increase for the Bureau of Indian Affairs (BIA), primarily for school replacement, maintenance, and repair, and the operation of basic programs on Indian reservations; and a $84 million increase for the Department of Justice to hire and equip officers, assist high-risk juveniles, provide drug treatment, improve tribal courts, and collect criminal justice statistics on reservations; a $125 million increase for the Department of Transportation to construct Indian reservation roads, maintain bridges, and provide highway safety; and a total of an over $50 million increase for the Economic Development Administration and the Small Business Administration for economic development on reservations, including tribal participation in the New Markets Initiative.

**Youth Violence**. A total of $8.8 billion is included in our mark for government-wide programs that address youth violence, an $875 million (11 percent) increase over your FY 2000 request, and an increase of $772 million (10 percent) from the FY 2000 enacted level. Included within this amount are programs that specifically target youth violence, such as the Safe and Drug-Free Schools and Communities program, as well as those that address the problem indirectly, such as after school programs. Within the larger total, $1.2 billion is provided for targeted youth violence programs, a $123 million (11 percent) increase from the FY 2000 request and a decrease of $191 million (14 percent) from enacted. Highlights in this area include the following:

- Decreases in targeted programs are largely attributable to our recommended elimination of the Juvenile Accountability Incentive Block Grant and the Local Law Enforcement Block Grant, which accounted for $300 million of DOJ's juvenile justice funding in 2000. The Administration has never requested money for these block grants, preferring instead to fund more focused programs.

- We include funds to expand the interagency Safe Schools/Healthy Students initiative to about 40 additional communities. In FY 2001, DOL will join ED, HHS, and DOJ in supporting this comprehensive, community-wide drug and violence prevention program.

- $75 million is provided for a new initiative in DOL to reintegrate youthful and first-time offenders into society.

- $19.5 million in new funding is provided for a 12-city expansion of the Youth Crime Gun Interdiction Initiative, which provides ATF agents and technical support to develop firearms trafficking cases against those supplying guns to youths and to initiate comprehensive tracing of firearms.

**Russia**. The US Government funds numerous activities in Russia (and the rest of the NIS) through various agencies. The largest single element of these programs is the Expanded Threat Reduction Initiative (ETRI), funded through the Departments of State, Energy, and Defense. ETRI augments and accelerates existing threat reduction efforts to further curb national security threats posed by the proliferation of weapons of mass destruction, their components, the expertise behind them, and reduce overall regional tensions. We have included $1.017 billion for ETRI in 2001. This is an increase from the FY 2000 enacted level of $105 million and an increase of $15 million from the FY 2000 request.

The Department of State's portion of assistance to Russia and the NIS supports economic reform and democratization efforts as well as ETRI. NSC and State are still developing options for allocating the FY 2000 appropriation for Russia and the NIS. For FY 2001,we have shifted funding from the overall assistance program to fund fully all requested ETRI programs in Russia and the rest of the NIS. Department of Defense funding (primarily Cooperative Threat Reduction programs) is largely consistent with FY 2000 enacted level, which significantly reduced the CTR portion dedicated to chemical weapons destruction in Russia. For the Department of Energy, we are funding the amount agreed to by the Administration last spring, $265 million, plus $105 million for new initiatives.

Below is a table that shows funding for ETRI in Russia and the NIS.

**Russian Threat Reduction Programs**
**(In millions of dollars)**

| | **FY 2000 Request** | **FY 2000 Enacted** | **Tentative FY 2001** | **Change FY 2000 Enacted v. FY 2001** |
|---|---|---|---|---|
| Department of Defense | 486 | 469 | 471 | 2 |
| Department of Energy | 265 | 238 | 370 | 132 |
| Department of State (ETRI) | 251 | 205* | 176 | (29) |
| **Subtotal (ETRI)** | **1,002** | **912** | **1,017** | **105** |
| Department of State (NIS funding unrelated to threat reduction) | 791 | 641 | 708 | 67 |
| **Total Russian and NIS** | **1,793** | **1,548** | **1,725** | **168** |

*Final decision still pending.

**HIV/AIDS.** The FY 2001 Budget continues the fight against HIV/AIDS by proposing significant funding for domestic as well as global efforts to address the disease. The table below shows the funding status of key HIV/AIDS programs. We provide increases for the key domestic HIV/AIDS activities, including Ryan White treatment grants, CDC Prevention; and Housing Opportunities for

People Living with AIDS (HOPWA). In addition, an additional $25 million for the Ricky Ray Hemophilia Relief Fund is included.

To help fight the AIDS epidemic internationally, we provide an additional $100 million for the Global HIV/AIDS Initiative. In FY 2000, the Administration requested $100 million for a Global HIV/AIDS Initiative that would focus on HIV prevention, adding to the base of international HIV/AIDS activities. In addition to providing increases for programs funded in the Initiative last year, we propose $10 million for the Department of Labor to begin international workplace HIV/AIDS prevention activities and $10 million for the Department of Defense to provide prevention for host country military personnel.

**HIV/AIDS Programs**
**(In millions of dollars)**

| | FY 2000 Request | FY 2000 Enacted | Tentative FY 2001 | Change FY 2000 Enacted v. FY 2001 |
|---|---|---|---|---|
| **Domestic Programs** | | | | |
| Ryan White Treatment Grants | 1,511 | 1,595 | 1,720 | 125 |
| CDC Prevention | 667 | 695 | 735 | 40 |
| NIH Research | 1,834 | 2,022 | 2,022 | 0 |
| Housing Opportunities for People Living with AIDS (HOPWA) | 240 | 232 | 260 | 28 |
| Ricky Ray Trust Fund | 0 | 75 | 100 | 25 |
| DOD Research, Prevention, and Treatment | 98 | 98 | 91 | (7) |
| **International Programs** | | | | |
| HHS/CDC | 42 | 42 | 68 | 26 |
| USAID | 172 | 190 | 244 | 54 |
| Department of Labor | 0 | 0 | 10 | 10 |
| Department of Defense | 10 | 0 | 10 | 10 |
| **Total, Selected HIV/AIDS programs** | **4,574** | **4,949** | **5,260** | **311** |

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1-10-00

Minsk Journal

# Fear Is Creeping Across This Post-Soviet Land

By MICHAEL WINES

MINSK, Belarus — In the last 32 months, Anatoly Lebedko has been tried on criminal charges five times, fined four times, jailed twice and seriously beaten once, on the steps of his apartment. His office phone is tapped. His friends are hectored by the tax police.

The state security police ordered his neighbor's 10-year-old son to spy on him, and he returned from a trip to find two subpoenas in his mailbox.

Leading the democratic opposition in Belarus is no easy job. Then again, it could be worse: in September, Mr. Lebedko's predecessor as opposition leader, Viktor Gonchar, went to his local steam bath, dutifully trailed by his security police collars, and has yet to come back.

Never exactly a beacon of freedom, Belarus is increasingly the scene of strange and terrible happenings. Mr. Lebedko is persecuted; Mr. Gonchar is presumed to be dead. His predecessor fled to Lithuania in July, fearing for his life. A fourth opposition leader died in April, ostensibly from a brain hemorrhage. Two top government officials who turned against Belarus's leadership disappeared in April and May.

Disappearances and death threats are new elements in in post-Soviet Belarussian politics. They have further winnowed an already small democracy movement and sent a chill through what opposition remains.

More than that, they may have forever remade the image of the country's leader, Aleksandr Lukashenko, long regarded as just a goofy autocrat. Stories abound of his obsession with sports, his off-color speeches and other quirky behavior, but now he is quickly earning a reputation as a ruthless dictator.

Knowledgeable foreign analysts say there is no proof that Mr. Lukashenko's government is liquidating opponents. There are hints that in some cases independent death squads or splinter groups in the nation's large security apparatus may be responsible.

But there is no denying that Mr. Lukashenko, who became president in 1994 in the country's first free election, has done little to halt the crimes, or that he has used them to sow disarray among his critics.

"What's happening here in this small country is underestimated by the U.S.," Mr. Lebedko said the other day in his office, not far from downtown Minsk. "This regime is supported by elementary fear. This is the legacy of the Soviet Union."

Some independent groups say the situation in Belarus has worsened sharply since last winter, when Mr. Lukashenko's critics began organizing surprisingly vigorous protests.

"The government crackdown on independent media, civil society and political activity has become more systematic and violent," said a report issued in April by the East-West Institute, a New York-based group promoting democracy in former Soviet-bloc nations. "The public mood in Belarus is characterized by an insidious and deepening fear as well as the widespread belief that little can be done to change the situation."

The deterioration goes well beyond the disappearances — of Mr. Gonchar; of Anatoly Krasovsky, a financial backer of government critics; Yuri Zakharenko, a former interior minister who was politically organizing police officers; and Tamara Vinnikova, a former head of the central bank who was under house arrest. [On Dec. 13, a Belarussian newspaper published what it said was a statement it received by telephone from Ms. Vinnikova from an unidentified country, Reuters reported, saying the Belarussian authorities had plotted to kill her.]

Andrei Sannikov, leader of the human rights group Charter 97, was beaten in February. He fled to Geneva after a security police officer sent a death threat via a friend.

Seymon Sharetsky was speaker of the democratically elected Parliament that Mr. Lukashenko dissolved after a 1996 constitutional referendum that expanded presidential powers and was widely judged to be rigged. He fled to Lithuania in July.

Mikhail Chigir, prime minister until he resigned over the referendum, was arrested in March, a day after he registered to run in a shadow presidential election. He was released in the fall. Andrei Klimov, a member of the disbanded Parliament who signed a demand for Mr. Lukashenko's impeachment, has been in jail since February 1998.

Others suffer without ever seeing the inside of a cell.

Zinaida Gonchar has stopped working since her husband disappeared. Now she sits in the family's apartment, not really waiting for news, she says; even investigators told her that the truth was probably locked in a secret police file.

Belarussian politics is a closed society, and the Gonchars knew Mr. Lukashenko well — so well that he often came over for dinner; so well that Mr. Gonchar served as Mr. Lukashenko's deputy prime minister.

Mrs. Gonchar said the friendship began to crack in 1994, when Mr. Gonchar remained neutral rather than help Mr. Lukashenko campaign for the presidency.

Soon after, Mr. Gonchar was driving when "he had an accident — the wheel just came off," his wife said. "He was pretty badly injured."

Mr. Lukashenko did recruit Mr. Gonchar into the government. But he quit after two months and was elected to Parliament.

"Then the telephone began ringing, with threats and warnings, mostly against me," his wife said. "They'd say, 'We'll come upstairs and beat you.' Or I'd be walking on the sidewalk and a car would suddenly jump on the sidewalk in front of me and back out."

Someone shot at Mr. Gonchar's car one day, wounding his secretary.

Mr. Lukashenko organized the 1996 constitutional referendum, and Mr. Gonchar became chairman of the government's election watchdog commission. Then Mr. Lukashenko dismissed him and Mr. Gonchar became a member of the opposition.

In 1997 Mr. Gonchar and other former legislators published a brochure on constitutional violations by the government. The security police took him in for questioning. He took a breather then, working on a Belarus-Lithuania tribunal, and the harassment eased.

But in late 1998, democracy advocates decided to hold a shadow presidential election marking what would have been expiration date of Mr. Lukashenko's term had it not been lengthened by two years in the referendum. Mr. Gonchar was named to run the electoral commission.

And the troubles resumed. In March the police imprisoned Mr. Gonchar. He went on a hunger strike. After 10 days, he was released from jail and thrown on a snowbank.

"The last six months, we were followed constantly — not only Viktor, but myself," Mrs. Gonchar said. "We were warned on several occasions." She said the security police were tailing Mr. Gonchar the night he and Mr. Krasovsky took their weekly trip to the baths. "So I have no doubt," she said, "that the authorities know exactly who is responsible."

Mr. Lukashenko pooh-poohs the disappearance, saying Mr. Gonchar is rumored to be in Russia.

The president's seemingly casual attitude toward his opponents' troubles has come at a price. At the recent summit meeting of the Organization for Security and Cooperation in Europe, Mr. Lukashenko was ostracized by Western leaders.

An inventive man, though, he found a way around that.

As leaders strolled to a meal one day, he ambushed President Clinton long enough to assert later that they had had a weighty discussion and that he had even invited Mr. Clinton to visit Belarus.

"I told him a joke," Mr. Lukashenko recalled later. "If you cannot" visit Belarus "before the end of your term, then all you will have to do is extend it."

The New York Times

FRIDAY, DECEMBER 17, 1999

THE PRESIDENT HAS SEEN
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C Jennings
What's your reaction
to this?
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THE PRESIDENT HAS SEEN
1-10-00

*John Holahan and Len M. Nichols*

# Dr. Bradley or Dr. Gore?

## *There's a lot more than a dime's worth of difference in their prescriptions.*

Although some profess to see little difference between the health care proposals of Vice President Gore and former senator Bill Bradley, the two Democratic presidential candidates do in fact offer very different answers to the key questions: Who deserves help buying insurance, who should pay for it, and how much? The plans merit careful analysis and a fair debate, which could clarify a number of choices for all American voters.

BY MARGARET SCOTT

Gore has tailored a narrow set of health insurance subsidies for a conservative Congress that is nervous about ignoring 44 million uninsured Americans. He would target parents of children who are eligible for current government programs, Medicaid and the new Children's Health Insurance Program (CHIP). He would also increase the number of children potentially eligible for CHIP and offer new tax credits for some small firms and for individuals without access to group insurance. His plan is modest, efficient and safe.

Bradley's plan is bolder. He would require parents to cover their children and would offer subsidies to all low-income Americans, whether or not they are parents, and whether or not they are eligible for a public program or are currently uninsured. Thus his plan is as much about financial relief for working but low-income Americans who now buy health insurance as it is about expanding coverage.

Bradley would transfer most Medicaid recipients into mainstream health plans and allow all low-income people to buy private insurance plans through the same program that federal workers and Congress now use. Finally, his plan would create a new tax deduction for all premium payments, whether made through work or on one's own. Bradley's plan is more ambitious and expensive, and therefore riskier.

What do these plans reveal about each man?

Gore appears to have concluded that substantially expanding health insurance coverage is not a major national priority. All of his measures, taken together, would expand coverage only modestly.

Bradley holds that health insurance coverage is a national objective worthy of significant public resources. He is interested in equity—giving all people with the same low incomes the same subsidy—as well as coverage. Gore emphasizes target efficiency—namely, concentrating new subsidies on the uninsured. Pursuing equity is expensive—more of Bradley's new spending would go to reduce costs for the currently insured low-income population than to provide new coverage.

Interestingly, though his objectives are more moderate, Gore relies almost exclusively on expanding public programs. Bradley is willing to spend a lot of tax money to get most Americans into private plans.

Who would win the most under Gore's vision? Parents and children who would be made eligible for public programs. Who is left out? The working low-income people who are struggling to cover their families now, and those who have decided they can't afford private insurance but who make too much money to qualify for public insurance. Gore, in the name of fiscal prudence, offers them little relief.

Bradley's winners extend to a much larger number—the entire low-income population—since they would all receive the same subsidy for buying their own private health insurance plan, whether or not they are currently insured. The losers are higher-income taxpayers, who would either forgo tax reductions or pay higher taxes. Bradley would change who pays for health care more than inject new money into the system; he thinks that equity in access to health care is in our society's long-term interest.

What risks and unanswered questions are raised by these two approaches?

Bradley would move most current enrollees out of Medicaid and allow millions of low-income Americans to purchase private insurance through the federal employees' program. Some fear this would prevent current Medicaid enrollees from getting all the services they need. Indeed, Bradley might have to either scale back benefit guarantees or spend even more tax dollars. Similarly, allowing low-income people into the federal employees' plan could pose difficult administrative challenges.

The Gore plan would have to overcome the disappointing enrollment experience in CHIP and in Medicaid. Gore appears to believe that slightly increased financial incentives would induce states to spend more of their own money to expand coverage a lot, and that these efforts would be successful on a scale never before observed.

Aside from technical questions, Gore's faith in the states highlights differences in the candidates' views on federalism. Gore supports joint federal-state responsibility for health insurance, which has political virtues but leaves national coverage objectives hostage to individual states' willingness to pay. State variation in access to coverage is huge.

Bradley, by contrast, claims that widespread private health insurance coverage is a national priority and an exclusively federal responsibility. He would abolish state variations in subsidies, even though this would cost a lot more federal money than we are spending now.

Properly explained, these two proposals present the Democratic electorate with a clear choice. They also identify key questions for Republican candidates' plans: Who should get help buying health insurance, and who should pay? But if the Democratic debate remains mired in attack politics, no meaningful debate across party lines is likely. For the rising number of uninsured Americans, that would be a tragedy.

*The writers are senior analysts in the health policy research group at the Urban Institute.*

The Washington Post
Wednesday, January 5, 2000

THE PRESIDENT HAS SEEN
1-10-00

Gene Sperling
good piece
[illegible]

copied
Sperling
Berger
Podesta

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1-10-00

*Max M. Kampelman*

# Invitation to Democracy

What can be done now to bring something creative out of the turmoil and disharmony at the World Trade Organization's meeting in Seattle? Politics and economics have gotten out of balance on a global scale. But an initiative is already underway that can start them back toward harmony.

Recently, the Polish foreign minister, Bronislaw Geremek, sent invitations to all countries "taking the path to democracy" to send their foreign ministers to Warsaw next June to discuss how they can work together more effectively in the international arena. (The United States and five other countries joined Poland as co-conveners of this event.) It has sometimes been lamented that there are no big ideas these days in foreign policy. This quiet announcement could be the seed of one, the direction to take as we enter the 21st century.

We need to recapture a purpose in world affairs that is morally, intellectually and politically compelling. The democratic vision retains an enormous vitality. Our duty is to help define the 21st century as a "Democratic Century." Our fundamental challenge is to recognize that the political struggle remains between the democratic way of life and those who would deny human liberty and political freedom. A democratic vitality exists around the world. It requires nourishment and encouragement.

Our nation's leadership in such an international effort will satisfy our obvious national aspirations for a bipartisan and nonpartisan foreign policy based on our traditional values of human dignity. The role of the United States in world affairs would, thereby, be consistent with our moral energy.

Close cooperation among the world's democracies could have important benefits. We must work together more effectively to provide assistance to the new and emerging democracies. Democracy is now demonstrably a universal value. Closer and more visible association among democracies with different racial, religious and other characteristics can counter the frequent charge that opposition to despotism and corruption is a concern only of rich, white, Western societies.

By acting together, the democracies can create a moral authority that, with any hope, can prevent conflicts before they turn violent and that can squelch violent and illegal attempts to overthrow elected governments. Only when democratic governments begin to work together more effectively will it be possible to establish the levels of public confidence our international institutions need to do what we expect of them.

The democracies must exert more effective influence in our international institutions if the cynicism and fear that too many people feel toward these institutions—as the World Trade Organization protests showed—is to be overcome. The Four Freedoms, proclaimed as our goals by Franklin Roosevelt—freedom of speech and expression, freedom of worship, freedom from want, freedom from fear—valid in 1941 are as valid today.

One difficult issue the organizers of the Warsaw meeting have to face is whom to invite. Obviously, some countries claim to be democratic whose practice is really quite brutal. Allow them to attend and the event becomes a sham. Holding sham elections without a "rule of law" atmosphere does not a democracy make.

My own experience as a negotiator in the Helsinki process suggests that countries that profess to be democratic must be held vigorously accountable for their serious shortcomings where they exist. When the United States joined the Soviet Union in endorsing the Helsinki Accords in 1976, it was strongly objected that we were giving credibility to the Soviets' claim that they were as committed to human rights as we were.

But we went forward, fully criticized their undemocratic behavior and, by open and serious discussion, drew them into a process in which they ultimately pledged themselves to universal standards and recognized independent review processes. In this, we hastened a historic change, imperfect as it may still be.

It will take some years to develop consensus about democratic practice within the international community, just as it did with human rights. But such a consensus, if it can be found, will become a sturdy foundation for peace and prosperity. The Warsaw meeting of the world's democrats and democratizers can restore the hopes we once had for our international institutions and open the millennium with new promise for decency and dignity in global affairs.

*The writer is former head of the American delegation to the Conference on Security and Cooperation in Europe and former head of the American delegation to the Geneva nuclear arms negotiations with the former Soviet Union.*

The Washington Post
Friday, December 17, 1999

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
1-10-00

January 6, 2000

Great news
Need congrat letters
to CEOs of GM, Ford

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *neal*

SUBJECT: New PNGV Concept Vehicles To Be Unveiled at Detroit Auto Show

As you know, the Partnership for a New Generation of Vehicles (PNGV) that you and the Vice President launched in 1993 with the CEOs of Ford, GM and Chrysler (now DaimlerChrysler) set out a ten-year goal of increasing the fuel economy of cars by a factor of up to three in a safe, affordable, and attractive vehicle. The R&D program will cross a major milestone during the next few months as each company unveils concept vehicles that achieve the 80-mpg goal. Next week, two concept vehicles will be unveiled at the Detroit Auto Show -- General Motors' Precept and Ford's Prodigy. DaimlerChrysler is planning to unveil their concept car in the next 1-2 months. The Ford and GM vehicles have been in the press during the past week.

These are one-of-a-kind concept vehicles, as opposed to production vehicles, that exhibit major achievements in both engineering and design and that fulfill the auto companies' PNGV concept car commitment of a 2000 delivery. These concept cars have revolutionary hybrid propulsion systems (which we believe are technically superior to the existing Japanese hybrid propulsion systems), have low wind resistance, are stylish, and fun to drive.

**GM PRECEPT**: On January 11, General Motors Corp. will formally display the Precept (photo attached), a five-passenger, four-wheel drive, hybrid vehicle that gets the equivalent of 80 miles per gallon of gasoline. Its Isuzu-built three-cylinder diesel engine is rear mounted to improve airflow around the vehicle (note the air intakes at the rear of the vehicle in the photo). One electric motor powers the front wheels while a "multi-purpose unit" built onto the diesel engine acts as both an electric motor and a generator, charging a battery pack under the seats when the vehicle is braking. The electric motors help power the 54-horsepower engine during acceleration and capture energy during braking, while the battery allows the engine to be turned completely off altogether during idling and deceleration.

My staff along with staffers from CEQ and OMB met with GM's Advanced Technology Division last Spring to review the Precept's progress. The Precept's technology could also end up in similar GM vehicles in the years ahead.

cc: The Vice President
Chief of Staff

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Lane
Podesta
original -
Burkhardt
(for reply)

**FORD PRODIGY**: Achieving about 70 mpg, the Prodigy uses a small, four-cylinder turbocharged diesel engine and an electric motor linked to a battery pack in the trunk (attached photo). Like the Precept, Ford's engineers designed a slippery new exterior for the Prodigy using video cameras in place of rearview mirrors, a smooth underbody, special wheel covers, and vents in the front grill that open only when the engine needs extra air. It will be formally unveiled Monday, January 10.

Ford's car also saves energy given its reduction in weight. Built mostly of aluminum, with some magnesium and titanium components, the Prodigy weighs 2,387 pounds — about 1,000 pounds less than today's production mid-size sedans.

**HONDA INSIGHT**: Honda hopes to sell 4,000 of its 2-seat, subcompact hybrid vehicles for under $20,000 each in the US this year. The principle power comes from a lightweight 1-liter, three-cylinder gasoline engine with a 5-speed transmission; an electric motor serves as a secondary power source. This 1760 lb. vehicle, made of aluminum and composites, can travel from New York City to Detroit on a tank of gas (70 mpg). Using gasoline, it meets the ultra-low vehicle emissions standards.

**TOYOTA PRIUS**: The Toyota Prius, with a hybrid gasoline engine, is currently sold in Japan and looks very similar to a Toyota Corolla. The Prius was the first hybrid car on the market and will be sold in the US this year. The Prius is a compact car with fuel economy of about 50 mpg, somewhat better than today's subcompact vehicle (Geo Metro, for example). Toyota plans to sell more than 12,000 Priuses in the US starting this Spring for about $20,000.

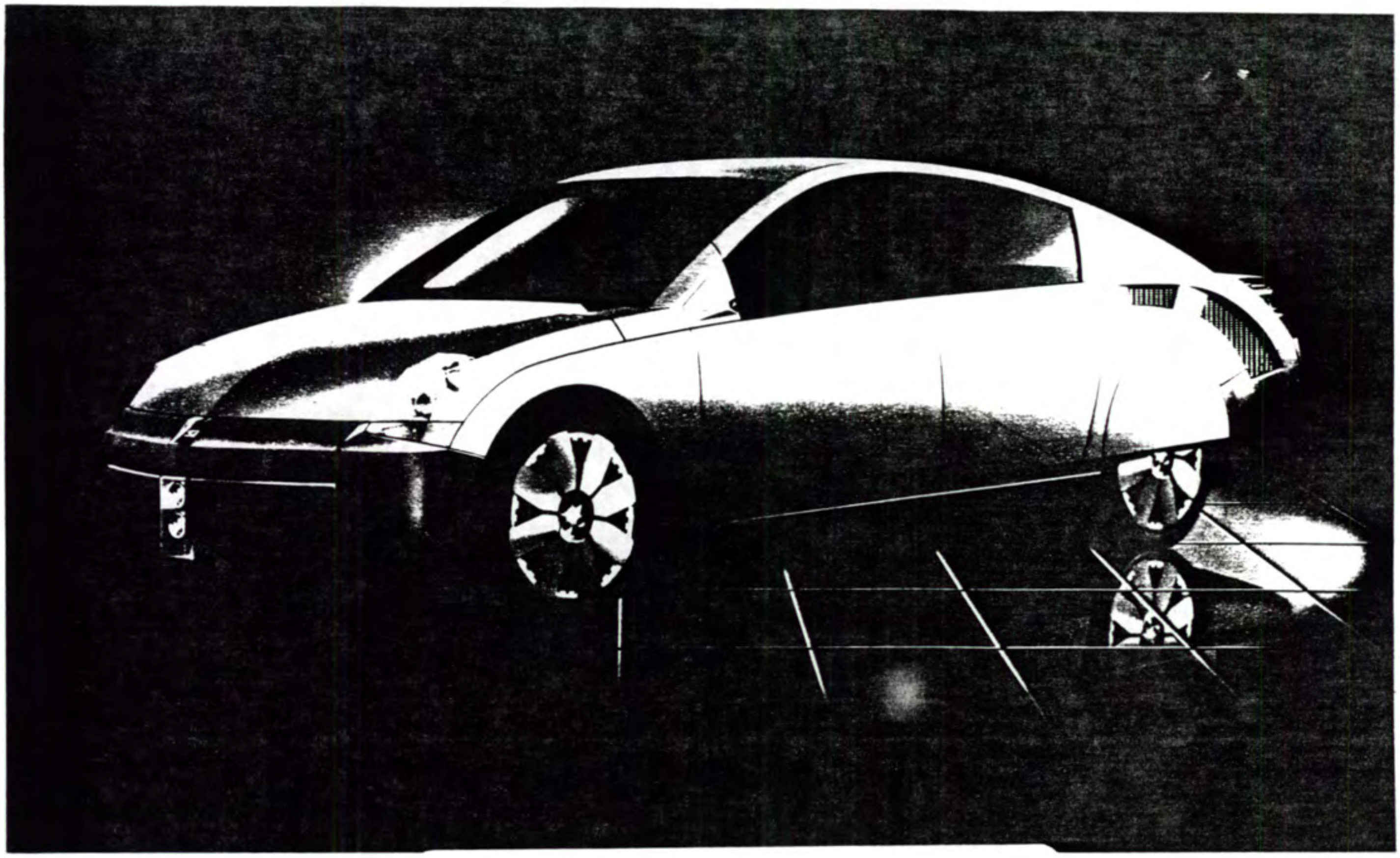
**IMPORTANT POINTS:** An obvious difficulty is that all of the PNGV concept vehicles use advanced diesel engines and, therefore, produce levels of NOx and particulates higher than comparable gasoline powered vehicles. This propulsion system choice is causing some controversy because of the recent release of the Tier II clean air standard. While we do not have precise data to date, we believe that all of the PNGV concept vehicles would be permitted under the new standard, albeit, in one of the higher emission "bins." We should not be concerned about the emission levels of these concept vehicles, as active efforts are underway to refine technologies that could be integrated into the PNGV production prototypes due in 2004. The emission levels set by the final Tier 2 standard are considerably below those which were used as design goals early in the partnership – we used the default Tier 2 goals in the Clean Air Act. Nor is it a surprise that we haven't met every goal of the program with these first concept vehicles. PNGV is a *research* initiative, and we are actively pursuing a number of strategies that have a high probability of achieving both high fuel economy and low emissions, including fuel cells that are still in the early development stage.

You and the Vice President can be proud of the progress made to date in PNGV both for its technical achievements and for forging stronger and more positive interactions between the Federal government and the automobile industry. The partnership has survived strains over disagreements about emissions and continues to receive high marks from industry leaders, as well as the National Academy of Engineering team that has conducted detailed annual reviews.

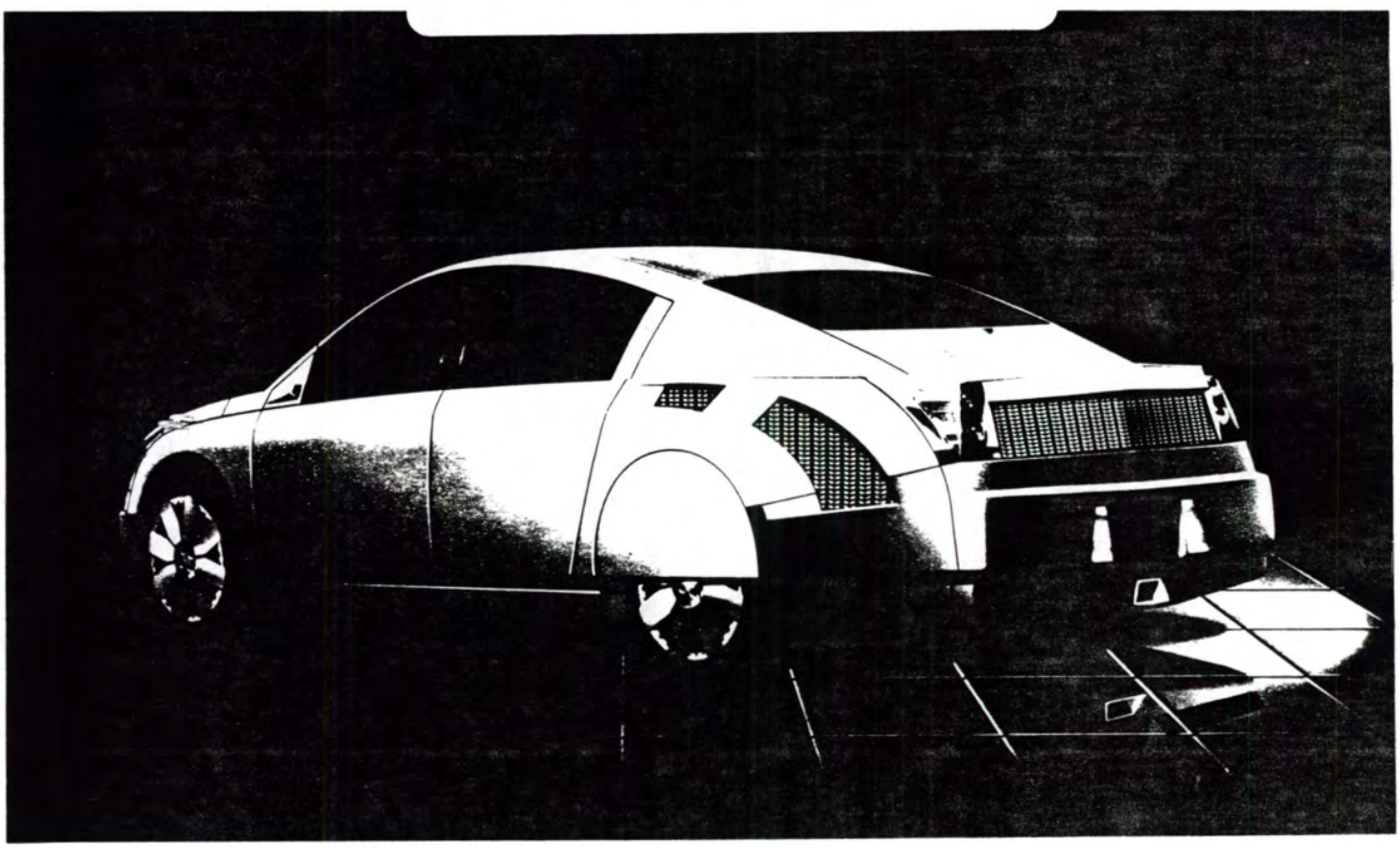
This government-industry- university-national laboratory collaboration has greatly spurred the pace of advanced research by the US automakers. Another form of flattery is evident from Japanese and now European manufacturers scrambling to imitate and develop competitive products. While the Americans will see Japanese hybrid vehicles on the market this year, it is important to keep in mind that Japan has a very different strategy for introducing new technologies, namely, a willingness to sustain losses to gain market share and experience. There is also a greater demand for fuel economy in Japanese domestic markets (gasoline prices are several times higher than those in the US) while US car buyers do not put a high premium on fuel economy. In addition, the U.S. industry has traditionally been much more conservative about introducing innovative technologies unless they can be assured of their profitability in the first year.

Enclosures:
GM Precept Photo
Ford Prodigy Photo

FORD PRODIGY



GM PRECEPT



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| Tab A - | Entire Report - Baily/Podesta<br>pg 7 – Reed/Echaveste/Podesta |
| Tab C - | Reed/Liu/Podesta |
| Tab D - | Frampton memo: Frampton/Podesta<br>Ballentine memo: Ballentine/Podesta/Burkhardt (for reply) |
| Tab E - | Lane/Podesta |
| Tab F - | Ibarra/Podesta |
| Tab G - | Entire Report - Podesta/Marshall/Balderston<br>pg 4 - Reed/Podesta<br>pg 7 – HRC/Podesta<br>pg 10 – Reed/Podesta<br>pg 11 – HRC/Podesta<br>pg 12 – HRC/Podesta |
| Tab I - | Entire Report – Cahill/Podesta<br>pg 2 – Burkhardt (for reply)/Sperling/Podesta |
| Tab J - | Johnson/Podesta |
| Tab K - | Cutler/Podesta |
| Tab L - | Moore/Podesta |

THE PRESIDENT HAS SEEN
1-10-00

# WEEKLY

# REPORTS

January 3 – 7, 2000

THE PRESIDENT HAS SEEN
1-10-00

THE WHITE HOUSE

WASHINGTON

January 8, 2000

MR. PRESIDENT:

Attached are the following weekly reports:

**(A) Weekly Economic Briefing**

**(B) Update on Global Markets/Interest Rates and Stock Prices**

**(C) DPC**

**(D) CEQ/Office of Environmental Initiatives**

**(E) OSTP**

**(F) Intergovernmental**

**(G) Cabinet Affairs**

**(H) Communications**

**(I) Public Liaison**

**(J) Race Initiative**

**(K) Indian Country and East Arkansas**

**(L) Political Affairs**

Sean Maloney

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1-10-00

# 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

January 7, 2000

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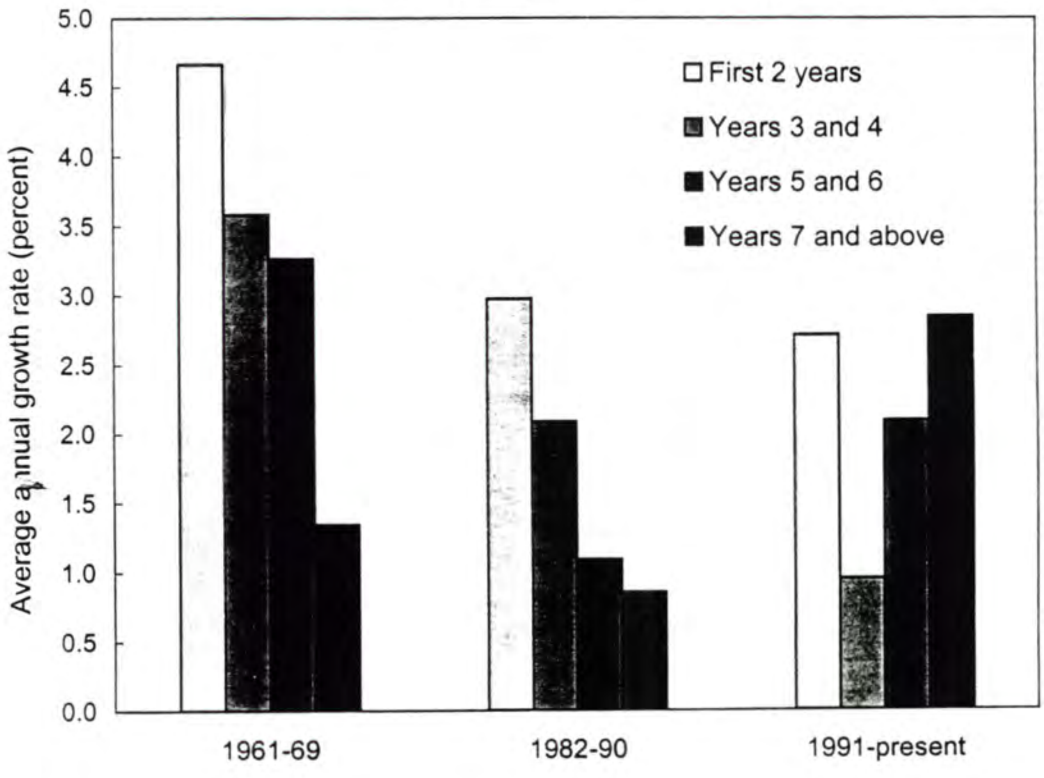
Baily
Podesta
Pg 7 - Reed/
Echaveste/
Podesta
Pg 8 Berger/Podesta

## CHART OF THE WEEK

Growth in Nonfarm Output per Hour During Expansions




Productivity growth tends to be strong in the early stages of an expansion as idle resources are put back to work. But the rate of growth of productivity tends to fall as the expansion matures. While this was true of the other two long postwar expansions, it has not been true in the current expansion, with nonfarm productivity growth strongest in the later years. A Special Analysis in this Briefing examines possible reasons for this acceleration.

## CONTENTS



*"Captain, it looks like we've entered cyberspace."*

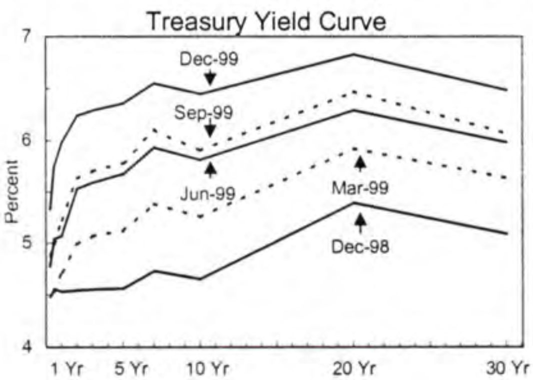
THE PRESIDENT HAS SEEN
1-10-00

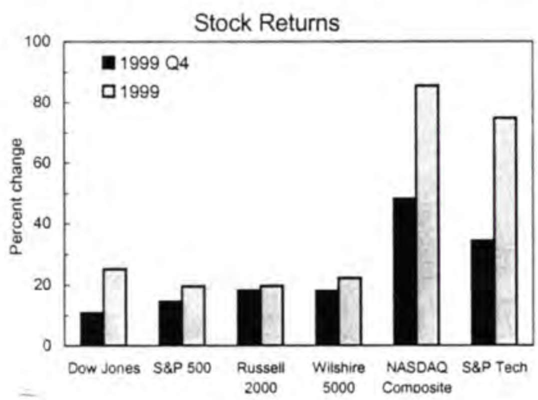
# FINANCIAL MARKET UPDATE

## Fourth Quarter 1999

Stock prices soared in the last quarter of 1999, led by technology companies. All major indexes closed out 1999 at record highs. The Federal Reserve raised its target lending rate in November but made no further move in December. Market concerns about future rate hikes have kept yields on long-term Treasuries near 2-year highs.

**Interest Rates.** Treasury rates increased over the past 3 months at all maturities (see top chart). In November, when the Federal Reserve raised its federal funds target rate 25 basis points to 5½ percent, it cited the shrinking pool of available workers and the potential inability of production to keep pace with demand. Signaling a commitment to help smooth the year-2000 transition, the Fed made no further move in December despite continued concerns about increasing inflationary pressures. However, federal funds futures rates rose at the end of December, indicating that the market expects the Fed to raise rates again in February.





**Stock prices.** The Standard and Poor's 500 index grew a robust 15 percent in the fourth quarter, but technology-based indexes performed even better, illustrating the strength of the technology sector relative to the market as a whole (see middle chart). In particular, the NASDAQ significantly out-performed other major indexes, gaining 48 percent in the fourth quarter alone and 86 percent for 1999.

**Concentrated gains.** Although the broad indexes showed strong growth, gains were more concentrated than in previous years. For example, in 1999 the S&P 500 grew about 20 percent, yet fewer than half of all stocks in the index realized any gains (see bottom chart). In contrast, over 70 percent of these stocks saw price increases in 1996, even though the index as a whole grew at about the same rate as in 1999.

**Happy New Year?** Stock prices have been volatile this week. After falling sharply in the first few days, the Dow recouped some its losses and the S&P 500 stabilized. Technology stocks were particularly hard hit, however, with the NASDAQ falling over 8 percent through Thursday.

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1-10-00

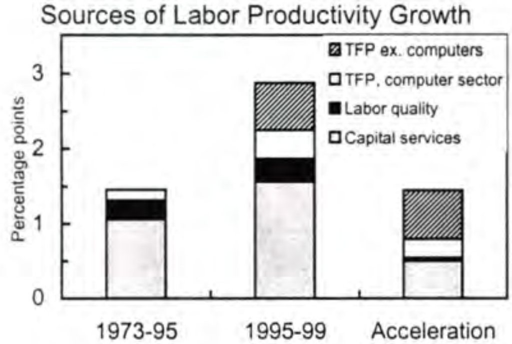
SPECIAL ANALYSIS

## Accounting for the Surge in Productivity Growth

Labor productivity trended upward at an average annual rate of 1.4 percent from 1973 to 1995, but it has since accelerated to a 2.9 percent annual clip over the past 4 years (see upper chart). CEA analysis finds that half of this acceleration is accounted for by an increase in capital—especially computer capital—and by productivity growth in the computer-producing sector.

Labor Productivity


Sources of Labor Productivity Growth




**More capital per worker.** Labor productivity increases when workers have more capital to work with. Partly because business investment as a share of GDP has been above its long-term average since 1995, capital services per hour have grown faster since 1995 as well. Analysis of preliminary data indicates that this capital deepening accounted for 1.5 percentage points of annual labor productivity growth during the 1995-99 period, up from 1.1 percentage points during the 1973-95 period (see lower chart). Thus, the increase in capital services per hour accounts for about a third of the 1.5 percentage point increase in annual productivity growth. Most of this gain from capital deepening is accounted for by investment in computers and software.

**Computer quality.** Besides their role in capital deepening, computers enter GDP directly as a flow of new investment. Hence, productivity growth in the production of computers contributes directly to overall productivity growth. Productivity growth has been particularly rapid in the computer-producing sector, as reflected in the rapid decline in computer prices. Price declines for computers, which had been running at a 15 percent average annual rate before 1995, fell at a 27 percent annual rate thereafter, indicating an acceleration in computer quality after 1995. Improved computer quality added an estimated 0.25 percentage point to the post-1995 productivity acceleration.

**Work force quality.** The American work force has become better educated, and, since about 1980, the average worker has had more work experience. However, nothing dramatically new happened to the index of labor composition after 1995, and the estimated contribution of work force quality to productivity growth of 0.3 percentage point per year since 1995 is only slightly above the pre-1995 pace.

**Total factor productivity.** According to these estimates, the combined effects of capital deepening, changing labor composition, and rising computer quality account for about half of the post-1995 acceleration in productivity. The residual, called total factor productivity (TFP), reflects all the other factors that affect productivity growth. These may include cyclical influences and new efficiencies from the use of the Internet, especially for business-to-business transactions.

**Outlook.** Can the factors that account for the more rapid pace of labor productivity growth since 1995 be sustained? Of course we cannot know for sure, but current trends are positive and Administration policies are supportive.

- Capital deepening. The growth rate of capital services per hour increased in 4 of the past 5 years, reaching 5.4 percent in 1999—a rate that implies a 1.8-percentage-point per year contribution of capital deepening to labor productivity growth. For 2000, the pace of capital deepening is likely to increase further, because the level of investment is already very high. Projections over the longer run are more speculative, but the level of nominal investment is expected to remain high relative to nominal output. Pursuing a budget policy of debt reduction also promotes investment.

- Computers. The pace of computer price declines has been particularly rapid over the past 4 years and may not be sustainable. However, the contribution of computers to productivity growth would still be important even if the rate of price declines slowed to the longer term rate of about 20 percent per year.

- Work force quality. The trend toward a more educated work force seems likely to continue with the Administration's policy of promoting human capital investment, and the average age of the work force will continue to rise through at least 2008, when the leading edge of the baby-boom generation retires. But these factors are not expected to accelerate, and the contribution of labor composition to productivity is not likely to change much from its historical average of 0.3 percentage point per year.

- Total factor productivity. This is the most difficult factor to forecast since it is a residual reflecting a wide variety of factors.

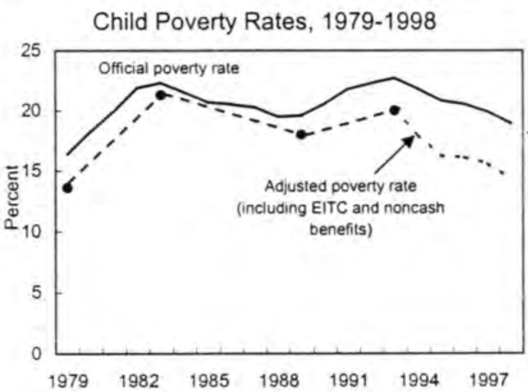
THE PRESIDENT HAS SEEN
1-10-00

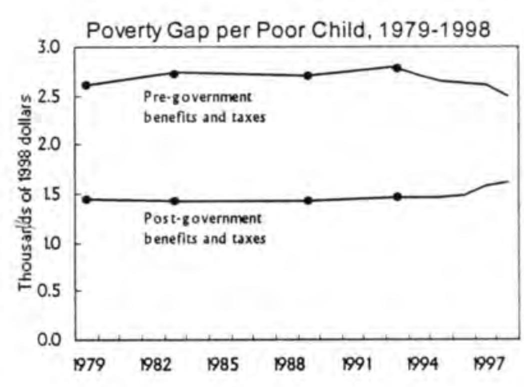
SPECIAL ANALYSIS

## Recent Changes in the Safety Net and Child Poverty

Since 1993, the number of poor children has fallen by 2.3 million. However, a new study from the Center on Budget and Policy Priorities finds that the average poor child in 1998 was worse off than the average poor child in 1994. The study attributes this result to sharp declines in the number of poor children receiving cash assistance and food stamps. This conclusion must be interpreted cautiously, however, in light of the changing composition of the families who remain poor.

**Trends in the child poverty rates.** The official child poverty rate, which is based on a measure of income that includes earnings and cash assistance but excludes other benefits such as the EITC and food stamps, has declined sharply, from 22.7 percent in 1993 to 18.9 percent in 1998 (see upper chart). This is the lowest rate since 1980. The study finds that the decline is even sharper using a broader income measure that includes the EITC and noncash benefits such as food stamps.




**The child poverty gap.** To examine trends in the depths of poverty, the study focuses on a different statistic, the "child poverty gap," which measures the *amount* by which poor children's family income falls short of the poverty threshold. The study finds that, in 1998, the per child gap before taking into account government benefits and taxes was $2,489—the lowest it has been since 1979 (see lower chart). The net effect of taxes and transfers is to shrink the gap. However, the study finds that the post-tax-and-transfer gap per child has risen in recent years and, at $1,604 in 1998, was the largest on record and $149 higher than it was in 1994.

Together, these results imply that many low-income families with children boosted their earnings, taking advantage of the strong economy and welfare reform—but that these earnings gains have not been large enough to offset reductions in net transfers from government.

**Analysis.** This plausible but pessimistic interpretation is the one emphasized in the study. It notes that in both 1993 and 1995, 57 percent of poor children (before counting benefits based on income) received AFDC, while by 1998, only 41 percent of poor children received TANF. Child participation in the food stamp program also shows a downward trend: between 1995 and 1998, the number of children receiving food stamps declined by almost 27 percent while the number of poor children fell 10 percent.

While the data clearly show that the average child poverty gap has widened (based on the comprehensive, post-tax-and-transfer-income measure), the interpretation of this finding is difficult because the composition of the poor population has changed. The data do not track individuals over time, and the strong economy and policy initiatives such as EITC and minimum wage have been successful in helping many families escape poverty since 1993. To the extent that those who have escaped poverty had incomes closer to the poverty threshold to begin with than those left behind, the per child gap could have increased with no individual families becoming worse off. However, the narrowing of the pre-tax-and-transfer gap suggests that remaining poor families may in fact have both increased their earnings and experienced some decline in benefits.

**Conclusion.** Further research is required to learn more about how much of the change in the child poverty gap reported in the study reflects compositional effects and how much reflects changes in receipt of government benefits. Even so, the study highlights the plight of families where parents face the greatest barriers to employment, such as limited work experience, a disability, or difficulty in finding child care. This points to the importance in fighting poverty of continued efforts to ensure that low-income families receive the benefits for which they are eligible, and for finding innovative ways to reduce child poverty.

THE PRESIDENT HAS SEEN
1-10-00

## BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

**Children without Health Insurance Are Enrolled in Other Programs.** Almost three-quarters of all low-income children without health insurance live in families that participate in other government programs, such as the National School Lunch, WIC, Food Stamp and Unemployment Compensation Programs. This finding by the Urban Institute suggests a new possibility for identifying uninsured children and encouraging their families to enroll them for Medicaid or CHIP coverage. Several localities are building outreach efforts around the National School Lunch Program, which serves the families of an estimated 60 percent of all low-income uninsured children. Programs already in existence include sending informational flyers to parents and positioning trained volunteers at schools to answer questions and help complete applications. Concerns such as the need to protect the privacy of lunch program applicants and the fact that Medicaid and CHIP programs require more information than the National School Lunch Program, still need to be addressed.

Bruce — we should be able to do something with this — BC

**Enrollment of Foreign Students in U.S. Colleges Nears Half a Million.** The number of foreign students attending colleges and universities in the United States increased 2 percent in the last school year to a record total of nearly 491,000, according to a recent study. China supplied the most students (10.4 percent), followed by Japan and Korea. Although foreign students compose only 3 percent of America's total higher education population, they contribute more than $13 billion dollars to the U.S. economy in money spent on tuition, living expenses, and related costs. With over three-quarters of that funded by overseas sources, higher education now ranks as the country's fifth largest service sector export, according to the study.

Alexis E — We should push for more foreign students — can we do anything else to [illegible] immigrants from [illegible] nations

**Survey Finds Grandparents Play Active Role in Families.** Most grandparents regularly interact with their grandchildren, according to a survey of over 800 grandparents aged 50 and over. The survey, sponsored by the American Association of Retired Persons, found that more than 8 in 10 grandparents had talked with a grandchild on the telephone or had seen a grandchild in person in the previous month. It also found that 11 percent of grandparents are caregivers: 3 percent are raising a child and 8 percent provide day care on a regular basis. Roughly a third of the African American grandparents surveyed are caregivers—compared with roughly a fifth of the white grandparents. Grandparents spent a median of $489 per year for gifts, clothes, outings, tuition, and other purchases for their grandchildren. Among activities engaged in with grandchildren in the past month, the most frequently reported were eating together at home (72 percent) or eating out (65 percent). Other activities with responses in roughly the 40 to 55 percent range included watching a television comedy, having grandchildren stay overnight, shopping for clothes, engaging in exercise or sports, watching educational television, and going to religious services. Asked to rate their relationship with a grandchild on a scale of 0 to 10 (excellent), the mean answer was 8.7.

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Podesta

THE PRESIDENT HAS SEEN
1-10-00

## INTERNATIONAL ROUNDUP

**International Mergers Increase as Regulation Becomes More Complex**. Last year was a record year for mergers and acquisitions, with more than $1.7 trillion in announced deals recorded in the United States, $1.2 trillion in Europe, and $162 billion in Asia. However, at the same time that mergers, particularly cross-border mergers, are rapidly increasing, merger control laws are becoming more numerous and complex. A survey of 99 international jurisdictions found that 28 countries and the European Union have substantially revised and strengthened existing competition laws in the past 3 years, and that 41 countries have instituted new merger control regulations in the past decade. The proliferation of regimes means that obtaining clearance for mergers and acquisitions worldwide is becoming increasingly complex, as companies must comply with merger notification requirements in different jurisdictions, each with its own rules, time frames, thresholds, and policy aims.

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Podesta

**EU and Mexico Reach Trade Agreement.** At the end of November 1999, Mexico and the European Union agreed on the terms of a free trade area (FTA) between the two regions, although both partners must still approve the agreement. The agreement will include an FTA covering industrial and agricultural goods, a preferential agreement in services, an agreement covering investments, rules on competition and intellectual property, and an effective dispute settlement system. The agreement may help bolster the share of Mexico's imports coming from the EU. (This share had declined from an average of 14 percent in 1990-92 to 9 percent in 1998.) At the same time, the agreement may allow Mexico to decrease its dependence on U.S. markets, currently the destination for roughly 80 percent of Mexican merchandise exports. Anecdotal evidence suggests that the proposed free trade agreement is already stimulating foreign direct investment in Mexico. For instance, the Nissan-Renault automobile alliance recently announced a joint venture of $400 million in Mexico over the next 7 years.

**Debt-for-Health Swap for Sub-Saharan Africa.** Of the estimated 34 million people living with HIV/AIDS in the world today, 23 million live in sub-Saharan Africa. Infection rates approach a quarter of the adult population in several countries in the region and top 10 percent in many others. A shortage of funds hinders efforts to slow the spread of the epidemic and reduce its impact. Recent international debt relief programs, such as the Cologne Debt Initiative, may free up resources to address social problems, and a recent study argues that HIV/AIDS prevention should be placed at the top of the agenda for sub-Saharan Africa. The study reviews various debt-for-development swap programs since 1987 and recommends using the debt relief savings to establish a "counterpart fund" in debtor countries, with a top priority of implementing HIV/AIDS prevention programs. The study states that even with a modest amount of funding, the effect on HIV/AIDS prevention could be significant. For example, Uganda launched a national campaign against HIV/AIDS with less funding than what could be available to most other sub-Saharan countries through debt relief, and it has successfully reduced the HIV/AIDS prevalence rate among Uganda's teenagers from 28 percent in 1992 to 10 percent in 1996.

cc: Sandy
we should
press this hard
but other nations
will have to
do what Uganda
did
BC

## RELEASES THIS WEEK

**Employment and Unemployment**
****Embargoed until 8:30 a.m., Friday, January 7, 2000****

In December, the unemployment rate was unchanged from November at 4.1 percent. Nonfarm payroll employment rose by 315,000.

**NAPM Report on Business**

The Purchasing Managers' Index fell 0.7 percentage point to 55.5 percent in December. (A reading above 50 percent indicates that the manufacturing economy is generally expanding.)

## MAJOR RELEASES NEXT WEEK

Producer Prices (Thursday)
Retail Sales (Thursday)
Industrial Production and Capacity Utilization (Friday)
Consumer Prices (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 | 5.7 |
| GDP chain-type price index | 5.2 | 1.1 | 2.0 | 1.3 | 1.1 |
| Nonfarm business (NFB) sector: | | | | | |
| Productivity (chain-type) | 1.7 | 3.1 | 2.7 | 0.6 | 4.9 |
| Real compensation per hour: | | | | | |
| Using CPI | 1.0 | 3.9 | 2.8 | 1.2 | 2.1 |
| Using NFB deflator | 1.5 | 4.7 | 2.9 | 2.9 | 4.4 |
| **Shares of Nominal GDP** (percent) | | | | | |
| Business fixed investment | 11.4 | 12.5 | 12.6 | 12.6 | 12.7 |
| Residential investment | 4.5 | 4.2 | 4.4 | 4.5 | 4.4 |
| Exports | 8.2 | 11.0 | 10.7 | 10.7 | 10.8 |
| Imports | 9.2 | 12.7 | 12.9 | 13.4 | 13.8 |
| Personal saving | 6.6 | 2.6 | 2.2 | 1.8 | 1.5 |
| Federal surplus | -2.8 | 0.5 | 1.1 | 1.3 | 1.4 |

| | 1970-1993 | 1999 | October 1999 | November 1999 | December 1999 |
|---|---|---|---|---|---|
| **Unemployment Rate** (percent) | 6.7** | **4.2**** | **4.1** | **4.1** | **4.1** |
| **Payroll employment** (thousands) | | | | | |
| increase per month | | | **284** | **222** | **315** |
| increase since Jan. 1993 | | | | | **20367** |
| **Inflation** (percent per period) | | | | | |
| CPI | 5.8 | N.A. | 0.2 | 0.1 | N.A. |
| PPI-Finished goods | 5.0 | N.A. | -0.1 | 0.2 | 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, January 7, 2000**.

## FINANCIAL STATISTICS

| | 1998 | 1999 | November 1999 | December 1999 | Jan. 6, 2000 |
|---|---|---|---|---|---|
| **Dow-Jones Industrial Average** | 8626 | 10465 | 10810 | 11246 | 11253 |
| **Interest Rates** (percent per annum) | | | | | |
| 3-month T-bill | 4.78 | 4.64 | 5.07 | 5.20 | 5.25 |
| 10-year T-bond | 5.26 | 5.65 | 6.03 | 6.28 | 6.57 |
| Mortgage rate, 30-year fixed | 6.94 | 7.43 | 7.74 | 7.91 | 8.15 |
| Prime rate | 8.35 | 8.00 | 8.37 | 8.50 | 8.50 |

## INTERNATIONAL STATISTICS

| **Exchange Rates** | **Current level January 6, 2000** | **Percent Change from Week ago** | **Percent Change from Year ago** |
|---|---|---|---|
| Euro (in U.S. dollars) | 1.032 | 3.0 | -11.3 |
| Yen (per U.S. dollar) | 105.2 | 2.8 | -6.7 |
| Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. $) | 92.62 | -0.5 | 1.3 |

| **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 | 4.3 (Q3) | **4.1** (Dec) | 2.6 (Nov) |
| Canada | 4.2 (Q3) | 7.2 (Oct) | 2.1 (Nov) |
| Japan | 1.0 (Q3) | 4.7 (Oct) | -1.2 (Nov) |
| France | 3.0 (Q3) | 11.0 (Sep) | 0.9 (Nov) |
| Germany | 1.3 (Q3) | 9.0 (Oct) 2/ | 1.0 (Nov) |
| Italy | 1.2 (Q3) | 12.1 (Apr) | 2.0 (Nov) |
| United Kingdom | 1.8 (Q3) | 5.9 (Aug) | 1.4 (Nov) |

U.S. unemployment data **embargoed until 8:30 a.m., Friday, January 7, 2000**.

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 unified Germany.

THE PRESIDENT HAS SEEN
1-10-00

## BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

**Children without Health Insurance Are Enrolled in Other Programs.** Almost three-quarters of all low-income children without health insurance live in families that participate in other government programs, such as the National School Lunch, WIC, Food Stamp and Unemployment Compensation Programs. This finding by the Urban Institute suggests a new possibility for identifying uninsured children and encouraging their families to enroll them for Medicaid or CHIP coverage. Several localities are building outreach efforts around the National School Lunch Program, which serves the families of an estimated 60 percent of all low-income uninsured children. Programs already in existence include sending informational flyers to parents and positioning trained volunteers at schools to answer questions and help complete applications. Concerns such as the need to protect the privacy of lunch program applicants and the fact that Medicaid and CHIP programs require more information than the National School Lunch Program, still need to be addressed.

Bruce — We should be able to do something with this — B

**Enrollment of Foreign Students in U.S. Colleges Nears Half a Million.** The number of foreign students attending colleges and universities in the United States increased 2 percent in the last school year to a record total of nearly 491,000, according to a recent study. China supplied the most students (10.4 percent), followed by Japan and Korea. Although foreign students compose only 3 percent of America's total higher education population, they contribute more than $13 billion dollars to the U.S. economy in money spent on tuition, living expenses, and related costs. With over three-quarters of that funded by overseas sources, higher education now ranks as the country's fifth largest service sector export, according to the study.

Alexis E — We should be able to do more for foreign students — can we do anything about that — [illegible] from developing nations

**Survey Finds Grandparents Play Active Role in Families.** Most grandparents regularly interact with their grandchildren, according to a survey of over 800 grandparents aged 50 and over. The survey, sponsored by the American Association of Retired Persons, found that more than 8 in 10 grandparents had talked with a grandchild on the telephone or had seen a grandchild in person in the previous month. It also found that 11 percent of grandparents are caregivers: 3 percent are raising a child and 8 percent provide day care on a regular basis. Roughly a third of the African American grandparents surveyed are caregivers—compared with roughly a fifth of the white grandparents. Grandparents spent a median of $489 per year for gifts, clothes, outings, tuition, and other purchases for their grandchildren. Among activities engaged in with grandchildren in the past month, the most frequently reported were eating together at home (72 percent) or eating out (65 percent). Other activities with responses in roughly the 40 to 55 percent range included watching a television comedy, having grandchildren stay overnight, shopping for clothes, engaging in exercise or sports, watching educational television, and going to religious services. Asked to rate their relationship with a grandchild on a scale of 0 to 10 (excellent), the mean answer was 8.7.

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THE PRESIDENT HAS SEEN
1-10-00

## INTERNATIONAL ROUNDUP

**International Mergers Increase as Regulation Becomes More Complex**. Last year was a record year for mergers and acquisitions, with more than $1.7 trillion in announced deals recorded in the United States, $1.2 trillion in Europe, and $162 billion in Asia. However, at the same time that mergers, particularly cross-border mergers, are rapidly increasing, merger control laws are becoming more numerous and complex. A survey of 99 international jurisdictions found that 28 countries and the European Union have substantially revised and strengthened existing competition laws in the past 3 years, and that 41 countries have instituted new merger control regulations in the past decade. The proliferation of regimes means that obtaining clearance for mergers and acquisitions worldwide is becoming increasingly complex, as companies must comply with merger notification requirements in different jurisdictions, each with its own rules, time frames, thresholds, and policy aims.

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Berger
Podesta

**EU and Mexico Reach Trade Agreement.** At the end of November 1999, Mexico and the European Union agreed on the terms of a free trade area (FTA) between the two regions, although both partners must still approve the agreement. The agreement will include an FTA covering industrial and agricultural goods, a preferential agreement in services, an agreement covering investments, rules on competition and intellectual property, and an effective dispute settlement system. The agreement may help bolster the share of Mexico's imports coming from the EU. (This share had declined from an average of 14 percent in 1990-92 to 9 percent in 1998.) At the same time, the agreement may allow Mexico to decrease its dependence on U.S. markets, currently the destination for roughly 80 percent of Mexican merchandise exports. Anecdotal evidence suggests that the proposed free trade agreement is already stimulating foreign direct investment in Mexico. For instance, the Nissan-Renault automobile alliance recently announced a joint venture of $400 million in Mexico over the next 7 years.

**Debt-for-Health Swap for Sub-Saharan Africa.** Of the estimated 34 million people living with HIV/AIDS in the world today, 23 million live in sub-Saharan Africa. Infection rates approach a quarter of the adult population in several countries in the region and top 10 percent in many others. A shortage of funds hinders efforts to slow the spread of the epidemic and reduce its impact. Recent international debt relief programs, such as the Cologne Debt Initiative, may free up resources to address social problems, and a recent study argues that HIV/AIDS prevention should be placed at the top of the agenda for sub-Saharan Africa. The study reviews various debt-for-development swap programs since 1987 and recommends using the debt relief savings to establish a "counterpart fund" in debtor countries, with a top priority of implementing HIV/AIDS prevention programs. The study states that even with a modest amount of funding, the effect on HIV/AIDS prevention could be significant. For example, Uganda launched a national campaign against HIV/AIDS with less funding than what could be available to most other sub-Saharan countries through debt relief, and it has successfully reduced the HIV/AIDS prevalence rate among Uganda's teenagers from 28 percent in 1992 to 10 percent in 1996.

To Sandy — we should push this hard but other nations will have to do what Uganda did
BC

THE PRESIDENT HAS SEEN
1-10-00

copied
Reed
Liu
Podesta

THE WHITE HOUSE

WASHINGTON

January 7, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: DPC Weekly Report

**1. Crime – Meetings With Gun Industry.** This week, we had preliminary meetings with two groups from the firearms industry. First, we met on Thursday with leaders of the National Shooting Sports Foundation, who represent the manufacturers, to set the table for formal talks in Las Vegas on January 21. Not surprisingly, they voiced disdain for certain demands made by the cities and states that have brought suit – in particular, the demand that an independent third-party monitor be created to enforce compliance with any settlement. The manufacturers contend that ATF suffices as a monitoring body, but as we will detail elsewhere, that claim is not very well founded in fact. We also met Thursday with representatives of a new organization of gun dealers, the National Coalition of Retail Firearms Dealers. This group is somewhat at odds with NSSF, as a matter both of personalities and policies. The dealers, for instance, are perhaps more willing than manufacturers to agree to gun show restrictions; the manufacturers, on the other hand, might prove more willing than dealers to agree to sanctions against "bad apple" retailers. The entry of the dealers into these discussions complicates the picture, though in ways that may prove advantageous to us. We will meet with the cities and states this coming week to align our positions going into the January 21 round.

They have to work the manufacturers - the [illegible] dealers be [illegible] [illegible] [illegible]

**2. Native Americans – Trust Case Ruling.** You asked about the status of the class-action trust fund case that was recently reported in the New York Times. In December, a federal district court ruled that the Interior Department had violated its trust responsibility to Native Americans by failing to keep accounts of income due them from such sources as leases and mineral royalties on trust lands. On Monday, the United States appealed, arguing that the court had overstepped its bounds and that Interior should first have been permitted to determine how to meet its accounting duties before the court intervened. In the meantime, Interior is preparing a plan to sort out the correct ~~account balances,~~ and will announce its plan in March.

Main thing here is not the lawsuit but getting right by the Native Americans.

**3. Education – Standards Report.** The Thomas B. Fordham Foundation released a controversial report this week evaluating state education standards. The report cited only Texas, North Carolina, South Carolina, California and Alabama as exemplary and declared that 21 states were "irresponsible" because their standards did not have sufficient rigor, clarity and content. Critics of the report pointed out that several of the states that were cited as "exemplary" have dismal scores on the ~~National Assessment~~ of Educational ~~Progress, and that~~ many of the state~~s cited as~~ "irresponsible" perform well on the NAEP and other standardized tests. The

Compare sections [illegible] Also what is the progress of the 5 states [illegible] NAEP [illegible] '93-'97

THE PRESIDENT HAS SEEN
1-10-00

report did note considerable progress in making standards more content-based and specific. Overall, the report gave the states an average grade of C-, up from a D+ in 1998.

**4. Education – Governors Davis and Pataki Announce Education Plans.** In their State of the State addresses this week, Governor Gray Davis and Governor George Pataki both unveiled agendas focused on education and teacher recruitment. Pataki offered a plan that would: cover tuition for students in New York public colleges who agree to teach for four years in public schools with teacher shortages; provide tuition assistance to help uncertified teachers achieve certification; and allow professionals from other fields teach without having to meet current requirements. He also highlighted measures to improve school safety and raise standards. In California, Davis proposed cash bonuses, scholarships and down payments on houses for teachers who agree to teach in weaker schools. He ~~also~~ proposed $30,000 bonuses for teachers who achieve National Board certification, as well as a range of steps to expand preschool access, wire classrooms, and reward students who score well on state and Advanced Placement exams with college scholarships.

Hooray—

Should consider mentioning this school reform in SOTU — maybe name Gray Davis in the text

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

January 7, 2000

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1-10-00

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Frampton
Podesta

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. GTF Jr.

SUBJECT: CEQ WEEKLY REPORT

RESOURCE STEWARDSHIP

Proposed National Monuments

We expect the New York Times to run an editorial this Sunday praising your proposals to designate national monuments, protect roadless areas and secure funding for your Lands Legacy initiative. Last week I forwarded to you, through John Podesta, a highly laudatory Arizona Republic editorial on the monuments.

Court Decision on Interim Roadless Moratorium

Following a lawsuit by Wyoming timber interests, a District Court in Wyoming issued an opinion this week upholding the Administration's 18-month moratorium on road construction in National Forests announced in February 1999, by Mike Dombeck, U.S. Forest Service Chief. The moratorium is currently in effect pending completion of your roadless initiative announced in October. The court decision strongly supports the legal authority of the Forest Service to protect roadless areas through a national decision-making process, thus boding well for future legal challenges to the current roadless protection rulemaking. Plaintiffs have not yet announced whether they will file an appeal.

Mississippi River Projects

We anticipate that the Washington Post will run a two-part series starting this Sunday on controversial proposals by the Army Corps of Engineers in Arkansas and Mississippi. In Arkansas, environmental groups – including Ducks Unlimited and The Nature Conservancy of Arkansas – and local officials fear that the Corps' channel construction projects will have devastating impacts on the White River Basin in Arkansas and two National Wildlife Refuges along the river. However, Representative Marion Berry has supported the projects in the past, although his more recent statements have been more ambivalent as a result of the controversy. We are working with the Corps to propose a Presidential directive to the Corps that would require a closer look at environmental concerns. In addition, we anticipate that the Washington Post story will cover similar issues in Mississippi and on the Missouri River.

Berry [illegible] OK - [illegible] Bumpers [illegible] Lincoln [illegible] there

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1-10-00

THE WHITE HOUSE

WASHINGTON

copied
Ballentine
Podesta
Burkhardt
(for reply)

January 7, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER BALLENTINE

RE: OFFICE OF ENVIRONMENTAL INITIATIVES WEEKLY

Should send good
(letter to CEO of Ford
DaimlerChrysler

**Climate Change**

*Press, Science and Industry.*

Following the lead of Ford last month, DaimlerChrysler Corp. this week withdrew from the Global Climate Coalition, the major business lobbying group opposed to the Kyoto climate treaty. This leaves GM as the only American carmaker still in the anti-Kyoto group. BP/Amoco, Sunoco and Shell have left the GCC within the last two years. We are pushing the *Washington Post* to run an editorial on this subject, and are optimistic.

A coalition of 42 religious and environmental organizations in 17 states unveiled "Campaign ExxonMobil" (CEM), an effort aimed at pressuring ExxonMobil to reform corporate practices that contribute to global warming, to acknowledge that human activity is causing global warming, and to quit anti-Kyoto lobbying groups such as the Global Climate Coalition. The religious and environmental groups' primary tactic is shareholder resolutions. In addition to Exxon-Mobil, they are also targeting GM, Cinergy, Goodyear, Duke Power, CSX, Southern Co., Chevron, Texaco, Allegheny Energy.

*NBC Nightly News*, at our prompting, devoted their "In-Depth" segment *(01/04)* to the latest global warming data indicating that since the mid-1970's global temperatures are rising .35 degrees Fahrenheit a decade, validating earlier predictions. *CBS Evening News* is planning a similar piece for next week.

As part of its special millennium edition, the *New York Times* compared two scenarios for global weather and temperature in the year 2100. The "high emissions" future (which assumed little emphasis on improved technology and high population) predicted temperature increases of five degrees worldwide and two foot sea level rises. The "low emissions" future (use of cleaner technologies, lower population growth) predicted increased temperatures of 3.5 degrees and sea levels rising 1.5 feet. The low emissions scenario, however, assumed that no "policy steps to reduce greenhouse gases specifically." .

THE PRESIDENT HAS SEEN
1-10-00

*International/Diplomatic*

Next week in Hawaii we will have discussions on climate change with representatives of the People's Republic of China in conjunction with the third meeting of the U.S-China Forum on Environment and Development. While the Chinese remain extremely reluctant to discuss climate change and the Kyoto Protocol, we hope to focus the discussion on the opportunities for U.S.-China cooperation on clean energy practices, as you have suggested. It remains a diplomatic imperative that we make some progress in this area with China, India and/or Brazil this year.

**Lands Legacy**

We are already seeing positive signs from the Hill on efforts to permanently fund environmental priorities from off-shore oil and gas production royalties. Congressmen Young (R-AK), Miller (D-CA), Dingell (D-MI) and others have indicated a high priority of trying to move their legislation to the House floor, having succeeded in passing committee. While we have concerns about some of the specifics of their bill, it is likely the best vehicle for House consideration. Senate Energy Committee Chairman Murkowski, perhaps responding to Congressman Young's success, has listed this issue as one of his three top priorities for this year. It is likely that his preferred bill, similar to the bill he co-sponsored with Senator Landrieu, would not be completely acceptable to us. We hope that our budget submission will help define the debate.

cc: The Vice President
John Podesta
Martin Baily
Maria Echaveste
Steve Ricchetti
Charles Burson
George Frampton
Neal Lane
Joe Lockhart
Gene Sperling
Jim Steinberg