

4-10-00
Eugene
Send to ~~Bush~~
Yes ☒
No ☐
~~Free Book~~
Yes ☐
No ☒
The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

It has been with great pleasure that, for the last two years, I have served as the Administrator of The Clinton Legal Expense Trust. Now, however, I have accepted a position as General Counsel to a local software firm and will be leaving the Trust in the capable hands of my former deputy, Christopher B. Healy.

I wanted to write and tell you what an honor it has been to serve both you and Mrs. Clinton, as well as the Presidency itself, in this position. On a personal note, as a native of the great state of New Hampshire, and a voter there through 1992, I tell friends that this is the second time I have helped in my small way to make you the Comeback Kid.

I could never convey in a letter the outpouring of support people from across this country – and indeed the world – have expressed to us. I would have to say that opinion has been evenly divided, among many tens of thousands of letters I have personally reviewed, between those who believe that you are the best President since Franklin Delano Roosevelt and those who rate you the best without qualification.

Either way, Mr. President, you occupy a special place in the hearts of Americans. Although I am an amateur student of history, I was not around at the time of President Roosevelt, so I am firmly in the latter camp.

Although it saddens me that our great country has produced the aberrations that have made the Trust necessary, I am proud of all that Senator Pryor, the Trustees and I have been able to accomplish in these two years.

I wish you all the best in your future endeavors, and I thank you for your service to America.

Sincerely,



Peter J. Lavalley

4-10-00



Zohreh Ghavamshahidi, Ph.D.

Professor

DEPARTMENT OF POLITICAL SCIENCE

Salisbury Hall, Room 242

Family - see me in this

UNIVERSITY OF WISCONSIN-WHITEWATER

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Podesta*

4-10-00



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Richetti
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Bush averse to more college grant funding



Let students get loans, candidate says in EC

By Doug Mell
Leader-Telegram staff

Texas Gov. George W. Bush gave strong indications Thursday he is not inclined to increase federal spending to give more grants to students to go to college.

Instead, Bush said, he has more affinity for giving students loans.

"I support Pell Grants (the federal government's main college grant program)," Bush told reporters after visiting Locust Lane School in Eau Claire. "I support student loans."

Bush, who attended both Yale and Harvard, conceded that some people have complained that those loans carry a repayment burden.

"Too bad," he said. "That's what a loan is."

Bush, the Texas governor and likely GOP presidential nominee, added: "There is a lot of money available for students and families who are willing to

■ Alan Keyes, another Republican presidential candidate, spoke to supporters Thursday in Eau Claire. Page 1B.

■ For more pictures from George W. Bush's trip to Eau Claire Thursday, see Page 6A.

go out and look for it.

"Some of it you are going to have to pay back, and that's just the way it is because there is nothing free in society. College is not free."

He also said the federal government should not get involved in setting tuition levels for state colleges and universities.

Here are edited remarks from a question-and-answer session between Bush and reporters after visiting Locust Lane School:

What are you plans to increase school accountability?

We are going to ask the question, are children learning? We are going to say to states, 'If you accept federal money, you have to develop an accountability system.' I believe a national test will undermine local controls of schools.

Under the Title I initiative, it says that after a three-year period, if standards aren't being met for disadvantaged students — in other words, if students remain in failed schools — instead of subsidizing failure, something must happen. You can't have an accountability system, you can't measure, unless ultimately there is a consequence. Otherwise, there is no accountability.

And the consequence is, the parents get to make a different choice. It's funding children and it's battling failure.

I believe if you set high standards and hold people accountable, people will learn. I've seen it with my own eyes.

Leader-Telegram 3/31/00 See BUSH, Page 11A

Maxim
Lefkowitz
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4-10-00

Geo Frempton

Pls check this out
go really like to help
on this if at all possible
Advice - I need to reply too

BS

copied
Frempton
Podesta
Bunkhardt
(for reply)

Mr. & Mrs. Blew



4-10-00

April 5, 2000

President Bill Clinton
1600 Pennsylvania Ave.
Washington, D.C. 20500

Dear President Clinton:

I hope you will be able to see this letter personally. It is about a great opportunity for Arkansas, and it is from one Arkansawyer to another.

As you probably know, a great hiking trail from Lake Fort Smith to St. Louis has been under construction since 1978. In Missouri it is known as the Ozark Trail (307 miles completed), and in Arkansas as the Ozark Highland Trail (185 miles completed). The complete trail is referred to as the Trans-Ozark Trail.

In Arkansas the OHT stops at Tyler Bend (Hwy 65) on the Buffalo River. From Tyler Bend the Buffalo National River is the only available public land extending toward Ozark National Forest land and Lake Norfork. The TOT project is moving on the Ozark National Forest toward Lake Norfork where it will cross the Missouri line using the Lake Norfork Trail.

The current Buffalo National River Wilderness and Backcountry Management Plan (8/4/94) and it's predecessors all provide for the extension of the OHT, but the National Park Service has yet to begin the project in spite of once having pledges of volunteer labor and money in hand.

We would like for you to do what you can to persuade and assist the Park Service to move on this worthy project. It could be on the ground by the Bicentennial anniversary of the Lewis and Clark Expedition (2004). The Trans-Ozark Trail can never be if the Park Service doesn't go to work.

Thank you for whatever you can do.

Sincerely,

Duane W. Woltjen, TOT Chairman
821 Applebury Drive
Fayetteville, AR 72701

501-521-7032 ozarktraveler@lynks.com

April 5, 2000

Dear Mr. and Mrs. Blair

Judy and I are your neighbors, and you often see us walking past your house. As neighbors, I hope you may let me impose on you just a little just once.

Through the newspapers I have learned that President Clinton plans to visit Fayetteville, and I am hopeful you may be on his list of friends to visit with. If so, you could do me and Arkansas a great favor by delivering the attached letter to him in an environment where he might actually get a chance to read it.

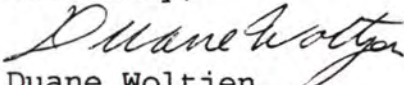
Please read the letter addressed to him, and if you agree my cause is worthwhile, please hand the letter to the President.

I have been discussing this with the Park Service at BNR and at their regional office in Omaha to no avail for more than 5 years. That is why I have decided to ask the President to help.

Any help you can provide will be greatly appreciated. Feel free to call me if you have any questions or concerns.

Thank you very much.

Sincerely,



Duane Woltjen
821 Applebury Dr.
Fayetteville, AR 72701

501-521-7032

4-10-00

THE WHITE HOUSE

WASHINGTON

BL - when are
we on this?

4/7/2000

~~Mr. President~~ Bc

Don Pogue called to
follow up on your
conversation about
the 2nd circuit court of
Appeals opening.

✓
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Lindsay
Podesta

He is still interested —
(Though he heard it is
being held for someone
in particular.)

many

den Pogue.

203-453-5592

THE WHITE HOUSE

WASHINGTON

March 31, 2000

4-10-00

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30 APR 4 PM 2:41

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *Neal*

SUBJECT: Antibiotic Resistance

On March 18th, the Washington Post ran a story that highlighted the concern that the use of antibiotics in feeds to promote livestock growth may enhance the development of resistance to certain antibiotics used in human medicine. While the issue is real and deserves action, the article contained inaccuracies and misrepresentations. For example, the article implied that a woman in a Detroit hospital died due to antibiotic resistant pathogens and that the resistance likely originated from animal feed uses. When FDA investigated this case, they found that the infectious disease specialist cited in the article concluded that the development of resistance was not associated with the use of antibiotics on the farm, but rather occurred in the hospital.

This is a complicated issue and the science is not clear as to what types of uses and factors are driving the development of antibiotic resistance. All uses of antibiotics (in human, animal, and plant health; livestock production; and even research) have the potential to promote the development of resistance through selection of naturally occurring resistant strains and subsequent transfer of resistance genes to strains that are currently treatable with antibiotics. How each use contributes to this problem is unclear, but overuse and misuse of antibiotics in medicine and wide-scale use in livestock production are the most likely causes. Clearly, antibiotics are important to both medicine and agriculture, so we must develop resistance management strategies that minimize the negative impacts stemming from both.

In this regard, the FDA, which has regulatory authority for both human and animal uses of antibiotics, has published a framework for evaluating and assuring the human safety of new antibiotic animal drugs intended for use in food-producing animals. HHS and USDA are stepping up both their surveillance and research programs. In addition, federal agencies have developed a draft action plan to address this issue and will publish it in the Federal Register for public comment within the next few months. OSTP will continue to monitor this issue to ensure the action plan is implemented and monitor the progress of FDA's review of the antibiotics, Virginiamycin and Synercid, which were featured in the Washington Post article.

Attachment

cc: Bruce Reed

BP/Reed/Lane
we need to get
to the bottom of this
JK

THE PRESIDENT HAS SEEN
3-18-00

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Gwin
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Levinson

WE NEED TO GET TO THE BOTTOM OF THIS

Worries Rise Over Effect of Antibiotics in Animal Feed

Humans Seen Vulnerable To Drug-Resistant Germs

By MARC KAUFMAN
Washington Post Staff Writer

AL

A 66-year-old woman was recovering from a heart bypass in a hospital near Detroit when she suddenly developed respiratory failure and a serious infection. Doctors quickly gave her an antibiotic that usually works. This time, however, it didn't. The bacteria causing the woman's infection were resistant to the drug.

The woman's doctors immediately turned to a newly approved antibiotic, a powerful one designed specifically to attack the kind of dangerous antibiotic-resistant microbes that had infected her. But her physicians were dismayed to find that drug didn't work either—the bacteria in her body were resistant to it as well. The woman died soon after.

Cases like this around the country have caused rising alarm among infectious disease doctors and public health experts. They are also at the center of an increasingly acrimonious dispute now before the Food and Drug Administration over how antibiotics are used in this country—specifically, how farmers use them to promote the growth of livestock.

Experts have long known that the overuse of antibiotics by doctors and their patients has reduced the ability of those drugs to cure infections. Now there is mounting evidence that the antibiotics widely used on farm animals are also diminishing the power of important antibiotics to help people.

Giving animals antibiotics in their feed can cause microbes in the livestock to become resistant to the drugs. People can then become infected with the resistant bacteria by eating or handling meat contaminated with the pathogens.

"Many of us believe there is a tremendous overuse of antibiotics for animals," said Marcus Zervos, an infectious disease specialist at William Beaumont Hospital in Royal Oak, Mich., who was involved in the Michigan case. "There is some very strong opposition to our view that animal antibiotics are un-

dermining antibiotics for people, but this whole area has to be reconsidered."

Most of the antibiotics used on the farm are not administered to treat sick animals. Instead, farmers feed livestock a low-level diet of antibiotics to attack bacteria that might require the animal's body to expend energy to kill off. This allows animals to grow more quickly and, from a producer's point of view, more efficiently.

But this practice has increasingly become the focus of concern. Researchers have already found evidence that the use of antibiotics on farms has led to an increase in antibiotic-resistant cases of food poisoning caused by campylobacter and salmonella bacteria in people.

Now, doctors and researchers point to the antibiotic the Michigan woman received—Synercid, an important drug-of-last-resort in fighting life-threatening infections—as a case study illustrating why they are so concerned.

While Synercid was approved for human use only last fall, a closely related drug called Virginiamycin has been used on livestock since 1974. Researchers have found Virginiamycin-resistant bacteria in as much as 50 percent of su-

permarket chicken, turkey and pork. That alone causes concern that the effectiveness of Synercid is already significantly reduced in humans.

"It's clear that the use of Virginiamycin to promote the growth of

food animals is a hazard to human health," said Frederick J. Angulo of the federal Centers for Disease Control and Prevention (CDC). "It's difficult to track the chain of evidence we need to say for certain that the Virginiamycin in animals

results in resistance to Synercid in humans. But we do believe the seeds for Synercid-resistant [bacteria] were planted on the farm, and are likely to blossom in hospitals."

Defenders of animal antibiotics say the scientific evidence linking Virginiamycin resistance in animals to Synercid resistance in humans remains inconclusive, and that animal antibiotics in general pose no immediate danger to people. Studies have found Synercid resistance in 1 percent to 4 percent of humans tested, they point out, and that is far below the rate of Virginiamycin resistance found in animals.

"We're not at all convinced, based on the data, that Virginiamycin is the cause of the Synercid resistance, however minimal, in the human population," said Carl Johnson of Pfizer Inc., which developed Virginiamycin and later sold the rights to Synercid to Aventis Pharmaceuticals. "We believe it is coming from hospital use."

Others see a need for immediate action. In Europe, officials have already banned the farm use of Virginiamycin and three other growth-promoting antibiotics, following recommendations from the World Health Organization. Legislation to impose a similar ban in the United States was introduced in Congress last year by Rep. Sherrod Brown (D-Ohio). And consumer and public health groups petitioned the FDA last year to stop the use of any drugs used as animal growth promoters that are also used to treat diseases in people.

In response, the FDA is trying to fully understand and quantify the risk to humans posed by antibiotic use in animals, and will undertake a formal risk assessment of Synercid and Virginiamycin this spring.

"Experts are saying they're seeing resistance to Synercid, and that it must be coming from the animal use of Virginiamycin," said Sharon Thompson of the FDA's Center of Veterinary Medicine. "That is exactly the concern we are looking at. We're collecting information now and there will be a thorough review."

More than a year ago, the FDA proposed new guidelines to limit the spread of antibiotic resistance, and late last year claimed authority to require drug companies to prove any new animal antibiotics won't dangerously increase antibiotic resistance in humans. In the future, FDA officials said, the agency will also review some animal antibiotics already on the market, and will require new testing and new standards for those closely related to vital human antibiotics.

The FDA's actions have left drugmakers and livestock producers worried and angry. They say that animal antibiotics have been safe and very useful for decades, and that farmers need them to keep their animals healthy and growing as fast as they can. Without them, American meat and poultry would not be as safe from disease-causing organisms, and prices would rise as well, they say. And they complain that the FDA has already imposed a "de facto moratorium" on new animal antibiotics while the proposed guidelines are debated.

The FDA "is adding new requirements for resistance information never asked for in the past, and almost impossible to actually gather now," said Richard Carnevale of the Animal Health Institute, which represents pharmaceutical companies that supply farm drugs.

"In essence, we can't get products approved because we can't learn what we have to prove," he said. "One company has been working for more than a year on a protocol [to test antibiotic resistance], and the FDA is never satisfied and just tells them to keep tweaking."

Carnevale asserted that the FDA slowdown in animal antibiotic approvals has discouraged drug companies from investing in the costly development of new antibiotics for humans, too.

Livestock growers also are fight-

1/2

ing efforts to limit antibiotic use. They consider the medications essential to their business, and are rushing as well to protect the FDA from what they consider to be non-scientific influences.

"Unlike Europe, we want to make sure decisions are based on science alone here," said Gary M. Weber of the National Cattlemen's Beef Association. "At this point, we don't see any evidence of an identifiable problem regarding antibiotic resistance from animal feed. And in the absence of good science showing that, we think it would be a real blunder to ban or limit its use."

The European Union asserts that governments can take action when they believe a health danger is present, even if it cannot be scientifically proven at the time. But the U.S. Trade Representative has opposed the ban—supporting the U.S. industry position that the risks of animal antibiotics have not been scientifically assessed—and has threatened to take its case to the World Trade Organization.

Researchers agree that many aspects of antibiotic resistance remain unresolved. But they say that more precise methods of studying bacteria on the molecular level have recently allowed them to demonstrate that resistant forms of at least two common bacteria—campylobacter and salmonella—are being passed from animals to humans. These organisms have become increasingly resistant to antibiotics known as fluoroquinolones—which include the most widely used antibiotic to treat food-borne infections, Ciprofloxacin.

Researchers found that chicken treated with fluoroquinolones were being colonized by campylobacter bacteria resistant to the drug, and that those bacteria were being passed to humans. An FDA-commissioned risk assessment concluded in December that at least 5,000 Americans will suffer longer bouts of campylobacter food poisoning annually because of fluoroquinolone resistance passing from chicken to people.

The threat from Synercid-resistant bacteria is potentially greater, because the drug generally is used to control infections when a patient's immune system is already severely compromised—during organ transplants and chemotherapy, for instance. But the pathway from Virginiamycin resistance in animals to Synercid resistance in humans is more complex than with campylobacter or salmonella.

Virginiamycin in feed produces resistance in bacteria called enterococci, which inhabit the intestines of humans and animals. They generally do not cause disease, and so there is no inherent risk involved with their development of antibiotic resistance. They can, however, become very dangerous if their resistance transfers to other enterococci that inhabit human wounds, catheter infections and other hospital-acquired contagions. Synercid was approved to attack a dangerous form of enterococci resistant to the antibiotic that used to be doctors' last resort, Vancomycin.

Researchers believe that animal resistance to Virginiamycin is appearing as Synercid resistance in those now very dangerous enterococci. But the scientific debate over this is fierce, and the newest scientific methods have not conclusively traced Synercid resistance in humans from Virginiamycin resistance in animals.

"The Synercid story is just starting to play out," said J. Glenn Morris of the University of Maryland in Baltimore, a specialist in the field. "We know we have a major problem on our hands in terms of antibiotic resistance in our hospitals. The question about Synercid is whether we'll act to protect it now, or just accept the risk that it and other important antibiotics may become ineffective sooner because of this animal use."

2/2

The Economist

A SURVEY OF AGRICULTURE
AND TECHNOLOGY

4-10-00

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Spaulding
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Growing pains

AGRICULTURE AND TECHNOLOGY



From family affair to one-man show

Growing pains

TO DISPEL any lingering pastoral illusions about present-day agriculture, take a trip to "hog heaven". This ten-mile stretch of countryside north of Ames, Iowa, produces almost a tenth of America's pork. But there is not an animal in sight. In massive metal sheds, up to 4,000 sows at a time are reared for slaughter, their diets carefully monitored, their waste regularly siphoned away, their keepers showered and begowned, like surgeons, to avoid infecting the herd.

Or pay a visit to the farms of the Mato Grosso in Brazil's south-west. Here one man's soybeans can stretch for 60,000 hectares, and a farmer can take a day to drive his combine down one length of a field and back again. Or wander round a giant greenhouse south of Amsterdam, where 280,000 rose bushes are tended by computer-controlled systems and just the occasional green thumb.

Since the second world war, agriculture has become bigger, more intensive and more specialised, both in the developed and much of the developing world. It is one of the world's largest industries, employing 1.3 billion people and producing \$1.3 trillion-worth of goods a year. World output of food per head has gone up by some 25% over the past 40 years, even though land use has grown by only 10% and world population has increased by 90%. Food prices in real terms have fallen by two-fifths, so that rich consumers in America, for example, now spend only 14% of their household income on food.

A success story, then? Not altogether. Modern agriculture is now being shaped by many of the same technologies transforming other industries, but is also subject to unique political and economic constraints. It is expected to produce an abundance of cheap food, but at the same time take account of environmental concerns and look after rural landscapes, the welfare of farmyard animals and the health of consumers. Farmers are supposed to respond to market forces, yet find themselves so insulated in some countries and so marginalised in others that they can scarcely manoeuvre. The current debate on genetically modified foods is merely a

symptom of far wider tensions.

Agribusiness—a term coined by Ray Goldberg at Harvard Business School in the late 1950s—used to be an orderly chain of companies and institutions stretching from the supply of inputs, such as seeds, fertiliser and machinery, to food processors and retailers. Each link of the chain did most of its business with its neighbours on either side and had little contact with the rest. Family farmers were central to the system. They decided what to grow and where to sell it, taking the risk and reaping a fair portion of the reward. In 1950, the world's agribusiness was worth \$420 billion, and farmers added more than a third of the value. By 2028, the market could be worth \$10 trillion, and Dr Goldberg reckons that farmers' share of that will fall to 10%.

Global competition and new technologies are forging new relationships within, and between, different layers of agribusiness, transforming the industry from a chain to a complex web. Farming in rich countries is slowly moving from a bulk-commodity industry to "boutique agriculture" producing highly specialised goods. As consumers become better informed and more demanding, companies are consolidating in pursuit of new efficiencies and economies of scale. The trend is most obvious at either end of the food chain: seeds and supermarkets.

Seeds of trouble

Since the development of hybrid crops in the 1920s, commercial farmers have bought their seeds from private firms, paying a premium for such desirable traits as consistent quality and high yield. Until the arrival of biotechnology, the world's \$20 billion commercial seed market was highly fragmented, but in the past four years it has been transformed by a series of large deals, most of them done by "life sciences" companies such as Aventis and DuPont.

Their grand plan was to take the technologies that have transformed drug discovery and apply them to agriculture, creating new, "transgenic" plant varieties with traits that could not easily be engineered through conventional breeding. Such firms

Farming is under pressure to produce more, but has less freedom than ever to do so. Shereen El Feki considers how it can rise to new expectations





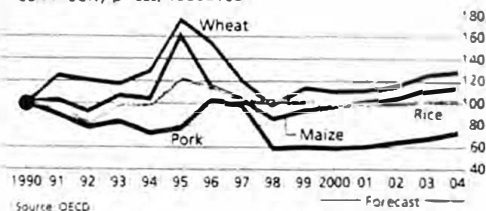
controlled multi-million-dollar research budgets and held a number of promising patents, but they lacked access to the seeds to which to apply their specialist knowledge, and to the farmers who would plant them. So the life-sciences firms started buying seed companies in bulk, at extravagant premiums. The most prominent example was Monsanto, which in the space of a few years made \$8.5 billion-worth of acquisitions and joint ventures, giving it a dominant presence in developed markets such as America and a foothold in such up-and-coming markets as India and Brazil. But smaller firms piled in too, such as Seminis, a Mexican company that advanced from a bit player to a world leader in vegetable seeds in the 1990s.

By 1998, this strategy looked like a winner. Vast swathes of the world's prime grain regions were converting to the new seed varieties. Last year 33% of America's maize and 55% of its cotton crop, and 90% of Argentina's soyabeans, came from genetically engineered varieties, according to Clive James at the International Service for the Acquisition of Agri-biotech Applications. And companies such as Monsanto, which relied heavily on ageing agrochemicals, were enjoying bumper sales, because many of the transgenic crops had been engineered for herbicide resistance.

Despite the premium farmers had to pay for such genetically modified seed and despite having to promise not to replant it from their harvest, they, too, did well out of the new technology. According to a study by Greg Traxler and Jose Falck-Zepeda, of Auburn University in Alabama, gains from planting Bt cotton, genetically engineered to produce insecticides called *Bacillus thuringiensis* toxins, amounted to \$200m in 1997, of which 42% went to farmers, 35% to Monsanto (which held the gene pat-

In the bin

Commodity prices, 1990=100

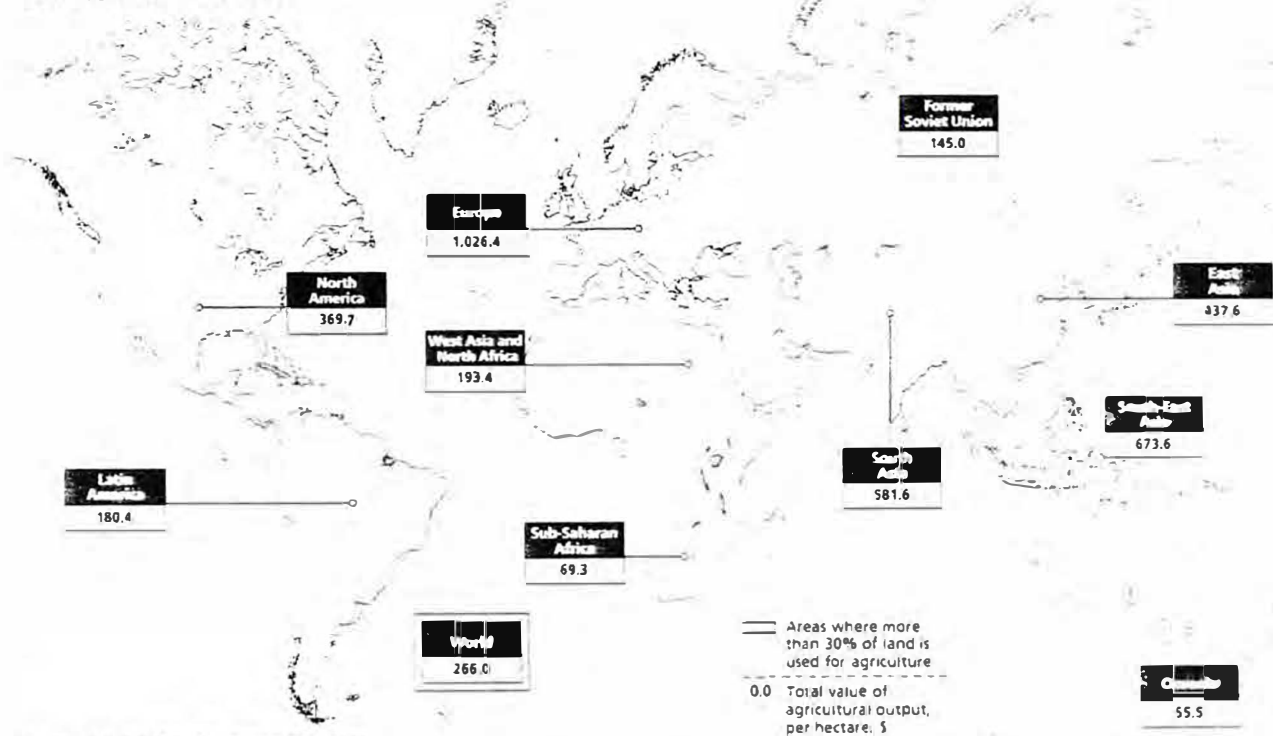


ent) and 7% to consumers.

But that is not the end of the story. Companies have taken each other to court over patents and licensing. Pressure groups such as Greenpeace, and public-sector agricultural institutions such as the United Nations' and World Bank's Consultative Group on International Agricultural Research, are worried that if intellectual-property rights are held by companies, access to technologies and products will become harder and costlier for the poor farmers they try to help. The big biotech firms came a cropper last year as consumers in Europe and Japan mounted an international boycott of genetically modified foods. And even American consumers, who until recently accepted such foods without much thought, are now starting to ask questions.

Resistance on the high street has already registered on Wall Street. Firms that dreamed of combining pharmaceuticals and crops watched the value of their thriving drug businesses being dragged down by their agricultural interests. In the past six months Novartis and AstraZeneca have merged and hived off their seed and agrochemical divisions into a new subsidiary called Syngenta. Monsanto, which announced plans to merge with a pharmaceutical company, Pharmacia & Upjohn, in December last

All the world's a farm



Sources: International Food Policy Research Institute; FAO

year, is widely expected to sell its agricultural division, as is American Home Products. Further consolidation is likely.

Some firms will continue to benefit. Local seed companies will still be doing deals with biotechnology firms. Outfits such as Ceres, which churn out the basic stuff of genetic engineering—DNA sequences—will prosper because their information can be used in less controversial, conventional breeding programmes. And those firms that can reassure uneasy shareholders and keep their drug and agricultural divisions together may ultimately reap the promised synergies. But that could still be a long way off.

Sales force

Much of the pressure on agrochemical and seed companies has come from retailers, whose power to influence the agribusiness chain has grown along with their size. Their industry, too, has seen widespread mergers among supermarket chains, giving them more purchasing power and increasing their global reach.

The supermarket sector is most concentrated in Europe, where, in Germany for example, five supermarket chains control almost two-thirds of the market, according to Rabobank, a Dutch bank. Last year Wal-Mart, the world's largest retailer, followed a foray into Germany with the \$11 billion acquisition of Asda, a British supermarket chain. The merger of

Promodès and Carrefour, France's two leading supermarkets, created the world's second-largest food retail business. In America, supermarket consolidation was slow to start, but is now gaining ground.

The bigger they get, the more leverage the retailers have over their suppliers, not just on price, but also on issues such as quality and timing of delivery. The retailers sit on a treasure trove of information about their customers, thanks to the product codes stuck on their merchandise that allow them to track their sales in real time. Food manufacturers need this detailed information to meet the retailers' requirements, especially for own-brand lines, which are popular in Europe. And increasingly, supermarkets make contracts direct with producers, cutting out the middlemen.

Those middlemen—the ones who distribute the milk, pack the beef or collect the grain—are also consolidating, most obviously in America. Nearly four-fifths of all the cattle going for slaughter there are handled by only four firms. Likewise, four firms crush 80% of the soyabeans to make oil, and another four produce almost 50% of the broiler chickens. Firms such as Smithfield Foods and IBP are not exactly household names, but they control a critical step from production to consumption.

At the same time these middlemen are themselves becoming producers. Most chickens in the industrialised world now come from integrated operations, and the pork industry is moving in the same



Trust or bust

MONOCULTURES are much criticised by environmentalists for driving out biodiversity, replacing a rich mix of species with a single crop. Economists, and farmers, fear much the same is happening in American agribusiness, as consolidation and vertical integration sweep the industry. But they have little confidence in the ability of existing regulatory bodies, such as the Department of Justice or the Federal Trade Commission (FTC), to prevent corporate mergers that put farmers and ranchers at a disadvantage.

This is a strange turn of events, says Jon Lauck, an antitrust expert at the University of Minnesota law school, because American antitrust law has its roots in 19th-century farmers' fears that a few big firms would dominate such activities as meat packing and sugar refining. Those fears led to ground-breaking legislation such as the 1914 statute to set up the FTC. These instruments are widely used to break up monopolies in other industries, but many farmers reckon that today's trustbusters have little interest in agriculture.

If only, say companies such as Monsanto, whose four-year spending spree on seed companies has kept it firmly in the justice department's sights. This has

not only cost the company its latest acquisition, Delta & Pine Land, but also saddled it with a \$1 billion lawsuit in damages from the jilted firm. And the antitrust wagon rolls on. Late last year farmers and environmental activists filed a lawsuit charging Monsanto and nine other companies with abuse of licensing agreements and intellectual-property rights in foisting expensive genetically engineered soyabeans and corn seed on farmers. Few believe the suit will succeed, because Monsanto's alleged monopoly arises from a perfectly legal instrument, a patent. But it will prove an irritation to the firm for years to come.

You're on your own

Antitrust regulators are diligent enough in scrutinising deals that may threaten consumers, but they pay little attention to the effects on those who sell to the new giants, says Neil Harl, an economist at Iowa State University. He points to the acquisition of the grain-trading business of America's Continental by its rival, Cargill, in 1999, giving the resulting giant control of 42% of America's corn exports and a third of its soyabean shipments. Cargill argues that the deal is good for farmers, offering more of them better

market access. The putative beneficiaries are inclined to disagree.

Some states have passed legislation to regulate corporate farming. One example is South Dakota, where a referendum in 1998 endorsed a law preventing corporate agribusiness from owning land or livestock in the state. That statute is now being challenged by the packers' trade body, the American Meat Institute. The institute is also fighting a law passed in Missouri last year that prohibits "discriminatory" pricing, preventing meat packers from giving preferential contracts to large producers over small ones.

Several senators have tried to introduce federal legislation to control agribusiness. Last year they managed to pass a law requiring "price disclosure", forcing integrated agribusinesses to reveal the cost of their supplies. A bill to force an 18-month moratorium on all mergers, acquisitions and marketing agreements was rejected by the Senate. But the Farmers and Ranchers Fair Competition Act of 2000, now wending its way through Congress, may have a better chance of survival. It too demands greater scrutiny of mergers and their effect on small independent producers, imposing stiff fines for a variety of "anti-competitive" practices. Industry sees this as more featherbedding for farmers; the farmers reckon it's only fair.



Vertically integrated

direction, squeezing out small producers and concentrating the business in certain regions. Vertical integration allows companies to match technological developments upstream to consumer demand downstream. If, for example, a retailer wants pork with a certain colour of fat, company geneticists can go to work on the pig.

Integration also allows companies to control hygiene more rigorously at every point in the production process, and apply the growing list of standards imposed by governments and their new food-safety agencies. This is yet another demand flowing upstream from consumers, who are understandably nervous about the quality of their increasingly industrialised food. Last year animal feed tainted with polychlorinated biphenyls and furans, some of the nastiest persistent organic pollutants known to man, was sold to 1,700 Belgian farmers and found its way into their chickens, pigs and cattle, losing the country's farmers \$600m in sales. Britain is still reeling from the effects of mad-cow disease, probably triggered by feeding tainted bone meal to cattle, which cost £3.5 billion (\$5.5 billion) in lost exports and culled herds.

Sign on the dotted line

One way in which a processor can control production is through explicit contracts with farmers. Such arrangements usually mean that the grower provides land and labour, whereas the contractor supplies the seeds, chemicals or animals and makes many of the decisions. Such contracting is common in vegetable production and is growing in grain production too, driven by new technologies that are turning bulk commodities into tailor-made products. The first generation of genetically modified crops had "agronomic" properties, such as herbicide resistance, that were useful to growers but held no obvious appeal for consumers. The next generation of high-tech crops, now on their way to market, have been manipulated to produce so-called "output traits" to benefit consumers directly.

For example, biotechnology enthusiasts speak glowingly of the prospect of "nutraceuticals"—foods with all manner of enhanced nutritional, even medicinal, properties. A few of these, such as rice enhanced with vitamin A, are moving out of the

laboratory, but progress is slow because of the sheer technical complexity of creating them, as well as consumer uneasiness about the whole idea of genetic modification. Some four-legged consumers, however, are already eating crops with enhanced output traits to boost their growth or reduce the waste they produce.

Such crops are often grown under contract, and must be separated from other varieties during the trip from farm to consumer, because the benefits of their genetic enhancement will be felt only in their consumption. This is different from, say, insecticide-producing maize, whose benefits are confined to its cultivation. Such products are routinely mixed in with conventional ones in the vast handling systems of commodity shippers such as Cargill and Archer Daniels Midland. But many other types of crops, such as soyabeans for the Japanese market, are already kept separate, so segregating output-trait-modified grains should not prove much of a problem—provided that consumers will pay a premium for the added value.

Many farmers like contracting because it can pay well and helps them to reduce their risk. For young farmers without capital, it is a way into the business; for those in poor countries, it offers access to new techniques. But others fear falling in hock to a company that has both size and, increasingly, patent protection on its side. And there is the offputting precedent of the chicken farmers, whose contracts tend to be nasty, brutish and short.

In America there is pressure for legislation to offer farmers a fighting chance in the new food web (see box, previous page). New partnerships forming along the food chain, such as that between DuPont and General Mills, worry farmers. They foresee perhaps only half a dozen "food clusters" that will control the passage of food from soil to supper.

Yet even in the industrialised world's fastest-moving markets, such as America or Australia, that degree of integration in agribusiness is still a long way off. In Europe and parts of Asia, where an understanding of the domestic subsidy system is still more important than an appreciation of consumer tastes, progress is even slower. Modern agribusiness is not yet ready for the sort of just-in-time manufacturing practised by Dell Computer, in which a signal from a customer triggers a new round of the production cycle. But that day is coming, and farmers are getting ready for it.



Survival kits

How farming is reinventing itself

FAMILY farmers around the world are far from happy. But then farmers always complain. What is new is that this time they have good reason to.

Contrary to their staid image, farmers can be quite nimble when it comes to adopting new technologies. The development of modern genetics owes much to breeders' match-making over the centuries. But now farming is being flooded with biological information and molecular tools, courtesy of modern medicine and its genomics revolution. All this is making new demands on the industry. It is under pressure to become more competitive, more envi-

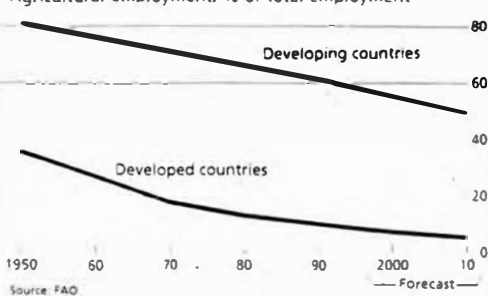
ronmentally friendly, and more responsive to consumers' needs.

In much of the rich world, large numbers of them are leaving the business altogether. Farming populations in France and Germany, for example, have fallen by more than half since 1978. The result has been fewer, larger and more productive farms. In the OECD as a whole, the number of farms has been declining by 1.5% a year, and farmers and their workers now make up only 8% of the labour force (see chart 2, next page).

Among those who do not want to get out, many

Wilting

Agricultural employment, % of total employment



are getting together in co-operatives again. This form of organisation goes back to the mid-19th century, when smallholders clubbed together to bundle their buying power for things like seeds, and to sell their produce en bloc. But in the more recent past co-ops fell out of fashion in America and Britain because of poor management and competition from the private sector. Now they are picking themselves up by becoming vertically integrated food-production-to-processing businesses, like their more powerful counterparts in continental Europe. Their advantage over private companies is that they can offer farmers a greater stake and a greater say in the business, harnessing their loyalty.

Another way for farmers to thrive is to join the information age. Many farmers believe that their most valuable harvest may be the data they log from the land. Bill Horan, who farms 1,400 hectares (3,500 acres) of soyabeans and corn in northern Iowa, is using a new toolkit called "precision agriculture" that enables him to collect masses of information about the state of his own fields.

One key component of precision farming is digital maps, generated by global-positioning-system (GPS) satellites, which can zoom in on a square measuring roughly two hectares. The second critical part of the kit is a "yield monitor", a device fitted to a combine which measures the volume of grain as it comes off the field and correlates this with the GPS map to provide a yield for each square. Mr Horan also sends consultants into his fields to take soil samples, checking for nutrients. All this information is then integrated on a computer to provide a detailed profile of his land.

In a perfect system, Mr Horan would be able to link yields in different parts of his fields to particular soil features. That would enable him to concentrate his use of chemicals where they were needed most, reducing his costs and helping him conform to regulations on their use. But alas, agriculture is not a neat science. Mr Horan and other users of the toolkit are finding that the soil features they thought would best predict yields simply do not correlate, so they do not know how to act on the information they have—much like a doctor who has diagnosed an illness but is unsure how to treat it.

Companies such as Case IH, one of the world's leading manufacturers of farm equipment, are keen to help the technology along to boost sales of their machinery. In conjunction with Cargill, the company is running a pilot project with half a dozen farmers in America's mid-west to quantify the benefits of precision agriculture. The technology does not come cheap—the basic precision package costs

about \$10,000—and at a time when commodity prices are at record lows, farmers will need persuading to move to the cutting edge. Mr Horan reckons that it is worth it. Consumers and processors may want to know, say, how much chemical was sprayed on a particular crop. The system enables him to tell them, plot by plot.

Precision agriculture comes in many guises. Whereas the mid-western variety—all satellite-generated maps, massive machines and computer monitors—is the stuff of NASA missions, new technologies in horticulture look more at home in hospitals. Start-up firms in Israel and the Netherlands are trying to improve the efficiency of greenhouse agriculture by using sensors linked to computers. For example, Phytech, a small company started by Russian immigrant scientists near Tel Aviv, has developed the equivalent of a vital-signs monitor for plants. Leaves, stems and fruit are connected to devices that continuously sense things such as tissue temperature and swelling. This information is fed into automated control systems to regulate functions such as irrigation and atmospheric gas concentrations so that the crop suffers no stress.



Byte-sized harvest

Another boost to farming may come from the Internet. Many family farmers feel cut off from the wealth of information being shared in new corporate alliances. The web offers them a way of becoming connected to other points in the business. A number of websites have sprung up to provide them with news, agronomic advice and risk-management tools, and web-based exchanges, such as Farms.com, allow them to bid for things like pesticides and fertilisers, and in turn find buyers for their products.

The Internet also helps other businesses to target the farmers. When DuPont had difficulty finding growers for its new high-oil maize, it turned to E-Markets, an Iowa e-commerce company, which delivered what DuPont needed within days. Now DuPont itself, along with other bricks-and-mortar companies such as John Deere, is joining with farmers' co-operatives to create web-based exchanges and farm-management systems.

Many are now predicting a bright future for



Farmer-on-the-Dell



"agr-e-business". Rabobank reckons that by 2003 up to 10% of the world's \$4 trillion market in agricultural goods will be traded online. But farmers in Europe, Latin America and Asia are still far less wired than those in North America and Israel, and many may still want to shake a real hand before they sign a contract.

Finding a niche

If technology cannot bring farmers closer to the market, then perhaps nostalgia can. Many consumers have a sentimental attachment to the countryside and rural life that farmers could tap into. This is easier in some countries than others. In France, for instance, the sense of *terroir*—a feeling for the land—is more developed than, say, in America. Frenchmen want to know where their food and drink—be it walnuts or wine—has come from. But even in France, these links are becoming harder to maintain as society turns increasingly urban.

Some farmers believe that organic agriculture is the way to reconnect their industry to the consumer—and allow them to make a better living at the same time. In essence, organic farming eschews

synthetic fertilisers and pesticides. Instead, it uses techniques such as crop rotation to maintain soil fertility. In the West, however, organic farming is not so much a set of agricultural techniques as a social movement, embracing a range of attitudes towards nature and rural life. Although so far it represents only a tiny fraction of total sales, the world market in organic produce is growing steeply, and is expected to reach \$20 billion this year (see chart 3).

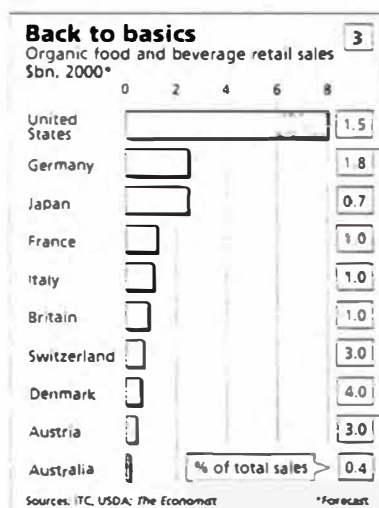
Consumers are turning to organic food because they believe it to be tastier, as well as healthier both for themselves and for the environment. But they buy on faith, much as they turn to alternative medicine.

As yet, there is little hard evidence that food grown under organic conditions is any healthier for the consumer than that produced by conventional agriculture. Even so, some customers are willing to pay for their preference. In America, for example, organic soyabeans are at least twice the price of conventional ones. According to Alastair Leake, project manager of Cws Farms, one of Britain's largest commercial organic operations, conversion to organic farming can pay off: in 1994-98, annual returns from organic wheat on Cws Farms were more than double those on conventionally cultivated fields. However, that figure includes a hefty government subsidy. In continental European countries such payments are even more generous, encouraging farmers to convert in droves: on current trends, by 2010 almost 30% of Western Europe's farmland is likely to meet organic standards.

Already the supermarkets are leaping on to the organic bandwagon. For the farmers, that is both a boon and a curse. They welcome the access to a wider market, and the lower distribution and marketing costs that come with it, but they are worried that the new popularity of organic food may dim some of its "counter-culture" appeal, as well as its profitability. Austria has already seen a drop in the premium price of organic milk.

Another reason organic food is enjoying such a vogue is the opposition to genetically modified food, particularly in Europe and Japan. In Britain, a third of those who buy organic food say their main motive is to ensure that their purchases are GM-free. GM is an unsettling exception to a rule that farmers have followed for generations: that early adopters of a new technology reap the greatest rewards.

However, that will not stop farmers from trying other ways of putting biotechnology to profitable use. These will include vaccines from genetically modified potatoes, plastics spun from maize, and therapeutic proteins wrung from the milk of goats and cattle. But these will be niche markets, not mainstream pursuits. Farmers' salvation does not lie at the bottom of a test tube. What they need most of all are sensible farm policies.



A not-so-perfect market

Trade barriers of many kinds are making agriculture less efficient than it could be

IN AALSMEER, in the Netherlands, the full flower of global agriculture is on display, quite literally. Most mornings 18m blooms go on parade in an auction that attracts 1,600 buyers, either on the spot or via the Internet. Most afternoons, 4m flowers and potted plants arrive by air from Israel, Kenya, Ecuador, South Africa and other foreign horticultural hotspots. Inside the world's largest covered building, they are graded for quality, catalogued by computer and prepared for their moment of judgment. Once purchased, the flowers are whisked off to markets throughout the European Union, Japan and America, all on the same day.

This floral United Nations is an impressive sight, but as a rule global agricultural trade is far less fragrant. Farming is one of the most distorted sectors of the world economy. Despite promises to liberalise, domestic support policies, import barriers and ex-

port subsidies in many industrialised countries remain formidable hurdles to the free flow of goods. This hurts farmers in the developing world as well as consumers in protected markets. It also makes farmers less responsive to changes in demand. Conflict over new methods of agricultural production, from genetic modification to hormone treatment, add further layers of complication.

Charity begins at home

Farming is full of curiosities, but none is more striking than the disproportion between the size of farming population and its political influence in rich countries. In North America and the EU, farmers make up less than 5% of the labour force and contribute less than 2% of GDP, yet they are able to win remarkably generous levels of financial support from their governments. This may be precisely because

there are so few of them: in absolute terms, the cost of dissuading French farmers from blockading Paris will be relatively small. Only a few industrial countries, forming a loose organisation known as the Cairns Group, have stripped their farmers of most of their subsidies.

In 1998, OECD countries paid out \$360 billion in agricultural support. The highest rates of support were paid to rice, milk and sugar producers, with the biggest generally getting the most. Some countries are far more generous than others (see chart 4). For much of the 1990s, domestic farm support in the industrialised world was on the wane, but since 1998 it has ballooned in response to a collapse in commodity prices. For the past two years in America, Congress has approved a total of \$15 billion-worth of emergency farm aid. Cynics note that this largesse happens to coincide with the run-up to presidential and congressional elections.

Most of the money to cushion the farmers is stumped up by consumers, via government manipulation of domestic prices to boost farmers' earnings. According to OECD calculations, consumers in the industrial world pay about a third more for their food than they would without government support for farmers.

There is no doubt that agriculture is different from other industries, not only because its product, food, is so essential and so emotive, but also because it has the capacity to create, or destroy, a number of public goods, from ecological diversity to animal welfare to rural landscapes. The question is how to pay for these benefits. Some governments, notably in the EU and Japan, have argued that it is worth spending quite a lot of money to encourage farmers to maintain their "multifunctionality". But indirect measures such as price supports are a crude and inefficient way of achieving that. Better to acknowledge these aims openly and pay direct from government budgets.

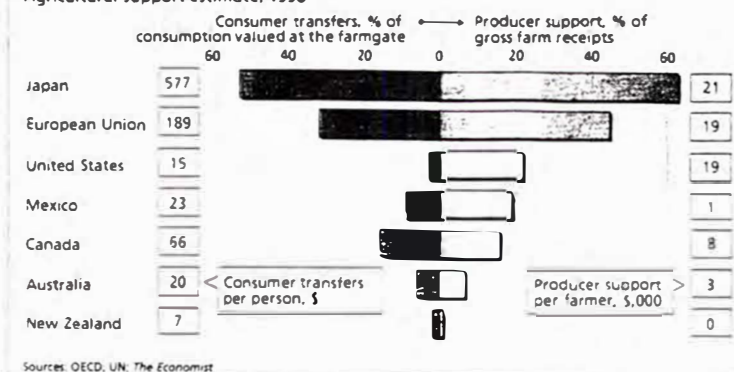
Trading insults

In 1998, \$456 billion-worth of agricultural goods was traded across borders, three times more than 20 years earlier. That seems an impressive growth rate, but trade in manufactured goods has grown three times as fast since the 1980s. Developing countries that have become trading successes, such as Thailand and Brazil, now account for over a third of all agricultural exports. Clearly, developing countries have reason to worry if rich countries embrace domestic farm policies that bring down the price of their goods in export markets, and clearly they are keen to see barriers to their own exports removed. Pledges to reform were made in 1993, at the end of the most recent set of world trade talks, the Uruguay round, but much remains to be done. Tariffs on agricultural goods still run at an average of 40%, compared with well under 10% for manufactures, and import quotas remain tight.

But it is not just a matter of tariffs. Another sore point is the subsidisation of exports—the support rich countries provide to make their agricultural surpluses competitive in export markets, thereby undercutting the price of home-grown goods in poor countries. Under the Uruguay round agreement, developed countries committed themselves to reducing their export subsidies by 36% of their 1986-88

Lean on me

Agricultural support estimate, 1998



value for most commodities by 2000. They have kept this promise, but have fallen down on others, and show little sign of making further concessions.

The banana trade perfectly illustrates the need for more transparency and liberalisation. Bananas are the world's most traded fruit. The EU imposes strict quotas and high tariffs on bananas from efficient producers in Latin America, while allowing free access to those from a handful of small African, Caribbean and Pacific countries. It claims it is providing aid by giving growers from poor countries preferential access and good prices, but the WTO disagrees, and has given its blessing to the imposition by America of \$191m-worth of retaliatory measures. According to Brent Borrell of the Centre for International Economics in Canberra, Australia, the policy has driven down demand in the EU and reduced prices in the rest of the world.

Research by Kym Anderson, of the University of Adelaide, suggests that stripping such distortions from the OECD's agricultural policies would boost global agricultural trade by more than half, making the OECD and the developing world \$160 billion better off between them. On the other hand, international food prices would rise by up to 5% over a decade. That is an alarming prospect for countries concerned about the security of their food supplies, especially for the many countries in sub-Saharan Africa that import more food than they export. What if the price or supply of food were to see-saw wildly, causing mass hunger and riots in the streets? Do not worry, say many economists: freer trade will provide steadier food supplies, and may bring gains in other industries to help pay the bill. Besides, none of this will happen overnight. Under a mandate from the Uruguay round, agricultural talks have to start this year, but the latest WTO meeting in Seattle last December, the successor to the Uruguay round, failed to launch a comprehensive new round.

For any country determined to keep food imports out, science can be another handy tool. Under a section of the WTO rules known as the Sanitary and Phytosanitary (SPS) Agreement, a country is entitled to restrict imports if they compromise human, animal or plant health. This covers things like insects, viruses or chemicals that may be imported along with foodstuffs.

International standards in this area are set by bodies which the SPS Agreement acknowledges as authorities, such as Codex Alimentarius, a joint body of the World Health Organisation and the



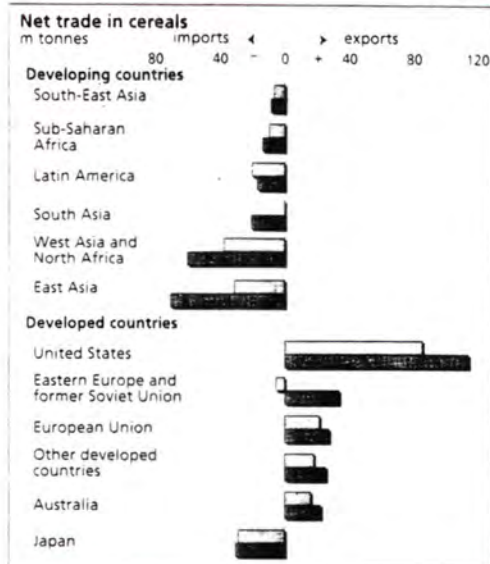


Buyers and sellers

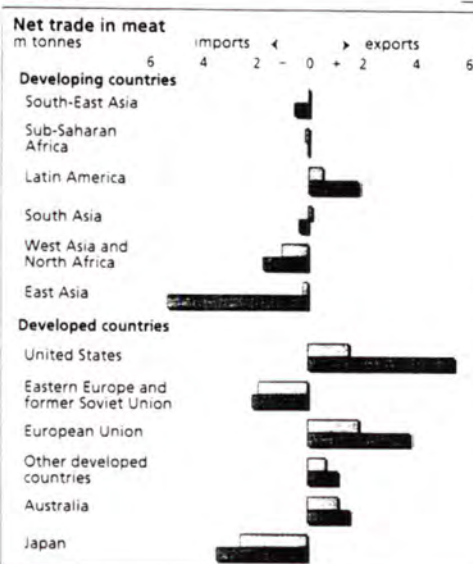
1995

2020*

5



Source: International Food Policy Research Institute



*Forecast

Food and Agriculture Organisation. But there is a fine line between protection and protectionism, and it is tempting for local producers to keep out foreign competition by invoking food safety or environmental concerns. The exporting country can dispute the claim, and if a WTO panel rules that the restrictions are not scientifically justified the importing country may face trade sanctions.

Precautionary tales

But what if the science is in dispute? This is what has happened in the long-running feud between America and the EU over hormone-treated beef. The EU has imposed a ban on imports from America and Canada of beef from cows treated with hormones. The EU's scientific advisory body on the issue claims that some of the hormones could cause cancer in consumers, whereas scientists at Codex Alimentarius say the levels found in American beef are safe. America has the WTO's approval to raise its tariffs on certain imports until the EU relents or proves its case.

And what if the science is not conclusive, as in the argument over genetically modified foods? The EU has prohibited imports of many varieties of GM cereals and has put on hold the expansion of commercial plantings of genetically modified crops in some member states. It argues that there is insufficient scientific evidence to conclude there is no risk to consumers from genetically modified foodstuffs, or to the environment from such crops. It has invoked the "precautionary principle", which is a

fancy term for a simple idea: better safe than sorry.

But America, Canada and Argentina, which have a vested interest in the free flow of genetically modified foods, argue that, after four years of widespread cultivation, there are plenty of data to show that the technology poses no more risks to consumers or their countryside than conventionally bred crops. They have long opposed labelling, favoured by consumer groups, since it would single out GM products on the basis of how they were produced, which WTO rules frown upon. The two sides have now come a little closer to each other with the creation in January of a "biosafety protocol", laying down strict rules for exporters of GM products, including elaborate notification procedures.

As yet, the WTO has no special body to advise on whether new provisions are needed for genetically modified food or old ones can be adapted, but creating such a body would be a worthwhile investment. For the moment, genetically modified crops make up only a small fraction of global commodity production, but their derivatives find their way into countless processed foods, so the share of goods affected by trade barriers is much larger than the share of the total crop. And as more traits are introduced and more countries choose to plant the stuff, the International Service for the Acquisition of Agri-biotech Applications reckons that the market will increase fourfold to \$8 billion by 2005. The controversy is set to grow too, but robust trade regulations should help mitigate some of the risks.

Farming the garden of Eden

Can agriculture be made friendlier to the environment?

THERE are few more powerful reminders of the fragility of human endeavour than a storm which sweeps away half a country. In October 1998, Hurricane Mitch roared through Honduras, Nicaragua and Guatemala, taking with it 10,000 lives and \$5.5 billion-worth of the region's economy. Agricul-

ture was hard hit, but not all farmers suffered in equal measure. "Conventional" farms using the industrial model of chemical-intensive monoculture had 60-80% more soil erosion, crop damage and water loss than those that had practised "traditional" methods such as crop mixing, biological pest con-

trol, water conservation and agroforestry.

Proof positive that agriculture defies nature at its peril? Not quite. Agriculture is inherently unnatural, tethering the land to a single purpose, but some forms are more unnatural than others. Since the second world war, agriculture in the developed world has become increasingly intensive, relying heavily on machines, chemicals, irrigation and selectively bred plants and animals to coax more output from each unit of land. This system has spread widely across the third of the world's land given over to agriculture. It is the dominant model in North America, Europe and Australia, and sits uncomfortably alongside traditional farming practices in sub-Saharan Africa, Asia and Latin America. The model has been remarkably successful in what it set out to do: to produce more abundant, less expensive food. But such productivity has come at a price, much of it paid for in four kinds of environmental damage:

- **Soil degradation.** Almost two-thirds of all the world's agricultural land is degraded to some degree, according to Stanley Wood at the International Food Policy Research Institute in Washington, DC. Its sorry state is due to compaction from running machinery over it; water and wind erosion; and depletion of minerals and organic matter through overplanting and overgrazing.

- **Salt, too,** is building up through over-irrigation and poor soil drainage. Roughly 20% of the world's irrigated land suffers from salinisation, which makes it less productive. The most dramatic evidence of the perils of excessive irrigation is the Aral Sea, where the water level has fallen by two-thirds over the past 40 years, causing large-scale environmental destruction and human misery. The recipient of its watery wealth—an 8m-hectare expanse of irrigated cotton in Central Asia—is losing fertility because of growing salinisation.

- **Pollution.** Although the use of synthetic fertiliser has declined in the developed world over the past decade, the world still spreads 135m tonnes a year, most of it in developing countries. The problem is not just how much is used, but how it is applied. Much of it runs off to contaminate aquifers, rivers and lakes.

The use of pesticide is running at roughly 2.5m tonnes a year, more than double the figure 30 years ago. The use of a group of pesticides including aldrin and DDT, known as the "dirty dozen", is restricted in many countries, but they are still liberally applied in parts of the developing world. Such persistent organic pollutants both linger and concentrate throughout food chains, causing reproductive, developmental and immune-system problems in both man and beast. And resistance to chemical pesticides is growing among the organisms they are designed to kill.

Nor is it just synthetic chemicals that are a problem. Manure from intensive livestock rearing which makes its way into soil and water is just as damaging. Just look at the algal blooms now choking America's Chesapeake Bay, largely thanks to nitrogen and phosphorus leaking into groundwater from farms in Delaware, Maryland and Virginia. Even organic agriculture is less innocent than it looks. Although it does without synthetic pesticides and fertilisers, some of its "natural" alternatives, such as copper sulphate, can be equally harmful.



Gone with the wind

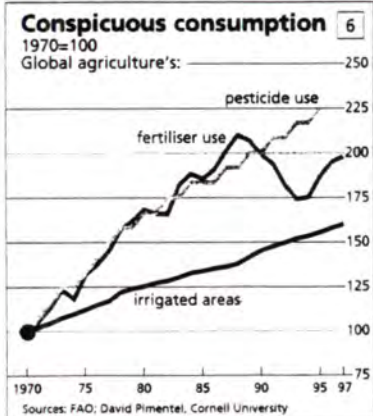
- **Water scarcity.** Roughly 40% of the world's food comes from the 5% of the agricultural land that is irrigated. But the water is running out. According to Sandra Postel, director of the Global Water Project based in Amherst, Massachusetts, water is being pumped out of the ground faster than it can be replenished, mainly because of the farmland thirst of America, North Africa and the Arabian Peninsula, as well as China and India. Much of this water is wasted through inefficient use, and agriculture is finding it increasingly difficult to compete with new urban and industrial demands.

- **Biodiversity loss.** The rich mix of creatures that make up ecosystems is often irrevocably shaken up by intensive agriculture. According to the Food and Agriculture Organisation, at least 13m hectares of forest—providing control of watersheds and a repository of potentially useful industrial and medicinal compounds in plants, animals and micro-organisms—is lost to agriculture every year in developing countries.

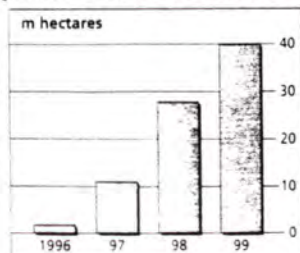
Intensive monoculture also reduces genetic diversity. Some 7,000 crop species are available for cultivation, but 90% of the world's food comes from only 30 of them. Breeding programmes for much of the past half-century have concentrated on high-yielding, pest-resistant, fast-growing crop varieties, which now dominate over half of all the land planted to rice, maize and wheat. The story is much the same in animal breeding, where over a sixth of the 3,800 breeds of domestic animal that existed a century ago have disappeared. This narrows the room for manoeuvre if disease strikes and different strains are needed.

A quick fix

The tension between agriculture and ecology shows up clearly in the current debate over transgenic crops. In 1999, about 40m hectares of genetically engineered crops were grown by a dozen countries, a 44% increase on the previous year (see chart 7, next page). Most of the crops were bred to resist herbicides, such as Monsanto's Roundup, or to produce insecticidal proteins, known as *Bacillus thuringiensis*,

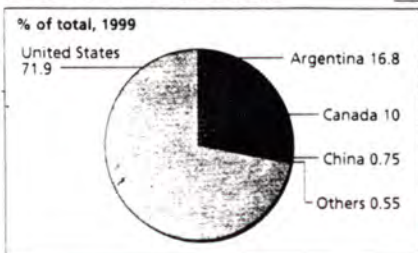


Gene out of the bottle



Source: Clive James, ISAAA 1999

Global area of transgenic crops:



or Bt, toxins. Such genes are now found in a variety of commercial crops, such as soyabeans, maize, canola (oil seed rape) and cotton, increasingly put together in one plant. Their corporate purveyors promised higher yields with better pest control and lower expenditure on chemicals.

The technology has yet to deliver on all its promises, but has provided enough benefit to keep farmers planting. Four years after their launch, these crops have been taken up by farmers far more rapidly than the previous wonder, hybrid corn. Whether the inbuilt chemical protection of such genetically modified crops has reduced the use of pesticide is highly contested. A new study by Leonard Gianessi and Janet Carpenter at the National Centre for Food and Agricultural Policy in Washington, DC, seems to bear out both the hopes of farmers and the fears of environmentalists. It finds that in 13 Ameri-



can states that have been growing transgenic soyabeans, herbicide applications per acre have fallen by 9%, but 14% more herbicide is being used in total because acreages have expanded as well. And genetic modification has not increased yields.

"Post-emergence" herbicides such as Roundup, also known as glyphosate, work by killing all the plants in the field, both weeds and crop: the point of the genetic modification is to make the crop plants resistant to the chemical. This should eliminate the need for tillage, thus reducing mechanical damage to the soil. Gordon Wassenaar, who has been growing soyabeans in Iowa since the 1950s and remembers the bad old days of the highly toxic pestkiller DDT, is puzzled by the objections to GM crops. Like other farmers, he finds glyphosate much safer. "It beats me how to please these environmentalists. As soon as we meet one bar, another goes up."

Ecologists such as Margaret Mellon at the Union of Concerned Scientists worry that genetic modification not only perpetuates the problems of intensive agriculture but also adds new ones. They fret about the dominance of one "broad-spectrum" herbicide that both reduces the biodiversity in a field by killing all the plants and causes a few hardy weeds to develop resistance. They also fear, not unreasonably, that the added gene might be transferred from the crop plant to relatives in the field.

American maize farmers like Bt plants, crediting them with keeping levels of their chief pest, the European corn borer, so low as to benefit both GM

Cultivating carbon

BELCHING tractors, farting cows, decaying rice paddies and burning fields make agriculture a culprit in greenhouse-gas production: according to the OECD, farming accounts for over 8% of all the methane, nitrous oxide and carbon dioxide released (see chart 8). Although scientists dispute whether such gases contribute to global warming, many of the world's major polluters, such as America, Japan and the EU, have pledged to reduce their emissions.

There are two ways to reduce levels of greenhouse gases in the atmosphere: produce less, or tie up more of it. Like other industries, agriculture can cut down on production of the gases by using less nitrogen fertiliser, recycling manure or using biomass instead of fossil fuels for energy. But unlike other industries, farming can also trap greenhouse gases away from the air.

Plants pull carbon dioxide from the air to use in photosynthesis, transforming it into solid tissue and organic matter in the soil. But once the crop is harvested and its remains are ploughed into the ground, this carbon is released. One way to retain it is to stop cultivating altogether, turning the farmland over to forest or grass. Another is to do as little

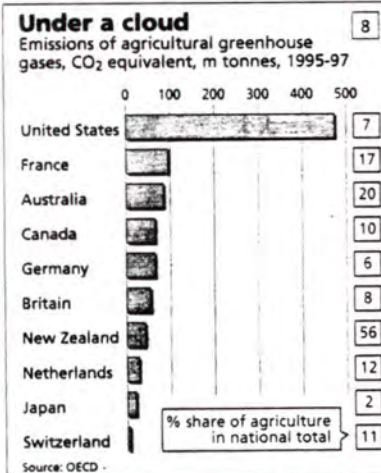
ploughing as possible, leaving crop residues on the ground.

The best way to encourage such practices is to get someone else to bear the cost. One idea is to persuade greenhouse-gas producers to offset their emissions by paying farmers to sequester carbon for them, creating a market to allow buyers and sellers to trade in such carbon indulgences. The first step towards creating such an exchange was taken late last year with the purchase of 6m

carbon-emission reduction credits, or CERCS, by a consortium of ten Canadian regional power utilities.

The immediate beneficiaries of this deal are 100 Iowan farmers who will be paid up to \$3 an acre to sequester carbon dioxide, methane and nitrous oxide. Steve Griffin of cQuest Limited, one of three American firms that helped broker the deal, reckons that the state's farmers could earn as much as \$100m even in their first year of carbon sequestration; across the country, agriculture could deliver up to one-third of America's promised greenhouse-gas reductions. If the idea worked, it could be a much cheaper way of controlling emissions than forcing electrical utilities to reduce their output. It would also enrich the land, in America and elsewhere.

The brokers of the Iowa deal hope to expand the business to include an Internet auction, and are negotiating not just with utilities, but with a wide range of other firms too, not least car manufacturers who want to appear more "eco-friendly". But the science of correlating particular agricultural practices with quantities of greenhouse gases is as yet far from precise. And "planting carbon" is not an easy concept to grasp: Mr Griffin has farmers asking him what sort of header they should put on their combines to harvest the stuff.



and unmodified varieties. But such transgenic crops are even more troubling to environmentalists who fear they will also make pests more resistant. Last year, the news that pollen containing one of the Bt genes can stunt or kill Monarch caterpillars enraged butterfly enthusiasts around the world. The equally lethal effects on green lacewings got much less publicity, yet these insects do a useful job by feeding on the corn borer. Researchers have also shown that Bt toxins of the sort produced by the transgenic plants stay in the ground longer than expected, and may kill local insects and soil organisms. But these experiments were carried out in the laboratory. Real-life results are less alarming, but more tests are needed.

Some of agriculture's most serious environmental problems—such as lack of water—can be eased with technical solutions. Parched countries like Israel have mastered a number of neat tricks—such as using a continuous drip of salt or waste water—to make crops grow better. But how to encourage others to adopt such practices?

Most countries have relied on a mixture of regulation and prohibition to deal with environmental offences, such as taxing pesticides, penalising the discharge of manure and removing fertiliser subsidies. Both the European Union and America make direct payments to promote the use of less intrusive forms of cultivation and the setting aside of land. This is designed to cut production but has welcome environmental side-effects. On the whole, however, carrots for good ecological behaviour are less common than sticks for bad.

An exception is water marketing. Irrigation water is rarely priced at its real value, but without a price tag it is often wasted. In Chile, Mexico and California, however, farmers are able to trade "water rights"—allocated by the state—to those in need, such as industry. This seems to encourage farmers to invest in water-saving technologies so they can sell some of their rights, rather than quit altogether.

Having it all

Many ecologists, not content with improvements in conventional farming, would like to see completely new ways of farming adopted. Or, rather, old ways, going back to the traditions of half a century ago, when yields in the industrialised West depended more on nature and labour, and less on artificial aids. A mix of crops, trees and ground cover, rather than monocultures, helped buffer pest infestations and severe weather. Nutrients were recycled from livestock to crops. Nitrogen was introduced into the soil by rotating the main field crops with pulses. Rotation also helped keep down insects, weeds and diseases by breaking their life cycles. This kind of



Precious liquid

farming caused less environmental degradation than today's intensive, highly specialised agriculture, which produces much higher yields but may prove hard to sustain in the long term.

Those who advocate going back to agriculture's roots argue that their approach—known as agro-ecology—is just as scientific as the latest GM technology, because it relies on a detailed understanding of the complex interactions between soil, water, plants and animals. Miguel Altieri, an agro-ecologist at the University of California at Berkeley, points out that this is not the same as much of modern organic agriculture, which still largely relies on monoculture.

But in a world of industrialised farming, agro-ecology is hard to put into practice, if only because of the vested interests of agribusiness. One company that is easing itself towards encouraging this kind of agriculture is Unilever. For the past two years the Anglo-Dutch giant has been running pilot projects with growers to spread expertise around the world. It has found, for example, that natural forest left among its Kenyan tea plantations harbours insects that keep nasty bugs in check and acts as a windbreak, as well as providing fuel for the locals. This technique is now being passed on to the firm's plantations in India. Producers venturing into agro-ecology hope that it will lower their costs in the long run. But conversion is expensive, and although consumers say they want "clean, green and pristine" agriculture, they are not always willing to pay a higher price for it.



Biting the silver bullet

IN A village in Tulang Bawang, on the Indonesian island of Sumatra, 25 farmers have gathered in a rice field. They have their eyes to the ground, not planting or harvesting, but studying the ecosystem at their feet. They are learning to compare fields under conventional cultivation, using synthetic pesticides, with those under integrated pest manage-

ment (IPM), which uses biological means to establish a balance between beneficial and harmful bugs. IPM usually performs better in terms of cost and yield. Farmers come away from their training with an understanding of a more sustainable and environmentally sound way of keeping their pests down.

But equally important, according to Peter Ken-

Poor countries need to boost their agriculture through new thinking, not just new gadgets



Looking for home-grown solutions

more, head of the IFPM programme at the Food and Agriculture Organisation, they acquire new skills to share information with each other, and a new language to tell researchers and policymakers what they need. Such field schools for farmers have sprung up across Africa and Latin America, offering their students home-grown ways of dealing with local problems such as water shortages, soil erosion and poorly performing plant varieties.

"Science", wrote Thomas Jefferson, "never appears so beautiful nor any use of it so engaging as those of agriculture and domestic economy." In Jefferson's day, as now, agriculture was caught up in a technological revolution. The beginning of the 19th century saw a rush of mechanical inventions that transformed farming in the West. More recent innovations produced higher-yielding crops, chemical herbicides, insecticides, fungicides and fertilisers that were put to good use in the Green Revolution of the 1960s and 70s, doubling wheat yields in India and boosting Chinese rice harvests by two-thirds between 1970 and 1995. And now there is biotechnology, which many predict will revive flagging harvests and offer a new cornucopia of plants and animals to help feed the poor.

The Green Revolution's toolkit probably saved more than a billion people from starvation. For 30 years it was feted as a great success. However, the way it was implemented in some countries caused not only considerable environmental damage but also social upheaval as large numbers of peasant farmers—most of them women—found themselves replaced by the contents of a bottle. And the gains are tailing off: cereal yields in Asia, for example, are now increasing at only two-thirds the rate seen in the 1970s. Meanwhile, many developing countries' populations are still growing rapidly, and little prime land, and even less water, is left to expand the area under cultivation. If biotechnology is to achieve

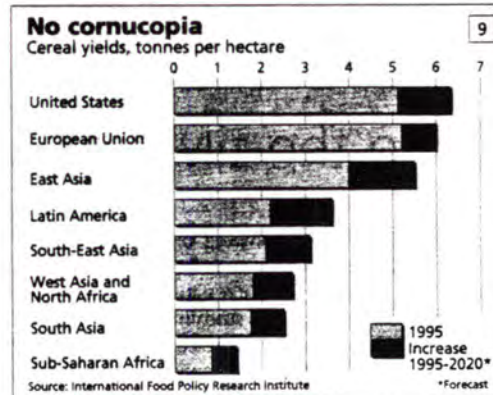
what Gordon Conway, head of the Rockefeller Foundation, calls "a doubly green revolution", it must offer more than a technical fix: it must help poor farmers make better use of the tools they have.

According to the Food and Agriculture Organisation, 830m people in the world are underfed. And yet the world's grain cupboard is comfortably full, with 18% more cereals in stock than are consumed in a year, and the world price of grain has fallen steeply since the mid-1990s. Almost four-fifths of the hungry live in rural areas and depend on agriculture to make a living. Simply shipping the surpluses of regions such as North America and the EU to starving countries is not a solution. Not only do such imports tend to get stuck in urban centres, rarely reaching rural areas, but subsidies also often make them so cheap that they undercut local supplies. To improve poor farmers' prospects, it is essential to boost their productivity beyond subsistence, so they have something left over to sell, as well as markets to sell it in. The question is how to do it.

Better domestic policy would be a start. Nowhere is this more pressing than in sub-Saharan Africa, where agriculture accounts for more than half of GDP and two-thirds of the workforce. Thirty years ago many African countries had active "anti-agricultural" policies, taxing farm exports to finance poorly performing industrial firms, and allowing state monopolies to gouge producers. Now the damage is done mainly through neglect: failing to invest in rural infrastructure to provide access to markets, or in agricultural research to develop technologies and native crops suited to local conditions, such as sorghum. As a result, Africa now accounts for a quarter of the world's famished.

This failure is clear in Zimbabwe, where the old world of input-intensive agriculture is being upset by AIDS. The disease is killing off male migrant agricultural workers, leaving widows on tiny homesteads who lack access to the networks of contacts that provided the men with credit and chemicals. The land that is still farmed by these women is losing its fertility, because artificial fertilisers are out of reach and manure-producing livestock has been sold off to pay for food. However, with the help of both local and foreign NGOs, some of the women in the Zambezi Valley are now turning to organic cotton, which commands a premium on the export market precisely because it has not been treated with synthetic chemicals.

Whereas much of Africa would benefit from better access to the technologies of the Green Revolution,



lution, the most fertile parts of Asia might be able to exploit new GM crops to boost yields. But not the sort of transgenics currently on parade in the industrial world. Sticking a Bt gene in rice and expecting it to solve the problem of insect predation is a "silver-bullet" approach to a highly complex ecological problem. More useful are plants bred to be better at extracting nutrients from the ground or tolerating salinity, making more effective use of existing land and bringing new land into cultivation. Some researchers see the future of biotechnology in providing tools to help poor farmers deal with local problems without becoming heavily dependent on foreign inputs.

One such possibility is apomixis, essentially the reverse of the infamous "terminator" technology which promised to induce reproductive sterility in seeds. Apomixis, however, is a trick done naturally by a handful of plants in which, in effect, they clone themselves, creating seeds that are genetically identical to their parent. If staple crops, such as maize, could be coaxed into apomixis, this would be a boon to poor farmers who save seed to plant year after year, and watch its vigour dwindle. A few research institutes around the world are working on apomixis, trying to find molecular switches to turn on this potential lying dormant in plants.

Limits to growth

Of course biotechnology is more than genetic engineering; many of its tools, such as tissue culture and DNA sequencing, are already helping scientists in many parts of the world to push ahead with ambitious programmes for improving plant and animal varieties. Animal products account for 40% of the value of agricultural output in the world as a whole, but for a much higher proportion in developing countries, where they provide not only food, but draught power, fertiliser, fuel and tradable credits. Molecular genetics, for example, can enhance conventional breeding programmes, boosting the disease resistance of livestock in difficult conditions. Cloning too, although controversial, could help preserve animal diversity rather than reduce it, by allowing single cells to be stored for future reproduction (instead of the messy and unreliable business of semen collection and artificial insemination).

But there is a big gulf between what biotechnology can do in principle and how, in the developing world, it will be used in practice. The first is regulation. It is hard enough for rich countries to work out how to assess the risk and control the production of genetically enhanced crops, let alone poor ones that entirely lack the necessary regulatory framework. To avoid the unintended ecological fallout of the Green Revolution, they need to proceed with caution.

The second obstacle is intellectual-property rights. The fruits of the Green Revolution emerged almost entirely from public-sector laboratories and national breeding programmes, allowing easy access for users. New biotechnologies are different. Although much of the basic science has come from universities, the commercial development has been done by private companies that have shielded their multi-million dollar investment with patents.

Farmers must pay "technology fees" to the firms to use their genetically enhanced seeds. Research institutions that want to use some of these proprietary

genes or technologies get caught in a web of patents and cross-licensing arrangements between firms and universities, paying costly royalties or being denied access altogether. Such public institutions are already strapped for cash. Investment in public-sector agricultural research and development has stalled in recent years. According to a study by Philip Pardey at the International Food Policy Research Institute and Julian Alston at the University of California at Davis, more than half the agricultural R&D in both America and Britain is done by private companies, whose spending is growing at twice the rate as the public sector's.

Foreign aid for agriculture has fallen by half since 1986. Donors such as the German government have slashed their funding for the Consultative Group on International Agricultural Research (CGIAR), and others are strictly earmarking their funds. This makes it difficult for the CGIAR's 16 international centres, once at the heart of the Green Revolution, to serve poor farmers.

Some are looking for new relations between the public and private sector to ease the exchange of seeds, machinery and other tools. Agriculture has a model in its wealthier cousin, health care. Just as large biotechnology firms are unenthusiastic about developing drugs for poor-country diseases such as sleeping sickness, so they are reluctant to use their technologies to improve staples such as cassava, yam or sorghum that feed millions in the poor world but offer few opportunities for making money. Public agricultural organisations, such as the CGIAR, have a lot to bring to these partnerships, such as custodianship of the world's largest collection of seed varieties, as well as access to poor farmers—a future market for companies. A few deals have been struck: last year, Monsanto agreed



What Green Revolution?

to make its virus-resistance gene for potatoes available to public-sector breeders in Mexico for poor upland farmers, while continuing to sell its own GM seed to commercial farmers. But more are needed.

Getting hold of the technology is one thing; getting it into the field is quite another. In many poor countries, the national extension services that take new seeds and techniques from the public sector out to farmers are so run down that they often miss those most in need. They require more money and manpower. Agricultural innovation cannot flourish without strong institutions to deliver the goods.

The author would like to thank the many people who generously shared their time and expertise in preparing this survey. A full list of sources, and their web links, is available at www.economist.com.

A wide-open field

In farming, there is no single way to salvation

BY 2020, the world is expected to have another 1.5 billion people to feed, most of them in the teeming cities of the developing world. According to the International Food Policy Research Institute, the world's farmers will have to produce 39% more grain just to fill all those extra stomachs. Moreover, rising incomes in the developing countries will double their populations' appetite for meat. All this additional food will have to come from the same amount of land, using even less water than before. Time and again, farming has invented its way out of crisis. But, as this survey has argued, such productivity has come at a price—in terms of damage to the environment and disquiet over food safety—that is making consumers increasingly uncomfortable. So the question is not so much, "Will agriculture deliver?" but, "How?"

There are some bright spots on the horizon. Commodity prices, say OECD forecasters, are set to rise as Asia pulls out of its economic crisis and record food stocks are run down. Higher prices may be bad news for many people, but they are good news for farmers, especially if protectionist countries lower their trade barriers in the new round of world agricultural trade talks. Rich or poor, farmers want as big a market as possible for their produce. Some regions, such as Eastern Europe and the former Soviet Union, whose agricultural infrastructure collapsed along with communism a decade ago, will not become breadbaskets overnight, but the institute believes that by 2020 their cereal exports will exceed the EU's. India is poised to become one of the world's main dairy exporters. China, whose growing cereal imports a few years ago caused worry to some, is now believed to have enough farming potential to feed its population, and even produce surpluses for export.

But there are plenty of shadows too, in both the

rich and the poor world. In sub-Saharan Africa, for example, productivity is in free fall, and there is little political will or money for investment to boost poor farmers' prospects. China and other countries will still cling to growing crops they are ill-suited to produce, in pursuit of food self-sufficiency or export earnings. The conflict over GM crops is pitting the defenders of technology against the champions of nature as if there were only one way of making agriculture more productive and more sustainable on a global scale. This is clearly a nonsense. Different circumstances will require a combination of different tools: in farming, there is no "one-size-fits-all".

As old as the hills

To rise to these challenges, agriculture needs all the bright ideas and new talent it can get. Inevitably, though, as the industry is shedding labour it is becoming an old man's game in many parts of the world. The average farmer in Iowa, for instance, is 52 years old. M.S. Swaminathan, a pioneer of India's Green Revolution, thinks that agriculture is simply not exciting enough to keep the young down on the farm when they have seen dot.com.

Farming, however, keeps its light under a bushel. New technologies, improvements in information exchange and corporate restructuring are bringing as much change to agriculture as to other, apparently more exciting industries. Perhaps biotechnology and Internet-based opportunities might lure the brightest back to agriculture, but in most countries domestic policy and international trade between them impose so many constraints that farming is not an appealing prospect, even for those whose families have been in it for generations. Where there is freedom to run the business without too many restrictions, the young flock to agriculture, as in Mato Grosso and Goias, the "frontier" states of central Brazil, where 75m acres are up for grabs. The new agricultural entrepreneurs there include young Americans and other foreigners, attracted by low land prices and less official interference than they would meet back home.

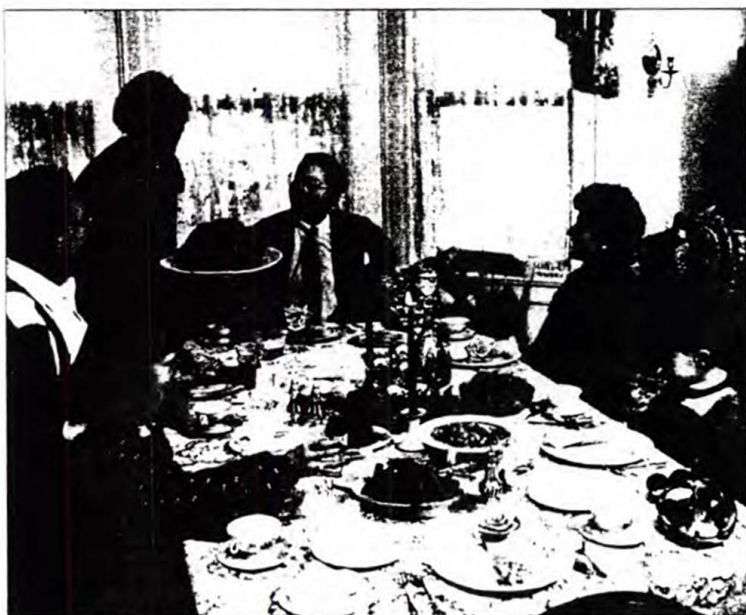
Farmers are used to getting handouts, be they subsidies in the rich world or technology packages in poor countries. But solutions imposed by corporate head offices or government ministries rarely work. What the farmers want, and what their industry needs, is a way of harnessing their experience and initiative to come up with local solutions. It need not be anything fancy. For example, a few years ago Mongolian herders were having problems with their cattle mating too early and producing calves in the wrong season. Foreign-aid agencies suggested artificial insemination. But semen turned out to be hard to collect, and even harder to keep alive in transit across the region's vast windswept plains. The answer came from farming practice elsewhere: forked sticks around the bulls' necks to keep them off the females until the time was right. Innovation can take many forms; agriculture cannot afford to ignore any of them.

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Plenty for all, but at what price?

4-10-00

Talking points for calls on Osprey accident.

- Deeply saddened to hear of the loss of 15 Marines from 3rd Battalion 5th Marines and 4 from HIMX-1 during a training mission near Tucson, Arizona.
- We know training is necessary to prepare for operational missions the Corps must face, but that even these training missions carry very real risks that Marines face daily in the service of protecting their country.
- I realize this is of little comfort to the families now struck by this great tragedy and that a loss of 1 Marine is a loss to the entire Corps.
- Please express condolences from Hillary and I to the families of these Marines. Our thoughts and prayers are with them during this most difficult time.

Contact Information

✓ Ccn. Jones (703) 237-5983 (home)
(703) 927-1575 (cell)
1-888-709-1182 (pager)

✓ LtCol Reynolds HIMX-1 (703) 784-4493 (work-still there)
(703) 630-2406 (home)

✓ LtCol Callihan 3rd Bn 5th Marines (760) 763-0396
-0397
-0398

✓ MG Gregory Neubold CG 1st Marine Division at Camp Pendleton
760-725-4102 (home)
760-390-1191 (cell)

Called

copied
Hudson

Relative economic performance
4-10-00

A British miracle?

*Sure - Liberty
Chart show
work based*

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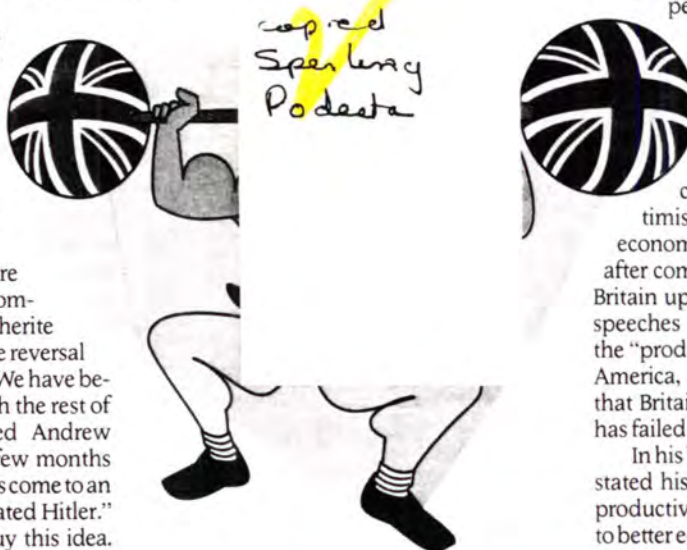
Gordon Brown's budget this week is best understood as part of the larger debate about Britain's relative economic performance

A GENERATION ago there was not much debate about the state of the British economy. It was dismal. High unemployment, low growth, a rescue mission from the International Monetary Fund: Britain was the undisputed holder of the title "sick man of Europe".

These days things are more complicated. Many British commentators believe that the Thatcherite purgative has effected a complete reversal in Britain's economic fortunes. "We have become a model economy to which the rest of Europe now aspires," enthused Andrew Neil, a prominent journalist, a few months ago. "This is the closest Britain has come to an economic miracle since we defeated Hitler." At times Tony Blair seems to buy this idea. This weekend he is in Lisbon, preaching the virtues of British-style flexible labour markets to other European Union leaders.

But Mr Blair and New Labour are not always so gung-ho about the British economy. During the 1997 election campaign the Labour Party argued that Britain had fallen behind other rich countries under the Tories. The belief that there is a lot wrong with the British economy still figures prominently in New Labour rhetoric. In a government report on British "competitiveness" published late last year, Stephen Byers, the trade and industry secretary, complained that Britain suffers from "a lack of commitment and leadership when it comes to innovation; poor basic skills; the lack of an enterprising culture compared to the United States and many of our European partners."

Optimists and pessimists tend to leap on



different sorts of evidence about the British economy. Take the past week. The optimists hailed the news that, according to the latest EU statistics, Britain's economy is now larger than France's and is the fourth-largest in the world (behind the United States, Japan and Germany). The pessimists focused on the news that the Rover car company is about to be sold off, raising the threat of the closure of Britain's largest car plant at Longbridge.

Move beyond the week's news and the battle of the bullet points continues. Believers in a British economic miracle have their own favourite facts: Britain now attracts more foreign direct investment than China and about 30% of all the FDI going into the European Union; Britain's unemployment rate, at 5.9%, is a good deal lower than France's or Germany's; and the long-term

state of Britain's public finances looks a lot healthier than that of many continental European countries with worryingly large and unfunded pension commitments.

But the pessimists fire back with their own battery of statistics: the average Briton is still a lot less prosperous and productive than the average German, let alone the average American. And Britain's education system provides a shaky foundation for prosperity.

A recent study found that 22% of British workers could not read properly, three times the comparable rate in Germany.

So where does Gordon Brown, the chancellor, stand in this debate? He is probably closer to the pessimists than the optimists. "After a century of relative economic decline," he declared shortly after coming into office, "we have to move Britain up the world economic league." His speeches are peppered with references to the "productivity gap" between Britain and America, France and Germany. He thinks that Britain has too few entrepreneurs, and has failed to encourage those that it has.

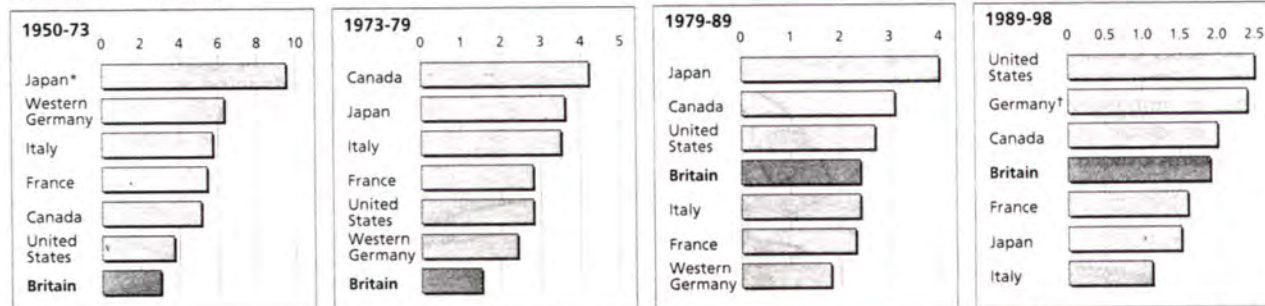
In his budget this week the chancellor restated his belief that Britain suffers from a productivity gap and that closing it is the key to better economic performance. Since entering the Treasury in May 1997, Mr Brown has been busily devising economic policies aimed at getting more British people into work and raising their productivity. As a result, he hopes, Britain's long-run economic growth rate will increase. The need for improvement, to his mind, is clear: just look at how Britain's economic performance has trailed behind those of other rich countries. This is very far from the "golden economic legacy" that the Tories like to boast they left Mr Brown.

Neither triumph nor disaster

So which picture of the British economy is more accurate? The truth lies somewhere between the two extremes of Mr Brown's sterner moments and the purple prose of the believers in a British economic miracle. Britain is neither an economic paradise nor a

Off the bottom

Growth of GDP, % per year



Source: International Monetary Fund

*1952-73 †Western Germany before 1991

wasteland. In the past ten or 20 years its economic performance has been respectable, but no better (or worse) than that.

Take economists' standard measure of material progress: the rate of economic growth (chart 1 on previous page). During the 1980s and 1990s Britain's economic growth rate has been in the middle of the Group of Seven rich countries. In relative terms this is a huge improvement on the 30-odd years between the end of the second world war and 1979, the year Margaret Thatcher took office. In the post-war decades, America grew steadily faster than Britain, while continental European countries and Japan first caught up and then overtook both Britain and the United States. When the rich world stuttered after the first OPEC oil-price hike in 1973, Britain stalled. However, since 1979 Britain has held its own. So the "relative decline" of which Mr Brown spoke in 1997 in fact ended long before. But talk of an "economic miracle" looks equally far-fetched.

In absolute living standards, measured by the level of GDP per head, Britain's performance is again middling. According to the OECD, in purchasing-power-parity terms Britain was ranked 17th of the organisation's 29 members in 1999. Among the G7 economies, Britain was fifth, behind America (52% richer), Canada (16%), Japan (10%) and Germany (6%), and ahead of France and Italy (both 2% poorer). But because GDP statistics and purchasing-power-parity adjustments are both rough-and-ready, the OECD says that it makes much more sense to put countries into broad groups than into a precise ranking. It is probably fair to say, therefore, that living standards in Britain roughly match those of other West European countries, but are well below those in North America and Japan.

A middling performance suggests that there is still plenty of room for improvement. Mr Brown thinks that the British economy is capable of growing at 2½% a year, a quarter of a percentage point or so faster than its long-run average (although the Treasury still assumes 2¼% in its budgeting). Economic growth can be broken down into two bits. The first is the contribution to growth resulting from increases in the number of people in work, which Mr Brown puts at ½% a year. The second is productivity growth (ie, in output per worker), which Mr Brown thinks is now 2%. This might be the result of using more or better capital equipment, using more efficient production processes, new inventions, or improving "human capital" (workers' education and skills, and their ability to adapt to different tasks). In essence,



when Mr Brown drones on about the importance of "enterprise" and "employment opportunity for all", he is really talking about productivity growth and labour supply.

Start with the number in employment. Between 1990 and 1998, says the Treasury, this did not increase at all. On its own, the increase in the population of working age should have added about 0.3 percentage points a year to GDP growth; but it was cancelled out by a decline in the employment rate (the proportion of the population at work). Between now and 2005, however, the working-age population is expected to rise more quickly than in the 1990s, and contribute 0.4 points a year to growth. On top of this, thinks the Treasury, the employment rate will rise, adding another tenth of a point.

It might be surprising to anyone who has listened to ministers in recent years to learn that Britain's employment record is capable of improvement. Labour ministers, like their

Tory predecessors, have been only too happy to lecture other European governments about the dangers of over-regulated labour markets. And a glance at comparative unemployment rates suggests that Britain has something to be proud of. On the International Labour Organisation's definition of unemployment, only 5.9% of British workers are jobless, compared with 8.8% of Germans, 10.3% of French workers and 11.1% of Italians. Moreover, Britain has a higher employment rate and participation rate (the proportion of adults in work or seeking it) than other big European economies. Most impressive of all, according to a chart in this week's budget report, Britain's employment rate is higher even than America's.

But is this as brilliant as it sounds? That chart in the budget report is misleading. It compares the latest British figures, for the three months to January 2000, with American data for 1997, thus ignoring the past two years of strong growth in America. According to the OECD, in 1998 (the latest year for which comparable figures are available) America's employment rate was higher than Britain's. It almost certainly still is. In fact, the United States outscores Britain on all counts. Its unemployment rate is lower than Britain's. Its participation rate is higher. Nor is America alone. Some smaller European countries, such as Norway and Switzerland, also have better labour-market records than Britain (chart 2). In the OECD's league table of employment growth in the 1990s, Britain lies well down, far behind America, the Netherlands, New Zealand and several others.

Although Mr Brown is not above boasting about Britain's job-creation record, and although a record 27.6m Britons are in work, the chancellor realises that more needs to be done. Hence the rash of "New Deals" he has introduced for the long-term unemployed, beginning with the under-25s and since extended to lone parents and the over-50s. Hence also his schemes to "make work pay": the national minimum wage and the Working Families Tax Credit (WFTC), a state payment to the working poor which is considerably more generous than the scheme it replaced, Family Credit.

In the budget, Mr Brown took these initiatives further. He is spending billions more on the WFTC. There will be more help for lone parents of children over five to find work. From April 2001 a new scheme will give the long-term unemployed aged over 25 four options: work, training, work experience (perhaps in the voluntary sector), and self-employment. Like the under-25s, says Mr Brown, they will have "no fifth option, no



staying at home on benefit doing nothing."

However, it is the second part of the growth equation—productivity—that the government sees as the key to its ambitions. For now, Mr Brown is assuming that Britain's productivity will grow at only 2% a year. But he thinks that Britain ought to be capable of much better. Indeed, one of his favourite statistics is the "productivity gap" between British output per worker (or per worker hour) and that in other countries.

In 1996, according to a study ("Britain's Relative Productivity Performance, 1950-1996") by Mary O'Mahony of the National Institute for Economic and Social Research, Britain's productivity lagged behind that of America, France and Germany. In output per worker, France and Germany were 26% ahead; America was 29% ahead. In output per hour of work, America was only 21% ahead of Britain, because Americans work longer hours on average than Britons do. But in France and Germany, where the average working week is shorter, the gap in output per hour was greater still: 32% and 29% respectively (see chart 3).

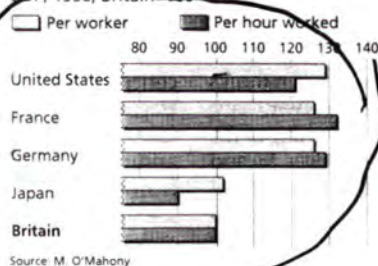
Ministers think that one of the prime reasons for the productivity gap is that Britain has invested too little. Because the British have too little capital equipment to work with, or because their equipment is not up-to-date, they are less productive than their counterparts elsewhere. Ms O'Mahony's study concludes, for example, that capital per hour worked is over 70% higher in Germany than in Britain. French workers have 50% more capital to work with than the British, and Americans have almost 30% more.

Up to a point, Britain's weak productivity performance compared with France and Germany is the flipside of its relatively good employment record. Because British workers are relatively cheap to employ, it seems that British companies have preferred to employ more people and use less capital than have their counterparts in France and Germany. It is by no means clear that Britain would be better off with a continental combination of lower employment and higher productivity. Yet the productivity gap cannot be dismissed, and part of it can doubtless be explained by a lack of capital. According to Ms O'Mahony, America, where labour markets have far more in common with Britain's than with those of continental Europe, also boasts higher productivity and capital per worker than Britain.

However, the gap may be closing, or at least may have stopped growing. In 1996 the gap between American and British output per hour was smaller than in 1979; the gap with France and Germany was about the same. During the 1990s, Britain's ratio of business investment (ie, excluding government investment and house building) to GDP has been rising. In 1998, said Mr Brown this week, it outstripped other big European economies and the United States. It is worth

Mr Brown's complaint

GDP, 1996, Britain, 100



remembering, however, that quantity is not everything: in the 1990s the biggest investor relative to national income was Japan, scarcely an example to follow.

Besides ministers' worries about investment, there is some evidence to back up their belief that Britain is not as innovative or entrepreneurial as other countries. According to the OECD figures, spending on research and development per worker in 1996 was far less in Britain than in Germany, America and Japan—and the gap had grown since 1981. In Britain a higher proportion of this spending is carried out by the local affiliates of foreign companies (rather than by home-owned companies) than in these other countries. Opinion polls suggest a much smaller proportion of Britons want to start businesses than in America or (more surprisingly) continental Europe. Fewer than 70% would approve if their child started a business, compared with nearly 80% in the rest of Europe and around 85% in the United States.

But how can government policy help to close the gap? Perhaps the best contribution ministers can make is sound macroeconomic policies. Companies will not want to invest if the economy is forever lurching between inflation and slump. Here Mr Brown, who has a well-known fixation with macroeconomic stability, can claim good marks. However, he believes that he can do better. In this week's budget, as in previous years, he announced a splurge of measures to encourage "enterprise" and innovation, and thus turn Britain into a super-productive, high-tech, entrepreneurial nation.

Gifts from Gordon

The chancellor's main offering this week was his second reform in three years of capital-gains tax. Anyone holding shares in an unquoted company, any shareholding employees of quoted companies and anyone else with more than 5% of the voting rights in a quoted company will qualify for a new system. From next month, the rate will be 40% for assets held for less than one year, falling to 10% for assets held for more than four years. At present the 10% rate kicks in only after ten years, and fewer shareholders are eligible for it. On top of this, Mr Brown said that "high-tech firms recruiting essential personnel" will be able to offer tax-ad-

vantaged share options. The capital-gains-tax reform and the tax break for share options are both more generous than the plans Mr Brown floated in his pre-budget report in November 1999.

There is also a plethora of measures to help small companies: tax breaks for the purchase of computers; a new government advice service "to help small companies get online and become e-companies"; a clutch of regional venture-capital funds to inject £1 billion (\$1.57 billion) into start-up companies. And tax credits for research and development by small and medium-sized firms.

Of course, enthusiasm for enterprise is welcome. Past Labour governments have rarely been friends of commerce. But does Mr Brown's eagerness to create an entrepreneurial, e-commercial Britain justify this bewildering array of tax breaks? One difficulty is that the tax breaks will probably make little difference. The amount of money involved is small, and most innovation and research does not come from small business, but from big companies, which are neither getting nor have need of the new tax breaks.

A second problem is that they are likely to be a waste of money. Tax incentives run the risk of subsidising good investments (which need no such help) or turning bad investments into profitable ones (when they should never see the light of day). Where is the evidence not merely that the market fails to finance good ideas but also that this "failure" can be put right by the Treasury?

Third, points out Andrew Dilnot of the Institute for Fiscal Studies, a research body, "there is no variable measuring entrepreneurship." It is fine to say that enterprise is a good thing. It is another to be confident that many small businesses that would be viable are either still-born or never conceived because of failures in the financial system. It is yet another to believe that the chancellor can invent finely honed tax incentives to put the world to rights.

So is Mr Brown right to believe that the British economy could grow faster? Yes. Is he right to make faster long-term growth his central aim? Certainly. Will he achieve his aim? Perhaps. If he does, the chances are that the chief cause of faster growth will have been his constant love of macroeconomic stability, not his passion for microeconomic tinkering.



4-10-00



JAMES A. HARMON
CHAIRMAN AND PRESIDENT

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Dear Mr. President,

Thank you for agreeing to

Speak at The E-Im Bank conference.

This will be my fourth and last Annual
Conference. I am proud of the good work
done at The Bank during this period, and I
appreciate your recognizing the role of E-Im Bank
in creating/sustaining jobs in the U.S.

I also know that you would
not "let me down" at this special moment.

I look forward to seeing you
next week.

Regards,

Jah

4-10-00

Source
Third Generation
It is countries of our
strategy - for

Copied
Bergin
Podesta

Putin, like Yeltsin, accepts the demise of the former Soviet Union but also sees continuing Russian security, political, economic and other interests in the countries of the "near abroad." For eight years, Yeltsin tried to build the Commonwealth of Independent States into a close alliance under Russian leadership but could not do so. Putin might be more realistic and rely on bilateral or limited multilateral groupings that see a common interest in close cooperation in specific areas.

Washington should not suspend its engagement and efforts to influence Putin's decisions in ways beneficial to U.S. interests, as well as to Russia's. We should not expect him to pursue courses of action simply because we want him to. But if we recognize common interests and seek to resolve differences, we can make relations with Putin's Russia mutually productive.

The GOP's Vanishing Act

By Jonathan V. Last

Special to the Los Angeles Times

Eight months ago, Texas Gov. George W. Bush led Vice President Al Gore by 21 points. Now, he trails Gore by six, and GOP strategists in Washington are worried. They fear that, within weeks, Democrats will blanket the airwaves with issue ads designed to define Bush, and by the time the conventions convene this summer, the Democrats will be well on their way to a third consecutive term in the White House. The truth, of course, might be far worse. The Republicans might be in the process of becoming the political minority for a generation. They are being banished from the national stage and do not even realize it.

Only twice before has a political party been vanquished to the margins for 20 years or more. The Civil War put Democrats out of power for 24 years; the Great Depression kept Republicans out for 20 years. Both political banishments were the result of seismic events that changed the way the country functioned. The same dynamic is at work in today's politics, where a sea change in American life is priming the pump for one-party rule.

We see a confluence of two events that are devastating for Republicans. The first is the dawning of the information age, which has produced a fantastic, whirling economy. The second is the Democrats' successful demonization of the religious right.

The gilded age we live in is no less politically significant than the Civil War or the Great Depression. It is not an ordinary economic boom, for it has changed the nature of U.S. industry and the way ordinary people think about money. Democrats, in power at the dawn of this new economy, are reaping its benefits in a way that is inversely proportional to how the parties on the wrong ends of the Civil War and the Great Depression were punished.

What's more, this trend is self-reinforcing. Suppose that, next January, Gore is president, the Democrats control the House and the Senate is deadlocked at 50-50—a likely scenario. If the Dow Jones industrial average remains irrationally exuberant, as many experts predict, how will Republicans fare in 2002? They will recede even further into the minority, because while the information age has made the stock market more egalitarian, it makes the politically rich richer.

At the same time, Democrats have created a tremendously effective political weapon: the religious right. The religious right is, at best, a medium-small minority group, with only 11 percent of Americans identifying themselves as members. Yet, the public has an outsized view of them that is overwhelmingly negative: The religious right has a 47 percent unfavorable rating. The concept of the religious right has eclipsed even the usefulness of the epithets "liberal" in the 1980s or "communist" in the 1950s. People in the suburbs of Ohio and New Jersey—middle-of-the-road voters who decide elections—are terrified by the idea of the religious right; and Democrats are adept at using that fear as an electoral club. Gore's new slogan for the general election is "Join the fight!" The phrase makes the explicit argument that Democrats aren't involved in a debate over which direction to take the country, but rather in a war with Christian conservatives.

Meanwhile, signs are emanating from first lady Hillary Rodham Clinton's camp in New York that she is going to seek to portray her opponent, New York Mayor Rudolph W. Giuliani, as a member of the religious right, or, in her words, a "right-wing extremist." Four months ago, Giuliani led the first lady by five points; today he trails her by three. By Nov. 7, Giuliani could well look like Pat Robertson to New York voters. Giuliani is a pro-

choice, pro-gay-rights, centrist Republican who, in an alternate universe, would be known as a "tough-on-crime New Democrat."

Some Republicans argue that the 1994 election proves the party is in a salvageable, if damaged, condition. In the mid-'90s, it was reasonable to view the 1994 Republican avalanche as a realigning election, but hindsight makes it look more like an aberration. The election of 1874, in the middle of the Republican domination following the Civil War, showed a similar temporary shift when the out-of-power Democrats gained 77 seats in the House of Representatives. Six years later, they were back in the minority.

Similarly, during the Democratic hegemony after the Great Depression, the election of 1946 looked like a Republican landslide. The GOP gained 55 seats in the House and 13 in the Senate. Two years later, the Democrats won back both houses convincingly. Years from now, the election of 1994 will be viewed as one of these surprising blips, a freakish win by a thoroughly disenfranchised party.

Other GOP strategists are relying on the old saw that says Americans have an intrinsic distrust of politicians and tend to apportion power relatively evenly between the parties. While this might hold true for normal times, exceptional situations—moments that force the country to re-examine fundamental aspects of itself—have caused the public to hand the reins to a single party. The Civil War changed the way people felt about democracy, and Republicans were given total control. The Great Depression changed the way people thought about government, and the Democrats were allowed unchallenged rule. It is not unreasonable to suspect that as the information age changes the way we think about economics, we will again see a generation of politics dominated by one party.

Republicans who see the Bill Clinton-Gore years as a wave that has crested are whistling past the graveyard. The evidence from New York to bellwether California, where the GOP is in massive disarray, is not good. It suggests that a long, dark night has just begun to settle over the party.

Even if they did understand their predicament, it isn't clear Republicans could change their fate. In both previous periods, the minority party needed the help of a mistake by the ruling party to get back into the game. In 1884, James G. Blaine, the "continental liar from the state of Maine," fumbled the election for the Republicans after the party inexplicably turned its back on incumbent President Chester A. Arthur. In 1952, the country was mired in a less-than-popular war when Democrats put forward the famously pompous and lightweight Adlai E. Stevenson. But even with the weak Stevenson as an opponent, Republicans needed a celebrity candidate—Dwight D. Eisenhower—and a demagogic message (Democrats were the party of "Communism, Corruption and Korea") to finally return to power.

Which is to say that, barring a war with China, the collapse of the Nasdaq or the nomination of Bill Bradley in 2004, Republicans might be in for a long, long stay in the political wilderness.

By Focusing Now, Clinton Can Renegotiate ABM Treaty

By Ivo H. Daalder, James M. Goldgeier and James M. Lindsay
Special to the Los Angeles Times

Vladimir V. Putin's election as the new president of Russia opens the door for negotiating a serious deal on deploying national missile defense, or NMD. President Clinton must move decisively to take advantage of this opportunity. He must devote attention to persuading Russia to revise the Anti-Ballistic Missile Treaty to allow for deployment. Equally important, he must lay the foundation for Senate passage of a modified treaty.

Success in these two efforts will vindicate Clinton's strategy of engaging Russia and put U.S.-Russian nuclear relations on a more stable footing. Failure will jeopardize relations with Moscow and increase the chances that an NMD deployment would make the United States less secure. Much is at stake, with little time left.

Many people believe Moscow's long-standing opposition to changing the ABM treaty means agreement is impossible. That is wrong. Faced with a choice between modifying the treaty or watching the United States abrogate it, Russia has every reason to negotiate.

It should want to do so while Clinton is in office. While a Democratic president is unlikely to offer Moscow more, a

Republican will certainly offer less. Texas Gov. George W. Bush has said he will proceed with deployment come what may, and his chief foreign-policy adviser has dismissed the ABM treaty as a "relic" of the Cold War.

Putin had previously called on the Duma to ratify the long-stalled START II cutting U.S. and Russian nuclear forces. Now that he has won the presidential election, Russia has a leader who commands greater parliamentary support than Boris N. Yeltsin did. That bodes well for reaching an agreement.

Some Republicans object to this, insisting that, with only a year to go in office, Clinton should leave negotiations to the next administration. But there is ample precedent for presidents concluding major negotiations in the waning months of their terms. President Bush signed a major trade pact (the North American Free Trade Agreement) and two landmark arms-control treaties (START II and the Chemical Weapons Convention) after he lost his re-election bid, leaving Clinton with the task of securing their approval on Capitol Hill.

A deal on the ABM treaty should allow Washington to deploy a limited system capable of defending all 50 states against a small missile attack. At the same time, the deal must reassure Moscow that NMD deployment does not represent a first step toward America acquiring a nuclear first-strike capability.

To give Washington what it wants, only small changes in the ABM treaty are needed. The system that the Clinton administration proposes is consistent with the original intent, if not all the details, of the ABM treaty, which sought to ban only strategically significant defenses.

To give Moscow the reassurance it needs, the administration should offer to make deep cuts in offensive nuclear forces. Specifically, Washington should propose negotiating a START III limiting each country to 1,000-1,500 warheads. The administration should also announce it will immediately and unilaterally cut U.S. forces to the 3,500 warheads allowed under START II and take off alert those weapons scheduled for retirement once START III enters into force.

A deal along these lines perhaps sweetened with other cooperative gestures should be negotiable within a year.

Last fall's rejection of the Comprehensive Test Ban Treaty makes it clear that Senate approval is not automatic. Any ABM deal could turn into a polarized debate pitting arms-control proponents against NMD enthusiasts. Indeed, the GOP hard-liners who championed the defeat of the test ban believe the ABM treaty will be voided if they block a deal on modifications.

But it is equally important not to exaggerate the obstacles on Capitol Hill. The United States has not returned to the pattern of the late 19th century, when the Senate rejected every major treaty put before it. The test-ban defeat had far more to do with the White House's cavalier treatment of the issue than with resurgent isolationism on the Hill.

The task facing Clinton, then, is to begin building political support in Congress for a modified ABM treaty. What he does over the next year will help determine whether the Senate ultimately gives its approval. If Clinton leaves the heavy lifting to his successor, NMD enthusiasts will seize the opportunity to build a coalition opposing any limits on building missile defenses.

To secure Senate support, the administration must pursue a "center-out" strategy. Although arms-control proponents and NMD enthusiasts will make the most noise, the winning votes lie with the large number of senators in the center. Pragmatic by nature, these senators favor building a missile defense and would prefer to do so in a way that doesn't needlessly antagonize other countries.

In contrast, a strategy that focuses on the political extremes guarantees failure. As President Carter learned in his efforts to woo hard-line Sen. Henry M. "Scoop" Jackson over SALT II, persuading hard-core opponents to switch causes is a fool's errand. By the same token, a "left-in" strategy that spends the next year trying to allay the concerns of arms-control enthusiasts is not likely to work: What it takes to mollify them will alienate moderates. Once Russia agrees to modify the ABM treaty, the objections of pro-arms-control senators will evaporate.

Making the center-out strategy work requires three things. First, the administration must frame its policy to appeal to centrist senators. Its primary goal must be to deploy a defense in responsible ways. The administration cannot suggest, as it sometimes does, that its highest goal is preserving the ABM treaty "as a cornerstone of strategic stability." NMD enthusiasts will use

that mistake to portray their cause as the only one that seeks to defend Americans against nuclear attack.

Second, the administration must help senators understand the issues at stake and elicit their views. It must bring senators into the negotiations with Russia by creating a Senate observer group. Making senators part of the talks something that did not happen with the test-ban treaty educates them about the issues, injects their views into the process and inclines them to support the finished product.

Third, the administration must name a point person for the issue on Capitol Hill. The State Department, the Pentagon and the National Security Council are too consumed with day-to-day business to give the Senate the attention it needs. It is critical he or she be someone with good ties to the White House.

If Clinton takes these steps, he can lay the groundwork for Senate approval of a historic deal that will allow the United States to deploy a missile defense that increases U.S. security and placates Russian concerns. If he fails to undertake the difficult work of building political consensus, any ABM deal he signs will become the 21st century's equivalent of the Treaty of Versailles.

BROWNSTEIN COMMENT: Education Policy Can Be a Lesson in Cooperation
By Ronald Brownstein
Los Angeles Times

Like the song says, fish got to swim, birds got to fly ... presidential candidates got to bicker.

Arguments are the oxygen of presidential politics, the way the contenders clarify the choices for voters and keep press and public interest burning through the long campaign. But, even so, Texas Gov. George W. Bush and Vice President Al Gore looked silly last week as they tried to manufacture a fight over Bush's eminently sensible proposal for a \$1 billion-a-year federal grant program to improve the reading performance of poor children.

First Gore accused Bush of copying an early reading initiative the administration first proposed in 1996. Then Bush's camp suggested the administration plan was actually pilfered from a Texas reading program Bush implemented at the same time. It reached the point where Education Secretary Richard W. Riley, truly the most mild-mannered of politicians, issued a statement chiding Bush for twisting Riley's earlier praise of the Texas plan into support for his paternity claim to the importance of early literacy.

Here's an alternative, radical explanation for the convergence: Neither Bush nor Clinton and Gore copied each other at any point. Independently, each was responding to the same current of reform that's now shaping the education agenda of most local officials in both parties. As they move in that current, Bush and the Clinton-Gore administration have developed common assumptions about education reform that extend well beyond the imperative of early-grade reading. Those common assumptions present the opportunity for compromise if the two parties are willing to pursue it under either this president or the next.

That's not to suggest there aren't big differences between the two sides, especially over Washington's role. Gore and Clinton envision a much more activist federal government that would spend as much as \$200 billion over the next decade to help states build schools, reduce class sizes, expand preschool programs and hire more teachers. Bush maintains the key to reform is to shift more power and money to local governments and parents while holding schools strictly accountable for student performance.

Yet, through such means as requiring annual local testing of students in reading and math, Bush also believes Washington should aggressively encourage local school reform. And to a striking degree, both candidates like most governors agree on what those reforms should look like. Increasingly, both parties want to give teachers and principals more authority and flexibility at the schoolhouse level, while subjecting them to rigorous measurements of student performance and pressuring them to improve through increased competition.

"Some big ideological issues are still out there ... that separate Democrats from Republicans," says Amy Wilkins of the Education Trust, a centrist education reform group. "But there is a growing sensible center on some of these issues."

That's evident, for starters, in the shared emphasis of Bush and Clinton/Gore on improving the measurement of student performance. In 1994, Clinton signed into law reforms that require

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Jim Hoagland

A Signal From Syria?

Are we missing the forest for the trees? More concretely: Did President Clinton and the rest of us just miss a signal from Syria's Hafez Assad that he is finally ready to meet Israel's security concerns and live in peace with the Jewish state as long as he gets back all of the territory Syria lost in the 1967 Arab-Israeli war?

Clinton describes his Geneva meeting with the Syrian leader in late March as total failure. At his March 29 press conference here, Clinton conveyed a sense of bitter disappointment over the meeting and hinted of his barely concealed feeling that Assad had gruffly and unnecessarily given the president the back of his hand in Geneva.

"If we're going to have a negotiation, I don't think it's enough to say, I don't like your position, come back and see me when I like your position," Clinton told reporters. "I understand how strongly he feels about it. But if he disagrees with their territorial proposal, which is quite significant, then there should be some other proposal, I think, coming from the Syrians about how their concerns could be handled."

Clinton's chagrin is understandable. As his words suggest, he brought with him to Geneva new territorial proposals from Israeli Prime Minister Ehud Barak and hoped for something new from Assad to take back to Barak.

But the austere Syrian leader quickly reminded the youthful American president that he does not do new when it comes to territorial compromise. What he wanted in return for peace was every inch of the

Golan Heights. Clinton was wasting his time fishing for movement there, however small, Assad said.

At first glance Clinton's right: nothing new there. But what strikes me is that Assad has for several months now been describing directly and indirectly the kind of peace he is offering Israel for full return of the Golan. What Assad is saying about the nature of peace may be more important than what he is not saying about territorial compromise at the moment.

The movement by Syria began during January talks in Shepherdstown, where Israeli and Syrian officials discussed specific steps for normalizing relations, establishing mutual security guarantees and controlling water resources on the Golan. A confidential outline of the results of those talks that appeared in the Israeli press showed how forthcoming the Syrians had been on subjects that have in the past been taboo. Diplomatic sources have since confirmed the essential accuracy of the report.

But the outline also disclosed that the Israelis had offered no serious discussions on the final border. An angry Assad declined to continue the talks in the absence of a clear Israeli commitment to return to the June 4, 1967, prewar line. That was the deadlock Clinton hoped to break in Geneva.

Clinton brought with him proposals from Barak that sought to split the geographically small, politically vast differences that remain over the return of the Golan Heights to Syrian sovereignty. Barak offered ways to establish a line between a 1923 in-

ternational boundary, which puts the eastern shoreline of the Sea of Galilee in Israeli hands, and the pre-1967 war line that gives that shoreline to Syria. Assad stiffly rejected that idea.

"He now knows in great detail what the Israeli proposals were, and I believe since they have made an effort to be specific and comprehensive, if we're going to make progress, they should now be able to know what his specific and comprehensive response is on all the issues," Clinton said. Translation: The ball is in Syria's court. Barak has done as much as he can do faced with strong opposition at home to giving up the Golan.

It has been a safe bet for the past 30 years that Assad was interested in the Golan, not in peace with Israel. His refusal to respond productively to Yitzhak Rabin's hypothetical offer of full withdrawal for full peace reinforced that impression.

But Assad and his senior officials began to outline at Shepherdstown what they mean by peace with Israel in terms that suggest even they have come to the realization that it is time to end the Arab-Israeli conflict. They should not get medals for that, but neither should we rush past the obvious. The Syrians seem to be ready for reopening the deal Rabin proposed.

The peace Assad has in mind may not in the end be desirable for Israel, which is right to want to see more of his cards. To get that look, Israel will have to decide whether there are in fact any circumstances under which it will give up all of the Golan. That is the ball that is in play, and it is in Israel's court right now.

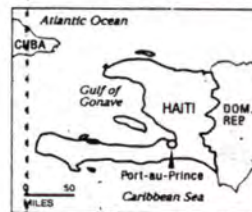
The Washington Post

SUNDAY, APRIL 9, 2000

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THE WASHINGTON POST

Adviser To Haitian President Shot Dead

Reuters

PORT-AU-PRINCE, Haiti, April 3—The owner of a pro-government radio station and adviser to President Rene Preval was shot and killed outside his station today, along with a security guard, local media reported.

Jean Leopold Dominique, 69, director and owner of Radio Haiti Inter, was shot several times in the head and chest as he arrived at work on one of the capital's main thoroughfares.

Dominique, one of Haiti's best known journalists and an outspoken advocate of democracy, died shortly afterward at a hospital, the station reported.

The motive for the shooting was not known. Former culture minister Jean-Claude Bajeux, a human rights advocate, called it an assassination, as did the Organization of American States, which has a mission in Haiti to observe long-delayed attempts to hold the country's first legislative elections in three years.

The attack came amid rising tension and street demonstrations protesting the Preval government's failure to hold legislative and municipal elections. Preval has governed by decree since January 1999, when he dissolved parliament and installed a new prime minister and cabinet.

In Washington, the State Department called for a "thorough and prompt" investigation, and urged Haiti to set a date for the elections.

Haiti has not held elections since a 1997 ballot was annulled because of fraud. Opponents charge that the government is trying to delay the legislative election until the end of this year so they can be held at the same time as the presidential vote.

Former president Jean-Bertrand Aristide is widely expected to run for the presidency and win, and holding the two elections at the same time could help members of his party win parliamentary seats.

The Washington Post

TUESDAY, APRIL 4, 2000

4-10-00

Summary

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U.S. Ready for Much Larger Security Council

By BARBARA CROSSETTE

UNITED NATIONS, April 3 — After years of trying to hold the 15-member Security Council to what it considers a manageable size, the United States is prepared to drop its insistence that the limit should be 20 or 21 seats in any expansion, Richard C. Holbrooke, the American ambassador to the United Nations, told a General Assembly working group today.

Mr. Holbrooke, who did not suggest an upper number, is facing an uphill battle to reduce American dues to the organization. And the issue of Security Council size is important for dozens of new members, whose ambassadors here contend that the council no longer represents the world.

The five permanent members — Britain, China, France, Russia and the United States — have held those positions since 1945, when the United Nations had 51 members. The 10 rotating seats are shared by 183 other countries, some of which are unlikely ever to have a chance at coun-

cil membership. The rotating seats are held for two years, with five new members elected each year to maintain overlap.

The council, something of a United Nations cabinet of countries, is the only body that can call for enforcement of its decisions by military means, if necessary.

Several years of sometimes rancorous debate in an open-ended working group — envoys call it the "never-ending working group" — have failed to bring any voluntary changes in membership. Europe, for example, can also hold one or two rotating seats in addition to its three permanent ones, if Russia is counted. And many nations say the time has come to discuss one or two permanent seats for the European Union, to be apportioned as they choose. France and Britain are resolutely opposed.

The situation is further complicated by German and Italian demands for permanent seats, which carry veto powers. Japan is also campaigning for a permanent place, citing its high level of contributions and the

need for a democratic free-market Asian voice among the most powerful nations.

Most delegations say the council is out of date in not giving enough seats — and no permanent seats — to the developing countries that form a substantial numerical majority in the General Assembly. Those nations themselves are a long way from deciding which would hold seats if the number is increased.

India desperately wants one. But Indonesia and maybe even Korea may also still be in the running from Asia. Africa has an abundance of candidates, among them Egypt, Nigeria and South Africa. In Latin America, Brazil and Mexico, and possibly Argentina or even Chile, would be among the competitors.

When Bill Richardson, now energy secretary, was the ambassador here, he suggested an additional five seats, for Germany, Japan and three developing nations. That would put the membership at 20.

Now members are proposing a body as large as 28 members, nearly double its present size.

Gifts to Tiananmen Victims' Group Blocked by Police

By The New York Times

BEIJING, April 3 — A mother of a student killed in the 1989 crackdown on democracy demonstrators was detained by the police today as she tried to deliver gifts to a leading organizer of victims' families.

The detained woman, Su Bingxian, was trying to deliver a book and \$1,000 in donations for families of people killed in the crackdown to

Ding Zilin, a professor at People's University who also lost a son when the army crushed the demonstrations in Tiananmen Square and has organized aid efforts for bereaved families.

The book and money had been brought by Lois Wheeler Snow, the 79-year-old widow of the journalist Edgar Snow, who was lauded here as a "friend of China" for his sympathetic writings. On Saturday, Ms. Snow was prevented by the

police from visiting Ms. Ding and giving her the gifts.

As Ms. Snow was blocked at the university gate on Saturday, Ms. Su emerged to accept the gifts on Ms. Ding's behalf. But today, when she tried to deliver the book and money to Ms. Ding, she was detained. Ms. Ding said in a letter faxed to foreign reporters. Tonight Ms. Su's telephone went unanswered and it was unclear if she was still being held.

7 Villagers in Kashmir Slain During Anti-Police Protest

By CELIA W. DUGGER

NEW DELHI, April 3 — Seven demonstrators against recent killings of villagers by the police were killed in Kashmir today and at least another four were wounded.

The protesters were part of a march of about 1,000 people from their villages to the district police headquarters in Anantnag. They were gunned down outside a police camp in the village of Barakpura.

Officials in the state of Kashmir suggested that the killings today were committed by militants, while separatist leaders charged that police officers had fired on the protesters.

The police themselves originally reported that officers in the special operations group of the state police — charged with combating the 11-year-old insurgency in the state — had fired on the marchers after being pelted with stones and perhaps even fired on. But they later said an examination of the bodies indicated that the shots came from behind the protesters and had been fired by militants.

People who had marched further back in the procession, and who had not actually witnessed the shootings, accused the police of shooting the protesters.

The deaths today continued a cycle of violence that began with the killing of more than 30 Sikh villagers in the state of Kashmir two weeks ago, on the eve of President Clinton's visit to India.

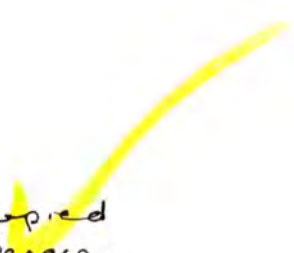
On March 25th the police killed 5 men who were supposedly implicated in the crime. Officials said the men were separatist Islamic militants fighting Indian rule of Kashmir. But villagers in the area said some of the men shot were innocent local residents.

The New York Times

TUESDAY, APRIL 4, 2000

4-10-00

Sandy
Very good man
for



copied
Berger
Podesta

Israel Is Slowly Shedding Harsh Treatment of Arabs

A1

By DEBORAH SONTAG

JERUSALEM, April 6 — Justice Minister Yossi Beilin calls it a "quiet revolution."

Through the years, Israel has been consistently criticized by many human and civil rights organizations for invoking national security to explain practices that were considered exclusionary, discriminatory and coercive toward Israeli Arabs and Palestinians.

But since the right-wing government was replaced last summer by a broad coalition including several leftists and human rights advocates, crucial policy changes have been made that, together with a spate of High Court decisions, point toward a sea change.

The torture of Palestinian suspects has been banned. The practice of stripping Palestinians of their residency rights in East Jerusalem has all but ended. In a landmark ruling, the equal right of Arabs to land allocated by the state has been affirmed. And for the first time in Israel's history, land long considered part of a Jewish town was taken away and returned to the Arab village from which it was expropriated decades ago.

The number of Palestinian administrative detainees, those imprisoned without charges, has plummeted to 9 from 66 last April and hundreds in previous years. On Wednesday, Israel released one of 16 remaining Lebanese who are being held, in contravention of international law, as "bargaining chips" for captured Israelis.

In some ways, it is almost a stealth liberalization process, an incremental phenomenon rather than a declared program. Committed to peace, Israel is dropping several policies that it justified by its near perpetual state of armed conflict with its neighbors. As it undergoes normalization, many say, Israel is slowly letting down its guard, losing its fear and relinquishing a sense of itself as a special nation living under such special circumstances that it cannot be judged by the norms applied to others.

"During war, democracy can be more restricted," said Natan Sharansky, the interior minister and a former Soviet dissident and human rights champion. "But we are not at war. We are engaged in a peace process, and we are trying to live a more normal life. That means dealing with questions we have avoided answering for years. That means removing inequality in our society."

The process of normalization is incremental, and it involves the shedding of deep-seated anxieties and ingrained habits. Israeli-Arab lawmakers have responded to some decisions with something approaching wonderment. Muhammad Barakeh, a legislator who often refers to Israel as an apartheid state, suggested recently that perhaps Israel "was moving toward being a democratic state for all its citizens."

But he and other Israeli-Arab lawmakers, critics of Israel's settlement policies and Palestinian leaders are quick to add that Israel still has a long way to go. They point to continued abuses by border police officers, to the continued expropriation of Arab land, to habitual discrimination in education, employment and housing.

But Mr. Beilin, who like Mr. Sharansky is a leading catalyst of the change, said the process was

an evolution. He is working to eliminate the underlying legal justification for Israel's self-definition as a special-case society.

The Justice Ministry is preparing the groundwork to end by this summer a 52-year-old legal state of emergency, which has given the Israeli cabinet the power to supersede the legislative process.

Mr. Beilin said he thinks that it has taken Israelis many years to internalize the peace process. "And then it began to happen," he said. "And we said to ourselves, 'We are approaching peace, and we still have a legal system that acts as if it were in a state of war. And it justifies things that are no longer, if they ever were, justifiable.'"

Some Israeli Arab leaders say mainstream Israelis see as groundbreaking some events that appear to them to be token or trivial — like the recent employment of four Arab flight attendants by El Al, or the crowning last year of the first Arab woman as Miss Israel. Enough rage is still bubbling in their communities to have fueled a strident Land Day protest last week, after which an elderly woman died and her fellow villagers instantly asserted — despite the hospital's denial — that her death was caused by exposure to the Israeli troops' tear gas.

But other changes, even unofficial ones, are undeniably fundamental, changes that reflect a relaxation of Israel's eternally security-conscious attitudes toward territory and the use of force.

The demolition of illegal Arab homes in East Jerusalem and the West Bank, for instance, has declined sharply since Prime Minister Ehud Barak took office in July, according to statistics kept by the B'tselem human rights organization. In East Jerusalem, all the demolitions since November were done by the municipality, which is run by a right-wing mayor, and none by the national government, which also has the authority.

This is not an official policy change, which could provoke intense political debate, but a quiet change in practice — like a recent freeze in the authorization of new settlement construction and in the paving of "bypass roads" that connect settlements to Israel, circumventing Palestinian towns. Settler leaders say none of the 60 or 70 construction permits requested recently were authorized, although construction authorized by Benjamin Netanyahu when he was prime minister has not been frozen,

infuriating the Palestinians.

The relaxation began under Yitzhak Rabin, the assassinated prime minister, and went into abeyance during the anti-liberal tenure of Mr. Netanyahu, experts say. It began picking up steam again when the election of Mr. Barak, who reinvigorated the peace effort, emboldened the High Court and even politicians who served in the Netanyahu government.

In September, the High Court stunned Israel by handing down a decision to outlaw brutal methods used by Israeli security agents during the interrogation of Palestinian suspects. Since then, Amnesty International experts say, while there are reports of isolated cases and some evidence that the use of solitary confinement has increased, the systematic use of torture has indeed ground to a halt.

Significantly, in the ensuing political debate, when right-wing lawmakers proposed circumventing the court with legislation permitting the use of torture, several centrist legislators publicly revealed a new sensitivity to Israel's image. Ophir Pines-Paz, who heads the One Israel faction, brought to the Parliament floor a briefcase filled with letters from around the world urging Israel not to "go backward."

While the High Court is supposedly above the political fray, its rulings, and the timing of their release, appear to be affected by the political climate, many say. Legal experts think that the court had sidestepped an overarching ruling on the torture issue for years. Chief Justice Aharon Barak had written in 1997 that it was a "grave mistake" to view human rights issues in times of war and emergency as similar to those in times of peace. That was the prevailing attitude of the court for decades.

Several experts said the torture decision revealed a fundamental evolution of Israel from "a defense state to a much more open and internally dynamic society," as Yaron Ezrahi, a political scientist, said. "The Israeli society," he continued, "is in a process of demobilization, reflecting its sense of security, militarily and economically. The fact that it is willing to give up its practice of using these torture methods indicates that security is no longer invoked as the be all and the end all."

Not everyone is thrilled, of course. Several right-wing lawmakers think that such thinking is just denial, and

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4-10-00

WASHINGTON, DC

Can America's new economy be steered with an old-economy compass?

ALAN GREENSPAN may be the god of global finance, but his efforts to steer America's economy are proving rather like navigating outer space with a compass. His goals—price stability and sustainable economic growth—remain the same. But his trusted maps and instruments do not seem to work well any more.

Until recently, America's economy obeyed a few rules of thumb. It could grow safely by about 2.0-2.5% a year in the long term. Any faster, and inflation would soon appear. Unemployment could fall safely to about 5.5-6.0%. Any lower, and wage pressure would soon appear. Thus the central bank's role was clear: whenever the economy was roaring beyond these limits (or likely to), it was time to slow things down by raising interest rates.

How different things are today. The economy has been surging, even as the expansion has aged. America's real GDP grew by an annualised 6.3% in the second half of 1999. Yet core inflation, which excludes the temporary effect of soaring oil prices, has only edged upwards rather than exploding. Unemployment is barely over 4%, yet there are scant signs of wage pressure.

What is more, the old instruments seem on the blink. Mr Greenspan has been raising short-term interest rates gradually since June 1999, in an attempt to rein in surging demand. On March 21st, he pushed up the Federal Reserve's short-term interest rate by a quarter of a percentage point, the fifth such move. But, it seems, with modest impact as yet.

Demand growth has accelerated since last summer. Consumer spending is still booming (car sales in February hit a four-year high—19m at an annual rate). Corporate investment is back on the rise. Many forecasters expect GDP to grow by an annual rate of around 5% during the first three months of 2000, only marginally below the breakneck pace of late 1999.

Financial markets complicate things fur-

ther. Stockmarkets rallied on the news of the rate hike and, despite recent volatility (see page 79), the surge in technology stocks means that broad indices remain strong. New-economy shares, brokers insist, are little influenced by higher interest rates (they tend to have no debt as well as no profits). The Fed's frustration is evident in the press release that accompanied the rate rise: "Economic conditions...are essentially the same as when the committee [last met]", it



snorted. In short, it is tough for the Fed to know what to do; and equally tough to achieve it.

The underlying reason for the economy's extraordinary performance, and the financial markets' behaviour, is productivity. Since 1995, America's workers have increased their output per hour by about 2.75% a year, double the average of the previous 25 years. And this trend is accelerating. In the second half of 1999 productivity outside agriculture soared by 5.6%. This surge, which is the chief motor of the much ballyhooed new economy also dramatically complicates monetary policy. The central bank has to judge how far this higher productivity is based on a structural change; gauge when the acceleration will stop; and determine what the

new "sustainable" rate of growth is.

The first of these issues is being gradually resolved. Mr Greenspan has long suspected that America is in the midst of a structural productivity revolution, driven by information technology. Ever more research now supports his hunch.

In a new paper, Daniel Sichel and Stephen Oliner, two economists at the Federal Reserve known for their work on analysing the economic impact of computers, estimate that improvements in the computer industry's own production processes account for about a quarter of the overall increase in productivity. But they also argue that increases in the use of information technology by companies of all sorts account for just under half the recent rise. As the research piles up, it is increasingly hard to find economists who deny that something structural is afoot; the debate is how great that effect is.

Much more controversial, however, is how long the productivity acceleration will continue. Is the 6% growth at the end of last year an aberration or a sign that the trend is still upward? A slowdown in the pace at which computer-equipment prices are falling suggests that the productivity boost from manufacturing computers ever more efficiently may be waning. On the other hand, the diffusion of information technology and, especially, the Internet throughout the economy clearly has some way to go. On balance, most observers, including the Federal Reserve, are cautious. The productivity trend since 1995, they reckon, suggests the economy's safe growth rate may have risen to 3.5-4%—well below the current rate.

That explains why interest rates are going up. Mr Greenspan wants to rein in what he sees as excessive demand growth. In recent months he has given different explanations of what exactly worries him and why. First, he focused overwhelmingly on the labour market. More recently, and more controversially, he has dwelt on the continued rise in equity markets. By rising in anticipation of future productivity growth, he argues, stockmarkets cause a wealth effect that leads to demand in excess of today's actual supply growth. He resorts to these complicated—and controversial—explanations as the economy is not yet displaying the traditional symptoms of overheating.

So far, an unemployment rate of 4.1%, way below the traditional norms, has not led to unsustainable wage pressure. Unit-labour costs fell in the second half of 1999 as wages

rose by less than productivity. Though various reasons are put forward, economists don't really understand why.

One possibility is that inflation has been surprisingly low in the past couple of years. As a result, small nominal pay rises have turned out to be surprisingly high real pay rises. This reasoning suggests that once

workers realise headline inflation has risen, they will demand more in their pay packets. Another plausible reason is the productivity surge itself. Workers may not have cottoned on to how much more productive they have become. The latest Economic Report of the President, for instance, suggests that a positive surprise in productivity growth of one

percentage point would have the effect of temporarily lowering the sustainable unemployment rate by 1.25%.

Equally, it is hard for the central bank to argue that excess demand is showing up in consumer-price inflation. America is far from inflation-free. Consumer prices have shot up recently (see chart), driven by the rise in oil prices. Headline inflation is now above 3%. And America is no longer enjoying a disinflationary effect from a strengthening dollar and falling commodity prices. Nonetheless, broad price pressure has yet to appear. The oil blip is widely seen as temporary. And, whatever the truth in that, there has, as yet, been little "pass through" into core consumer prices: only air fares have seen much of a jump.

On the other side of the inflation ledger stands another hard-to-estimate force: the nascent rise of business-to-business e-commerce on the Internet. According to Goldman Sachs, less than 0.5% of inter-company transactions currently take place electronically. But from retailing to manufacturing, traditional old-economy firms are waking up to the fact that web-based exchanges and the like can slash their procurement costs. In February, for instance, America's top three car makers announced a web-based exchange for parts. Steve Girskey of Morgan Stanley suggests that such initiatives could reduce costs by \$2,000-3,000 per vehicle over the next three to ten years. But the truth is that no one knows.

Put all these factors together and it is clear that the central bank is faced with massive uncertainties. Nonetheless, there are a few clear indicators of alarm. One is America's dependence on foreign capital. The trade deficit soared to a new monthly record of \$28 billion in January. With a rising trade deficit and higher debt-service payments to foreigners, America's current-account deficit, now over 4% of GDP, is set to grow ever bigger.

That alone should be cause for concern. Add to it concerns about the stockmarket and the labour market, and prudence clearly dictates a slowdown. In outer space, if you zoom along too fast and too long in the dark, the chances of hitting an asteroid are real.

Walls come tumbling down

THE American economy has all sorts of enviable attributes. Yet, as even its most devoted admirers must admit, the great machine, just occasionally, emits a distinctly bubblish burp. Sometimes this fizz comes in the form of official economic statistics; but the more remarkable things often spring from less closely watched numbers—the number of Ferrari dealerships in the Bay Area, the price of English nannies in Manhattan, the fashion for gold-thread suits.

We begin an occasional series on such phenomena with a look at a much more solid structure—the 100,000 tons of con-



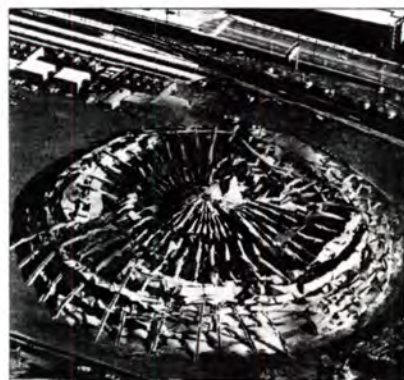
cretely to replace ceiling tiles.

The Kingdome's problem is that in these fizzy times being useful and being there are not enough: sports stadiums have to be new. Last summer the Seattle Mariners, the city's baseball team, decamped to a new, \$530m retractable-roof stadium located a few hundred yards away. Paul Allen, the co-founder of Microsoft, agreed to buy the Seattle Seahawks, the local American football team, only if state taxpayers coughed up most of the money for a new \$430m football-only stadium on the site of the Kingdome. The plan was approved in a referendum (to be fair, Mr Allen generously put up the \$4.3m needed to arrange the vote).

Robert Baade, an economist at Lake Forest College in Illinois who studies sports stadiums, points out that Seattle is hardly alone in tearing down a perfectly sound building. During the past decade about half the stadiums in the nation that house football, baseball, basketball or hockey teams have been replaced—usually to lure new teams to a city, or, in the case of Seattle, to prevent the departure of existing teams.

During the 1980s, America spent around \$1.5 billion on new sports stadiums; in the 1990s, it spent \$11 billion. The Miami Heat basketball team will soon follow the Florida Panthers ice-hockey team out of the facility they once shared, even though it is only 13 years old. The Florida Marlins would also like a new home. New York's normally frugal mayor, Rudy Giuliani, seems to have abandoned an economically absurd plan to build a new \$1 billion home for his beloved Yankees in Manhattan; but he still seems keen on spending \$700m in the Bronx. In Boston, Fenway Park is in danger.

Still, the last laugh may be on Seattle. The Kingdome's main attraction when it was built was its roof. Recently, an unusual weather pattern called the Pacific Decadal Oscillation has produced warmer, drier weather than the Seattle norm. Alas, that seems to be at an end, say meteorologists. The new football stadium provides only limited cover against the returning rain.



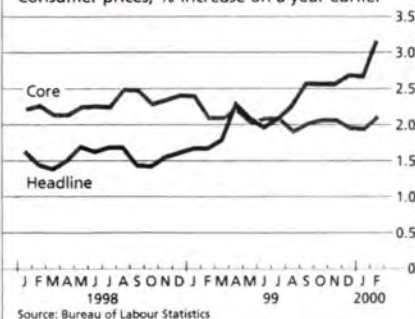
How baseball should pop

crete that are about to cease being the giant Kingdome sports arena in Seattle. At 8:30 am on March 26th some 6,000 carefully placed charges of gelignite will erupt throughout the Kingdome's vertical columns and arching ribs. Within 20 seconds, pulverised, the 67,000-seat stadium will fold in on itself like concrete origami.

It is an ingeniously high-tech way to kiss goodbye to an old-economy icon (concrete is depressingly unvirtual). All the same, it is an odd bit of urban renewal. The Kingdome, completed in 1976 at a cost of \$67m, is decades away from the end of its useful life. There is no reason why it could not continue to welcome American football and baseball games, not to mention the usual stream of Billy Graham revivals, Rolling Stones concerts and monster-truck derbies. Only four years ago, the county government invested \$70m in it,

A warning light

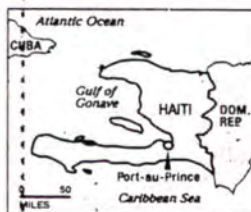
Consumer prices, % increase on a year earlier



4-10-00

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THE WASHINGTON POST

Adviser To Haitian President Shot Dead

Reuters

PORT-AU-PRINCE, Haiti, April 3—The owner of a pro-government radio station and adviser to President Rene Preval was shot and killed outside his station today, along with a security guard, local media reported.

Jean Leopold Dominique, 69, director and owner of Radio Haiti Inter, was shot several times in the head and chest as he arrived at work on one of the capital's main thoroughfares.

Dominique, one of Haiti's best known journalists and an outspoken advocate of democracy, died shortly afterward at a hospital, the station reported.

The motive for the shooting was not known. Former culture minister Jean-Claude Bajeux, a human rights advocate, called it an assassination, as did the Organization of American States, which has a mission in Haiti to observe long-delayed attempts to hold the country's first legislative elections in three years.

The attack came amid rising tension and street demonstrations protesting the Preval government's failure to hold legislative and municipal elections. Preval has governed by decree since January 1999, when he dissolved parliament and installed a new prime minister and cabinet.

In Washington, the State Department called for a "thorough and prompt" investigation, and urged Haiti to set a date for the elections.

Haiti has not held elections since a 1997 ballot was annulled because of fraud. Opponents charge that the government is trying to delay the legislative election until the end of this year so they can be held at the same time as the presidential vote.

Former president Jean-Bertrand Aristide is widely expected to run for the presidency and win, and holding the two elections at the same time could help members of his party win parliamentary seats.

The Washington Post

TUESDAY, APRIL 4, 2000



THE DIRECTOR

THE PRESIDENT HAS SEEN
4-10-00
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

00 APR 7 PM 12:08

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Podesta

April 7, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew 
SUBJECT: U.S. Coast Guard Readiness Shortfalls

In the attached memorandum, Secretary Slater requests that you take the following three actions related to Coast Guard readiness:

1. Declare that Coast Guard military compensation and benefits shall be equal on all points to what other DoD military personnel receive.
2. Establish a mechanism to ensure that the budgetary effect of DoD workforce decisions are accommodated within the Coast Guard budget.
3. Approve a \$46 million FY2000 Coast Guard supplemental request.

Parity: *I agree in part.* Decisions on resources should reflect differing needs. The Coast Guard differs from the other armed services and does not require automatic parity on all benefits, particularly for recruitment and retention. For example, in 1999, the Coast Guard exceeded its recruitment goal, while other armed services did not. Further, the Coast Guard and DoD culture and work requirements differ -- the Coast Guard has a strong environmental mission, is less likely to send personnel overseas or put them in harm's way. Therefore, young adults enlist in the Coast Guard for different reasons and at a different rate than other armed services. Parity already exists by law for most core benefits, e.g., pay, medical and housing.

Coordination: *I agree.* My staff already coordinate workforce decisions and will seek to do so increasingly in the future. However, when it comes to funding these decisions, the Coast Guard should make the same trade-offs as DoD. Generally, DoD funds increased benefits by reallocating resources within its overall totals, requiring decisions on priorities. The Coast Guard has less flexibility to reallocate funds, but should also set priorities, and not receive automatic budget add-ons.

Supplemental: *I disagree.* Submitting this FY2000 supplemental request for the Coast Guard would be untimely and potentially counter-productive. First, you recently proposed a \$77 million FAA supplemental. Even for this, your top transportation priority, we are having trouble getting Congressional support. Submitting another transportation supplemental at this late date could detract from getting needed funds for the FAA. Second, this request fails to meet the high merit threshold it is subject to at this late point in the process. Of the \$46 million requested, \$23 million is for FY 2000 housing, pay incentives and bonuses that were known and funded (through internal reprogrammings) when the 2001 Budget was submitted. An additional \$15

million of the Coast Guard's request is for recruitment and retention incentives. Given that the Coast Guard was the only armed service to meet its recruiting goal in FY 1999, the last year for which data is available, this additional funding is unnecessary. The final \$8 million of the request is to repair hurricane damage, an activity for which \$60 million already exists in the base.

Transmittal of this or any other new requests at this point, particularly if not well founded, will place the supplemental funding bill at greater risk. If Congress does move on a supplemental bill, it is almost certain to add funds for the Coast Guard anyway – Senator Stevens will make sure of that.



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

April 4, 2000

4
Thru
Staff Secretary

MEMORANDUM TO: THE PRESIDENT

FROM: Rodney Slater *RS*
Secretary of Transportation

SUBJECT: U.S. Coast Guard Readiness Shortfalls

00 APR 4 PM 2:03

Issue:

The ongoing military readiness dialogue that has transpired over the past two years has resulted in the Department of Defense (DoD) services forging ahead to remedy their readiness issues with substantial support from the Administration and the Congress. However, the U.S. Coast Guard, whose readiness challenges are equally stark, has not received the same level of support as the DoD services. The Coast Guard now finds itself with a host of readiness challenges – recruiting, retention, spare parts shortages, and deferred maintenance, as well as training and staffing shortfalls – that are causing very real reductions in service to America. As you know, the recently completed Interagency Task Force review of the Coast Guard's roles and missions heartily reaffirmed the service's current and future value to the nation, including strong support for recapitalizing its deepwater capability.

Actions:

The Administration needs to take clear and decisive action.

- First, there needs to be a clear Administration resolve to treat all five services' readiness challenges with parity, and to make compensation and benefits for Coast Guard military personnel equal on all points to what DoD counterparts receive. The absence of an affirmative policy on comparability is having the same effect as a policy against comparability.
- Second, we must establish an ongoing coordinating mechanism to ensure that Defense workforce decisions are accommodated in the Coast Guard budget before the final funding level is set. Without such a mechanism, we perpetuate an inequity in which budget measures intended to promote DoD readiness actually detract from Coast Guard readiness.
- Third, we need affirmative action on the \$46 million supplemental request for Coast Guard that was sent to OMB on March 3rd and denied based on a lack of a clear policy on comparability. This supplemental request included only items needed to ensure Coast Guard comparability with the DoD services, and included a \$23 million

offset. None of these costs are addressed in the House-passed supplemental appropriations bill, which includes \$18 million, as previously requested by the Administration, for medical benefits and \$19 million for aircraft spare parts.

Your immediate attention to this pressing matter is most appreciated. Congressional consideration of supplemental legislation is proceeding quickly, and we need to be sure that the Coast Guard receives the comparability-related funding that it needs as well as establish a clear policy for the future.

As you know, the Coast Guard has a magnificent performance record that delivers real services to America daily. The men and women of the Coast Guard save 5,000 lives every year and work daily to prevent catastrophic pollution incidents in our ports, harbors, and waterways. They have prevented hundreds of tons of illicit drugs from reaching our streets, and they have interdicted tens of thousands of illegal migrants bound for American shores. When an incident does occur, the Coast Guard has demonstrated the ability time and time again to respond within minutes, not days like most response organizations, to maximize lifesaving opportunities.

Your upcoming speech at the Coast Guard Academy commencement next month presents an excellent opportunity to convey your commitment to restoring Coast Guard readiness and to investing in its future.

The President

CONCUR: _____

NONCONCUR: _____

COMMENT: _____

DATE: _____

4-10-00

THE WHITE HOUSE
WASHINGTON

April 8, 2000

✓
MR. PRESIDENT:

✓ On one of last week's information items, you asked about the numbers reported for JROTC and noted they should be higher. You were right. The numbers reported (2,591 in 1999, with a planned expansion to 3,500 in FY05) were for units, or high schools; with an average of 150 cadets per high school unit, the overall number of JROTC participants is in fact much higher – over 400,000 high school youths are participating today, with a planned expansion to over 525,000 by FY05.

~~John~~
Lisel Loy *LL*

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Students were in
when I took office?

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Podesta

4/11/2000

for African development limits our ability to effect change. Sandy reports a positive trend, however, among successful Africans in the U.S. now investing in Africa; also, the UN Development Program (UNDP) is expanding its programs that address this issue into Africa; providing financial and technical support to African companies to create incentives for Africans to return home; and focusing on strengthening governance. Economic opportunity and political stability remain the most effective ways to stop the drain.

(D)

DoD Annual Report (via Berger) – Sandy forwards DoD's annual report, similar to last year's, which emphasizes three priorities: taking care of people; protecting readiness today; and modernization to protect readiness tomorrow. The report highlights additional pay raises in our recent budget (0.5% above inflation); improvements in housing benefits; full funding for O&M budgets; and full funding for '01 expected contingency costs for Bosnia and Kosovo. Sandy agrees with Secretary Cohen's conclusions that stopping the annual migration of procurement funding, which has slowed modernization, will leave the military far better able to meet challenges in the future; NSC and DoD will remain vigilant on personnel issues.

(E)

Sec'y Cohen memo re: Junior ROTC (JROTC)/DoD schools (via Berger/Lew) – Sandy and Jack summarize Secretary Cohen's memo to you, responding to your questions at the CINCs Conference regarding potential lessons from JROTC and DoD school system successes. Highlights from Secretary Cohen's reports include: the proportion of JROTC graduates who enter the military after high school is about 5 times greater than non-JROTC students; for FY96-98, JROTC participation has led to roughly 8,000 new recruits annually; DoD is in the process of expanding the JROTC program from 2,591 (\$177M) to the authorized maximum of 3,500 by FY05; on the DoD schools issue, DoD school students are consistently among the highest ranking students on national tests; achievement among minority students is noteworthy. Jack and Sandy will explore the possibility of your visiting a DoD school. C. Brewer

(F)

Berger memo on Bosnian students from Sarajevo – Sandy reports on the two Bosnian high school students whom you met in Sarajevo during the Stability Pact Summit and who expressed interest in studying in America. Adnan and Nermina Memić have been accepted at St. Mary's College in Michigan; the school has offered them four-year scholarships and an opportunity to work on campus. The Jewish Community Council and a local Muslim group are cosponsoring housing; transportation has also been arranged.

(G)

Sec'y Slater letter re: FAA Reauthorization Bill – Prior to your India trip, Rodney sent a letter regarding the FAA bill to Betty. We have now received the bill (last day for action is April 8th). Like Rodney, your White House advisers will recommend that you sign the bill. *The letter is attached.*

Podesta 4/9/00



4-10-00

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Beier re: possible extra steps
at end of this memo

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MEMORANDUM FOR THE PRESIDENT

TR

From: David Beier
Re: E-Commerce and Business Method Patents

You have asked for a quick review of the controversy associated with e-commerce and business method patents. There has been substantial coverage of this issue in the popular press, including the New York Times Magazine, MSNBC, The Wall Street Journal and The Washington Post. Most of the coverage has focused on the problems associated with patents held by Amazon.com and Priceline.com. In general, the business related problems described in the press are real, but the proposed solutions are either draconian, illegal under domestic or international law or overkill.

The Patent and Trademark Office (PTO) recently announced some modifications of their practices with respect to business method patents. Those changes are outlined at the conclusion of this memo.

Background:

The issuance of a patent under domestic law has been controversial in many cases of technological change. It is not surprising to see a controversy emerge in the e-commerce field. Similar disputes occurred in the early days of biotechnology related patents in the early and mid 1980's. Claims of patent excess were also leveled against many of the early computer software patents. In both cases, the case law evolved to narrow the scope of issued patents and Patent Office practices were changed to prevent the issuance of poor quality patents. In these earlier cases, a measured solution permitted the industries to grow, and now permit American firms to dominate the world in these fields.

It is not surprising that the relevant Federal appellate court has approved the issuance of business method or e-commerce related patents. These patents on processes are required under American law, and mandated under our international legal obligations (Article 27 of the WTO agreement on Trade Related Intellectual Property--- TRIPs --- requires at least a 20 year term of protection from filing for "... any invention, whether products or processes, in all fields of technology.").

The issuance of process patents, however, ought to follow a thorough examination to determine whether the invention is useful and non-obvious. The later standard requires that the examiner look at "prior art" to determine whether someone else had earlier discovered the same thing (or that a person skilled in that field could have reasonably anticipated the invention). In many instances, early patents in an emerging field have not fully met these tests. This appears to be the case with respect to business method or e-commerce related patents. Litigation and

appellate court decisions will eventually cure some of these problems, but many problems need to be addressed within the Patent Office.

The issuance of business method or e-commerce patents has proven problematic for some in the industry because of the scope of issued patent claims, or that the quality of the patent is open to question. Some businesses have sought to protect themselves from aggressive patent enforcement efforts by competitors by developing their own patent portfolio. Other firms have sought to use the patent system with the hope that a rapidly issued patent could become a valuable asset, even if it is later declared invalid. The potentially destructive effect that poor quality patents could have on e-commerce business practices is the best reason to act now.

The commentators in the popular press have proposed a reduced patent term (Jeff Bezos of Amazon.com), a moratorium on the issuance of such patents or a ban on them altogether. None of these solutions is consistent with U.S. law. To the extent that legislation seeks to alter property rights already granted then serious "takings" questions arise. In addition, any such legislation would likely be successfully challenged in the WTO.

Administration response to date:

There are less severe, and potentially more effective solutions to the business method patent problem. Last week, the Commissioner of Patents and Trademarks took a first step in this direction by announcing a new plan for handling business method patents which involves better cooperation with industry and an improved review process for business method patents. The main elements of their action plan are as follows:

1. Industry Outreach

- Customer Partnership: Establish a formal customer partnership with the software, Internet, and electronic commerce industry to discuss concerns and solutions to common problems.
- Roundtable Forum: PTO will convene a Roundtable Forum with stakeholders this summer to discuss issues and possible solutions surrounding business method patents.
- Industry Feedback: Improve efforts to obtain industry feedback on prior art resources used by PTO, solicit input on other databases and information collections and sources, and expand prior art collections.

2. Patent Quality

- Enhance Technical Training
- Revise Examination Guidelines (in light of recent court cases)

- Expand Current Search Activities: PTO will add a mandatory second layer of review by a more senior examiner for business method patents and will double the number that receives a final quality check.

Possible additional steps:

In addition, the Patent Office could be directed to do the following:

- Improve the collections of prior art available to patent examiners through partnering with universities and trade associations to develop collections of prior art in fields relevant to business method patents.
- Develop more sophisticated search tools and explore new approaches to searching for and retrieving prior art.
- Consider steps to change patent examination practices to make more prior art available to the examiner, such as providing for voluntary early publication of applications.
- Issue examination training materials focused on application of the non-obviousness requirement for business method inventions to illustrate what clearly can not be patented.
- Set up an independent review authority that can conduct an impartial review of patents in Commissioner-ordered reexaminations.
- Provide full funding for PTO operations so that it can develop the automated systems needed, and hire and train sufficient patent examiners.
- Continue public education efforts on the benefits of the patent system and on how the PTO conducts its business.

The most aggressive step that could be taken would be for the PTO to, on its own motion, to review already issued claims. Similar reexaminations have occurred in your Administration, but only with respect to individual poorly examined patents (e.g. the Compton's Encyclopedia case). This step, in my view, ought to follow from industry consultations, because such a step could have negative consequences on the industry and the market for e-commerce concerns.

4-10-00

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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

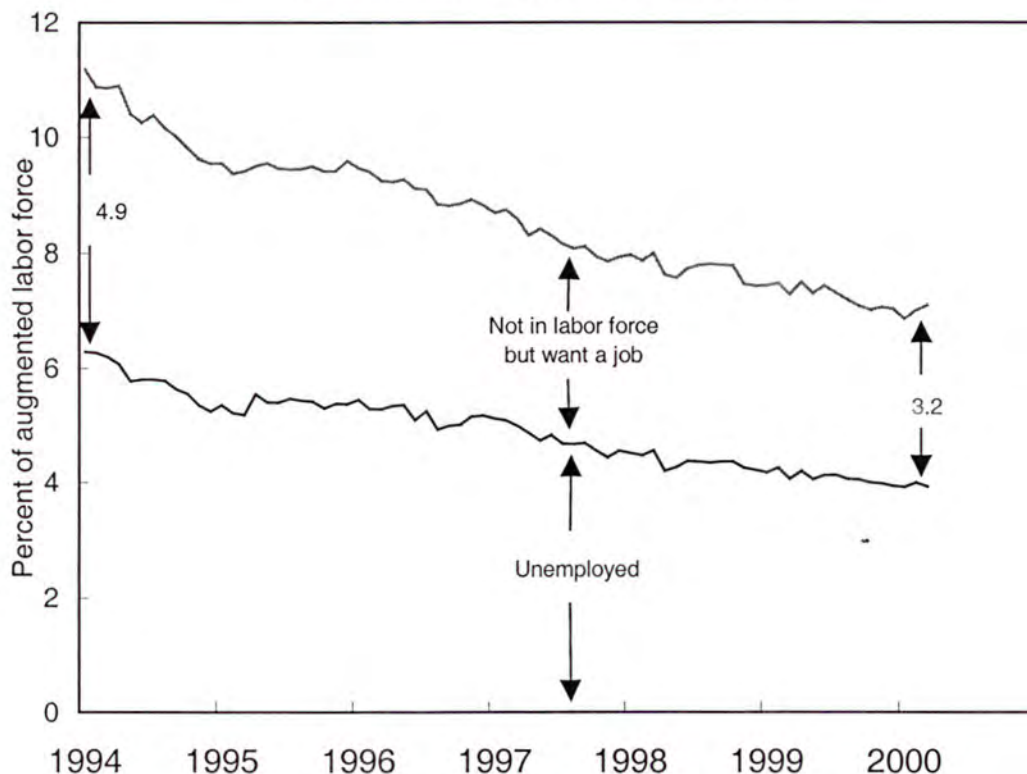
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

April 7, 2000

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CHART OF THE WEEK

The Pool of Potential Workers



As Federal Reserve Chairman Greenspan noted again this week in his remarks at the White House conference, overall demand for goods and services has outpaced potential supply over the past 4 years. An increasing share of this extra demand has been met by rising net imports and the rest has been met by drawing down the pool of potential workers, which includes not just the officially unemployed but also those who are not in the labor force (because they did not actively seek work) but say they want a job.

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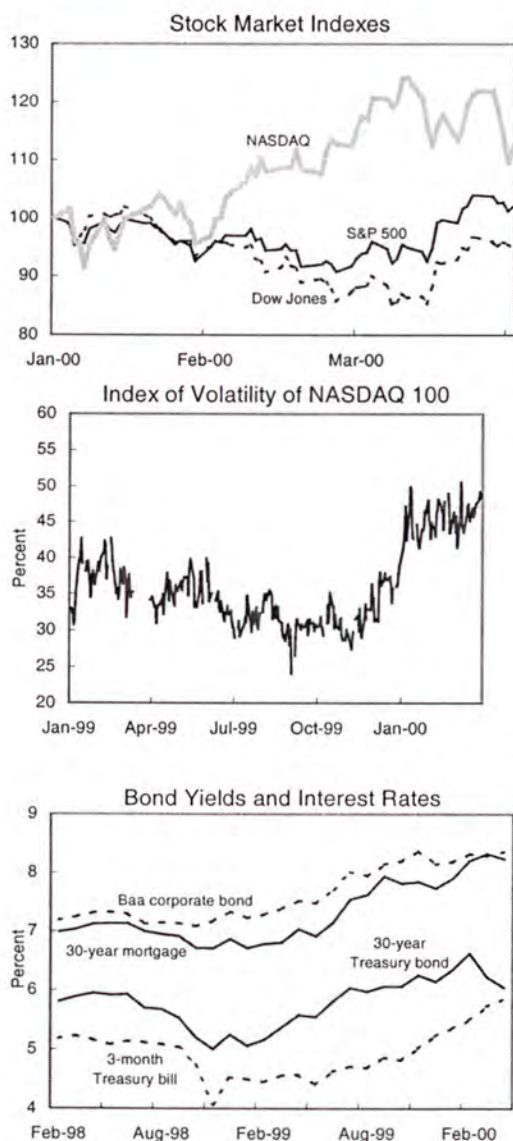
"THIS MUST BE THAT STRANGE CREATURE
THEY MENTIONED IN HISTORY CLASS"



FINANCIAL MARKET UPDATE

First Quarter 2000

Although technology stocks again outperformed the overall market during the first quarter of 2000, a sharp decline at the end of March foreshadowed turmoil this week. Tightening by the Federal Reserve led to generally higher interest rates and borrowing costs, but long-term Treasuries behaved idiosyncratically.



March madness. The NASDAQ Composite Index recorded a solid 12.4 percent gain in the first quarter—though it finished 9 percent below its mid-March peak (see upper chart). The Dow Jones and the S&P 500 showed an opposite pattern, first sinking and then recovering. These gyrations may have prompted a reassessment of the risk associated with investing in the technology sector, with one measure of NASDAQ volatility showing a distinct increase after a year of stability (see middle chart).

Interest rates. The Fed raised its target lending rate 25 basis points in both February and March. At 6 percent, the federal funds target is at its highest level since June 1995. With the Fed continuing to express concern about inflationary pressures, markets expect another 25-basis-point increase in May and a 6.75 percent federal funds rate by year's end. Both mortgage rates and corporate bond yields climbed in the first quarter (see lower chart), raising borrowing costs of businesses and households. Yields on long-term government securities went

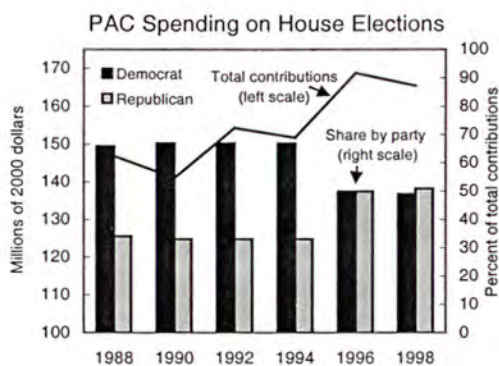
down—perhaps reflecting supply constraints associated with the fiscal surplus.

Volatility continues. The role reversal that began to emerge in late March has continued this week with the "old-economy" indexes inching upward and the NASDAQ down about 7 percent. Although the NASDAQ is still up 5 percent for the year, the short-term outlook for technology stocks seems to have become more uncertain.

SPECIAL ANALYSIS

The Political Economy of Campaign Financing

Federal Election Commission data show that direct political action committee (PAC) contributions to House candidates over the last four federal election cycles represented almost one-third of all funds raised by these candidates. As total election spending has increased, the total dollar amount of PAC contributions has risen. For House candidates, total PAC contributions increased by 13 percent in real terms between the 1988 and 1998 election cycles (see chart). Incumbent candidates received the largest share of these contributions, and when the House switched from Democratic to Republican control following the 1994 election, PAC contributions changed as well.



A statistical analysis of PAC contributions. A recent study examined some of the factors that may motivate repeated PAC contributions to candidates across different election cycles. Looking at incumbent members of the House, the study found that after controlling for other factors, the number of PACs that repeatedly gave to candidates over different election cycles declined as the

candidates' margin of victory in the last election increased. This effect could be due to either less fund raising by the candidate (because her seat is relatively safe) or fewer contributions by PACs (because they believe they have less influence with candidates in such districts). The study also found that repeated giving by PACs increased significantly as seniority on congressional committees increased, over and above any increase attributable to greater tenure in the House or the effect of being chairman of a committee. As the probability that a Congressman will retire increases, however, the study found that repeat giving by PACs declines sharply.

Reputation effects and PAC contributions. The authors of the study interpret the increase in repeat giving that is associated with greater committee seniority as the outcome of a reputation-building process. Organized interest groups initially may be uncertain about what policies legislators will support when they first arrive on Capitol Hill. As legislators define their positions more clearly over time by working on issues in committees, PACs that favor those issues are more likely to support candidates who represent their interests with repeated contributions. As the probability of retirement increases, however, the repeated interactions required to sustain this outcome become attenuated. PACs may see fewer long-run benefits from contributing to a lawmaker nearing retirement, and lawmakers may decide to support policy positions that some of their contributing constituents may oppose.

Conclusion. This analysis suggests that politicians' reputations affect PAC giving. Implications for campaign finance reform are less clear, though one provocative proposal seeks to separate financial support for positions from possibility that large donors might unduly influence the political process (see box).

Donor Anonymity: an Alternative Approach to Campaign Finance Reform

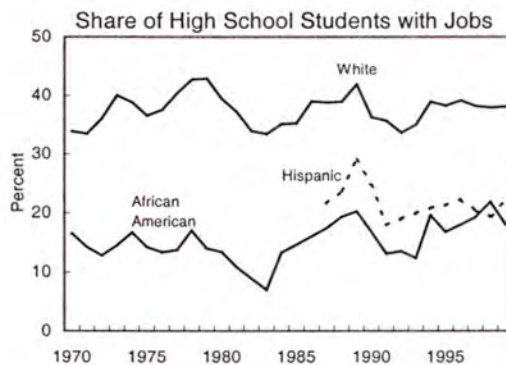
Concern about the ability of large donors to influence the political process unduly has prompted campaign finance reform proposals that involve limitations on the overall amount that any one donor can contribute to a campaign, as well as requirements that contributions be publicly disclosed. Another approach suggested in a 1998 law review article, however, is to require that all contributions above a certain (low) threshold be made to a blind trust so that the candidate knows how much is available to spend, but not who has given the money. Attendees at a political fundraising dinner, for example, could be asked to pay for the cost of their meal, but would mail checks containing contributions to the trust. With donor anonymity, contributors motivated by a desire to support a particular person because of his views would still be able to do so, but contributors motivated by a belief that their contribution would "buy" future access would be deterred. Such individuals would be indistinguishable from others who simply claimed to make large donations, because the candidate has no knowledge of who has actually contributed to the campaign.

ARTICLE

Working While in School: Are There Net Benefits?

A substantial fraction of today's youth combine school with a job. Working may provide important lessons for young people about responsibility, punctuality, dealing with people, and money management, while increasing self-esteem and independence. In turn, these traits may lead to increased rates of employment and higher wages in the years following high school. However, work may also conflict with schooling by taking away time from other valuable activities, such as studying and sleeping.

Background. Approximately 3.3 million young people (aged 16-24) are both enrolled in high school and employed in the labor market. This figure represents about a third of the 9.9 million high school students in that age group. Of those



employed, only about 6 percent report working full-time. While employment rates have been fairly constant over time, there are fairly substantial differences between racial and ethnic groups (see chart). Part of these differences may be explained by the differences in unemployment across the groups. The unemployment rate for white youths who are enrolled in high school is currently 13.4 percent.

The rate for African Americans and Hispanics is about 24 percent. When high school students are interviewed directly, about 80 percent report that they have held a job at some point during their junior or senior years of high school. Half of all working 15- to 17-year olds have jobs in the retail sector (restaurants, fast-food outlets, grocery stores, and other retail stores).

Costs and benefits. Researchers have examined the effect of work on a number of outcomes. The direct effect of high school employment is difficult to identify because the decision to work is correlated with many other observed and unobserved factors. For example, factors such as motivation, work effort, and parental support may be associated with both the decision to work as a teenager and subsequent educational and employment outcomes. Nonetheless, a few conclusions from the literature seem to be emerging.

- Subsequent educational attainment. There is little consensus among researchers about the effect of working while in school on subsequent educational attainment, as measured by school performance (grades), grade completion, and persistence in school. However, a number of studies have found that if harmful effects exist, they result from working many hours per week. One recent study that controls for unobserved factors found that

extensive employment during the school year had a negative impact on academic performance, especially that of racial minorities.

- Vocational development and occupational attainment. Researchers have found that students who work in school also tend to have greater future job market success, as measured by better employment prospects or higher wages. However, a recent study that carefully controls for the complicated selection issues found that the future economic returns to working in school (both high school and college) are probably more modest than those found in previous research.
- Health and safety. It has been estimated that each year about 100,000 young people seek treatment in hospital emergency departments for work-related injuries. The rate of injury per hour worked appears almost twice as high for children and adolescents as for adults—about 4.9 injured per 100 full-time equivalent workers among adolescents, compared with 2.8 for all workers. The most common nonfatal injuries observed among working young people are lacerations, sprains and strains, contusions, burns, and fractures.

Moderation is key. While the general evidence is mixed, one clear lesson is that young people who work while in school should do so in moderation. (Evidence suggests that summer employment does not carry the same potential for detrimental impact as does work during the school year.) Health and safety issues are also an important concern.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

New DOE Forecast Sees Gasoline Price Moderation. This week the Department of Energy released a new energy forecast with gasoline prices through 2000 estimated to be 6 cents per gallon lower than in last month's forecast. Regular unleaded gasoline prices are expected to fall from a peak this month of just over \$1.50 per gallon. For the summer driving season, they are expected to average \$1.46 per gallon (nearly 30 cents per gallon higher than last summer). Prices are projected to average \$1.33 per gallon in the last 3 months of the year. The fall in prices reflects the recent OPEC production agreement. However, low inventories and lower imports may slow the fall in gasoline prices. Gasoline stocks are at the low end of the normal supply range and imports are down in part because some foreign refiners may not be able to meet new environmental standards for gasoline. While imports and stocks usually buffer gasoline prices from refinery outages, a disruption in refinery output this spring or summer could have a larger effect on gasoline prices than in the past.

Economic Factors Can Affect Teen Pregnancy Risk. Teenagers appear to weigh the costs of pregnancy and disease when making decisions about sexual activity and contraception, according to a recent study. For non-economists, teen sexual activity is often considered spontaneous and irrational, and pregnancies are viewed as "mistakes." The study found, however, that "pregnancy risk" (defined as the proportion of teen boys and girls who are sexually active and not using contraceptives) is sensitive to economic factors. According to the study, the increase in teenage employment between 1991 and 1996 decreased pregnancy risk by an estimated 5 percent. (Actual pregnancies fell by 16 percent.) The estimated effect of welfare generosity was that each 10 percent reduction in the maximum state welfare benefit level would lead to a reduced pregnancy risk of 1.2 percent for girls and 0.7 percent for boys. The study also estimated that increased AIDS incidence in a region would increase abstinence. Many effects have contributed to the recent decline in teenage birthrates, but these results indicate that a rational weighing of costs appears to have played a role.

Transportation and the Concentration of the Poor in Cities. A common explanation for why the poor are concentrated in cities in the United States is that wealthier individuals prefer to live in the suburbs where there is more land. A recent study questions this explanation, however, based on low empirical estimates of the sensitivity of the demand for land to income. The authors argue instead that public transportation is a key factor attracting the poor to cities. They report that a detailed examination of different metropolitan areas suggests a three-ring model of urban location: an interior walking ring where rich people live, a middle public transportation ring where poor people live, and an exterior car ring where rich people live. They find as well that the existence of subway systems enlarges the public transportation zone, and that income is low in this enlarged zone. Redistributive factors matter as well: the urban poor are 9.7 percentage points more likely to live in a subsidized public housing unit and 23 percent more likely to receive significant government income transfers than the suburban poor.

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INTERNATIONAL ROUNDUP

World Health Day 2000 Focuses on Blood Safety. April 7 marks World Health Day 2000, dedicated to the theme of Blood Safety. Availability of blood and avoiding the transmission of infection by blood and blood products are major health safety issues confronting the global community, according to the World Health Organization (WHO). Currently the 83 percent of the world's population living in developing countries has access to only about 40 percent of the blood donated annually in the world. Each year 150,000 pregnancy-related deaths could be avoided with appropriate transfusion therapy. The blood donated in developing countries is not tested for transfusion-transmissible infection in 43 percent of cases, and up to 5 percent of HIV infections worldwide are transmitted through transfusion of contaminated blood and blood products. Through global partnerships, the WHO hopes to encourage member states to implement national blood legislation to ensure the provision of safe blood, and to promote donations from voluntary, unpaid blood donors from low-risk populations.

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Bridging the Global Digital Divide. United Nations Secretary-General Annan presented his Millennium Report this week, identifying the pressing challenges faced by the global community and proposing a number of programs to be considered at the Millennium Summit in September. In addition to setting an agenda to reduce poverty and inequality, improve education, combat HIV/AIDS, and protect the environment, he proposed concrete initiatives to "build digital bridges" to help developing countries "leapfrog" the earlier stages of development via information technology. The initiatives include the establishment of 10,000 online sites in hospitals and clinics in developing countries to provide access to up-to-date medical information, and a volunteer corps to train groups in developing countries in the use of the Internet. The report also announced a new disaster response initiative, to be led by the communication company Ericsson, which will provide mobile and satellite telephones as well as microwave links for relief workers in areas affected by natural disasters and emergencies.

Better Governance Could Combat Poverty. Effective governance is often the missing link between anti-poverty efforts and poverty reduction in poor countries, according to a new report by the UN Development Program. - The report advocates shifting decisionmaking power closer to poor communities by devolving authority and resources to local governments. However, this decentralization needs to be complemented by strengthening and increasing the accountability of local governments and fostering civic participation by the poor. The report stresses that resources for the poor should be directed toward helping them build their own organizational capacity rather than toward the social safety net. In Ghana, for example, 5 percent of the national budget is now allocated to local districts, which must use 20 percent of their allotment for local poverty-reduction activities. On the international front, the report criticizes the protection of agriculture in industrialized countries, which prevents poor countries from gaining access to export markets at the same time they are being asked to open their domestic markets to imports.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, April 7, 2000****

In March, the unemployment rate was unchanged from February at 4.1 percent. Nonfarm payroll employment increased by 416,000.

Leading Indicators

The composite index of leading indicators decreased 0.3 percent in February.

NAPM Report on Business

The Purchasing Managers' Index decreased 1.1 percentage points in March to 55.8 percent. (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	1999	1999:2	1999:3	1999:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.9	4.6	1.9	5.7	7.3
GDP chain-type price index	5.2	1.6	1.3	1.1	2.0
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.7	3.6	0.6	5.0	6.4
Real compensation per hour:					
Using CPI	1.0	1.7	1.4	2.1	0.8
Using NFB deflator	1.5	3.0	2.9	4.0	2.1
Shares of Nominal GDP (percent)					
Business fixed investment	11.4	12.6	12.6	12.7	12.5
Residential investment	4.5	4.4	4.5	4.4	4.4
Exports	8.2	10.8	10.7	10.8	10.9
Imports	9.2	13.5	13.4	13.8	14.0
Personal saving	6.6	1.7	1.8	1.5	1.3
Federal surplus	-2.8	1.2	1.3	1.4	1.2
	1970- 1993	1999	January 2000	February 2000	March 2000
Unemployment Rate (percent)	6.7**	4.2**	4.0	4.1	4.1
Payroll employment (thousands)					
increase per month			394	7	416
increase since Jan. 1993					21213
Inflation (percent per period)					
CPI	5.8	2.7	0.2	0.5	N.A.
PPI-Finished goods	5.0	3.0	0.0	1.0	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, April 7, 2000.**

FINANCIAL STATISTICS

	1998	1999	February 2000	March 2000	April 6, 2000
Dow-Jones Industrial Average	8626	10465	10542	10483	11114
Interest Rates (percent per annum)					
3-month T-bill	4.78	4.64	5.55	5.69	5.72
10-year T-bond	5.26	5.65	6.52	6.26	5.93
Mortgage rate, 30-year fixed	6.94	7.43	8.33	8.24	8.20
Prime rate	8.35	8.00	8.73	8.83	9.00

INTERNATIONAL STATISTICS

Exchange Rates	Current level April 6, 2000	Percent Change from	
		Week ago	Year ago
Euro (in U.S. dollars)	0.958	-0.1	-11.6
Yen (per U.S. dollar)	104.8	-0.7	-13.2
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. \$)	95.30	-0.1	-0.1

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	4.6 (Q4)	4.1 (Mar)	3.2 (Feb)
Canada	4.7 (Q4)	6.8 (Jan)	2.7 (Feb)
Japan	0.0 (Q4)	4.7 (Dec)	-0.6 (Feb)
France	3.2 (Q4)	10.4 (Dec)	1.4 (Feb)
Germany	2.3 (Q4)	8.7 (Jan)	1.8 (Feb)
Italy	2.1 (Q4)	11.2 (Jan) ^{2/}	2.4 (Feb)
United Kingdom	3.0 (Q4)	5.9 (Nov)	2.3 (Feb)

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

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics, except as noted in footnote 2.

2/ Data from OECD standardized unemployment rates.

THE PRESIDENT HAS SEEN
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THE WHITE HOUSE

WASHINGTON

April 7, 2000

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: DPC Weekly Report

1. Guns – Maryland. On Tuesday, you will travel to Annapolis, Maryland to highlight progress states are making to move forward on common sense gun measures and to join Gov. Glendenning as he signs new gun safety legislation into law. The new law will make Maryland the first state to require integrated child safety locks for all handguns by the year 2003 (the Smith and Wesson agreement requires internal locking devices within two years). The new law also includes a number of provisions similar to Administration proposals, such as: requiring ballistics fingerprinting for all new handguns; mandating safety courses for firearms purchasers; requiring the destruction of confiscated crime guns and used police service weapons or the transfer of those weapons to another law enforcement agency (a provision that mirrors current Federal policy); barring the most violent juvenile offenders from possessing firearms until age 30; and creating a new grant program to strengthen gun enforcement.

2. Guns – Colorado Referendum. On Wednesday, you will travel to Denver to join SAFE Colorado, Tom Mauser and Handgun Control for a rally in support of their voter-initiated state ballot initiative to close the gun show loophole. The rally will serve as a volunteer drive to help SAFE build the support they need to gather the 62,000 signatures required by August to put the language on the ballot this November. Signatures will not be collected at the rally because of delaying tactics by the gun lobby that could prevent SAFE from starting to collect them for as many as six weeks. SAFE initiated the referendum after the Colorado legislature failed to pass a bipartisan gun show bill spearheaded by Gov. Bill Owens. Similar to the Lautenberg gun show amendment, the Colorado referendum closes the gun show loophole by requiring background checks and recordkeeping for all purchases at gun shows and allowing law enforcement a full three business days to complete the checks.

3. Crime – Violent Crime Reduction Trust Fund. On Friday, the Vice President will ~~announce that the Administration will now support extension of the VCRTF for another five years. The VCRTF was first created in the 1994 Crime Act and is set to lapse at the end of FY 2000. The VCRTF carved out sums from the discretionary caps for anti-crime programs to fund federal law enforcement, state and local grants, and crime prevention activities. While the funding levels set for many of these programs have been disregarded by appropriators, many in the law enforcement community believe the establishment of the VCRTF helped to significantly increase funding for law enforcement, particularly at the state and local levels. However, when it came time to recommend renewal of the 1994 Crime Act programs, the Administration accepted the OMB recommendation not to renew the VCRTF, which they viewed as an unnecessary restriction on Presidential spending authority. This position was opposed by Sen. Biden and~~

national law enforcement organizations, who have urged you to reverse our position. Biden has made renewal of the VCRTF among his top priorities along with COPS reauthorization. Biden and the law enforcement groups will be very pleased with the announcement.

4. Tobacco – FDA Legislation. This week, bipartisan teams in both the House and Senate introduced legislation to grant the FDA authority to regulate tobacco products. Reps. Dingell, Ganske and Waxman offered a bill with 17 cosponsors. Sens. Harkin, Chafee and Graham introduced a similar version. The bills introduced this week both codify the 1996 FDA regulations. A recent poll conducted by the Campaign for Tobacco Free Kids shows that by a three to one margin (75 percent to 22 percent), voters want Congress to pass a bill that would give the FDA the authority to regulate tobacco products, including 61 percent who strongly favor congressional action.

5. Education – House ESEA Activity. The House Education and Workforce Committee began work on the remaining parts of the Elementary and Secondary Education Act that they must reauthorize. The markup was originally scheduled to wrap up on Wednesday, but by Thursday afternoon it became apparent that more time next week will be required and the mark-up was adjourned until Wednesday. The Chairman's mark block grants your after-school program, technology programs, and the Safe and Drug Free Schools program and contains none of your priorities including school modernization and class size reduction. It also includes a provision allowing for education funds to be transferred among programs with little accountability. Democratic amendments to include school modernization and increase funding for literacy were defeated on party-line votes. Rep. McCarthy attempted to add gun control amendments to the package, but they were ruled not to be germane. Chairman Goodling offered a substitute gun amendment to conduct a study of the effectiveness of child safety locks for firearms, which passed. The committee also passed a measure calling for the cessation of educational services for students caught carrying weapons to school.

6. Health Care – Medicare Prescription Drug Update. In the aftermath of your meeting with Sen. Daschle, the Robb-Daschle "Medicare drug benefit before tax cut" budget resolution amendment picked up six Republicans and 51 votes in an impressive showing that still fell short of the necessary 60 votes. On that same day, Sen. Gorton indicated his intention to introduce legislation designed to ensure that American consumers did not have to subsidize prescription drug prices in other parts of the world. This move shocked the drug industry at the same time it was trying to deal with new press reports of pharmaceutical manufacturers allegedly defrauding the Medicaid program by misinforming states of the discounts they were owed under current law. House Democrats are responding by attempting to develop a unified Democratic position on a Medicare drug benefit. The Senate Democrats seem closer to finalizing this process and could introduce a bill fairly similar to the Administration's initiative as early as next week. Congressional Democrats will ask you to participate in the unveiling of this legislation to emphasize party unity and their commitment to this issue.

7. Health Care – Update on TANF-Medicaid. On Friday, Secretary Shalala announced in a speech to the Robert Wood Johnson Foundation that HCFA is releasing an administrative directive to states to identify and automatically reenroll people who have inappropriately, and in many cases inadvertently, lost Medicaid coverage in the aftermath of welfare reform. This new requirement builds on the Federal financial and technical assistance we have provided to states after your NGA speech last August. The audits that you requested at that time are being finalized and will be released throughout the year. However, preliminary

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indications are that there continue to be enrollment problems, which vary from state to state. The HHS announcement Friday was supplemented by the release of a \$26 million RWJ grant for private sector advertising, marketing, and technical assistance to help states in better enrolling eligible populations.

8. Health Care – Update on ARKids First. HHS has concluded that it should deny Gov. Huckabee's request to allow parents to opt to enroll their children who are eligible for traditional Medicaid in the less generous, more expensive (premiums and copayments) ARKids Medicaid waiver program. HHS believes to do otherwise would be inconsistent with the Congressional intent of CHIP, which explicitly decrees that Medicaid eligibles should be enrolled in the traditional Medicaid program – not CHIP. Secretary Shalala also strongly believes it would be extremely difficult to verify that the program provided fully informed choice and did not – intentionally or otherwise – impose inappropriate and ill-advised financial burdens on poor families. In fact, as you know, there continue to be reports that ARKids has, at least periodically, failed at advising Medicaid eligibles of their option to access the traditional program and its more generous benefits. Finally, HHS argues that approving the Arkansas waiver request would make it virtually impossible to deny inevitable future requests by states to create similar programs for CHIP. Doing so would enable states to not only save money by enrolling children in less generous insurance coverage, but would also serve as a cost-shift to the Federal government by allowing states to access the enhanced Federal matching dollars that are only available for CHIP.

Arkansas has and will continue to vociferously complain that denying their request is the worst of federal paternalism since some parents in Arkansas would choose to keep their children uninsured rather than enroll them in Medicaid because of the strong welfare stigma. They will further argue that they have been working in good faith to eliminate barriers to Medicaid enrollment by developing a joint application for both programs, eliminating the requirement for an interview prior to enrollment, and applying the ARKids First label to both programs. While this is true, the state has yet to fully implement these improvements and has shown no willingness to eliminate the assets test for Medicaid children, leaving a significant barrier to enrollment. The decision not to approve the ARKids waiver will undoubtedly evoke a strong negative reaction from Gov. Huckabee and state advocates like Amy Rossi, who are committed to preserving this component of the ARKids program. However, we expect there will be strong support from Sen. Bumpers, Rep. Snyder, and Rep. Berry. Unless we advise the Department otherwise, HHS will announce its decision shortly after you travel to Arkansas on April 7th. If this decision goes forward, we will work to develop the best rollout possible.

9. Health Care – HHS Drug Report Release. On Monday, we are planning to release the HHS drug coverage and pricing report you requested last December. The report will document that seniors without drug coverage typically pay 15 percent more for the same prescription drugs as those with coverage. It also finds that the percent of Medicare beneficiaries without drug coverage are five times more likely not to be able to afford a needed drug than those with coverage. When this report is released, we will also acknowledge, with dismay, the difficulties of obtaining much more accurate and comprehensive pricing and discounting practices in today's market and call for a major conference on drug pricing practices this summer. This will enable us to continue to highlight the drug coverage and pricing issue during the year if the Congress has yet to make progress on providing for an affordable, accessible, Medicare prescription drug benefit.

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10. Health Care – Update on Patients Bill of Rights. The Patients' Bill of Rights conferees continue to meet and are making extremely slow progress on important underlying issues, such as the appeals process included in the legislation. Since the conferees have yet to take up the three most controversial issues in the bill – who the legislation covers, how it is enforced, and whether and to what degree we include the Republican "access provisions" – we are becoming increasingly skeptical that this process will yield a bill in a timely or acceptable manner. We are taking our cues from Sen. Kennedy and Rep. Dingell, who are equally committed to doing everything possible to reach out to form an acceptable compromise. We are all evaluating options, however, on how best to pivot from the conference to an alternative legislative vehicle in the event that the conference fails to achieve agreement within the next month. Kennedy and Dingell appreciate the outside pressure we are maintaining, such as your comments in this week's radio address, which help keep this issue in play and make the Republican leadership pay a price for failing to act.

11. Health Care – Partial Birth Abortion. On Wednesday, the House passed the Partial Birth Abortion Ban Act with a veto-proof majority (287-141). The Senate, which passed similar legislation last fall, is two votes short of overriding your veto. Both the House and Senate bills lack a health exception, which you cited as your reason for vetoing the bill twice previously. Before the House considered the legislation you sent a letter to Rep. Hoyer expressing support for his alternative, which bans all late-terms abortions with exceptions for the life or health of the mother. The Rules Committee did not allow a vote on this alternative.

12. Internet Gambling. On Thursday, the House Judiciary Committee passed a bill sponsored by Rep. Goodlatte that purports to outlaw most forms of Internet gambling, but contains broad exemptions for closed-loop betting on parimutuel activities such as horse racing, dog racing, and jai alai. The Justice Department has several concerns with this bill, namely, that it will be inconsistent with other federal gambling laws, will permit types of gambling not permitted in the physical world, and has broad exemptions for parimutuel wagering without any policy justification. Goodlatte fended off several Democratic amendments by promising to work out acceptable language before the bill reached the House floor. Sen. Kyl's version passed the Senate last November. Concerns about states' rights and about regulating the Internet are guaranteed to resurface in any floor debate. We had hoped that Rep. Conyers would have offered a substitute that was very similar to a Department of Justice proposal, but the substitute was not offered. We will continue to work with Conyers and others to try to address some of the Department's concerns. The Department is also very concerned that this bill will pass the House on the suspension calendar.

13. Welfare – Federal Hiring. We are pleased to report that under the federal welfare to work hiring initiative led by the Vice President, the federal government has hired nearly 22,000 welfare recipients – more than double our goal to hire 10,000 individuals by the year 2000. A large part of the recent increase is due to Census 2000 hiring, although we would have more than exceeded our goal even without any Census hiring. As you may recall, last August the Labor Department worked in partnership with Commerce to award a \$20 million Welfare-to-Work competitive grant to Goodwill Industries to help as many as 10,000 welfare recipients become Census enumerators and then move to permanent jobs.



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

4-10-00

April 7, 2000

00 APR 7 PM 5:24

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. *GTFJ*

SUBJECT: CEQ WEEKLY REPORT

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Frampton
Pg 1:
Scheduling*

RESOURCE STEWARDSHIP

Proposed Sequoia National Monument

Secretary Glickman today announced that he will recommend a proposal to use your authority under the Antiquities Act to establish a 355,000 acre monument to protect Giant Sequoias within the Sequoia National Forest. The Secretary recommended continued management of the proposed monument by the Forest Service, establishment of a science advisory panel to assist in developing a management plan for the monument, continued timber sales for more than two years to provide for a transition period to a phase-out of commercial timber sales, continued grazing and special use permits, continued public access, and recognition of all pre-existing rights. *[Handwritten signature]*

The Secretary's recommendations address many of the concerns raised by the Congressional delegation and from local communities regarding the economic impact of a monument designation, public access, and science-based management. I talked with Representative Cal Dooley several times yesterday and today; he urged us to get the recommendation out before this weekend.

Baca Ranch

The Senate Energy Committee approved authorizing legislation this week for the purchase of the Baca Ranch. The New Mexico delegation will try to pass the bill by unanimous consent in the Senate next week. If successful, the Senate bill will likely be taken up expeditiously by the House. Final passage of the legislation is needed before we can close on the property. Given the House recess schedule, we are working to negotiate a short extension of our purchase agreement with the current owners. *[Handwritten note: "Hurry by with a wire" with a checkmark]*

Threatened Rivers and Parks

On Monday, April 10, American Rivers will be releasing its annual list of the "Nation's Most Endangered Rivers of 2000". Number one on the list will be the Lower Snake River in Washington State, whose salmon runs are threatened by four federal dams. Also listed are the entire Missouri River and Arkansas' White River, with the cited threat being U.S. Army Corps of Engineers projects for flood control and navigation.

PROTECTING COMMUNITIES FROM TOXICS

Department of Defense PCB Waste

As of Friday afternoon, a DOD shipment of 220,000 pounds of waste containing low levels of PCBs is being held aboard ship in the Port of Seattle. The waste is from a U.S. military facility in Japan, and was under contract to be disposed of at a facility in Ontario, Canada. Once the shipment was en route, however, the Canadian government decided that it was no longer willing to allow the shipment into the country.

Due to concerns of Governor Locke, members of the Washington congressional delegation, the Longshoremen's union, and environmental groups, the waste has remained aboard the ship in the Port of Seattle. Environmental groups have filed a 60 day notice of intent to sue with the port, the shipping company, the unions, and DOD should the waste be off-loaded in Seattle.

CEQ has worked with DOD, EPA, and the State Department to find an alternative site for the waste. An agreement has been reached with the governments of Canada and Japan to have the waste returned to the U.S. military site in Japan after the ship makes a scheduled stop in Vancouver. The ship should leave the Port of Seattle at midnight tonight, barring any unforeseen changes.

INTERNATIONAL LEADERSHIP

Finance and Environment

Environmental organizations are planning various forms of protest around the upcoming meetings of the World Bank and IMF here in Washington. The environmentalists are concerned about perceived efforts to weaken the World Bank's 1991 prohibition on financing logging in primary tropical forests, the need for proactive oversight of the new World Bank energy strategy (which includes clean energy objectives), and a new NGO proposal to preclude the World Bank from further involvement in certain large scale infrastructure and natural resource projects. My staff and Treasury are in regular contact with the policy advocacy organizations and will work to draw attention to the Administration's strong track record on these issues during the upcoming events.

4-10-00
THE WHITE HOUSE
WASHINGTON

00 APR 7 PM 6:11

April 7, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER BALLENTINE 

RE: OFFICE OF ENVIRONMENTAL INITIATIVES WEEKLY

Climate Change

Press, Science and Industry

Ford Motor Co. announced that it would produce a gas-electric hybrid SUV by 2003 capable of getting 40 mpg. Ford did not make the announcement at last week's PNGV event with Vice President Gore because they "agreed months ago with our partners we wouldn't upstage each other," according to a *New York Times* article (4/7). The *Times* story did note industry support for your \$3,000 tax credit for hybrid cars and the Vice President's efforts to promote fuel economy.

A new study published in the journal *Nature* (4/5) finds that Greenland's ice mass is more vulnerable to melting because of global warming than previously thought, and more likely to melt than Antarctic ice sheets. Researchers found evidence that in an period of extreme warmth 110,000 years ago a massive Greenland melt off accounted for nearly all of a 13 to 20 feet rise in sea level worldwide. The study's co-author Kurt Cuffey of UC Berkeley noted: "If nothing is done to stabilize our climate and sea levels rise as much as 20 feet, you'll flood the southern half of Florida and Louisiana."

Legislative

Senator John Kerry (D-MA) and Congressman Frank Pallone (D-NJ) led a Democratic Earth Day kick-off press event in the Capitol on Tuesday, April 4. The event, which featured key administration speakers as well as a number of other Members of Congress, was a kick-off to the month-long celebration of Earth Day, with a particular emphasis on global climate change and clean energy, and calls to support your FY2001 budget in these areas.

Senator Jim Jeffords (R-VT) wrote you a letter this week asking that you consider vetoing the Energy and Water Appropriations bill if your budget request for renewable energy research and development is not met in full. The letter was accompanied by a March 30, 2000 bipartisan letter to Chairman Pete Domenici (R-NM) and Ranking Member Harry Reid (D-NV) of the Senate Appropriations Subcommittee on Energy and Water Development, signed by 56 senators. This letter urges increased funding for renewable energy research and development, pointing out that there were over \$20 million in cuts to renewables programs in FY2000, and \$85 million in cuts from FY1995 to FY1999.

The House approved \$47.5 million over five years to study methane hydrates, ice-like crystals buried beneath the ocean floor, as a possible clean fuel sources. A number of leading scientists voiced grave concern noting that the release of frozen methane from the ocean 55 million years ago caused an abrupt warming of the Earth that had a devastating effect on deep-sea life. The Energy Department's expert said the use of methane hydrates as an energy source was "speculative at best" but stressed Administration support of the study to understand the potential of the source.

International

The European Commission gave Denmark permission to begin trading CO2 emissions nationwide in 2001, the first in the EU. The UK will also begin a trading market in 2001.

Chile is considering a proposal to fertilize the sea to produce more plankton in a bid to reduce CO2 and claim carbon credits under the Kyoto protocol, *New Scientist* magazine reported (4/6). Some scientists doubt the plan will work and worry about overloading "the planet with nitrogen, already a major pollution problem in its own right."

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



4-10-00
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

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April 7, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *neal*
CC: JOHN PODESTA
SUBJECT: OSTP WEEKLY REPORT

Hearing on Human Genome Project

Yesterday I testified before the House Science Subcommittee on Energy & Environment regarding the federal Human Genome Project (HGP). I highlighted the importance of the HGP, emphasizing that advances that have occurred to date would most likely not have occurred without the strong federal effort. I also described the significance of your joint statement with Prime Minister Blair on the importance of both making the raw human genome sequencing data publicly available and providing intellectual property protection as an incentive to investment in product development.

At the hearing I congratulated Craig Venter of Celera Genomics on Celera's statement that it has finished the first phase of sequencing one person's genetic code (it is important to note that Celera uses HGP data, as well as its own, to make these advances). I then stressed to the Committee the importance this Administration places on studying the social issues raised by this research. I reminded the Committee that from the outset a portion of HGP budget has been devoted to the ethical, legal, and social issues raised by genetics and genomics.

British Panel Urges Lifting of Ban on Embryo Cloning

An influential panel of British scientists has recommended that the UK Government allow limited research into human cloning techniques to grow tissue for transplantation. While the Nuffield Council on Bioethics says that the use of embryo "stem cells" to develop medical treatments is acceptable, it insists that cloning of human beings should not be allowed.

Another advisory group to the British government is due to present its verdict on "therapeutic" cloning in the next few weeks. If it reaches similar conclusions to the Nuffield Council on Bioethics, there will be pressure on British politicians to change Britain's 1990 Human Fertilization and Embryology Act that forbids the cloning of human embryos for reproduction or research. [Federal funding for therapeutic cloning is prohibited in the U.S. under your ban on creating human embryos for research purposes.]

One purpose of therapeutic cloning is to create early-stage embryos from which stem cells could be harvested. Stem cells have the potential to develop into any kind of tissue – bone, blood, nerve, muscle, etc. – and therefore have great therapeutic potential. Australian scientists announced on Tuesday that they had succeeded in developing nerve cells from early human embryos which could lead to a cure for Parkinson's disease and a range of other health problems.

The Rice of Life

On April 4 in Tokyo, Japan's Ministry of Agriculture, Forestry, and Fisheries announced that the Monsanto Company is providing the International Rice Genome Sequencing Project (IRGSP) valuable data and materials to accelerate the completion of the rice DNA sequence. The Monsanto sequence data were generated primarily under contract with the University of Washington. Some scientists estimate that Monsanto's contribution to the IRGSP will result in completion of the sequencing project by 2003, five years ahead of schedule. The consensus sequence generated by the IRGSP will be freely accessible, which will advance research and its application to new crop varieties. Monsanto also announced that it will make its own rice sequence data available to the public, asking only for the right to negotiate a non-exclusive license should patent protection be sought based on Monsanto generated data. Japanese scientists lead the project and scientists from 9 other nations participated, including scientists from the United States who are responsible for sequencing chromosome 10, one of the 12 rice chromosomes. Support for the U.S. participants is coordinated through the NSTC's Interagency Working Group on Plant Genomes with funds from USDA and NSF. This is a good model for how to make genome data widely available in a way that protects the public interests and business needs simultaneously.

Joint NASA/European Union Campaign Observes Significant Arctic Ozone Loss

The "ozone hole" that forms in the Antarctic every winter and early spring is well known. Scientists are also observing the Arctic to determine if an ozone hole will form there as well. During the winter of 99/00, scientists from NASA and the European Union obtained measurements of ozone and other atmospheric gases and particles in the Arctic that show losses of over 60% in the lower stratosphere, one of the worst losses ever seen in the Arctic. It is generally agreed that polar ozone loss occurs more readily when the lower stratosphere is cold, and scientists concluded that these severe losses occurred because this winter was one of the coldest in the last 40 years. This finding has important ramifications for the future, because increasing concentrations of greenhouse gases in the atmosphere will cool the stratosphere, thinning the ozone layer further – which reinforces concerns that the Arctic ozone layer may continue to decline despite reductions in stratospheric chlorine levels.

THE WHITE HOUSE
WASHINGTON

April 7, 2000

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Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra**SUBJECT:** Office of Intergovernmental Affairs Weekly Report – April 3-9, 2000

GOVERNORS

Governor Ed Schafer (R-ND) and Governor Gary Locke (D-WA): Governor Schafer has accepted our invitation to travel to China as part of Secretary Glickman's CODEL later this month. An invitation has also been extended to Governor Locke. They both have led the effort to win the support of their colleagues.

Governor Support: On Monday, the White House released a letter, sent by 44 governors, to the congressional leadership in support of PNTR for China. Yesterday, Governor Tom Ridge (R-PA), Governor Jim Gilmore (R-VA), and Governor Roy Barnes (D-GA) agreed to add their names to the letter, bringing the total number of signatories to 47. Additionally, a full-page ad highlighting this letter will be placed by the US Chamber of Commerce and the Business Roundtable in Monday's *Roll Call*. Democratic governors who did not sign the letter were Governor Frank O'Bannon (D-IN), Governor Mel Carnahan (D-MO), Governor Jim Hodges (D-SC), and Governor Howard Dean (D-VT).

Governor Angus King (I-ME): The Governor is embroiled in battles with the Maine Legislature over issues such as health care, minimum wage, and school construction. On the day of the Digital Divide event, IGA staff spoke to the Speaker of the House and Senate President, and several legislators faxed letters to you expressing disappointment that the Governor was included in the event. On April 6, Governor King called me to express his concern that he had put the White House in an awkward position. I assured him that we understood that the battle was not over the substance of his Digital Divide initiative, but rather over state budget priorities. I reassured the Governor that we were very pleased he accepted our invitation to attend.

Governor Tony Knowles (D-AK): On April 5, IGA staff attended a meeting that George Frampton hosted with Governor Knowles. The Governor began by praising the Administration for its great work on a number of environmental initiatives, including the efforts to save the Pacific Salmon. He and George also discussed your Lands Legacy Initiative, proposals to open the ANWR to oil drilling and the impact of the Roadless Initiative on the Tsongas National Forest.

Supplemental Appropriations Bill: On April 4, ten governors co-signed a letter to Senators Lott and Daschle urging swift action on the Supplemental Appropriations Bill. The governors noted that the supplemental package was critically important to them as each of their states had been adversely effected by natural disasters. The signatories included Governor Whitman (R-NJ), Governor Hunt (D-NC), Governor Hodges (D-SC), Governor Jeb Bush (R-FL), Governor Rowland (R-CT), Governor Davis (D-CA), Governor Kitzhaber (D-OR), Governor Ryan (R-IL), Governor Locke (D-WA), and Governor Guinn (R-NV).

Governor Gary Locke (D-WA): Governor Locke wrote to the Small Business Administration requesting a declaration of economic injury disaster for small businesses in Washington State that suffered losses as a result of the civil disobedience during the WTO in Seattle. SBA expects to approve the request soon.

Governor Jeb Bush (R-FL): Governor Bush wrote to you and General Reno, stating that no state resources will be used to assist INS in any attempt to remove Elian Gonzales from Florida and that the Florida Legislature passed a resolution requesting a full and fair hearing regarding Elian.

Democratic Governors' Association: On April 4, DGA Chairman Paul Patton wrote a letter commending you "for your efforts to protect all health care consumers" with a Patients' Bill of Rights. A similar letter was sent to House and Senate conferees, encouraging them to work with the Administration to enact legislation this year that compliments state reforms without preempting state authority.

CITY/COUNTY

League of California Cities (LCC): I will address the LCC Board of Directors today in Los Angeles to push our current legislative priorities and respond to their concerns. John Ferraro, Los Angeles City Council President, is the League President.

Oklahoma City: Both Bob Johnson, National Memorial Foundation Chairman, and Governor Keating (R-OK) are thrilled that you accepted their invitation to deliver remarks at the Memorial dedication ceremony on April 19.

U.S. Conference of Mayors (USCM): Mayor Wellington Webb, on behalf of the USCM, issued a press release on March 31, urging everyone who receives a Census long form to fill it out completely.

Meetings: IGA staff completed meetings with elected officials from San Joaquin, California and El Paso, Texas this week.

INSULAR AREAS

Puerto Rico Judgeship: Governor Rossello, Resident Commissioner Carlos Romero-Barcelo (D), the Chief Judge of the District Court, and Miguel Lausell praised your nomination of Jay Garcia-Gregory to the Federal court.

OLYMPIC GAMES

On Tuesday, Thurgood Marshall, Jr. and I met with Mitt Romney, President and CEO of the Salt Lake Organizing Committee to receive an Olympic update. Mitt stressed the importance of their federal funding requests for the FY 2001 budget. We plan to convene the next White House Olympic Task Force meeting on May 16, prior to the USOC Olympic Games Dinner in Washington.

4-10-00

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THE WHITE HOUSE
WASHINGTON

April 7, 2000

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MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. **T.M.**
KRIS M. BALDERSTON **KMB**

SUBJECT: Summary of Cabinet Weekly Reports
April 1 - 7, 2000

DEPARTMENT OF TREASURY

- **World Bank/IMF Meetings:** On April 14, Secretary Summers will participate in a meeting of the International Monetary and Financial Committee, which meets twice yearly at the ministerial level to provide guidance to the IMF. The Committee will discuss IMF reform and review progress in strengthening the international financial architecture and implementing the HIPC debt initiative. Secretary Summers will also attend a meeting of G-10 Finance Ministers and Central Bank Governors to discuss systemic risk in the G-10 countries. On April 17, Secretary Summers will attend the meetings of the Joint Ministerial Committee of the Boards of Governors of the World Bank and IMF (Development Committee), which will focus on the development impact of HIV/AIDS and trade, and the respective roles of multilateral development banks, developing countries, and industrialized countries in promoting development. On April 6, Secretary Summers was briefed by DC Mayor Williams, DC Police Chief Ramsey, and Secret Service Director Stafford on plans for handling potential demonstrations around these meetings.
- **G-7 Meeting:** On April 15, Secretary Summers will host the annual spring meeting of G-7 Finance Ministers and Central Bank Governors at Blair House. The agenda will include a review of developments in the world economy, reform of the international financial institutions, follow-up steps to strengthen the international financial architecture, and implementation of the Cologne debt initiative. Ministers and Governors, along with European Commission representatives, will also meet briefly with the Russian Finance Minister and Central Bank Governor.

- **Taxpayer Bill of Rights:** On April 5, the House Ways and Means Committee voted unanimously in favor of legislation to enhance taxpayer protections. The legislation would modify provisions of the Internal Revenue Code regarding penalties and interest, confidentiality, disclosure, and miscellaneous administrative provisions.
- **China/PNTR:** On April 4, the Secretary and Ambassador Barshefsky addressed a “fly-in” of workers from the Business Coalition for U.S.-China Trade. On April 10, Deputy Secretary Eizenstat will discuss PNTR with the American Chamber of Commerce of China. On Monday April 12, Secretary Summers will speak in New York to a small group of CEOs and Members of Congress on China PNTR. Also on April 12, the Secretary will address PNTR in his address to the Council on Competitiveness, which is comprised of CEOs, university presidents and labor leaders. On April 17, Deputy Secretary Eizenstat will address representatives from the Business Coalition at their weekly meeting.

DEPARTMENT OF JUSTICE

- ✓ **Rwandan Pastor Surrenders:** On March 27, a former Rwandan pastor accused of masterminding the slaughter of hundreds of Tutsis in his homeland was escorted to Tanzania, where he will be surrendered to an international war crimes tribunal. This action was undertaken pursuant to a Fifth Circuit decision and State Department approval. The former Seventh Day Adventist pastor was charged in 1996 with genocide and crimes against humanity by the International Criminal Tribunal for Rwanda. He is accused of luring hundreds of minority Tutsis to take refuge in his church, and then leading a gun and machete attack on the group. He is also charged with taking part in rounding up survivors of the massacre and killing them. The former pastor, who faces up to life in prison if convicted, legally immigrated to the United States in late 1994 or early 1995 to live with his son, a Laredo, TX, physician.
- **Tri-State Methamphetamine Operation:** On March 28, 25 people were indicted on various drug charges as the result of a joint investigation into methamphetamine manufacturing and distribution in southeast KS, southwest MO, and northeast OK. Investigators also targeted distributors of pseudoephedrine for use in methamphetamine manufacture. The two-year investigation, known as Operation Renegade, involved five federal and ten state and local law enforcement agencies in three states. In addition to the drug and money laundering charges against individuals, two businesses may be ordered forfeited to the U.S.
- **Internet Crimes and Investigative Techniques Conference:** The U.S. Attorney's office for the District of CT is sponsoring a Regional Conference on Internet Crimes and Investigative Techniques on April 11 for law enforcement officials in the New England Region. Prosecutors and criminal investigators who handle computer network, and

telecommunications systems criminal cases have been invited. Conference topics will include: The State of the Internet and Internet Crime; Electronic Crime and Investigative Techniques; Common Computer Crimes and Schemes; Obtaining Electronic Information in Online Investigations; and Hacking and Intrusions.

DEPARTMENT OF INTERIOR

- **CA Offshore Oil Forum:** On April 17, MMS will host a Tri-Counties Forum Meeting to present project proposals for two offshore oil and gas exploration units at (Rocky Point and Cavern Point), CA. The three counties involved are Santa Barbara, Ventura, and San Luis Obispo. The lessees of these units recently provided their plans to MMS for additional exploration and development activities. MMS will outline the process to be followed in reviewing these proposals, solicit issues agencies want to jointly examine, and form appropriate task groups.
- **Oil and Gas Supply:** The recently announced USGS World Petroleum Assessment 2000 shows a 20 percent increase in undiscovered oil and a slight decrease in undiscovered natural gas worldwide, exclusive of the U.S. USGS estimates the amount of recoverable oil outside the U.S. at 2120 billion barrels. Data are available online. USGS and the International Energy Agency in Paris recently signed a letter of agreement to promote the exchange of information on fossil fuel resources, especially future production trends of oil and natural gas.
- **National Park Week:** April 17-23 is National Park Week. The theme is "Connecting People to Places." The big event of the week will be the launch of the new National Parks Pass on April 18. Proceeds from the sale of the \$50 pass will benefit the national parks. There will also be local events at parks. NPS will begin to use the focus group-tested message "Experience Your America" in its publications and announcements.
- **Saipan Garment Worker Lawsuits:** Eight major clothing retailers, including Liz Claiborne, Calvin Klein, Sears, Roebuck & Co., Jones Apparel Group, May Department Stores Co., Oshkosh B'Gosh Inc., Warnaco Inc. and Tommy Hilfiger, have agreed to settle a federal class-action lawsuit brought by garment workers in the Commonwealth of the Northern Mariana Islands. Litigation is still pending against other retailers, including The Gap, J.C. Penney, Target and Lane Bryant. The lawsuit was filed in January 1999 on behalf of current and former garment workers, mostly women recruited from the Philippines, Bangladesh and Thailand. It accuses the companies of violating U.S. labor laws, including minimum wage laws, in a conspiracy with foreign subcontractors. The agreement, which will be considered by a federal judge on April 25, brings to 17 the number of retailers that have settled in the case for a total of \$8M. It does not include an admission of wrongdoing.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Supplemental Appropriations:** On March 30, the House passed the FY2000 Supplemental Appropriations Bill by a vote of 263 to 146, including total appropriations to USDA of \$373 million, and to the Commodity Credit Corporation of \$156M.
- **Sandia Settlement:** On April 4, USDA, DOI and DOJ signed a settlement agreement with the Pueblo of Sandia and the Sandia Peak Tram Company, resolving the Pueblo's claim against the Federal government, protecting public access and enjoyment, preserving the area, and ensuring Forest Service ownership and management. Senator Domenici and Representative Wilson have strongly criticized the settlement, which is the product of extensive mediation and requires legislation to be effective.
- **First U.S. Meat Shipment to China:** On April 2, the first shipment of U.S. meat under the U.S.-China Agricultural Cooperation Agreement was airlifted directly from a San Francisco Airport to Shanghai, China. In 1999, of total Chinese imports of \$1.3M metric tons of beef, pork, and poultry from all sources, from the U.S. were purchased 2,800 tons of beef; 3,400 tons of pork and variety meats; and 75,900 tons of poultry. The U.S. expects greater exports under the new agreement.
- **Freedom to E-File Hearing:** On March 29, the House Agriculture Committee approved by voice vote the Freedom to E-File Act, instructing USDA to offer online forms for USDA programs, and allow farmers to file government-required paperwork via the Internet.
- **Commodity Markets:** Wheat cash prices fell as crop conditions improved, but futures were up sharply due to a freeze threat and moderately bullish USDA reports. Weather concerns led corn and soybean prices higher, with soybeans also boosted by strong export indications. Rice cash prices were unchanged, but futures rose along with other grains. Cotton prices slumped in anticipation of bearish USDA reports and the release of Census Bureau data on domestic consumption which sent mixed signals to the market. Cattle prices slipped in light trading. Seasonal tightening in supplies sent hog prices up. Broiler prices held steady. Cheese remained marginally above the support price. Increases in cream demand led butter prices crisply higher.

*President
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DEPARTMENT OF COMMERCE

- **U.S.-China JCCT Meetings:** Secretary Daley was in China to co-chair the 13th U.S.-China Joint Commission on Commerce and Trade (JCCT) meeting with his counterpart Shi Guangsheng, China's Minister of Foreign Trade and Economic Cooperation from April 5-8. The two sides plan to affirm support PNTR and China's commitment to implement its WTO obligations. In addition, two subgroups will meet --

the Commercial Law Working Group and the Export Control Dialogue. In addition, the U.S. and China will announce the establishment of a joint cooperative program to provide training and technical expertise.

- **Egypt "Doorknock":** On March 28, Secretary Daley met with a delegation from the American Chamber of Commerce in Egypt. He raised the need for Egypt to continue its economic reform program and stressed the importance of fostering a more business-friendly environment in order to attract U.S. investment to Egypt. The Secretary also asked about the status of the regional Chamber initiative he launched during his October visit to Cairo. The initiative, encourages chambers throughout the Middle East and North Africa to become advocates for reforms that reduce barriers to U.S. trade and support regional market integration.
- **Silicon Valley Partnerships with Egypt:** From March 29-31, Undersecretary for Technology Dr. Shavers accompanied Egyptian counterpart to a series of meetings with major information technology firms in Silicon Valley. These visits are part of an aggressive program to implement the strategic plan adopted for the Gore-Mubarak Partnership's Technology Subcommittee. The meetings initiated dialogue regarding development of partnerships between major Silicon Valley IT companies, Egyptian private sector companies, and MCIT. Meetings were held with CEOs and senior management of Cisco, Intel, Oracle, Sun, Hewlett-Packard, and Apple.
- **U.S.-EU Biotech Dialogue:** On March 29, DOC participated in the second video conference of the High Level Dialogue on Biotech. DOC would like the Dialogue to solve the problems of lost U.S. corn sales to Spain and Portugal and the breakdown of the EU product approval system. Both sides are also committed to helping address consumer concerns over the health and safety of bio-engineered food. The Dialogue is committed to produce a report to Summit leaders by December.
- **FCC Merger Review:** DOC's National Telecommunications and Information Administration (NTIA) drafted a views letter for OMB signature on various bills pending in Congress that would limit the FCC's role in reviewing mergers between telecommunications companies. NTIA's draft letter expresses concerns including the need for transparent merger review processes and expeditious review of mergers by regulators. The draft letter also notes that the FCC is currently streamlining its merger review processes and that no legislation is needed.

DEPARTMENT OF LABOR

- **Texas Tornadoes:** Post-disaster assessments have been completed by the Federal Emergency Management Agency and the Texas Emergency Management Agency to determine the number of businesses and workers that were affected by the tornado that

struck downtown Fort Worth March 28. It is anticipated that a large number of workers who became unemployed as a result of the disaster are likely to qualify for regular unemployment compensation. A small number of self-employed individuals who are unable to provide their services due to the disaster may qualify for disaster unemployment assistance.

- **National Skills Summit:** On April 11, Secretary Herman will host a daylong National Skills Summit at Howard University to develop and exchange innovative, practical, and cost-effective strategies and to develop partnerships for satisfying employers' immediate needs for skilled workers. Along with Federal Reserve Chairman Greenspan, the Secretary will discuss these matters with corporate CEOs, small business entrepreneurs, leaders of organized labor and community-based organizations, trade associations, representatives, academics, workers and government officials.
- **Skills Shortage Partnership Grants:** DOL published a solicitation in the *Federal Register* announcing the availability of up to \$10M for the Skills Shortages, Partnership Training/ System Building Demonstration Program Grants. It is expected that 15 to 25 awards will be made, depending upon the quality of the proposals received and the amount of funds requested and awarded. The maximum grant award will be \$750,000. These grants are intended to respond to employers' identified skill shortages through the establishment or strengthening of regional consortia.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Medicare Handbook Consumer Testing/MO Education Event:** On April 3-19, the Health Care Financing Administration will test the draft *Medicare & You* handbook with Medicare beneficiaries in interviews with a diverse group of more than 200 beneficiaries in cities across the Northeast.
- **Health Disparities Conference:** On April 16-19, the NIH Office of Research on Minority Health is convening a conference, "Challenges in Health Disparity in the New Millennium: A Call to Action" in Washington, DC.
- **Medical Errors Fact Sheet:** On April 4, the Agency for Healthcare Research and Quality released a new fact sheet, *20 Tips to Help Prevent Medical Errors*, with practical tips to help people protect themselves from errors in their health care.
- **Violence Prevention:** On April 14, the Health Resources and Services Administration's (HRSA) Maternal and Child Health Bureau, in partnership with the DOE, DOJ, and CDC, will sponsor a satellite training program, "Prevention and Promoting Respect," on race, ethnicity, national origin, religion, sexual orientation, and gender.

- **Ireland Cancer Consortium:** On April 10, Dr. Richard Klausner, NCI Director, will deliver remarks about the progress and significance of the Ireland-Northern Ireland-NCI Cancer Consortium at the opening of an art exhibit entitled "Strength from Unity."
- **Substance Abuse Treatment in Adult and Juvenile Correctional Facilities:** During the week of April 24, the Substance Abuse and Mental Health Services Administration will release findings from the first national survey of adult and juvenile correctional facilities regarding substance abuse treatment services provided on-site to adult inmates and juvenile residents. The report shows about 40 percent of all correctional facilities nationwide provided on-site substance abuse treatment to inmates or residents in 1997. Approximately 173,000 adults and juveniles were in substance abuse treatment in those institutions that provided treatment. Over 13 percent of the individuals receiving substance abuse treatment in correctional facilities were under the age of 18.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Safer Guns Coalition:** Washington, Philadelphia, Oakland, Buffalo, Kansas City, and Richmond are joining the Communities for Safer Guns Coalition. Secretary Cuomo has announced that 39 more local leaders have joined the Communities for Safer Guns Coalition, joining 29 others. Communities in the Coalition will support using as a criteria in their gun purchases by government law enforcement agencies whether the guns were made by companies that have adopted new gun safety and dealer responsibility standards.
- **Fair Lending Violations:** Delta Funding Corporation, a consumer finance company, agreed to change its lending policies and to compensate African American female borrowers who were charged higher mortgage broker fees than similarly situated white borrowers. The agreement was announced by HUD, DOJ and the FTC.
- **Housing Choice for People with Disabilities:** HUD has issued its final review of four model building codes. The Final Report of HUD Review of Model Building Codes is intended as a review only for the purpose of providing technical assistance, and does not impose any new requirements on builders, nor does it endorse any particular model code.
- **Legislation to Bar HUD Aid to Tobacco Stores:** Secretary Cuomo today announced he will support legislation to bar HUD economic development assistance to businesses primarily engaged in the sale of tobacco products. Secretary Cuomo has indicated since last year that passing legislation would be the best way of ending such assistance.
- **Gun Buybacks:** The Miami-Dade Housing Agency will reprogram \$50,000 of its FY1999 Public and Indian Housing Drug Elimination Program grant funding (\$2,426,163) and will receive \$21,500 in matching funds from HUD for a total of \$71,500 for its Gun BuyBack Initiative. The Authority's goal is to take approximately

1000 guns off the street in exchange for \$50.00 in cash or gift certificates. Department stores and local grocery chains will be contacted to donate gift certificates as incentives for turning in guns.

- **Neighborhood Networks Learning Centers:** The Germano Millgate Neighborhood Networks Learning Center provides a focused, employment-oriented program for residents of the Germano Millgate Apartments community. Through a ten-computer, state-of-the-art learning center, adult residents receive training in computer literacy, software applications and resume writing. More than 70 adults have completed courses in these areas. Youth can take advantage of training in computer literacy and after-school tutoring and homework assistance. These efforts are linked to the summer youth employment program.
- **Enforcement Center:** The OIG performed a nationwide audit of HUD's Enforcement Center to assess the Center's efforts in restoring the public trust. HUD found that the visions of the HUD 2020 Management Reform Plan have not been fully met and that the Center's accomplishments to date have been less than dramatic. Unless HUD implements corrective actions, the Enforcement Center will not achieve its full potential of aggressively pursuing enforcement actions against non-complying entities.

DEPARTMENT OF TRANSPORTATION

- **Safety Data Conference:** On April 11, Secretary Slater will address the Intermodal Safety Data Conference sponsored by DOT's Bureau of Transportation Statistics. The conference will bring together influential members of the transportation community to discuss the critical role that data collection plays in reducing transportation-related accidents. The conference will include a live webcast.
- **Denial of Klan Participation in Adopt-a-Highway Ruled Unconstitutional:** On March 31, the Eighth Circuit held that MO unconstitutionally denied the application of the Ku Klux Klan to participate in the state's Adopt-A-Highway litter control program. The U.S. participated as an amicus in the case, arguing that there was a reasonable basis for MO's denial of the Klan's request to participate in the state litter control program, and that given the Klan's discriminatory membership practices, its participation in the program would violate Title VI of the Civil Rights Act. The court disagreed, holding that MO had unconstitutionally denied the Klan's application to participate in the program based on the Klan's views and that the purportedly viewpoint neutral criteria that the State used in rejecting the Klan's application were pretextual.
- **Agreement to Restore Pittsburgh-London Service:** On April 3, Secretary Slater announced that the U.S. and the UK have reached an understanding that will permit immediate restoration of air service between Pittsburgh and London. U.S. and UK

negotiators will meet the week of June 12 in London to re-engage in talks aimed at liberalization of the bilateral aviation relationship between the two countries. This meeting was prompted by a March 17 conversation between Secretary Slater and Deputy Prime Minister Prescott regarding U.S.-UK aviation relations. Pittsburgh has been without direct service to London since October 31, 1999, when British Airways terminated its service between the two cities.

- **Hushkit Rule:** The EU has adopted a rule that discriminates against U.S. engine manufacturers and airlines. Effective May 4, it will prohibit the registration in Europe of aircraft, which have been hushkitted or re-engined with certain U.S. manufactured engines. Beginning April 1, 2002, targeted aircraft not registered in the EU will not be permitted to land at EU airports unless the aircraft continuously has been on the same state registry since May 4, and was operated into the EU between April 1, 1995 and May 4, 2000. The U.S. has filed a complaint with the ICAO Council under Article 84 of the Chicago Convention asking the Council to declare this rule to be in violation of the Convention. During Secretary Slater's recent trip to Europe, negotiations between the two countries were re-engaged.

DEPARTMENT OF ENERGY

- **Northern New Mexico Economic Development Forum:** On April 27, Secretary Richardson is scheduled to host the Northern New Mexico Economic Development Forum. The Regional Development Corporation has been meeting with the Northern Pueblo Governors to ensure that their concerns are addressed at the forum. In addition to the meetings, a questionnaire was sent to the Governors.
- **DOE-MinAtom Plutonium Registry:** From April 10 - 15, in Moscow, DOE and MinAtom will hold a meeting to establish a joint working group to pursue cooperation on the development of an unclassified "plutonium registry." This joint working group would consist of members from the Institute of Physics and Power Engineering, the Institute of Experimental Physics, the Los Alamos National Laboratory, and other DOE and MinAtom representatives. The development of a plutonium registry database will provide the U.S. with information regarding Russian plutonium inventories.
- **SHORTHORN Subcritical Experiment:** The SHORTHORN 1401 series of experiments will examine and characterize jet effects and target interaction (erosion and penetration) supporting non-proliferation. The experiment is currently scheduled for April 12 to 13 at DOE's Big Explosives Experimental Facility on the Nevada Test Site.

- **Ethanol Fueling Station:** On April 22, the first of eight planned E-85 stations in the DC metropolitan area will be opened at the Navy Exchange Annex. This station is the result of the cooperative efforts of the Baltimore-Washington Metro Clean Cities, Maryland Grain Producers Utilization Board and the National Corn Growers Association. The station is expected to be fully operational by the early part of May 2000.
- **Snake River Salmon:** The number of wild Snake River fall chinook returning to Snake River to spawn in 1999 is up 300 percent, from about 300 in 1998 to 905 in 1999, according to recent counts from WA State Fisheries biologists. This is the highest number returning since 1975, the year that the last of the four Snake River dams came on line.
- **Gasoline Prices Down, Stocks Up:** Crude oil and gasoline prices continue to fall, as OPEC expressed its intent to take further action in June, if necessary. Conventional gasoline in the New York Harbor lost the six cents gained in the previous week to close at 80.38 cents per gallon. Gasoline spot prices on the West Coast were down, partially attributable to the health of the refining industry. The average U.S. retail gasoline price took another counter-seasonal step down to 150.3 cents per gallon as of April 3, 38.5 cents higher than last year. Similarly, the average retail price in California went down for the second consecutive week, reaching 177.1 cents per gallon. While brief run-ups are always a possibility, the new production agreements should keep this summer's prices from rising significantly higher than seen recently. A third successive build, unusual for this time of year, added 2.7 million barrels for a total 203.8 million barrels in gasoline stocks as of March 31, 12.2 million barrels less than a year ago.

DEPARTMENT OF EDUCATION

- **Congressional Inquiry:** Reps. Goodling, Castle, and Hoekstra have written Secretary Riley regarding a recent article in the *Baltimore Sun* which mentioned a study questioning the validity of student achievement gains in TX. The article claims that the study was drafted by a senior researcher at DOEd, written under a pseudonym, and not made public. The *Baltimore Sun* contends that a DOEd employee conducted the study, but that the employee claims it wasn't done on DOEd time or sanctioned by DOEd.
- **New York City Summer School:** On April 3, Harold Levy, New York City's interim schools chancellor, announced a plan to restrict summer school attendance to public school students who failed during the regular school year. The announcement was prompted by a dispute between city officials and teachers over bonuses for summer school teachers. The decision means that tens of thousands of students who would voluntarily attend free summer classes will not be able to do so. Without the restriction, summer school enrollment likely would include approximately 11,000 private school students, 20,000 special education students who are not in year-round classes, and 20,000 children in grades 3 through 8 who voluntarily attend summer classes.

Read
What's the deal on this?

And this!

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Read

- **Teacher Quality:** On April 18, DOEd will host a satellite town meeting, "Multiplying Excellence: Ensuring Quality Mathematics and Science Teaching." Members of the Glenn Commission will join Secretary Riley for the event.
- **Safe and Smart II:** On April 7, at the School Security Chiefs conference in San Francisco, DOEd will announce the release of Safe and Smart II: Making the After-School Hours Work for Kids. The publication is an update of a widely used resource, first published in June 1998, that provided evidence of the value of safe after-school learning opportunities. Jointly authored by DOEd and DOJ, the publication includes the most recent research, resources, and information on promising practices.

DEPARTMENT OF VETERANS AFFAIRS

- **Homeless Census:** VA is helping the Census bureau count the Nation's homeless. About a third of the Nation's homeless are veterans, and VA is the only Federal Department that provides direct services to the homeless. Regionally, VA facilities have employed various methods of ensuring the homeless are counted in the Census.

ENVIRONMENTAL PROTECTION AGENCY

- **Drinking Water Public Notification Rule:** In the coming weeks, EPA will propose a new rule to improve the quality of our Nation's drinking water by extending to ground water systems the existing disinfection protections required of surface water systems. For the first time ever, EPA is proposing to require the 157,000 public water systems that rely on ground water, such as public wells, to monitor their sources and to disinfect, where appropriate, the drinking water they provide to their customers. This new rule will protect 109 million Americans from disease-causing viruses and bacteria, such as E.coli, and prevent over 115,000 cases of illness.
- **Supplemental Brownfields Assessment Pilot Grants:** Next week EPA will announce the selection of 56 cities to receive up to \$200,000 in supplemental funding for existing Brownfields Assessment Pilot Grants. The Supplement awards will total \$8.3 million. The grants are used by local governments to assess and inventory properties within their jurisdiction that may have contamination. Prior to these supplemental awards EPA had awarded 307 Assessment Pilot Grants to local and state governments totaling \$65 million.
- **Northeastern States Nitrogen Oxide Emission Trading Program:** An air pollution control commission representing Northeastern states has just released a report showing how successful a nitrogen oxide (NOx) emission reduction and trading program can be. The trading program represents the first application of the market-based emissions cap and trade concept to an issue other than acid rain, where the approach has been used

successfully since 1995 to control sulfur dioxide (SO₂) emissions from power plants. NO_x is a prime ingredient in the formation of the nation's most pervasive air pollutant, ground level ozone, which can irritate the respiratory tract, impair breathing ability and cause various other respiratory problems.

UNITED NATIONS

- **Afghanistan:** On April 7, the Council will hold an open briefing on the humanitarian situation in Afghanistan, particularly the plight of women and young girls. U/SYG for Political Affairs Prendergast and Angela King, Special Adviser on Gender Issues and Advancement of Women, will brief the Council. Ambassador Holbrooke will make a statement on behalf of the United States. USUN is working to ensure that any statement emanating from the meeting reaffirms the Taliban's need to comply with UNSCR 1267 to hand over Usama bin Laden, as well as other demands contained in the Council resolutions.
- **Iraq:** UNMOVIC Chairman Hans Blix is scheduled to address the Council on April 13 to discuss the organizational plan for the UN Monitoring, Verification, and Inspection Commission (UNMOVIC), as called for in UNSCR 1284. Canada, Council President for April, has encouraged Security Council members to talk with Blix prior to the meeting, with a view toward working out any problem areas in advance of the actual Council meeting. Discussion of Blix's plan might not be as rancorous as once thought because controversial decisions on hiring will occur only after Council acceptance of the organizational plan.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Methadone Treatment:** In July 1999 Director McCaffrey and the Director of the Center for Substance Abuse Treatment, announced an initiative to reform the government role in assuring the quality and effectiveness of methadone narcotic treatment programs. Under the initiative, responsibility for oversight would be transferred from the Food and Drug Administration to CSAT. The accreditation study is underway, with evaluation data received from 36 sites. The data will be reviewed by a subcommittee of CSAT's National Advisory Board, which will make a recommendation on proceeding with full implementation by 2001 at the latest.

SMALL BUSINESS ADMINISTRATION

- **Technology Outreach:** On March 24, SBA met with cosponsors to discuss the agenda and recruitment of Small Disadvantaged Businesses and Historically Black Colleges and Universities for the Spring National Small Business Innovation Research Conference scheduled for May 5-7. On March 28, SBA briefed a consortium of Federal laboratories

on the SBIR and Small Business Technology Transfer programs at a technology symposium sponsored by Science and Engineering Alliance. On March 23, SBA briefed two senior scientists from the Korean Institute of Science and Technology Evaluation and Planning on the SBIR/STTR programs. KISTEP is studying the two programs to determine the feasibility of establishing similar programs in Korea.

- **Electronic Commerce:** SBA's Region IV Georgia District Office has partnered with Microsoft to identify two to five Atlanta area small businesses for Microsoft to work with to design and implement an effective e-commerce internet technology strategy. Microsoft has obligated \$50,000 to the project, which will be filmed and aired during the Microsoft certified technicians meeting to be held in Atlanta, GA in July.
- **Online Training:** On March 28, SBA met with the U.S. Postal Service to discuss the development of a joint online training initiative and placement of SBA resources at Postal Business Centers around the country. This is part of SBA's ongoing efforts to provide practical, efficient services to small businesses and potential entrepreneurs by expanding the use of counseling and other services via the Internet.

OFFICE OF PERSONNEL MANAGEMENT

- **Senate Oversight Hearing on HCFA:** On April 12, the Senate Finance Committee will hold an oversight hearing on the Health Care Finance Administration. OPM has been invited to deliver "short educational testimony on how OPM is organized to administer the Federal Employees Health Benefits Program and how benefit specialists in the agencies provide necessary support."

GENERAL SERVICES ADMINISTRATION

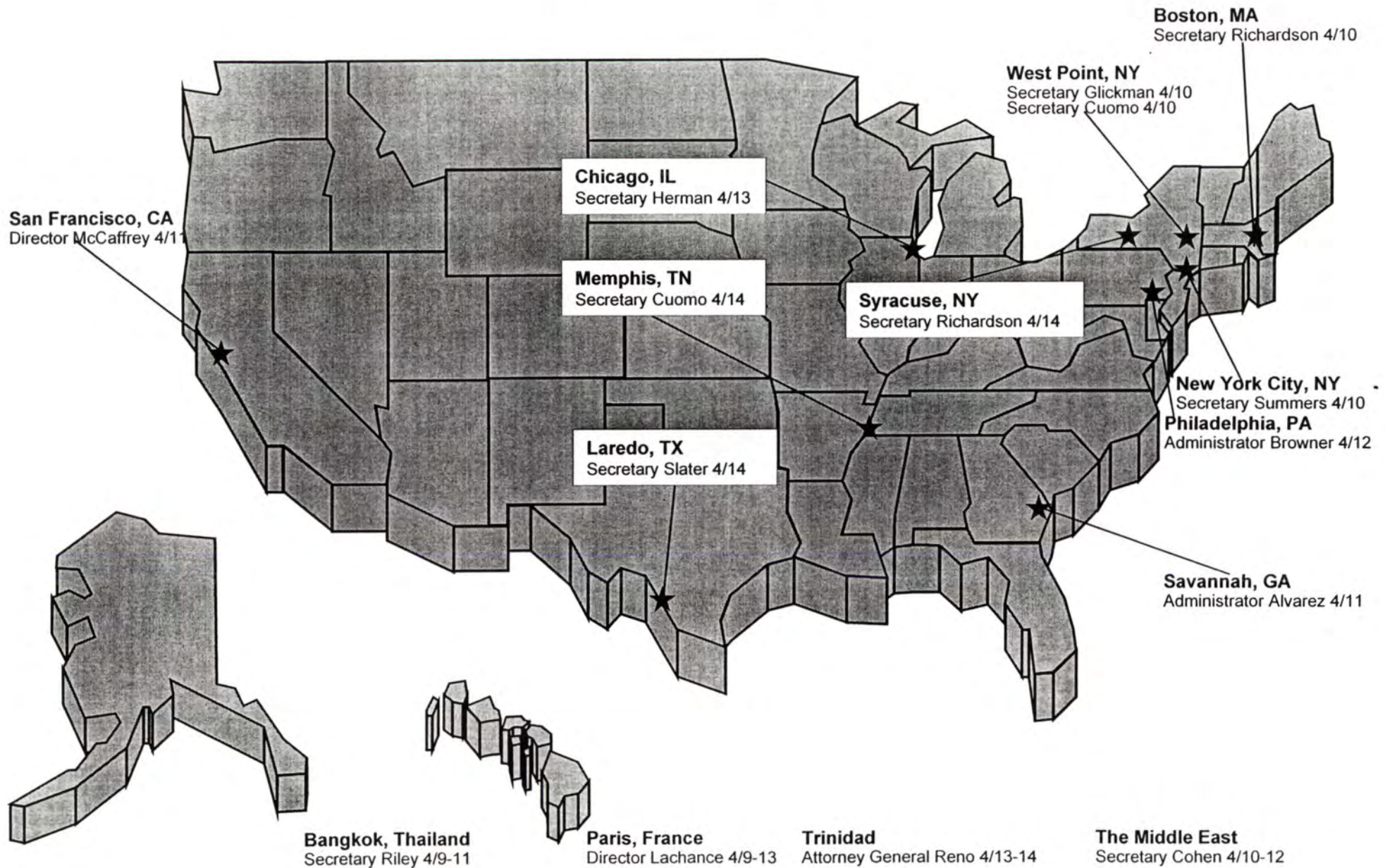
- **Employee Survey:** The National Partnership for Reinventing Government released results of its 1999 Federal Employee Survey, and GSA was rated very highly. Surveys were sent to 750 GSA employees, selected at random. GSA's scores exceeded governmentwide results in the area of work satisfaction, recognition, supervision, and quality of work. For work satisfaction and recognition, GSA even exceeded private industry scores.
- **African Burial Ground:** On April 7 GSA staff will meet with the Assistant Secretary of Interior, and the head of the National Park Service, about the possibility of Interior assuming the lead role for the African Burial Ground Memorial in New York. Cong. Rangel is very interested in this project.

SOCIAL SECURITY ADMINISTRATION

- **Retirement Earnings Test:** Following your retirement earnings test event on April 7, SSA expects to send out approximately 800,000 notices to individuals who will be affected by the new law. The notice will make clear that benefits will automatically be paid to beneficiaries unless they choose to delay benefits and earn credits instead. Approximately 415,000 beneficiaries and their dependents should receive retroactive checks in early May, averaging about \$3,500. All monthly benefit checks should be changed to reflect the new law beginning in June 2000. With elimination of the earnings test, each of the beneficiaries affected by this legislation will receive, on average, an additional \$6,700 in benefits this year.
- **Special Veterans Benefits:** On April 3, just over three months after enactment of authorizing legislation, SSA's local offices began taking claims for SVB. Over 2,000 individuals have already contacted SSA to indicate their interest in filing for SVB. SSA plans to begin paying benefits effective May 2000 for applicants that are determined to be qualified.

Cabinet Travel

Monday, April 10 - Sunday, April 16, 2000



cc:

The Vice President
John Podesta
Martin Baily
Sandy Berger
Sidney Blumenthal
Chuck Brain
Charles Burson
Mary Beth Cahill
Maria Echaveste
George Frampton
Mickey Ibarra
Ben Johnson
Joel Johnson
Janis Kearney
Neal Lane
Jack Lew
Ann Lewis
Joe Lockhart
Buddy MacKay
Sean Maloney
Minyon Moore
Bruce Reed
Steve Ricchetti
Gene Sperling
Lauren Supina
Loretta Ucelli
Melanne Verveer

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THE WHITE HOUSE
WASHINGTON

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MEMORANDUM

April 7, 2000

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TO: THE PRESIDENT

FROM: LORETTA UCELLI
TOM JANENDA

RE: Communications Weekly Report

OVERVIEW:

This week, we continued to push out the message that you are calling on Congress to move forward on the legislative issues that are important to the American people. Through message events and other vehicles, you challenged Congress to stop delay and do the work of the American people by passing China PNTR legislation, a strong Patients Bill of Rights, an increase in the minimum wage, and common sense gun control legislation. Through the bill signing of HR 5 – the Senior Citizens Freedom To Work Act – you demonstrated your leadership in helping older Americans realize the reward of a comfortable retirement, and in ensuring that Social Security is there for future generations.

Next week, in Annapolis, Maryland and Denver, Colorado, we will highlight the broad national support for common sense gun measures and again call on Congress to pass legislation to keep guns out of the hands of criminals and children by April 20, the one-year anniversary of Columbine.

Monday, April 10 – Prescription Drugs

Over the next several weeks, we expect Democrats in the House to build significant momentum toward passage of prescription drug legislation. To help build this momentum, on Monday, in a paper release, we are unveiling an HHS study that demonstrates the need for a prescription drug program that benefits all Americans.

Tuesday, April 11 – Maryland Gun Bill Signing Event, Annapolis, MD:

On Tuesday, you will travel to Annapolis to join Governor Parris Glendening, Lieutenant Governor Kathleen Kennedy Townsend and others for the signing of the state's new trigger safety lock legislation. This event will demonstrate the broad public support in states like Maryland for legislation that protects children and families from gun violence.

You will note in your remarks that, while Maryland, Massachusetts, Colorado and other states are taking responsibility and action, Congress has failed to move forward to get the job done for the American people.

Wednesday, April 12 – SAFE Rally, Denver, CO:

On Wednesday, you will travel to Denver to participate in a SAFE Colorado Rally, where you will be joined by a bipartisan group of elected officials who are in favor of common sense gun safety measures. At this event, you will convey your support for Colorado citizens' efforts to move forward where Congress has failed, by campaigning for a ballot initiative that will close the gun show loophole. As with the Maryland

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bill signing the day before, this event will demonstrate the widespread public support for common sense gun safety legislation.

Wednesday, April 12 – MSNBC Town Hall Meeting, Denver, CO:

While in Colorado, you will participate in an MSNBC town hall on gun violence entitled, "Up in Arms: What Should Americans Do?" The forum will be moderated by Tom Brokaw and take place at the University of Denver. The town hall provides you with another opportunity to communicate to the American people how important it is for Congress to pass the common sense measures stalled in conference committee.

Thursday, April 13 – Address ASNE Convention, DC:

We are working with the Press Office, the Chief of Staff's Office and the policy offices to develop a strong message strategy for your address at the ASNE Convention. We are currently discussing various options including privacy.

Friday, April 14 – Address Education Writers Conference, Atlanta, GA:

We are working with the Press Office, DPC and others to prepare for your address to the Education Writers Association conference in Atlanta, Georgia. At this conference, you will unveil a new Department of Education report detailing the tremendous progress made by your Administration on school reform. You will highlight Administration accomplishments in the areas of early childhood and higher education, but will primarily focus on the progress made in K-12. To demonstrate your continued commitment to further school reform, you will announce your May "Education Tour." This event, which will be attended by hundreds of education reporters, will generate significant coverage of your education message and leadership in regional media markets across the country. Coverage of this conference will likely highlight your education agenda in the context of the 2000 elections.

Friday, April 14 – Tape Radio Address:

Given the upcoming anniversary of the Columbine tragedy, we are planning for next week's radio address to focus on your leadership in taking action to curb youth violence.

Saturday, April 15 – Earth Day Event:

If the policy process is complete, we are planning a major event in Northern California on April 15 to announce that you are taking action on USDA's recommendation to use the Antiquities Act to protect one of America's most historic natural treasures, the Sequoia National Forest. In advance of Earth Day, this event will demonstrate your leadership in protecting our natural treasures for future generations and also symbolize the progress and remaining challenges of a 30-year effort to protect our health and environment.

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4-10-00
THE WHITE HOUSE
WASHINGTON

April 7, 2000

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Podesta

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARY BETH CAHILL
DIRECTOR, OFFICE OF PUBLIC LIAISON

SUBJECT: WEEKLY REPORT FOR APRIL 1 – APRIL 7, 2000

I. ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES:*CHINA PNTR*

Reaction to China PNTR Announcement. Following Speaker Hastert's announcement that a PNTR vote will occur in the House the last week of May, the business community has moved into the most active phase of its PNTR campaign. The Business Coalition for US-China Trade will be releasing new television and radio advertisements in targeted districts and stepping up their grassroots and grassstops activities during the upcoming recess. On Tuesday, over 400 businesses' employers and employees came to Washington to lobby for China PNTR. Prior to their Hill meetings, Secretary Summers and Ambassador Barshefsky spoke at a rally at the Commerce Department. On Wednesday, the Business Roundtable organized a day of lobbying for twenty CEOs on Capitol Hill. On Monday at a breakfast meeting in New York, Secretary Summers will release a letter from the former Secretaries of the Treasury and 19 financial sector CEOs endorsing PNTR. In Washington, Secretary Daley, Steve Ricchetti, Chuck Brain and I will visit with the Coalition during the final meeting to review strategy for the remaining weeks.

DIGITAL DIVIDE

African American Technology Companies And Civil Rights And Education Organizations Support Your Call To Action On The Digital Divide. Several technology, civil rights, and education leaders attended your digital divide announcement and pledged to work with you and your Administration and the private sector to bridge technology opportunities for minorities.

II. CONSTITUENT OUTREACH AND OTHER ISSUES:*ASIAN PACIFIC AMERICAN OUTREACH*

OPL Hosts Meeting with Pakistani American Community on Trip to South Asia. OPL, NSC and the State Department met with 13 Pakistani American leaders from across the country to provide a debriefing on your trip to South Asia, particularly Pakistan. The leaders expressed deep appreciation for your visit to Pakistan and your commitment to improving relations.

between the two countries. They were concerned however about the stark contrast between your visits to India and Pakistan – the inequity in terms of time spent in each country and the fact that you did not get a chance to really visit with the people of Pakistan. Their major issue of concern continues to be Kashmir and what they describe as terrorist acts and extreme human rights abuses by the Indian interests.

Asian Pacific American and Other Civil Rights Organizations Meet on Recess

Appointment of Bill Lann Lee. Representatives of the civil rights community met with John Podesta and me to discuss the possibility of appointing Bill Lann Lee as Assistant Attorney General for Civil Rights during the April Congressional recess. However, Podesta continues to be concerned that such a move will jeopardize the ability to move more judges through the confirmation process, and will consult with the Hill on this matter.

BUSINESS OUTREACH

Labor and Anti-Trade Demonstrations. The business community is concerned about the upcoming anti-trade rallies to be held in Washington next week. They are worried that the demonstrations will have a chilling effect on undecided Members. They are pushing the Administration for a message event to counter the demonstrations. The Administration is directing the business community to concentrate their efforts solely on the Hill and in the districts.

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Marshall, W.

GAY/LESBIAN OUTREACH

OPL continues to coordinate with NSC and advocates on a better implementation of the "Don't Ask, Don't Tell" Policy. Advocates were pleased about the formation of a military-civilian panel which will review the findings of the recent report issued by the Defense Department concerning anti-gay harassment and abuses in the military. Service Members Legal Defense Network (SLDN) has provided the White House with recommendations to better implement the policy and to address some of the concerns raised by the report. NSC has provided critical and continuous leadership as we work with the Department of Defense to better implement the policy.

Key Gay and Lesbian constituent groups upset that the Administration did not file an amicus brief on behalf of Dale in the Supreme Court Case, Boy Scouts of America v. Dale.

The case presents the question whether New Jersey's anti-discrimination law forbidding discrimination based on sexual orientation is applicable to the Boy Scouts' right of association under the First Amendment. The case will be heard on April 26, four days before the Millennium March on Washington for gays and lesbians that will attract large crowds to our nation's capital.

Sign off on
this decision
NSC to file?
Don't remember
Doug So -
P30

RELIGIOUS OUTREACH

Episcopal Church Seeks Protection for the Arctic National Wildlife Refuge. Sen. William Roth (R-DE) and most Democrats supported an amendment to put this Arctic refuge off-limits to drilling. This is of particular concern to the Episcopal Church because a high percentage of the Gwich'in Indian people are Episcopalians. They have very much appreciated your past efforts to protect the Refuge, home of the Porcupine Caribou on which the Gwich'in depend for both subsistence, their culture, and their very future. In fact, it has been their hope that you would move to protect the Arctic National Wildlife Refuge under the Antiquities Act in order to avoid the threat of drilling, which they correctly fear will arise whenever gas prices become an issue.

SENIORS OUTREACH

Senior women and all older Americans across the U.S. applaud your signing today of the "Senior Citizens Freedom to Work Act." The aging community wanted to make sure you get the credit for this issue. The leaders of the aging community that attended the event were moved by your remarks and commitment to their issues. Also, thank you for mentioning the Older Americans Act and Prescription Drugs.

WOMEN'S OUTREACH

House Passes 'Partial Birth' Ban. The vote on final passage was 287-141. In 1997, the last time the House voted to pass the bill, the vote was 296-132. The only pro-choice freshman lost was Joe Baca (D-CA), and Harold Ford (D-TN) switched his vote from opposing to supporting. The family planning groups are happy with the outcome. They were glad that supporters of the bill debated the need to protect Roe v. Wade rather than the ban of partial birth. Over the next few days they are planning their strategy for a possible motion to instruct conferees.

THE WHITE HOUSE
WASHINGTON

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Johnson
Podesta

April 7, 2000

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: BEN JOHNSON

SUBJECT: OFFICE ON THE PRESIDENT'S INITIATIVE FOR ONE AMERICA
WEEKLY REPORT

ACTIONS

Corporate Diversity Event: It was a very good event. Afterwards we talked to a number of participants while they were still in the Hall and they were talking about what they were going to do back at their companies. We took a group of executives, including the two program CEOs to the stakeout after the event. Mr. Fisher and Mr. Ackerman did a great job with the press. A positive piece ran in Silicon Valley's San Jose Mercury Journal and we expect to see more in the business periodicals.

Governor William Winter: I represented you at the Pew Foundation's Millennium Civic Change Awards luncheon, which was held in honor of Governor William Winter. The event was held at the National Press Club. Several important people gathered to recognize the powerful legacy of Governor Winter's commitment to education for all citizens of the state of Mississippi. I read a letter from you praising the work of the Governor over the years. See attached release.

CONSTITUENT OUTREACH

Race Summit: Attached is an article on the Summit on Racism, which was recently held in Grand Rapids, Michigan. I'm sending it because it shows the enthusiasm that these events are generating around the country. People are dialoging across racial lines and it is fascinating to see the entire racial make up of these cities immersed in these discussions.

CABINET RACE INITIATIVE WEEKLY

Department of Agriculture

Sandia Settlement: On April 4, USDA, and the Departments of Interior and Justice signed a settlement agreement with the Pueblo of Sandia and the Sandia Peak Tram Company. The agreement resolved the Pueblo's claim against the Federal government, protect public access and enjoyment, preserve the area, and ensure Forest Service

ownership and management. Senator Domenici and Representative Wilson have strongly criticized the settlement, which is the product of extensive mediation and requires legislation to be effective. The city of Albuquerque, Bernalillo County, and an association of homeowners and users of the area initially participated in the mediation but withdrew last year and elected to resume litigation. With the signing, the Federal government is seeking to withdraw our appeal and end the litigation.

Department of Commerce

Native American Lands/Wireless Universal Service: The FCC requested comments on ways to improve telecommunications service in rural areas, particularly Native American Lands, using its legal authority to designate qualified wireless communications carriers as "essential telecommunications carriers" ("ETCs") eligible for universal service support. DOC's National Telecommunications and Information Administration (NTIA) plans to file comments asserting that the FCC has such authority, albeit limited, to so designate wireless carriers.

Department of Energy

Northern New Mexico Economic Development Forum: On April 27, Secretary Richardson is scheduled to host the Northern New Mexico Economic Development Forum. The Regional Development Corporation has been meeting with the Northern Pueblo Governors to ensure that their concerns are addressed at the forum. In addition to questionnaire was sent to the Governors asking for their concerns; responses will be used to develop the meeting format and to ensure that issues are addressed.

General Services Administration

African Burial Ground: On March 7 GSA staff will meet with the Assistant Secretary of Interior, and the head of the National Park Service, about the possibility of Interior assuming the lead role for the African Burial Ground Memorial in New York. Cong. Rangel is very interested in this project.

Department of Health and Human Services

Health Disparities Conference: On April 16-19, the National Institutes of Health (NIH) Office of Research on Minority Health (ORMH) is convening a conference, "Challenges in Health Disparity in the New Millennium: A Call to Action" in Washington, DC. Objectives are recommending a framework to address health disparities through the Minority Health Strategic Plan; highlighting ORMH's role in addressing health disparities through research and training; and promoting partnerships with Government, academia and the private sector to help eliminate health disparity.

Violence Prevention: On April 14, the Health Resources and Services Administration's (HRSA) Maternal and Child Health Bureau, in partnership with the Departments of Education and Justice, and CDC, will sponsor a satellite training program, "*Prevention*

and Promoting Respect," on race, ethnicity, national origin, religion, sexual orientation, and gender. The broadcast will highlight successful violence prevention program activities. Participants can call in questions for violence prevention experts from the Harvard School of Public Health and national violence prevention research centers.

American Indian Clinic: Dr. Michael Trujillo, Director, IHS, will attend the opening of the Caleb Chéshahteumuck Clinic in Boston, MA. The clinic, a collaboration between the Harvard Medical School, the Cambridge Hospital, and the North American Indian Center of Boston, represents the first clinic in the history of Massachusetts where American Indian patients receive medical care from American Indian providers. Dr. Trujillo will speak on the future of urban Indian health.

Department of Housing and Urban Development

Fair Lending and Consumer Law Violations: Delta Funding Corporation, a consumer finance company, agreed to change its lending policies and to compensate African American female borrowers who were charged higher mortgage broker fees than similarly situated white borrowers. The agreement was announced by HUD, the Department of Justice and the Federal Trade Commission.

The suit against Delta, which operates in 27 states, is the first suit brought by the federal government that combines allegations of fair lending and consumer protection violations by the same lender. The complaint also included claims brought on behalf of HUD alleging that Delta was aware that its brokers were charging fees that were not commensurate with the services provided by the broker. The complaint alleged that Delta aided its brokers in obtaining unearned fees by performing many of the services for them, in violation of the Real Estate Settlement Procedures Act (RESPA).

In its relationships with mortgage brokers, Delta is required to establish policies and business practices that would conform to HUD's March 1999 Statement of Policy on mortgage broker fees and ensure that mortgage broker fees for Delta loans are appropriate. Under the settlement, Delta is prohibited from engaging in any lending practice that discriminates on the basis of sex, race, or color in the pricing of mortgage loans. The agreement also will establish a monitoring and compliance system and record keeping and reporting requirements.

Department of Interior

BIA Provides Draft Guidance for Negotiations to Tribes: BIA has mailed draft copies of the guidance for conducting 2001 negotiations for the Self-Governance Annual Funding Agreement to all Self-Governance tribes. This guidance will be a topic of discussion at the spring Self-Governance conference in Tulsa, OK on April 18. Comments are due no later than April 24.

Department of Labor

National School to Work Program: On May 14-17, Stephanie Powers, DOL's Director for the National School-to-Work Office will be the keynote speaker at the 3rd Annual American Indian School-to-Work Office in Seattle, WA. The conference theme is "The Promise of Indian Youth" and will showcase the best that Indian Country has to offer through the Indian School-to-Work program.

Small Business Administration

Technology Outreach: SBA met with our cosponsors on March 24th to discuss the agenda and recruitment of Small Disadvantaged Businesses (SDBs) and Historically Black Colleges and Universities (HBCUs) for the Spring National Small Business Innovation Research (SBIR) Conference scheduled for May 5th-7th.

Hispanic Outreach: On March 24th, SBA was featured at the Mexican American Chamber of Commerce membership meeting in California. SBA formally announced a new outreach initiative to the Hispanic business community held in conjunction with Banco Popular. SBA was also highlighted at the Latin Business Association's annual GALA banquet held at the Century Hotel with over 1,200 members of the area's Hispanic business community in attendance. At the meeting Rep. Xavier Becerra complimented SBA's Los Angeles District Office (Region IX) for being the top SBA lender in the nation to Hispanic entrepreneurs.

Social Security Administration

Tri-Regional Black Affairs Advisory Council Meeting: From April 12 – 15, SSA's New York Region, along with the Boston and Philadelphia Regions, will host the first tri-regional Black Affairs Advisory Council meeting in Mt. Laurel, NJ. Andrew Jackson, Executive Director of the Langston Hughes Library and Cultural Center, will be the keynote speaker. Other speakers include Paul Barnes, SSA's Deputy Commissioner for Human Resources and Joan Wainwright, SSA's Deputy Commissioner for Communications.

Department of Transportation

Klan Participation in Adopt-a-Highway Program: On March 31, the U.S. Court of Appeals for the Eighth Circuit held that MO unconstitutionally denied the application of the Ku Klux Klan to participate in the state's Adopt-A-Highway litter control program. The U.S. participated as an amicus in the case, arguing that there was a reasonable basis for MO's denial of the Klan's request to participate in the state litter control program, and that given the Klan's discriminatory membership practices, its participation in the program would violate Title VI of the Civil Rights Act. DOT also supported MO's arguments that the act of picking up trash is not speech for purposes of the First

Amendment, that "Adopt-A-Highway" roadside signs are speech by the state, not by the volunteer organization, and that an applicant's history of criminal or violent acts can form a neutral basis to deny participation.

The court disagreed, holding that MO had unconstitutionally denied the Klan's application to participate in the program based on the Klan's views and that the purportedly viewpoint neutral criteria that the State used in rejecting the Klan's application were pretextual.



Pew Partnership for Civic Change

145-C Ednam Drive
Charlottesville, VA 22903

tel 804.971.2073
fax 804.971.7042
mail@pew-partnership.org
www.pew-partnership.org

Announcement Brief
(more information to come)

**PEW PARTNERSHIP TO HONOR WILLIAM F. WINTER
WITH MILLENNIUM CIVIC CHANGE AWARD**

**Commitment to education and racial reconciliation exemplify civic
leadership**

Embargoed until April 4, 2000 CONTACT: Carole Hamner
804-971-2073
hamner@pew-partnership.org

CHARLOTTEVILLE, VA.—William F. Winter, a pioneer of education reform and voice of racial reconciliation in Mississippi and throughout the nation, will be honored with the prestigious **Millennium Civic Change Award** by the Pew Partnership. National and regional leaders will recognize Mr. Winter's extraordinary contributions at an award ceremony in Washington D.C., on April 4, 2000.

As Mississippi's Governor from 1980 to 1984, Mr. Winter triumphed the improvement of education for all children in the state. Putting his political clout on the line, Mr. Winter enacted sweeping reforms of Mississippi's beleaguered school system and prodded the legislature to pass a tax increase to make them a reality. Joining forces with the media, Mr. Winter ratcheted education up to the top of voters' priorities. The Jackson-based newspaper, *The Clarion-Ledger* won a Pulitzer Prize for Public Service for its 1982 series of articles exposing educational challenges throughout the state and promoting the Governor's reforms.

Throughout his career, Mr. Winter has been a voice for racial reconciliation. Most recently, he has been a member of the Presidential Advisory Board on Race, established by President Clinton. Mr. Winter asserts, "There must come a time in the life of every community when we must recognize that we are all in this together—when we must move past the old divisions of race and recognize our common interests and our common humanity." As a board member of numerous national organizations, including MDC, Inc., the Kettering Foundation, the Pew Partnership, the National Civic League, and the Appalachian Regional Commission, Mr. Winter has worked to dismantle the barriers of race and increase economic and educational opportunities for all people.

Mr. Winter was born in Grenada, Mississippi, in the heart of the cotton belt. His first year of schooling took place in a barn with his mother as his teacher. He continued his education the next year in a one-room public school. He would be the only one of his ten primary-school classmates to graduate from high school. Mr. Winter went on to earn his undergraduate and law degrees at the University of Mississippi and to serve with the infantry in World War II and the Korean War. Upon his return to Mississippi, he set up a law practice in Grenada and began pursuit of a political career.

In the ensuing years of public service, Mr. Winter was a State Representative, State Treasurer, and Lieutenant Governor of Mississippi before serving as Governor from 1980 to 1984. Since leaving office, he has been an attorney with the Jackson-based firm of

Watkins, Ludlam, Winter & Stennis. His commitment to education continues in his civic and volunteer work and in his own time in front of the classroom. He has been a Fellow of the Institute of Politics at Harvard University, the Eudora Welty Professor of Southern Studies at Millsaps College, and the Jamie Whitten Professor of Law and Government at the University of Mississippi School of Law.

Through a life committed to strengthening the civic fabric of community, William Winter exemplifies leadership for the new millennium. Each year the Pew Partnership recognizes the outstanding contributions of an individual to our democratic life with the Civic Change Award. Previous award winners include:

- John W. Gardner, former HEW secretary and advisor to six presidents, founder of Common Cause and co-founder of the Independent Sector
- Paul Aicher, president of the Topsfield Foundation and Founder of the Study Circles Resource Center
- Mrs. Colin Powell, vice-chair of the Kennedy Center for the Performing Arts and a national voice for volunteerism

Each of these Civic Change Award winners has demonstrated how to respond to the call to service. By honoring Mr. Winter with its Millennium Civic Change Award, the Pew Partnership is raising awareness of what an individual committed to change can accomplish.

#

Summit on racism prepares next phase

► Organizers look for ways to build on progress made since last year.

By Barton Deiters
The Grand Rapids Press

Friday's gathering of more than 700 people for the Summit on Racism 2000 is drawing attention from the nation's highest office.

The event at Calvin College was attended by Ben Johnson, director of a White House program to combat racism, and he plans to deliver a summary of what he saw to President Bill Clinton.

Johnson complimented David May, organizer of the summit, saying it was one of the best organized, most diverse and enthusiastic gatherings he had seen on the issue.

By all accounts, the summit, now in its second year, has been a positive step in dealing with racism in Grand Rapids. Friday's gathering lasted from 7 a.m. to well after 4 p.m. and included breakout sessions where members of 20 task forces talked about the progress they had made since the last summit and developed strategies for the next 12 months.

"I think it's going great," said Cindy Vander Kodde, who works with Christian Reformed World Missions. "I think there needs to be more done, but it's a great start."

Henry Bouma, who is with Prison Ministries, agreed.

"If it does nothing else, it gets us out of our denial," Bouma said.

Vander Kodde, who is black, said she and Bouma, who is white, might not have had the opportunity to discuss the issue of race without the summit.

"This a great forum to come together," she said.

The summit is run by the Racial Justice Institute, which is part of the Grand Rapids Area Center for Ecumenism. Its first summit last year had participants develop areas that needed to be addressed that included business, religion, media, education and many others.

There were also strategies developed to work toward promoting racial justice in those areas. The groups analyzed their progress since 1999 and refined their methods.

Goals include getting businesses to work with more minority-owned vendors and encouraging local higher education



PRESS PHOTO/DEVON M. AKMON

Joy Angela DeGruy-Leary discusses how "Post-Traumatic Slave Syndrome" still affects this country.

RACISM

Speaker says slavery's legacy still harmful

CONTINUED FROM Page A3

administrators to make elimination of racism one of their top priorities.

After last year's summit, some leaders also focused on creating anti-racism programs and training for local churches.

Group members vowed Friday to meet and talk more.

"I think a lot of the participants were surprised with all the progress that's been made in the last 12 months," May said.

The day ended with a speech by Joy Angela DeGruy-Leary, an expert on racial sensitivity training and a member of the faculty at Portland State University.

She outlined her case for "Post-Traumatic Slave Syndrome." She said America still suffers from the pathologies developed by both blacks and whites as a result of the practice of slavery and the rationalizations for slavery.

White America's pathology is worsened by its widespread de-

nial that the situation exists, she said. America needs to be able to recognize and understand the cultural differences between the races and to work to be tolerant of each heritage.

"No one should have to be asked to be treated with dignity and respect," DeGruy-Leary said.

She said African-Americans still can exhibit behaviors that were developed as survival techniques during slavery. She said there also exists injustice and brutality against African-Americans that is a result of the effort to dehumanize slaves and justify their enslavement.

DeGruy-Leary, who grew up in south-central Los Angeles, developed diversity training for the Portland Police Department and the Portland School District. When she told how she was motivated in her work by her father's dying words, many in the audience were wiping away tears. She received a standing ovation that lasted more than three minutes.

THE WHITE HOUSE
WASHINGTON

00 APR 7 PM 4:44

April 7, 2000

4-10-00

MEMORANDUM FOR THE PRESIDENT

THROUGH: JOHN PODESTA

FROM: LYNN CUTLER

CC: MARIA ECHAVESTE

SUBJECT: INDIAN COUNTRY

Copy
Cutler
Echaveste
Podesta

Pine Ridge

- On Tuesday, Assistant Secretary Gover, people from the Department of Justice and I went to Senator Daschle's office to brief him and Senator Tim Johnson on the events at Pine Ridge. The U.S. Attorney from South Dakota was also in town for the meeting.
- Essentially, the Bureau of Indian Affairs is ready to move soon to send in their own criminal investigators to go through the books of the tribe. There is reason to believe that many of the council members have misused funds.
- The U.S. Attorney is assigning three people to further investigate potential criminal activity. The BIA is also prepared to take control of the law enforcement system if it becomes necessary, although they are short on personnel for this and thirty or so of the tribal police do not meet DOJ standards.
- The Senators indicated that they would write a letter to the council urging them to work as quickly as possible to get the situation resolved.
- The Oyate, or elders, who have been occupying the tribal building, are still there. All of the critical records and books have been removed and efforts continue to get them to leave the building. There is no real support from the majority of people on the reservation for any of the factions involved. I suspect that until there are elections on Pine Ridge in November, this will limp along.
- We will continue to push for a credible structure to get the empowerment zone, youth building and other projects moving.

4-10-00

MEMORANDUM FOR THE PRESIDENT
PAGE TWO

U.S Civil Rights Commission Report

- At the request of Elsie Meeks, the first American Indian to serve on the U.S. Civil Rights Commission (appointed by you), the Commission went to South Dakota and held a field hearing.
- They found: "Many Native Americans in South Dakota have little or no confidence in the criminal justice system and believe that the administration of justice at the Federal and State levels is permeated by racism. There is a strongly held perception among Native Americans that there is a dual system of justice and that race is a critical factor in determining how law enforcement and justice functions are carried out."
- There were several recommendations made by the Commission, and subsequent meetings between Chairwoman Berry and the Governors of South Dakota and Nebraska. While it is unusual to do so, I am attaching the report with tabs indicating the introduction, conclusion, and recommendations. I feel the findings are true in much of Indian country and may contain things you would want to talk about in the One America initiative.

Delta Update

- I've been meeting weekly with the agencies to come up with deliverables for your speech to the Delta Regional Conference in May. Plans for the conference are coming along, and there is a great deal of interest building in passing the legislation to create the Delta Regional Authority. I'm leading a team here and among the agencies to make it all work.
- I have had a meeting with Lane Kidd of the Arkansas Trucking Association to follow up on the Mid-South Community College proposal to train young people for the trucking industry. They are making progress in the state even though Governor Huckabee is not terribly helpful. I will continue to monitor this with DOT.

THE WHITE HOUSE

WASHINGTON

April 7, 2000

41-10-00

Copied
MacKay
Podesta

MEMORANDUM FOR THE PRESIDENT AND THE VICE-PRESIDENT

FROM: Kenneth H. MacKay, Jr. *HHM*

SUBJECT: Special Envoy for the Americas Weekly Report

Colombia: Despite Senator Lott's current position on the supplemental appropriation request, it is imperative that the Administration be consistent in urging consideration of the Colombia package or we will risk sending a devastating message to President Pastrana, regional leaders, and potential donors in Europe. I am continuing my outreach efforts with Members of Congress and the business community. Recently, I met with Senator Paul Wellstone (D-MN) and Patty Murray (D-WA) who expressed concern about human rights, while acknowledging that they did not see a better alternative to the plan. Senators Chris Dodd (D-CT) and Bob Graham (D-FL) urge higher profile activity by the Administration. I also spoke with over a dozen Members of Congress, prior to the House vote. This week, OMB's Bob Kyle and I briefed 40 members of the U.S./Colombia Business Council on Administrations efforts to secure funding for our proposal to support Colombia. I reiterated to them that the Administration continued to strongly support the package. *OK*

CBI: As we near closure on CBI, we continue to meet with industry and CBI country representatives, to work with Commerce, USTR, and others on estimates of regional fabric production, and to urge Committee staff to permit a high level for regional fabric. There seems to be growing support among Committee offices to include Colombia in CBI. CBI was a major topic for President Rodriguez and US businesses during my recent trip to Costa Rica. *Can we do this?*

Ecuador: Recently, I have met with a number of high-level Ecuadorian officials including President Noboa, Foreign Minister Moeller and Finance Minister Guzman to discuss the political and economic situation facing Ecuador. Noboa has made impressive efforts to secure congressional passage of reform measures that satisfy IMF requirements for stand-by agreement. We expect the IMF board to approve the agreement within 2 weeks. Besides direct IMF assistance, the agreement will pave the way for Paris Club debt restructuring and unlock loans from both the World Bank and Inter-American Development Bank. Despite this important accomplishment, Noboa will face many difficulties in future that will again threaten stability in Ecuador. It is clear that Noboa is making a good faith effort to address many of the long-standing problems and we should continue to publicly support these efforts whenever possible.

IDB Annual Meeting: I participated in the Inter-American Development Bank's Annual meeting in New Orleans. While there, I spoke on panels relating to politics and governance in Latin America and confronting natural disasters. I also held bilateral talks with the President Carlos Roberto Reina of Honduras, Prime Minister of Belize, Said Musa, Guatemalan President, Alfonso Portillo, and Barbados Prime Minister, Owen Arthur. In addition, I headed the US

delegation to the Peru Ecuador consultative group meeting which was held in conjunction with the IDB annual meeting.

Guatemala: I met with President Portillo and his foreign minister while in New Orleans for the Inter-American Development Bank meeting. The President assured me that his administration will continue to be guided by respect for human rights and that he will continue his efforts to lead Guatemala toward modernization of its economy with emphasis upon fiscal accountability, reform of its judicial system and, will continue to promote subordination of its military to civilian authority. President Portillo represented that he expects to appoint a civilian minister of defense prior to the end of this calendar year.

Honduras: President Flores emphasized the importance of Attorney General Reno's prospective decision regarding whether to extend Temporary Protected Status (TPS) for approximately 100,000 Honduran nationals who are currently residing in the US as a result of receiving such relief subsequent to Hurricane Mitch. That relief is currently scheduled to expire on July 5, 2000. The President speculated that failure to grant an extension of that relief could have grave implications for the government of Honduras at a critical time as it continues to facilitate post-Mitch reconstruction. Moreover, President Flores emphasized that funding for the HIPC debt relief program and the immigration parity legislation are two issues of great importance for Honduras which are currently under consideration on Capitol Hill.

OK
Hurricane
Status
Extended

Barbados: Prime Minister Arthur clearly stated his desire to pursue a regional, multilateral and strategic agenda for the Eastern Caribbean, with Barbados playing a lead role. He raised concerns about what he believes to be ongoing insensitivity toward small states in the larger context of globalization. The Prime Minister emphasized the vulnerability of the small state economies and the attendant need to emphasize proportionality and to identify new initiatives to reduce that vulnerability. Finally, the Prime Minister expressed satisfaction that the relationship with USSOUTHCOM is perhaps at its most positive point to date.

UN Commission on Human Rights: In my recent meetings with Guatemala's President Portillo and Brazil's Foreign Minister Lampreia I conveyed the importance the United States assigns to the China "No Action" motion and the Cuba resolution. I am coordinating this with Ambassador Nancy Rubin and Assistant Secretary Harold Koh in Geneva, the NSC's Eric Schwartz and Arturo Valenzuela, and others.

Costa Rica: I met with President Rodriguez and his foreign minister and discussed a range of issues including CBI, the President's efforts to modernize Costa Rica's economy, USG assistance for Costa Rica relating to costs borne by its government to support the large numbers of Nicaraguan nationals who sought refuge in Costa Rica subsequent to Hurricane Mitch, and the recent tourist murders. He expressed his country's need for affordable housing in order to provide for Nicaraguans currently residing within his country. In response, I contacted George Munoz and suggested that he may want to explore whether OPIC programs could provide some help. Finally, I reminded President Rodriguez that the State of Florida experienced a spate of tourist murders several years ago and, could therefore provide some useful feedback and insight. The President enthusiastically asked whether I could help him to identify appropriate contacts within the state. I agreed to help in any way that he thought would be useful. As a roundtable

roundtable with women activists in Costa Rica, we discussed their work to ensure women's political integration and representation and adequate access to economic opportunities.

Americas Parliamentary Group: While in Costa Rica, I attended a meeting of Congressional and Parliamentary leaders from the hemisphere. The U.S. Congress was well represented by Senator Bob Graham (D-FL), and Congressmen Sam Farr (D-CA), William Delahunt (D-MA) and Cass Ballenger (R-NC). The Inter-American Dialogue and the OAS convened the meeting, which focused on trade, education, budget allocation, and legislative processes, among other topics. I also attended the U.S. Congress's reception celebrating the launching of the OAS Parliamentary Leaders initiative for Foreign Relations chairs of the Americas. The reception was organized by Senators Paul Coverdell (R-GA), Jesse Helms (R-NC), and Lincoln Chafee (R-RI), as well as Congressmen Cass Ballenger (R-NC) and Elton Gallegly (R-CA).

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General Counsel

WILLIAM E. SIMON,
Founding President

April 4, 2000

00 APR 10 PM5:19

4-10-00
To Burkhardt
for Reply

Hon. William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President,

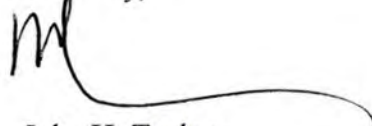
Greetings from Yorba Linda, where we still recall with enormous gratitude your and Mrs. Clinton's graciousness, and your eloquence as eulogist, during President Nixon's funeral services in April 1994.

Mr. President, you have told a number of audiences recently that Richard Nixon ran in 1968 claiming to represent the silent majority, a rhetorical device you have suggested he used in order to create an "us" vs. "them" division among Americans (with those who opposed the Vietnam war as the outcasts).

It is true that Mr. Nixon stressed the law and order issue during that campaign, as candidates had before and have done since. But as for the "silent majority," he didn't use the phrase until a speech in November 1969 in which he reached out to those who supported his efforts to withdraw U.S. forces from Indochina in a fashion that would give South Vietnam a fighting chance to resist aggression after the Americans were gone. If his intention then was to marginalize the antiwar movement as a political factor, it was in order to save soldiers' lives and defend an ally for whom hundreds of thousands of Americans and South Vietnamese had already fallen. And as recent scholarship by Stephen J. Morris of Johns Hopkins and Lewis Sorley (in his book *A Better War*) suggests, the Nixon Administration's policies may well have succeeded in saving South Vietnam had it not been for Watergate.

With respect,

Sincerely,


John H. Taylor

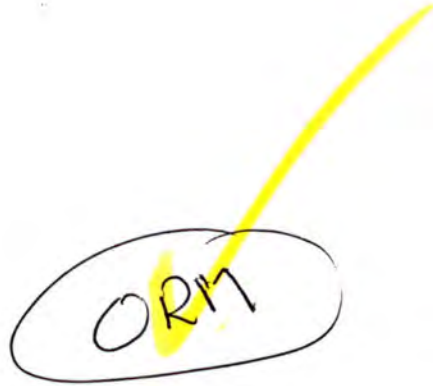


OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages ▶ 5

To Ms B. Currie	From P. Faciszewski
Dept./Agency The President's Personal Secretary	Phone # 303-343-8423
Fax # 303-456-2883	Fax # 303-287-0106



ORM

'00 APR 10 PM5:20

CC : Secret Service
- see reference to
contacting the President
in Denver.



4/10/00, 10:37 hrs.

Ms Currie:

Seeing that President Clinton will be in Denver, CO on 4/12/2000, help in having him contact me will be appreciated. Thanking you in advance for your time & help.

Regards,

Pete Farszewski

303-343-8423

THE WHITE HOUSE
WASHINGTON

December 14, 1999

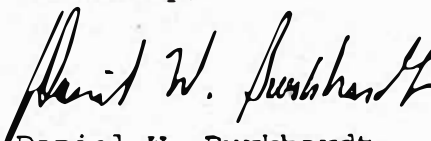
Mr. Peter Faciszewski
15888 East Eighth Circle
Aurora, Colorado 80011

Dear Mr. Faciszewski:

Thank you for your most recent letter to President Clinton. As you know, your earlier correspondence was referred to the federal agency responsible for handling the matter about which you wrote.

I am sorry that you are unhappy with the response you received. Please know, however, that we have done all that we can to assist you.

Sincerely,



Daniel W. Burkhardt
Deputy Assistant to the President
Director of Correspondence and
Presidential Messages

Reference: Phone call on 12/14/99, 17:51 hrs.

Ms. Currie: My letter consisted of 98 pages and not one recent letter as stated by Mr. D.W. Burkhardt.

Since February, 1999 I have not received a response to whatever agency is responsible as stated above, please refer to my attached February 19, 1999 letter to President Clinton.

Mr. Burkhardt's letter of 12/14/99 is a Federal Violation of Title 5, U.S. Code, Chapter II, Section 1103, paragraph A, 1 that directly affects President Clinton.

Thank you for your time & help.

P.S. The President's Chief of Staff
Mr. J.D. Podesta also sent a copy
of the packet when your copy was sent.

Regards,

Peter Faciszewski
303-343-8423.

Peter Faciszewski
15888 E.8th Circle
Aurora, CO 80221

February
19 November, 1999

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

Dear Mr. President,

This letter is to inform you that as a result of my Nov.12,1998 letter to you was answered by the Office of Merit Systems Oversight & Effectiveness (O.P.M.) letter dated, Jan.25,1999. In conjunction with the Nov.12, 1998 letter, copies were sent directly to Director, Lechance and the Honorable William S. Cohen.

The reviews by Ms. J Lechance and Ms. R. Peters used the same replies that the Denver Regional Director suggested in 1986 which I pursued at that time without any Agency action. Furthermore, Title 5, United States Code enacted by Congress contradicts the above. That is that the Director, Ms. J Lechance does not have the authority to investigate these illegal actions. Please refer to the attached packet.

This is my second plea to you Mr. President who is directly responsible for the Office of Personnel Management and The Secretary of Defense.

Again, any questions you have I will field.

Your personnel attention into this matter is appreciated and I want to thank you in advance for your time and help.

Regards,


Peter Faciszewski

Peter Faciszewski
15888 East 8th Circle
Aurora, CO 80221

12 November, 1998

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

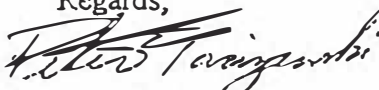
Dear Mr. President:

Attached is the packet that no one wants to address and one avenue of effort was from May, 1994 for 1338 days/43 1/2 months/3 years and 7 1/2 months left phone messages for the Office of Personnel Management Director to return my calls. This was done every other day for this length of time. Finally, E-mail was sent on three occasions and the Director responded on 16 Dec., 1997. Furthermore, the Director did not accept my offer and give me the courtesy to field the suggestion of avenues that I had already pursued. Please refer to the paper trail concerning the office of the Honorable Secretary of Defense. My problem of suffering this event covers twenty some years of perseverance and a compiling of four suitcases of correspondence that has turned into an illegal but legal textbook classic. It is incomprehensible why officials are permitted to compile this type of so called official business? The system doesn't work and it's because the names are the only thing that changes and standing behind the Agency's shield is what assures her/him that they are doing is in the interest of their cause.

Any questions you have I will field.

Your personnel attention into this matter is appreciated and I want to thank you in advance for your time and help.

Regards,



Peter Faciszewski