THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/30

NOTE FOR: ~~V~~.P. ; Bob Rubin

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☑

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

To Bob Rubin → we need a trade meeting soon must integrate into our/ec team

THE PRESIDENT HAS SEEN

The Washington Post

1/29/93

cc: AG → do you agree w/ this?

B

U.S. Weighs Retaliation Over EC's Telecommunications Policy

By Peter Behr
Washington Post Staff Writer

The Clinton administration is considering imposing stiff sanctions on the European Community in retaliation for a new policy that gives European telecommunications and power equipment manufacturers the inside track in bidding on government contracts within the community, industry and congressional sources said yesterday.

Mickey Kantor, the new U.S. trade representative, met Wednesday with several members of Congress to review the options under consideration, congressional sources said. Options reportedly include orders barring European firms from bidding on a limited array of federal contracts here, as an initial step, and the possibility of more sweeping sanctions if the administration and European Community officials cannot resolve the dispute, these sources said.

An official of a U.S. telecommunications company that was contacted by the administration said, "They asked us how we felt about retaliation. . . . It's time to draw a line in the sand."

The sources expect President Clinton to send a strong signal about the new administration's trade policy with his decision, which they expect within days. Industry officials have hoped the administration would use this issue to show its willingness to risk confrontations to obtain greater access to foreign markets for U.S. exporters.

A spokesman for the Office of the U.S. Trade Representative declined to comment. An official speaking for the EC said retaliation would be unfair and counterproductive, inflaming trade relations.

The Clinton administration and its European allies crossed swords earlier this week when the Commerce Department ruled that 19 nations, including Europe's major industrial powers, had violated U.S. trade laws by dumping steel exports in the United States at less than "fair market value."

The confrontation over government purchasing has been building for nearly a year, after the Bush administration warned the 12-nation European Community that its proposed directive on government purchases of telecommunications and power generation equipment discriminated against U.S. companies.

The EC directive "would require EC utilities to favor EC goods and services over U.S. and other foreign ones" and create "official discrimination in all EC utilities markets," according to the Bush administration's statement a year ago.

EC officials said their directive was, in fact, a step toward more fair trade practices because it created a single rule for all 12 EC nations—one that could be improved upon in subsequent negotiations. Most of the individual European legislatures have not yet approved it, although all are expected to.

The "buy European" preference in the directive was necessary, an EC official said, to get a formal guarantee from the United States, enforceable under international trade law, that EC manufacturers would not be discriminated against in bidding for the business of private U.S. telephone companies. The Bush administration refused to enter into such an agreement because it went beyond government business to include the private telephone sector.

In a statement last year, Kantor's predecessor, Carla A. Hills, said the United States would retaliate immediately if the directive took effect.

During Kantor's Senate confirmation hearing last week, several Finance Committee members pointedly asked whether Kantor would do the same, intent on setting this as a benchmark of the new administration's resolve.

"It is very common for us to cry wolf in international trade," said Sen. John C. Danforth (R-Mo.).

Kantor agreed that had often been a problem. "What I hope to do is the opposite—to enforce the law, enforce our agreements, but not make any bold . . . statements that we can't stand behind." The issue, he said, "is on the front burner."

Until the very end of the Bush administration, Hills and her colleagues bargained with European officials to resolve the issue.

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/30

NOTE FOR: George S.

The President has reviewed the attached, and it is forwarded to you for your:

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Action ☑

Do you want to call Peter? Have Rahm do it? Do you want me to do it?
JDP

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

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cc:

Greenspan Backs Clinton's Plan To Cut Deficit

Fed Chairman Says Move Could Provide Stimulus For Economic Rebound

By RICK WARTZMAN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Federal Reserve Chairman Alan Greenspan endorsed President Clinton's latest deficit-reduction goal and suggested that a credible plan to get there would provide a much stronger lift to the economy than any kind of short-term fiscal stimulus.

Convincing the bond markets that there was a serious strategy for bringing down the deficit, Mr. Greenspan told the Senate Budget Committee, would likely reduce long-term interest rates in a way that would create "a far greater stimulus than anything government can do" directly.

"There is no stronger stimulus to this type of economy, the type we're looking at right now, than a further decline in long-term interest rates," the Fed chairman asserted.

Asked what would constitute a credible deficit-reduction target, Mr. Greenspan effectively threw his support behind Mr. Clinton's most recent pledge to cut $145 billion from the projected deficit for fiscal 1997. "I don't find that the number President Clinton has indicated to be off base," Mr. Greenspan said. Mr. Clinton's aides, however, are still wrangling over just where the deficit target should be.

Mr. Greenspan's comments came during a sometimes contentious hearing in which several senators sought assurances from the Fed chairman that the central bank would pump more credit into the system if the White House and Congress advance a blueprint for slashing the deficit. "If we really do bring down that deficit, then there can be some relaxation by the Fed. Is that correct?" Sen. Paul Simon (D., Ill.) bluntly asked at one point.

Walking his customary tightrope, Mr. Greenspan replied that "if we began to see that credit demands became strained" as a result of more austere fiscal policy, "that would be a classic signal for a central bank to move in." But clearly not wanting to lock the Fed into any commitments, he stopped far short of saying that the mere introduction of a deficit-reduction plan would automatically lead to a cut in interest rates by the Fed.

In fact, Mr. Greenspan suggested that any "fiscal drag" from a deficit-reduction plan probably wouldn't occur until 1995 or later. "So there is no need for an immediate response from monetary policy," he said.

Mr. Greenspan, who met with Mr. Clinton and his top economic advisers at the White House yesterday morning before heading to Capitol Hill, urged Congress not

Please Turn to Page A4, Column 1

GS - need an analysis of this - It's inconsistent w/ what Greenberg & others say
B

V

THE PRESIDENT HAS SEEN

Continued From Page A2

to use fears about slowing the economy too much as an excuse for avoiding deficit reduction. "The chance of our overdoing it is extremely negligible," Mr. Greenspan said. He noted that "there is not a line in the budget document which does not have a strong constituency behind it. And there is no way to cut anything in the budget or raise any tax revenues without somebody being extraordinarily perturbed by that."

Despite the political pressures, Mr. Greenspan said that for a deficit-reduction plan to be "credible" with the markets, it has to go beyond just "goals or caps or general notions" to include "statutes which are very explicit with respect to each and every program that is being addressed."

If a tough plan like that were fashioned, Mr. Greenspan said, long-term interest rates could drop sharply. As things stand, he said, long-term rates "are clearly well in excess of where they should be" given how low inflation is. And with the right deficit-reduction agenda in place, long-term rates might well fall two percentage points or more to less than 5%.

Mr. Greenspan, whose appearance before the Budget Committee marked his second consecutive day of congressional testimony, was attacked by several lawmakers for not moving quickly enough to lower interest rates during the recession. And they said they worried that the same thing could happen again. "I have no desire to embark on a new round of deficit fighting only to discover that the Fed is not there to cover our right flank as we move out," said James Sasser, the Tennessee Democrat who is chairman of the panel.

But others said the Fed was simply being made into a scapegoat. "What was the Bush recession before the election suddenly has become the Federal Reserve's after the election," said Sen. Christopher Bond (R., Mo.)

Back at the White House, meanwhile, officials also expressed support for the Fed. Spokesman George Stephanopoulos said President Clinton didn't press Mr. Greenspan yesterday to cut interest rates because "the president believes that the Fed should maintain its independence. . . . He respects their right to be independent."

THE WALL STREET JOURNAL

1/29/93

Washington Wire

A Special Weekly Report From The Wall Street Journal's Capital Bureau

A1

CLINTON'S DEFICIT PLAN may not meet even his most recent public target.

Budget chiefs Panetta and Rivlin prefer that Clinton exceed his goal of trimming $145 billion from the deficit by 1997 because that would still leave red ink of more than $200 billion a year, but they don't press the case in internal meetings. Clinton's penchant to please everyone makes it unlikely that he'd accept the stiff entitlement cuts and higher energy taxes such a plan would require. Some White House aides warn that even the $145 billion goal may not be reached.

In a new Wall Street Journal/NBC News poll, 52% of the public back cutting the deficit as a top priority, while 42% pick health-care reform and 24% choose cutting middle-class taxes. And six in 10 say they would be willing to pay higher taxes for deficit reduction. But the majority, 52%, doubt Clinton will succeed in reaching his deficit-reduction goal.

Some Clinton advisers fear if they aren't aggressive in attacking the deficit, they face a barrage of public criticism

DEBATE SHARPENS on Iraq as the public favors a tough stance.

THE WALL STREET JOURNAL/ NBC NEWS POLL

Secretary of State Christopher takes hard line against the Iraqis. Pentagon officials back a decisive response to any clear Iraqi provocation, but worry about getting into a tit-for-tat policy. European allies believe Clinton will be more moderate than Bush on Iraq, but warn that could be misread by Saddam Hussein.

In the new poll, 55% of the public oppose normal relations with Iraq even if Saddam Hussein changes his behavior and abides by U.N. resolutions. Some 74% want Clinton to continue Bush's policies toward Iraq. Still, regarding foreign policy, the public has virtually "no interest at all," says WSJ/NBC pollsters Peter Hart and Robert Teeter.

HILLARY CLINTON prepares to move swiftly on health-care actions.

Even before the new task force she heads comes up with a broad overhaul proposal, she may push for a big expansion of the government's childhood immunization program. One possibility: requiring all children to be immunized before age two or so and setting the prices of the vaccinations.

More broadly, some medical groups fear a reform plan calling for sweeping government price controls on doctors and hospitals. White House aide Ira Magaziner takes charge as the task force's top administrator, but HHS Secretary Shalala also moves to be a major player. The Treasury will study possible ways to cap tax breaks for employer-provided health benefits, but no decisions have been made.

More than half of those surveyed in the WSJ/NBC poll think Clinton will improve the nation's health-care system.

CONGRESS SEEKS to end gridlock. In the poll, more than 60% of the public think Congress and Clinton will work together now that the Democrats are in full control. Senate leader Mitchell and House Speaker Foley push procedural changes to expedite legislation.

BUT IMAGE PROBLEMS remain. Nearly 60% of voters still disapprove of the job Congress is doing, though that is down from 78% last April. The congressional backlash over gays in the military may portend more clashes with Clinton.

GORE PHONES congressional leaders in dozens of calls to discuss Clinton policies ranging from gays in the military to economic plans. In the poll, 55% of the public view Gore positively; only 15% have a negative view.

RAISING THE AGE for full Social Security benefits to 67 from 65 is opposed by three-quarters of the public in the new poll. Clinton has hinted at the idea, and deputy budget chief Rivlin says that in curbing costs, "We can't exempt retired people who have fared, compared to the rest of the economy, relatively well."

PEROT REFUSES to fade away from the public political stage.

The Texas billionaire makes talk-show rounds complaining that Clinton is distracted from the deficit by issues such as gay rights. He begins testing technology for his televised town meetings. In Dallas, TV viewers were asked to vote by phone on whether Americans should be barred from lobbying for foreign interests: 11,000 responded and 96% favored a ban.

In the WSJ/NBC poll, two-thirds of the public say they would like to see Perot continue to play a role in public affairs during the next four years. More than 40% think he is promoting membership in his United We Stand America organization to unite backers to influence federal policy. But almost 33% think he is laying the groundwork to run for president in 1996.

Perot mulls holding forums and issuing report cards for the candidates running for the open Senate seat in Texas.

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/30

NOTE FOR: Bruce Lindsey

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☑

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

THE PRESIDENT HAS SEEN

BL

we need to make sure for big balance

THE WALL STREET JOURNAL 1/29/93

Conservatives Fighting for Positions Remaining in Clinton Administration

By MICHAEL K. FRISBY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Conservative Democrats are starting to flex their muscles to gain appointments in the Clinton administration after losing out on a number of early jobs.

One battle is over who will direct the United States Information Agency, which broadcasts information about the U.S. abroad. The leading candidate for weeks has been Joe Duffey, the president of American University, who is a liberal.

But neo-conservatives are pushing Penn Kemble, a senior associate at Freedom House, a conservative human rights advocacy group. Both Mr. Kemble and Mr. Duffey have ties to Mr. Clinton. Mr. Duffey and his wife, Anne Wexler, are longtime friends of the Clintons, while Mr. Kemble was an adviser during the campaign and during the transition.

Mr. Kemble is said to have written much of the successful speech that Mr. Clinton delivered in October, saying advancing democracy would be his No. 1 foreign policy goal.

Thus far, Mr. Clinton has surprised many of his supporters by not appointing many conservative Democrats to posts. When he chose his longtime aide Carol Rasco to be his domestic policy adviser, it was a setback for the moderates. Many expected Bruce Reed to get the job, but both he and William Galston were relegated to be Ms. Rasco's deputies. Messrs. Reed and Galston have ties to the centrist Democratic Leadership Council.

With Mr. Clinton often vague about his own ideological leanings, the jockeying for posts in his government has grown fierce and both sides want the opportunity to sway the president.

An especially nasty fight is for the job of assistant secretary of state for inter-American affairs. It was widely expected that Mario Baeza, a black Cuban-American Wall Street lawyer, would be appointed. But right-wing Cuban-Americans, arguing that Mr. Baeza is soft on Cuba, have launched a telephone campaign against him. Their strategy appears to have backfired, however, with their own choice for the job, Sally Shelton Colby, former ambassador to Barbados, ending up tainted by their aggressive lobbying efforts. People close to the administration now predict that a third candidate could get the job.

Ken Brody, a Goldman, Sachs & Co. limited partner who also has ties to the Democratic Leadership Council, has emerged as the leading contender to head the Export-Import Bank, a government body that essentially finances exports by U.S. firms.

The former Republican led a widely successful Clinton fund-raising drive on Wall Street. Mr. Brody, whose background is in investment banking, doesn't bring with him much experience in the import-export business. Many exporters were pushing Stuart Eizenstat, a lawyer at Powell, Goldstein, Frazer & Murphy and former Carter assistant for domestic affairs and policy.

Mr. Brody became the leading candidate largely because of his fund-raising successes for the Clinton campaign. Robert Rubin, head of Mr. Clinton's new National Economic Council, also came from Goldman, Sachs, a New York investment firm.

The liberals are also fighting back. When Energy Secretary Hazel O'Leary was said to favor John Deutch, former undersecretary in President Carter's Energy Department, for a top post, environmentalists campaigned hard against it.

Mr. Deutch, who is a professor at the Massachusetts Institute of Technology, has advocated that the Energy Department's laboratories continue to focus most of their efforts on nuclear weapons research; President Clinton and a growing cadre of experts favor reducing weapons research and redirecting the efforts of the labs toward civilian purposes.

Now, Mr. Deutch is said to be in line for a job at the Pentagon.

In addition, Ruth Harkin, wife of Sen. Tom Harkin, is said to be slated to be named head of the Agency for International Development. Her appointment would please progressives who were disappointed when she was considered, but not chosen, to be agriculture secretary.

In a State Department battle, Joshua Muravchik is sinking fast for the job of assistant secretary for human rights. Mr. Muravchik, who was with the American Enterprise Institute, is a neo-conservative and former Reagan Democrat. His candidacy for the position has been hit hard by human rights groups. Their choice is John Shattuck, who has worked for the American Civil Liberties Union and Amnesty International. Mr. Shattuck is now seen as the likely front-runner, but other candidates may also be considered.

There is also a policy dispute under way with an ideological twist. Some administration officials want to merge the Arms Control and Disarmament Agency into the State Department. Human rights activists, however, would rather see a strong director appointed to help the independent agency regain the influence it once held.

If Mr. Clinton decides to keep the agency separate from the State Department, possible candidates to head it are Joseph Nye, a Harvard University professor, and Sidney Drell, who worked on the transition and is associated with Stanford University.

—Asra Q. Nomani and Timothy Noah contributed to this article.

77

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/30

NOTE FOR: George S

The President has reviewed the attached, and it is forwarded to you for your:

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Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

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cc:

THE PRESIDENT HAS SEEN

The Issue Is Bigotry

BOSTON

Over the last half-century Americans have come to understand that a civilized society does not mistreat people because of what they are. It is unacceptable to assault someone because he is a Jew, or deny him a job because he is black.

The question now is whether we are ready to apply that civilized standard to homosexuals. Are they to be despised and rejected because of what they are — because of a status that nature gave them?

That is the question in the dispute over President Clinton's plan to end discrimination against homosexuals in the armed services. It is the only question. All the rest of the noise around the issue — the talk about service morale and fighting effectiveness, the shrilling on talk shows — is demonstrable humbug, and bigotry.

Col. Margarethe Cammermeyer won the Bronze Star in Vietnam in the Army nursing corps. She served 27 years in uniform and was chief nurse in Washington State's National Guard when the Pentagon ordered her discharged last year. Why did it do so? Because she had stated on a form that she was a lesbian.

Tracy Thorne, a Navy lieutenant (j.g.), was a navigator-bombardier, 25 years old, first in his flight training class, a member of a jet combat squadron. Last year the Navy grounded him. Why? Because he had said on ABC's "Nightline" that he was gay.

The dispute over ending the ban on homosexuals in the military.

Did the firing of Colonel Cammermeyer or Lieutenant Thorne make our armed forces more effective? To the contrary, it removed two people of proved effectiveness. And it did so at heavy cost. The taxpayers paid $2 million to train Lieutenant Thorne, for example: money down the drain.

Then think of all the horror stories being told in the organized campaign of letters to Congress: Our men in the forces will not be safe from preying homosexuals, they will be embarrassed in the shower and so on. Did Colonel Cammermeyer or Lieutenant Thorne harass anyone, bother anyone? No. They did nothing except perform superbly for our country. They were punished not for what they did but for what they are.

Or think of the story told last fall in The Washington Post by Lucian K. Truscott 3d, a retired Army officer. He commanded an infantry rifle company in the Korean War, and one of the company's 150 men was thought to be gay. He did one of the toughest jobs, carrying and firing a Browning Automatic Rifle, and he was killed. Others in the company, including some who had mocked him in life, cried as his body was carried off.

There have always been homosexuals in the armed forces, and there always will be. President Clinton's plans do not change that reality. What they do is to stop officials from wasting time and money snooping out who may be gay and then discharging soldiers who have done a good job.

The waste of money is considerable. In the last 10 years the Pentagon estimates that it spent nearly $500 million finding homosexuals, discharging them and replacing them. But the real cost is human.

The Clinton plan does not condone any improper sexual *conduct*. It just stops the witch hunt for people who are gay.

If sexual conduct were the real concern of the critics, they would focus on the clear and present problem. You don't have to be a genius to know what that is: assaults on *women* in the armed forces.

Some of the critics are military men who are genuinely worried about change — just as the military fiercely resisted President Truman's 1948 order desegregating the forces. But in time the services did a superb job of fighting racial prejudice in their ranks: the best training program of any institution in the country. I think they will respond to clear leadership on this issue, too.

The organized opposition — highly organized — is political. It is coming from conservative religious groups and others on the extreme right. The Rev. Louis Sheldon of the Traditional Values Coalition boasts that his group shut down the telephone lines at the Capitol with its many calls. Oliver North is appealing for funds to stop the Clinton plan. Those who are truly religious might understand that God made people as they are.

In Washington, all you can hear is political calculation. President Clinton should have moved slower. He should have moved faster. That is Washington: maneuver, not substance. Politics matters, but it is not the issue here. The issue is bigotry. □

GS
great piece
Bravo
Write to

[redacted]

The New York Times
1/29/93

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: ______________

NOTE FOR: Bob Rubin

The President has reviewed the attached, and it is forwarded to you for your:

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Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

THE PRESIDENT HAS SEEN

Panel Endorses Clinton's Vision Of Tapping Nation's Pension Funds

Money Would Be Used to Rebuild Roads, Lift Economy

Bob Rubin Retirement

The Washington Post 1/25/93

By David A. Vise
Washington Post Staff Writer

A bipartisan government commission yesterday recommended to the Clinton administration that it launch an aggressive effort to tap the retirement funds of millions of Americans to help pay for rebuilding the nation's roads, bridges and highways and give the economy a lift.

Both President Clinton and Transportation Secretary Federico Pena have indicated past support for the concept, which would represent an unprecedented effort by the federal government to deal with its budget woes by turning to the more than $4 trillion in cash, stocks and other investments held by pension funds.

Some opponents in the pension industry, who worry about protecting retirees, said they fear Congress might revoke the generous tax treatment afforded pensions if they actively oppose the initiative.

The recommendations by the congressionally chartered Infrastructure Investment Commission, which has had the strong support of Senate Finance Committee Chairman Daniel Patrick Moynihan (D-N.Y.), include establishing the National Infrastructure Corp., a new government-sponsored corporation that would encourage at least $30 billion in investment by pension funds. Under the proposal, several billion dollars in seed money for the new corporation would come from a new energy tax now under consideration.

"We were asked to get recommendations to the Clinton administration prior to their economic summit this weekend so we have done that," said Daniel V. Flanagan Jr., chairman of the commission.

"We have come up with a way that is optional for pension funds to invest in a quality way at market rates in their own country's economy. The rate of return would be commensurate with other investment opportunities, so it is safe. And at the same time, it is doing something for the country."

Flanagan said that in addition to having support from Moynihan and others in Congress, his efforts were receiving a positive response from Clinton administration officials.

"The entire administration is committed to finding creative ways to underwrite many of

See REBUILDING, F3, Col. 4

Panel Urges U.S. to Tap Pension Funds

REBUILDING, From F1

the infrastructure projects we would like to pursue, with the caveat they are done in an intelligent way that protects the investment working people have made in their retirement," Department of Transportation spokesman Richard Mintz said yesterday.

In his book, "Putting People First," Clinton said he wanted to steer investment toward infrastructure by creating a Rebuild America Fund with a $20 billion annual federal investment for four years that would be "leveraged" by other sources, including pension funds. Mintz also cited Transportation Secretary Pena's support for the use of pension fund money to fund infrastructure projects during his Senate confirmation hearings this month.

"I think if you structure the program carefully, guarantee or at least give strong insurance to the beneficiaries of the pension fund and to the trustees who administer the funds. . . . I think there are opportunities where pension funds can be accessed for the public good," Pena said.

Flanagan said the major advantage of his proposal is that it would attract billions of dollars of pension fund and other private investment dollars to help pay for projects—ranging from refurbishing roads and bridges to new telecommunications networks—rather than relying on government tax dollars alone. The proposed government-sponsored corporation would offer insurance protection and, in some cases, federally guaranteed loans would enable the projects to attract retirement money without causing pension funds to lower or alter their investment standards, he said.

"For each dollar of federal resources, the National Infrastructure Corp.'s goal would be to stimulate $20 worth of infrastructure investment," Flanagan said.

In addition, he said, high-quality bonds bearing competitive rates of interest would be issued that could be purchased by pension funds and individuals who have retirement savings plans through their employers.

The program primarily envisions funding projects that would pay off loans from pension funds over long periods through user fees such as tolls, or through local tax revenue geared to specific initiatives.

Mark Ugoretz, head of the ERISA Industry Committee, a Washington-based association representing major corporations, said he feared the proposal might be altered to make pension fund investment mandatory, or might set a precedent for other efforts to tap pension fund money.

"Once they get a taste of this pension fund money, there is going to be an effort to get more and more of it," he said. "It assumes the money is not currently being used for good social purposes. I think anybody involved with the private pension world should be very cautious to see how this thing finally gets drafted."

Helping the country by investing in infrastructure could help pension funds retain their preferred tax status, other pension experts said. "We are a pretty good olive branch," Flanagan said.

Micah Green, executive vice president of the Public Securities Association, criticized the infrastructure proposal, saying too much of the pension fund money would merely replace projects that could be funded at a lower cost with municipal bonds. "There is an existing market structure," Green said. "One shouldn't try to duplicate it with some government corporation."

The Infrastructure Investment Commission, created by the 1991 transportation bill, formally outlined its recommendations in a confidential letter to Leon Panetta, head of the Office of Management and Budget. Copies of the letter also were delivered to White House economic advisers and the transportation secretary.

Flanagan said he hoped that any funds made available to create the National Infrastructure Corp. would be in addition to the funding called for under the existing transportation legislation. He said the commission plans to submit its final report to Congress late next month.

THE WHITE HOUSE
WASHINGTON

[redacted]

* Records Mgmt.

DATE: 1-30-93

NOTE FOR: V.P., Rubin Reich Tyson

The President has reviewed the attached, and it is forwarded to you for your:

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* Copies sent 1/30/93
P. Foster

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

To: President Clinton

From: Mack

cc AC, BRubin

BReich, LT

BOTTOM LINE OF ECONOMIC PLAN - 8 MILLION NEW JOBS

THE PRESIDENT HAS SEEN

1/29/93

The Clinton Economic plan must create 8 million new private sector jobs in the next 4 years -- 2 million jobs per year -- 165,000 per month. All elements of the economic plan must drive toward this central goal.

Achieving this job growth goal will provide the economic and political strength to achieve other key goals -- including health care reform. It gives clarifying and unifying focus to the new path we are taking.

Traditional economic analysis within the envelope of the old debate is a fatal trap. Too many conflicting goals neuters policy. Marginal policy adjustments lack the power to wrench the economy up to new "job surge" track -- not in the teeth of harsh global realties and years of drift.

It is time to articulate a new strategic reality.

The greatest strategic asset for a modern nation now - and in the future - is to have the most robust high-skill, high-wage, job base - and the vibrant, growing economic structure that supports it. It's the key to lifting family and national income levels.

Having and keeping the world's best jobs -- across a broad societal base -- is the key to future domestic security and global leadership. It also will stop the grinding down of the U.S. middle class -- and worsening social division.

The key is to front-load the economic plan with every conceivable policy effort that can spur private sector job growth. This includes:

eg
[illegible]

1) Tie tax policy incentives directly to job creation;
2) Offer incentives for small business starts and growth -- lower tax threshold tied to jobs;
3) Aggressive trade policy to end huge bi-lateral deficits
4) Planned defense conversion -- perhaps to an industry of the future ie; high speed air and ground transportation;
5) Directly ask firms -- especially multi-nationals who fly the flag of no country -- to accelerate U.S. job creation. Ask what they need to do this -- provide it;
6) Examine bank and other financial lending practices to enhance justified flow of business credit and investment capital;
7) Press Federal Reserve for supportive growth policies;
8) Ask every Cabinet Department to show how they can spur private sector job growth -- with specific goals;
9) Offer government research and technology as direct inducement to private sector job growth;

10) Foster industry consortium efforts to accelerate technological breakthroughs and job growth and;
11) Review government regulation with eye to job creation.

If the Clinton Administration is personified by a massive redirection of national effort to a rapidly expanding high-skill, high-wage jobs track, beginning immediately, then we will succeed economically, socially and politically.

This is the one campaign promise that must be kept -- and that will provide the economic strength to fulfill the rest. If public expectations are not met in this area we will steadily lose public faith and support.

POLITICAL ANALYSIS

- Republicans will attempt to impose own economic goals - (ie; annual deficit reduction targets). We need a higher order, compelling national goal that redefines the debate. The country wants and needs job-growth -- it is the most powerful rationale for hard policy changes -- including shared sacrifice.

- Without job growth of this size -- occurring in '93 and '94 -- we face a large risk of congressional losses -- including possible loss of the Senate.

- Ross Perot will drive us crazy on economic issues -- unless we take and hold the high ground on job growth. If jobs are expanding, we can't be out-flanked.

- We promised economic change -- and more high-wage, high-skill jobs. It's the one promise we must keep to hold public support -- and merit a 2nd term.

- Gives greater leverage on international allies. When you put your fate in job growth, they will see you cannot concede jobs to them.

Don Riegle
January 19, 1993

AP

BC

GOP

THE WHITE

WASHINGT

Dear Senator Chafee,

Thank you very much for the excellent manner in which you approached Administrator Browner's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable John H. Chafee
United States Senate
Washington, D.C. 20510

AP

B

THE WHITE

WASHINGT

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached the confirmation of both Secretary Christopher and Ambassador Albright.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Claiborne Pell
United States Senate
Washington, D.C. 20510

AP

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THE WHITE

WASHING'

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached Administrator Browner's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

DATE: 1.29.93

TO: MACK MCLARTY
MARK GEARAN

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

The attached has been forwarded to the President.

THE WHITE HOUSE
WASHINGTON

DATE: 1.29.93

TO: THE VICE PRESIDENT

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA
SHERYLL CASHIN

SUBJECT: Attached Memoranda

Attached are:

1) A memorandum from Christine Varney concerning a proposed reply to a letter from Stuart Gerson, the Acting Attorney General. The letter and proposed reply are included. Bernie Nussbaum has approved the reply letter.

2) A memorandum from Bob Rubin requesting meetings for discussions of economic programs. Marcia Hale has seen the memo and will discuss it with you.

3) A memorandum from Secretary O'Leary regarding proposals for reorganizations of the Department of Energy which she would like to discuss during the Cabinet Retreat. Christine Varney will work with O'Leary on developing a detailed proposal.

4) A cover memorandum from Christine Varney for six pages of material sent to you by James H. Michel, Acting Administrator for the Agency for International Development. This material, which documents actions taken to implement your reversal of the Mexico City Policy, is on file if you would like to see it.

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Stuart Gerson, Acting Attorney General Letter

The attached letter from the Acting Attorney General, Stuart Gerson, assures you that he is your subordinate and intends to implement your policy with regard to the Meinhold case.

I have attached a possible response, should you care to reply to Mr. Gerson letter.

THE WHITE HOUSE

WASHINGTON

The Honorable Stuart Gearson
Acting Attorney General
Washington, D.C. 20530

Dear Stuart,

Thank you for your letter of January 29.

I sincerely appreciate the thoughts which you expressed.

Sincerely,

[redacted]

Office of the Attorney General
Washington, D.C.

January 29, 1993

The President of the United States
The White House
Washington, DC 20500

[redacted]

Dear Mr. President:

In the wake of your perserverence in a controversial position as to the military, there are those critics who, for the sake of sensationalism, look to foment unnecessary tension within the Executive Branch. For example, I saw one purported constitutional expert on television last night suggest the possibility that the Acting Attorney General might take it upon himself to pursue an independent legal course in the Meinhold case.

While my occupying this office is accidental and of short duration, and while we are of different parties, it should be understood that you have my loyalty not just because you are the President, though that should be enough, but because, at least for now, I am your Attorney General, not some unconnected lawyer without a client. The independence you must demand is that of judgment, and you shall have that here, but the President, the unitary executive, has the absolute right to have his subordinates implement his policies.

President Bush, with whom I spoke yesterday, conveys his good wishes. And you have mine as well.

Sincerely,

Stuart Gerson

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN RER

SUBJECT: **Timing of Economic Program Discussions**

The process by which the economic team has been working to develop options for an economic program seems to have pulled together the various relevant segments of the Administration quite well. Now we have reached the point where we need a substantial block of your time over the next two weeks. The most straightforward reason is that this program (A) is of overwhelming importance to you; (B) involves extremely difficult decisions that you will want to discuss; and (C) requires a close integration of program, politics and message. All of your economic advisors agree that this time with you is essential.

We would like the time as follows:

February 2 - 2-3 hours	- Discussion of the overall package, including economic tradeoffs of various possible paths. Discussion/preliminary decisions involving totals and the entitlements.
February 3 - 2 hours	- Discussion/preliminary decisions regarding the non-defense discretionary budget.
February 4 - 2 hours	- Discussion/preliminary decisions regarding the defense budget and revenues.
February 5 - 2 hours	- Continuation of the revenue discussion, and review of economic and political tradeoffs for the total program.

In addition, we would like to reserve time as follows for the week of February 8: February 8 - 2 hours; February 10 - 2 hours; and February 12 - 2 hours. If, at the end of next week, you feel you do not need this much time, we will adjust then.

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM TO THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Secretary O'Leary's Memorandum Regarding Department of Energy Reorganization

Secretary O'Leary has set forth some preliminary thoughts on reorganizing the Department of Energy in the attached memorandum. The Secretary suggests eliminating functions from the Department that are duplicative of those provided at the Department of Commerce and the Environmental Protection Agency.

I will work with Secretary O'Leary's office to develop a detailed proposal for your review.

Secretary O'Leary indicates that she would like to discuss her suggested reorganization this weekend during the Camp David Retreat.

Attachment

The Secretary of Energy
Washington, DC 20585

January 28, 1993

MEMORANDUM FOR THE PRESIDENT
VICE PRESIDENT

SUBJECT: DEPARTMENT OF ENERGY ORGANIZATION/MANAGEMENT

A "perfect" Department of Energy organization chart (see Figure 1) would reflect its responsibilities in

- Nuclear Weapons / clean-up / storage and disposal
- "Energy"
- Science and Technology

with the oversight, management, and operations functions reporting to the Office of the Secretary. The logic of such an organization would dictate a Deputy and three Under Secretaries. The Department currently has statutory authority for one Under Secretary.

The three responsibilities noted above represent the past (weapons), the present (energy), and the future (science and technology) of the country. By virtue of its National Laboratories and other technical facilities, The Department dominates basic science and technology efforts of the United States. Smaller programs exist in NASA, EPA, and Commerce. All of these programs will provide the basis for the Nation's economic stimulus and growth over the next several decades.

I believe that all the policy direction and coordination responsibilities of all government science and technology operations should be with Energy, to minimize duplication and increase efficiency. I plan to disband Energy offices that duplicate Commerce functions such as the Office of Export Support.

If the future is to be successfully supported by the government's Science and Technology programs, the technology must be transferred to industry and not rest happily ever-after in the government. Therefore, I propose that the Director of Energy Research be responsible for the government's Science and Technology programs and their coordination, integration, and dissemination with and to the private sector. This individual should have significant private sector experience in technology transfer, venture capital or new business financing, and a proven record of success. I will have a list of names for your consideration next week. Over time I would hope that this position would be upgraded to an Under Secretary.

Under this proposal, and until and if Congress authorizes additional Under Secretaries, the existing Under Secretary would be responsible for the Nuclear weapons and waste program areas, which include the environment clean-up efforts. The Deputy Secretary would be responsible for the energy and Science and Technology efforts.

I hope this proposal can be discussed with you and the other members of the cabinet this weekend.

Hazel R. O'Leary

Attachment

cc: The Honorable Ronald H. Brown
Secretary, Department of Commerce

The Honorable Carol Browner
Administrator, Environmental Protection Agency

Bruce Lindsey
Director of Presidential Personnel

Department of Energy

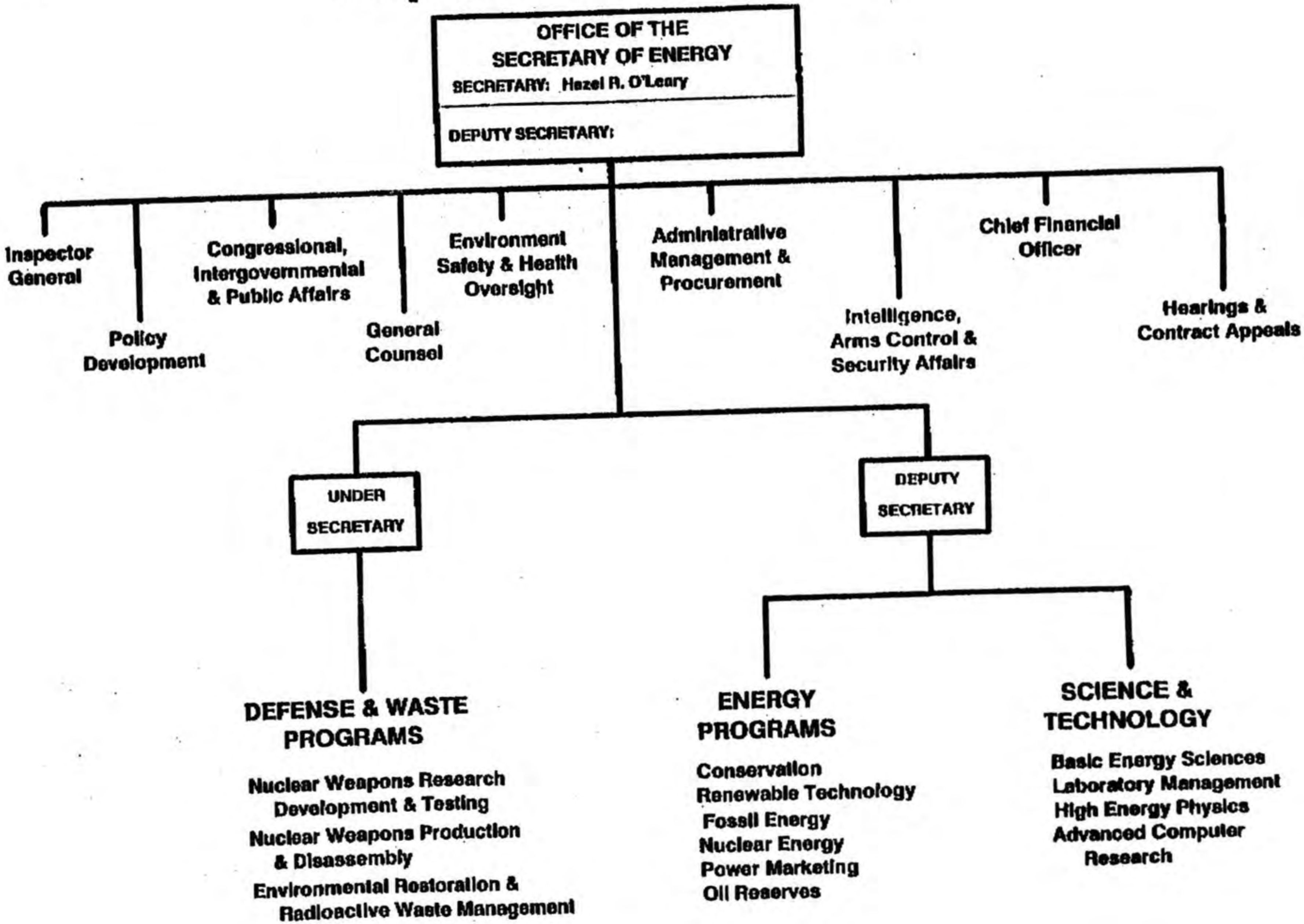

Figure 1

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY

SUBJECT: AID Family Planning Grants/Mexico City Policy

The attached memorandum from James H. Michel, Acting Administrator, Agency for International Development, advises you that AID has taken action to fully comply with your memorandum regarding the Family Planning Grants Mexico City Policy.

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January 29, 1993

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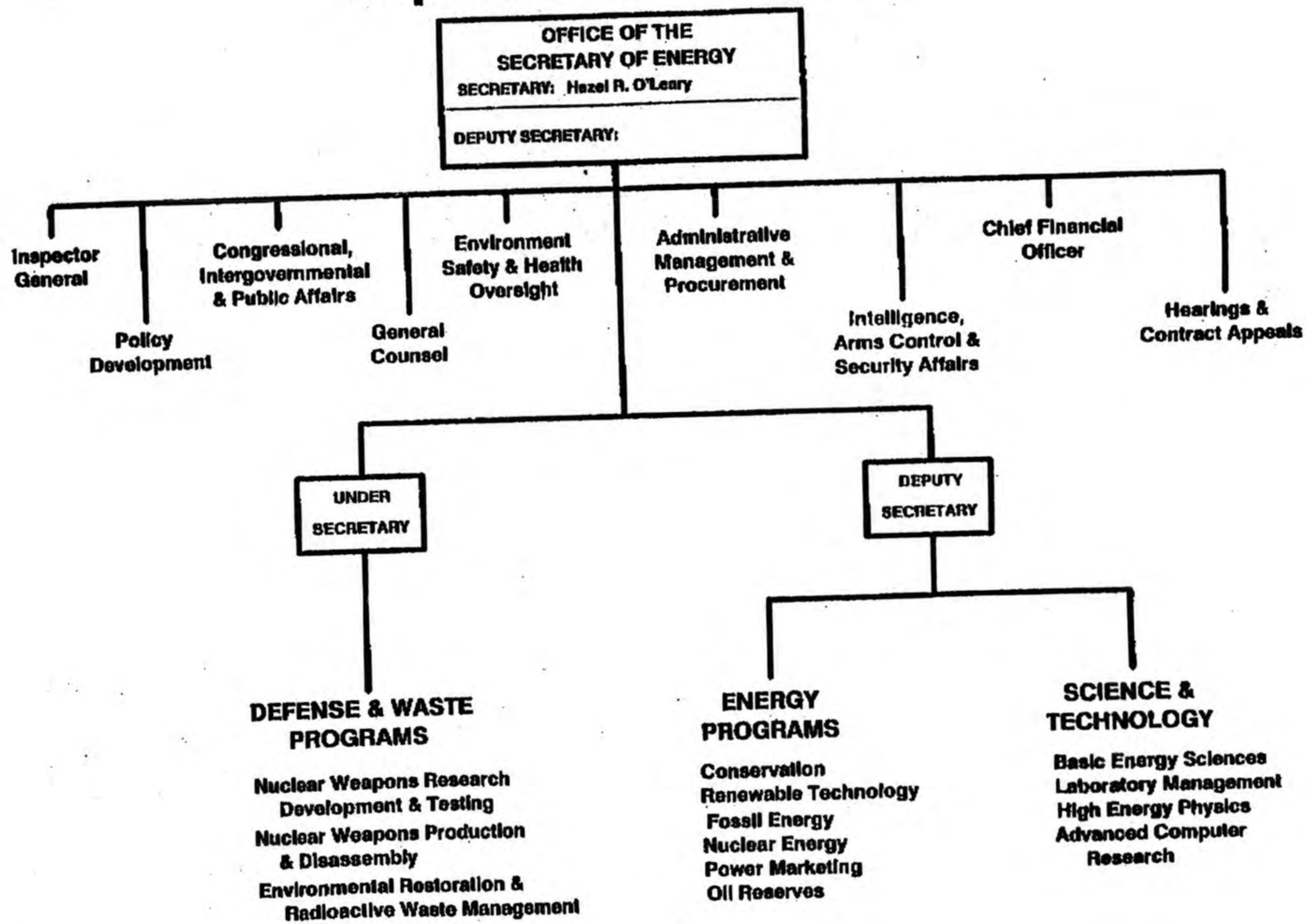

Figure 1

THE WHITE HOUSE

WASHINGTON

January 29, 1993

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SUBJECT: AID Family Planning Grants/Mexico City Policy

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Attachment

1-29-93

[redacted]

THE WHITE HOUSE

WASHINGTON

Steve —

As I mentioned, these meetings were <u>all</u> incorporated into MARCIA'S scheduling memo. Therefore, I did not forward to The President

[redacted]

JOHN PODESTA

[redacted]

THE WHITE HOUSE

WASHINGTON

PG: 09

January 28, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Steve Ricchetti via Howard Paster HP

SUBJECT: Meetings with Congressional Members before the recess.

Purpose: To develop a close working relationship with Congress and to address the sense that we have not engaged members fully since the Inauguration, I suggest we schedule the following meetings, in order of priority, with Congressional members next week:

1. A meeting with the Democratic members of both the House and Senate, recommended by the Leadership, to discuss your initiatives on campaign finance, lobbying reform and ethics in government.

   We suggest that five members from the House and Senate who will be central players on these issues be invited. The purpose of the meeting would be to emphasize with them your serious intention to move on these items and your willingness to incorporate their thinking into the policy initiatives. It is essential to say that we consulted with the Hill Democrats on this issue.

2. Reception with the Senate members of the Class of '94. (There are 22 Democrats up for re-election in 1994).

   Midterm elections for the party in power in the White House are historically very difficult, and the numerical disadvantage in 1994 makes this cycle particularly challenging. In many ways the re-election of this class of Senators will be viewed as a referendum on our performance during the first two years of your Presidency. I suggest the format for this reception be informal (perhaps with spouses) and that you emphasize with them that their re-election is important to you and that you will make every effort to be responsive to their substantive and political agendas.

3. Reception for the Freshman members of the House and Senate. There are 110 new House members and 14 new Senate members.

   The purpose of this meeting is to reinforce with the newly elected members your desire to bring institutional change to government and an end to gridlock and institutional inertia on the major priorities facing the country.

4. Separate meetings with the Democratic members of the Senate Finance and the House Ways and Means Committees.

   Our ability to work with the Finance and Ways and Means Committees will in many ways determine our ability to move forcefully and dramatically on the central legislative priorities of this Administration's first term -- long-term economic reform and comprehensive health care reform. The purpose of these two meetings would be to discuss the broad outlines of what you would like to do on each initiative and the mechanisms you have in place for developing our comprehensive proposals. Congressional consultation in the development of these proposals is essential and you should invite comment and suggestion on how best we can work together to achieve these goals.

5. Meeting with bi-partisan Senate and House health care reform leaders.

   Congress has done a great deal of work on health care, particularly during the last two years. It is important to engage them now, as we launch the health care task force, to reassure them that their input is important to us and that we are not about to reinvent the wheel with respect to developing our health care initiative. If we stress with them that the Administration intends to build on the substantive frame work which has been developed on the Hill, we will have a much better chance of succeeding when we bring our comprehensive proposal to them in May.

6. A Democratic leadership lunch to be held Tuesday, February 2.

   This will be a larger group than attended the joint leadership meeting held last Tuesday morning. This in keeping with your pledge you made last week to hold regular leadership sessions. As you are aware, our hope is to alternate between weekly Democratic and bi-partisan meetings.

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

NOTE FOR: Sandy, Bernie

[redacted]

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Ending Discrimination on the Basis of Sexual Orientation in the Armed Forces

I hereby direct you to submit to me prior to July 15, 1993, a draft of an Executive order ending discrimination on the basis of sexual orientation in determining who may serve in the Armed Forces of the United States. The draft of the Executive order should be accompanied by the results of a study to be conducted over the next six months on how this revision in policy would be carried out in a manner that is practical, realistic, and consistent with the high standards of combat effectiveness and unit cohesion our Armed Forces must maintain.

In preparing the draft, I direct you to consult fully with the Joint Chiefs of Staff and the military services, with other Departments affected by the order, with the Congress, and with concerned individuals and organizations outside the executive branch.

William J. Clinton

[redacted]

DATE: 01/29/93

[redacted]

TO: HOWARD PASTER

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

For your appropriate handling.

[redacted]

01/29/93 15:28 202 225 ...

Podesta
for Cong
Relations

Congress of the United States
House of Representatives
Washington, DC 20515

January 29, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

We write to applaud your bold decision to schedule a meeting directly with Haitian President Jean-Bertrand Aristide. That gesture indicates to the nation and the world your deep commitment to protecting human rights and democracy in our hemisphere. Given the recent intransigence on the part of the Haitian military and continuing human rights abuses, we hope that this meeting will occur as soon as possible.

Millions of people in America and across the globe supported your campaign for change and hope. In contrast to the failures of the previous policy to restore democracy and a respect for human rights to Haiti, we believe your new and imaginative policy signals a worthy beginning that has persuaded the literally thousands of Haitians attempting to leave the embattled island to postpone their departure.

Press accounts indicate that the military leadership in Haiti is, at best, divided about accepting President Aristide's eventual return. They should not doubt the commitment and resolve of the United States in this matter. We urge you to send clear and unmistakable signals to Haiti's despots that President Aristide, as the only democratically elected leader in Haiti in over 200 years, is a friend and that the military junta are despots who will be treated as such.

We hope that a negotiated resolution of this situation will be possible. Should talks fail to begin within a short time, however, we hope that the United States will lead an international effort that will make clear the world community's intention not to tolerate this tyranny in our midst. Appropriate action should include consideration of targeted and graduated sanctions imposed by the U.N. Security Council as early as mid-February, in accord with Resolution 22 which the United States supported and the U.N. General Assembly adopted on November 22, 1992.

In addition, we hope that the refugee policy of the previous administration of saying to political refugees "not in my backyard", which is inconsistent with U.S. refugee law and with the symbol of the Statute of Liberty, will be reversed. Respect for our heritage and the Refugee Act of 1980 require as much.

We believe that the right course on Haitian policy is also a difficult one, but one on which the United States should embark. We support your fundamental belief that change here, too, must be realized.

In this respect, we would also like to request that, as representatives of key constituencies, we have the opportunity to meet with you to further express our beliefs and suggestions on this most important and timely matter.

Thank you for your attention to, and courage on, this matter.

Sincerely,

Rep. John Conyers, Jr.

Rep. Barbara Rose Collins

Rep. Kwesi Mfume

Rep. Bob Carr

Rep. Benjamin Gilman

Rep. Edolphus Towns

Rep. Thoman Foglietta

Rep. Donald Payne

Rep. Carrie Meek

Rep. Charles Rangel

Rep. Louis Stokes

Rep. Ronald Dellums

Rep. Matthew Martinez

Rep. Paul Kanjorski

Rep. Neil Abercrombie

Rep. Walter Tucker III

Rep. Jose Serrano

Rep. Major Owens

Dale E. Kildee
Rep. Dale Kildee

Rep. Ron DeLugo

Pat Schroeder
Rep. Patricia Schroeder

Corrine Brown
Rep. Corrine Brown

Rep. Nydia Velazquez

Eva M Clayton
Rep. Eva Clayton

Tim Penny
Rep. Timothy Penny

Rep. Albert Russell Wynn

Rep. Carol Maloney

Rep. Alan Wheat

Harold Ford
Rep. Harold Ford

William D. Ford
Rep. William Ford

Edward J Markey
Rep. Edward Markey

Henry B. Gonzalez
Rep. Henry Gonzalez

Andy Jacobs Jr.
Rep. Andrew Jacobs Jr.

Rep. Diaz-Balart

Rep. Eleanor Holmes Norton

Cynthia McKinney
Rep. Cynthia McKinney

Mike Kopetski
Rep. Michael Kopetski

Rep. Bernard Sanders

Lucien E. Blackwell
Rep. Lucien Blackwell

Rep. Robert Scott

Rep. Mel Reynolds

Nita Lowey
Rep. Nita Lowey

Bill Richardson
Rep. Bill Richardson

David E. Bonior
Rep. David Bonior

JOHN CONYERS, JR.
1st District, Michigan

COMMITTEES
CHAIRMAN
GOVERNMENT OPERATIONS
CHAIRMAN
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
JUDICIARY
SMALL BUSINESS

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE
2426 Rayburn House Office Building
Washington, DC 20515
Phone 202-225-5126

DETROIT OFFICE
669 Federal Building
231 W. Lafayette
Detroit, MI 48226
Phone 313-961-5670

FACSIMILE TRANSMITTAL SHEET

TO: President Clinton

FIRM NAME: White House

FAX PHONE: 94562397

DATE: 1/29

NUMBER OF PAGES: INCLUDING THIS ~~3~~ 4

FROM: Concerned Members of Congress

TELEPHONE NUMBER: 225-5126

FAX NUMBER 225-0072

COMMENTS: Enclosed is a letter endorsed by 44 Members of Congress, pledging support for your decision to meet with President Aristide and for your pledge to alter the policy toward Haiti under the previous Administration

M E M O R A N D U M

TO: John Podesta

3 JAN 29 P4: 02

FROM: Eli Segal

DATE: January 29, 1993

RE: Notes from the President

I would like the enclosed notes sent from the President. In an ideal world the notes would be handwritten by the President, but it is probably unnecessary at this point. Since I probably will be doing more of this, please advise me if this is an intelligent approach. Also, will you send me a copy when they have been sent?

EJS:ke

Eli —

Please route these through Paster's office. They will prepare in final + forward to me

John
1-29-93

January 29, 1993

Chairman William D. Ford
2107 Rayburn
Washington, D.C. 20515

Dear Bill:

Thanks for getting together with Eli Segal this week.

You know how important it is for me to build National Service into the fabric of American life. I look forward to working with you on this and other vital issues very soon.

My best personal regards,

January 29, 1993

Senator Barbara Mikulski
320 Hart
Washington, D.C. 20510

Dear Barbara:

Thanks for getting together with Eli Segal this week.

I was particularly struck by how you used your appropriations subcommittee to find additional funds for community service at HUD.

You know how important it is for me to build National Service into the fabric of American life. I look forward to working with you on this and other vital issues very soon.

My best personal regards,

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

[redacted]

NOTE FOR: TONY LAKE

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

Military Cuts Cause Disquiet on the Western Front

By MARTIN DU BOIS
Staff Reporter of THE WALL STREET JOURNAL

BRUSSELS — Staggering under heavy budget deficits, their economies sinking deeper into recession, West European governments are aiming at an easy target for austerity: their armed forces.

And this time Belgium, usually a backstage player in the North Atlantic Treaty Organization, has ambitions to lead the way. Defense Minister Leo Delcroix plans to slash the army's size to 40,000 from 80,000 and abolish conscription. To raise cash, he plans a mammoth garage sale of 210 battle tanks, 105 fighter jets and 22 ships — more than half the armed forces' rolling, flying and floating stock.

"Our overhead costs are much too high," Mr. Delcroix said in an interview. "I wonder what kind of return we're getting on our investment."

Belgium isn't alone. With the end of the Soviet invasion threat, several countries in Western Europe plan to scale back their armies, reducing or abolishing conscription. What they are aiming for are small, mobile, well-equipped, well-trained volunteer forces — as in the U.S. and Britain — capable of peacekeeping missions in Eastern hot spots such as the former Yugoslavia.

The transformation has taken on particular urgency; in December, NATO foreign ministers pledged to help the United Nations enforce a ban against Serbian warplanes flying over Bosnia. U.N. Secretary-General Boutros Boutros-Ghali later urged sending 10,000 troops to back up a so far unsuccessful peace plan for Bosnia.

Concerns About Alliance

But military analysts and NATO diplomats worry that the planned defense cutbacks will undermine the Atlantic alliance's collective defense as well as its newfound peacekeeping role. They are alarmed at the widening gap between what West European governments say about shouldering more responsibility for Europe's security, and the reality of eroding military strength.

"If we in Europe want to bear more responsibility for our own security, then we need to have the adequate force levels. To be able to intervene in Yugoslavia, that means personnel," says Theo van den Doel, a military strategist at the Clingendael Institute in The Hague. He says West European governments today couldn't put together the 100,000-troop force many deem would be necessary to halt Serbia's bloody policy of "ethnic cleansing."

Belgium currently has about 1,500 soldiers on peacekeeping and monitoring missions in the former Yugoslavia and in Somalia. But the country's top brass fears these may be their final missions.

In a highly critical, confidential report, Belgian Chief of Staff Lt. Gen. Jose Charlier calls Mr. Delcroix's plan "a challenge to the very existence of the Belgian armed forces." Gen. Charlier declined to be interviewed for this article.

'Bad Belgian Example'

NATO, too, is worried. The plan "will weaken Belgium's ability to maintain the present international commitments and to take up a fair share of the alliance's defense burden," says a confidential NATO report. Above all, however, NATO fears that other alliance members will follow Mr. Delcroix's lead. "We're worried about the bad Belgian example," says a senior defense planning official at NATO. "The plan was sprung on us. We don't want individual countries rushing ahead and cutting."

The alliance nevertheless faces more unwanted cutbacks. The Dutch government last week unveiled a Belgian-style plan to slash the army's size 44% and to progressively abolish the draft as of 1998. The Norwegian government is readying a long-term cutback plan for its armed forces, restricting the defense of its national territory to the Arctic region bordering Russia's Kola Peninsula. Spain, meanwhile, is expected to continue reducing its defense spending about 3% a year. Military planners at NATO fear that Germany, where talk of abolishing conscription is heating up, and Italy will follow suit.

The cutbacks also risk reigniting the bitter burden-sharing debate between NATO's European members and the U.S., encouraging Washington to reduce its military presence in Europe further than already planned. (The U.S. is expected to reduce its forces in Western Europe to 100,000 or less by 1995 from the current 210,000.)

"Do we want the Belgians to spend more on their defense? The answer is 'Yes,'" says a senior NATO official familiar with the U.S. position on the subject.

With all the sudden cutting, NATO is chucking detailed military plans faster than it can put them on paper. Under a blueprint set up barely 12 months ago to reorganize NATO forces in Europe — taking into account the collapse of the Soviet Union and the planned U.S. pullback from Europe — the alliance had agreed to defend Western Europe with seven army corps of 60,000 to 80,000 men each, including two Dutch-German corps and one Belgian-led corps.

But last autumn, the Netherlands and Germany announced they would provide only a single NATO corps. Belgium, meanwhile, said it won't participate at all, lacking the necessary soldiers and equipment. And if President Clinton decides, as many expect he will, to accelerate the U.S. withdrawal, the two U.S.-German corps will have to be reduced to one.

"We aren't doing this in a very coordinated fashion," says Willem Van Eekelen, secretary-general of the Western European Union, the nine-member European defense organization that aims to become the so-called European pillar of NATO. "Everybody is doing his strategic thinking on his own." The only NATO country currently boosting military spending is Greece. And that isn't good news to the alliance, which worries that Athens is preparing to get involved in the Yugoslav civil war, and thus widen the Balkan conflict.

NATO Forces

Total active duty armed forces in Europe as of June 1, 1992.

Turkey	560,300
Germany	447,000
France	431,700
Italy	354,000
United Kingdom	293,500
Spain	217,000
*United States	210,000
Greece	159,300
Netherlands	93,000
Belgium	80,700
Portugal	58,300
Norway	32,700
Denmark	29,200
*Canada	5,100
Luxembourg	800

*Based in Europe

Source: Military Balance 1992-1993, published by The International Institute for Strategic Studies, London

Panel Calls for Subsidies To Rescue U.K. Coal Mines

By a WALL STREET JOURNAL Staff Reporter

LONDON — A bipartisan parliamentary committee put Prime Minister John Major on the spot by calling for subsidies of about £300 million ($461.4 million) to save many of the 31 coal mines the government wants to close.

The government sparked a nationwide protest in October when it announced sweeping pit closures and the axing of 30,000 coal-mining jobs. State-owned British Coal, which already receives subsidies of about £1 billion a year, was to cut its payroll to 18,000 miners in just 19 mines by April.

But in the ensuing political storm, Mr. Major was forced to suspend the plan. He has promised to take the committee's findings into consideration when his cabinet reviews the issue in February.

The committee includes representatives of Mr. Major's Conservative Party and the opposition Labor Party, raising the prospect of an embarrassing defeat for the government if it persists with its mine-closure plan.

The committee says its proposed additional subsidies could vastly expand coal sales and keep about 16 of the threatened pits operating, according to sources familiar with its findings. But Industry Minister Tim Eggar, speaking on BBC television, said any measures to expand the market for coal would create problems elsewhere.

"There may be costs in terms of loss of nuclear jobs and loss of jobs in the gas industry," he warned.

Remy Cointreau Pretax Profit

PARIS — French spirits group Remy Cointreau SA confirmed a previous prediction of a 2.5% rise in pretax group profit for the fiscal first half ended Sept. 30.

The pretax group profit was 103.8 million francs ($19.5 million), compared with 101.3 million francs in the year-earlier period.

But the company said that given the current economic climate, it doesn't expect to be able to match last year's profit for the full year. The group's pretax group profit was 409.6 million francs for the 1991-1992 year. Its net income was 271 million francs for the year.

Sales for the half dropped 16% to 2.39 billion francs. Remy said that its sales would have declined by only 12% on a comparable exchange rate basis in the first half of the 1992-1993 year.

THE WALL STREET JOURNAL

THE PRESIDENT HAS SEEN

THE PRESIDENT HAS SEEN

Brought Ital
Feb - 13

10

THE PRESIDENT HAS SEEN
1/29/93

THE WHITE HOUSE

WASHINGTON

Chron

3 JAN 29 A8:56

January 28, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster HP

SUBJECT: Letters to Senate Chairs and Ranking Members

Forwarded for your signature are letters to Chairs and Ranking Members of relevant Senate Committees thanking them for their help with Cabinet confirmations. Additionally, Senator Hatch is thanked for his consideration regarding Zoe Baird.

Recommendation

That you sign the attached correspondence.

ok
JGP

THE WHITE HOUSE

WASHINGTON

Dear Senator Hatch,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary Shalala and Secretary Riley. I am particularly appreciative of the steadfastness of your support for Zoe Baird.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Orrin G. Hatch
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Roth,

Thank you very much for the excellent manner in which you approached the confirmations of both Director Panetta and Deputy Director Rivlin.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable William V. Roth
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Thurmond,

Thank you very much for the excellent manner in which you approached Secretary Aspin's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Strom Thurmond
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Wallop,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary O'Leary and Secretary Babbitt.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Malcolm Wallop
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Don ~~Chairman~~,

Thank you very much for the excellent manner in which you approached Secretary Cisneros' confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Donald W. Riegle
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. ~~Chairman~~ Jay,

Thank you very much for the excellent manner in which you approached Secretary Brown's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable John D. Rockefeller IV
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Packwood,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary Bentsen and Secretary Shalala.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Bob Packwood
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached Secretary Aspin's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Sam Nunn
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached the confirmations of Secretary Bentsen, Secretary Shalala, and Administrator Browner.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Daniel Patrick Moynihan
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Murkowski,

[redacted]

Thank you very much for the excellent manner in which you approached Secretary Brown's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

The Honorable Frank H. Murkowski
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary Reich and Secretary Riley.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Edward M. Kennedy
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached Secretary Espy's confirmation.

[redacted]

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Patrick J. Leahy
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Lugar,

Thank you very much for the excellent manner in which you approached Secretary Espy's confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your expeditious consideration of my Cabinet nominees and in helping me get off to a quick start.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Richard G. Lugar
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Kassebaum,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary Reich and Secretary Riley.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Nancy Landon Kassebaum
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary O'Leary and Secretary Babbitt.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

Thanks

The Honorable J. Bennett Johnston
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Helms,

Thank you very much for the excellent manner in which you approached the confirmation of both Secretary Christopher and Ambassador Albright.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Jesse Helms
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary Brown and Secretary Peña.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill

The Honorable Ernest F. Hollings
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator D'Amato,

Thank you very much for the excellent manner in which you approached Secretary Cisneros' confirmation.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Alfonse D'Amato
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator Danforth,

Thank you very much for the excellent manner in which you approached the confirmations of both Secretary Brown and Secretary Peña.

I look forward to working with you in the future, and I hope we can build on the strong foundation laid down during the rapid confirmation of my Cabinet.

I am deeply grateful for your consideration in helping me get off to a quick start with my Cabinet.

With best wishes,

Sincerely,

Bill Clinton

The Honorable John C. Danforth
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

NOTE FOR: Howard Paster

The President has reviewed the attached, and it is forwarded to you for your:

- [x] Information
- [ ] Action

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

[redacted]

THE WHITE HOUSE

WASHINGTON

January 28, 1993 1/2

MR. PRESIDENT:

I've informed Alexis Herman about the attached proposed call. She wanted me to remind you that you told Caucus members during the campaign (on your bus trip in North Carolina) that you would meet with the them early in the Administration.

[redacted]

John

John Podesta

TO Ron
c.c H. Porter

THE PRESIDENT HAS

THE WHITE HOUSE

WASHINGTON

1/29
Completed
9:25

7:22

THURSDAY, JANUARY 28, 1993

RECOMMENDED TELEPHONE CALL

TO: Congressman Kweisi Mfume (D-MD07), Chair, Congressional Black Caucus

DATE: Thursday, January 28, 1993 after 10:00pm, at home
-- or --
Friday, January 29, 1993 in Baltimore at his district office or at the Democratic Issues Conference

RECOMMENDED BY: Howard Paster HP

PURPOSE: The Congressman has a problem that he wants to discuss with you personally.

BACKGROUND: The Congressman is calling in his role as the Chair of the Congressional Black Caucus, at the behest of his colleagues. He said the Caucus asked him to speak with you personally.

CONTACT PERSON AND TELEPHONE NUMBERS: Congressman Mfume at home after 10:00pm this evening at (410) 788-0707
-- or --
Congressman Mfume in his district office intermittently tomorrow (410) 367-1900
-- or --
Congressman Mfume at the House Democratic Issues Conference being held in Baltimore at (410) 516-4287 (Capitol Police Command Post)

DATE OF SUBMISSION: Wednesday, January 28, 1993

ACTION: ______________________________

____

____

Curran

[redacted]

THE WHITE HOUSE

WASHINGTON

January 28, 1993 1/2

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John Podesta

To Ron
cc H. Porter

THE PRESIDENT HAS

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THE WHITE HOUSE

WASHINGTON

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DATE OF SUBMISSION:	Wednesday, January 28, 1993

ACTION: ______________________________

____

____

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

[redacted]

NOTE FOR: George

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☑

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN
01.29.93
THE PRESIDENT

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MR. PRESIDENT:

Re Attached

I talked to George about the Oxford diploma. He believes that the process outlined in Ambassador Seitz' letter -- approving a resolution to confer the diploma, but conferring it at a date to be announced -- is sensible.

Do you want us to pursue this more or does that seem satisfactory?

OK

John Podesta

THE PRESIDENT HAS SEEN
1/29/93

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MR. PRESIDENT:

Attached is a letter to George Stephanopoulos from the U.S. Ambassador to England forwarding a proposal of the Vice Chancellor of Oxford to award you the Degree of Doctor of Civil Law by Diploma.

We have checked with Bernie Nussbaum and Counsel's Office has no objection. Do you approve the awarding of this degree?

[✓] Approve [ ] Reject

but won't it be better later when I can go

JP

John Podesta

Chron

THE PRESIDENT HAS SEEN
01 29 93
THE PRESIDENT

THE WHITE HOUSE

WASHINGTON

January 29, 1993

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1/29/93

THE WHITE HOUSE

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[redacted]

[✓] Approve   [ ] Reject

but wouldn't
it be better later
when I come over

JP

John Podesta

Bill Clinton
FOR PRESIDENT

MEMORANDUM

0 JAN 20 A7:30

MEMO TO: JOHN PODESTA DATE:

FROM: GEORGE STEPHANOPOULOS

SUBJECT:

FOR POTUS
Review and
approval.

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

January 20, 1993

To: H
Fr: GS
Please get to J. Podesta for POTUS to see + approve
GS

Mr. George Stephanopoulos
Assistant to the President and
Director of Communications

Dear Mr. Stephanopoulos:

I received a letter today from the Private Secretary to the Vice-Chancellor of Oxford. The Vice-Chancellor has been away in the Far East.

The Vice-Chancellor's office suggests that the proposal that President Clinton be awarded a Degree by Diploma appear in the "University Gazette" on Thursday, January 28. The Congregation would meet and vote on Tuesday, February 23.

The "Gazette" is published around noon on Thursday, but the local newspaper "The Oxford Mail" and Radio Oxford are given advance notice, so the word might leak out ahead of time. The University is prepared to forego this advance notice to the local media if the President would prefer.

The notice in the Gazette would appear as follows:

"CONGREGATION, 23rd February, 2 p.m.

Voting on Special Resolution approving the conferment of a Degree by Diploma.

That the conferment of the Degree of Doctor of Civil Law by Diploma on William Jefferson CLINTON, President of the United States of America, be approved.

***If the special resolution is approved, the degree will be conferred at a ceremony on a date to be announced."

We will also want to work a separate press announcement which could be issued by the White House, the University and the Embassy simultaneously depending how you wish to arrange this.

The Vice-Chancellor returns to Oxford next week. Please let me know how you wish to proceed.

Sincerely yours,

Raymond Seitz

R. G. H. Seitz
Ambassador

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

NOTE FOR: Howard/George

The President has reviewed the attached, and it is forwarded to you for your:

- Information ☑
- Action ☐

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MR. PRESIDENT:

Attached is a decision memo from Howard Paster concerning the economic address to the Congress. It was circulated amongst Senior Staff and to the Vice President. The Vice President has a preference for calling this a State of the Union address, but George thinks we have already publicly referred to this as an address to a Joint Session. Rubin prefers the latter designation. I recommend that we go with the Joint Session designation.

[redacted]

John Podesta

THE PRESIDENT HAS SEEN
01-29-93

THE WHITE HOUSE

WASHINGTON

THURSDAY, JANUARY 28, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster HP

SUBJECT: Address to Joint Session of Congress

DECISION 1

I. ACTION-FORCING EVENT: James T. Molloy, Doorkeeper of the House must go to print on invitations for the Joint Session and wants to know if the tickets should be appear as President William Jefferson Clinton or President Bill Clinton.

II. BACKGROUND/ANALYSIS: Your recent predecessors have opted for less formal titles, eg. President George Bush as opposed to President George Herbert Walker Bush.

III. RECOMMENDATION:
This is purely your personal preference.

IV. DECISION:

_____ Bill Clinton ✓_____ William J. Clinton

_____ William Jefferson Clinton

DECISION 2

I. ACTION-FORCING EVENT: Should the speech be referred to as an Address to Congress or as the State of the Union.

II. BACKGROUND/ANALYSIS: The President's first speech to Congress is generally referred to as an Address to Congress. Because President Bush did not submit a State of the Union, the House Parliamentarian ruled that your speech can be either. You would set a precedent if this speech is your first State of the Union.

III. RECOMMENDATION:
This is purely your personal preference.

IV. DECISION:

_____ State of the Union ✓_____ Address to Congress

unless you think otherwise

MEMORANDUM FOR THE PRESIDENT
FROM: Howard Paster
page two

DECISION 3

I. ACTION-FORCING EVENT: One Cabinet member must not attend the address.

II. BACKGROUND/ANALYSIS: One Cabinet member must be absent from the address in order to ensure the line of succession in the event of a tragedy.

III. RECOMMENDATION: This should not be someone on the National Economic Council nor someone on the Health Care Task Force.

IV. DECISION:

_____ Secretary of Agriculture

__✓__ Secretary of Education

_____ Secretary of Energy

_____ Secretary of Housing and Urban Development

__✓__ Secretary of the Interior

_____ Secretary of State

_____ Secretary of Transportation

Ag, Energy, HUD, Trans
are on Ec Council

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MR. PRESIDENT:

Attached is a decision memo from Howard Paster concerning the economic address to the Congress. It was circulated amongst Senior Staff and to the Vice President. The Vice President has a preference for calling this a State of the Union address, but George thinks we have already publicly referred to this as an address to a Joint Session. Rubin prefers the latter designation. I recommend that we go with the Joint Session designation.

John Podesta

THE PRESIDENT HAS SEEN
01-29-93

THE WHITE HOUSE

WASHINGTON

THURSDAY, JANUARY 28, 1993

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III. RECOMMENDATION:
This is purely your personal preference.

IV. DECISION:

____ Bill Clinton ✓ William J. Clinton

____ William Jefferson Clinton

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____ State of the Union ✓ Address to Congress

Unless you think otherwise

MEMORANDUM FOR THE PRESIDENT
FROM: Howard Paster
page two

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III. RECOMMENDATION: This should not be someone on the National Economic Council nor someone on the Health Care Task Force.

IV. DECISION:

- _____ Secretary of Agriculture
- ✓____ Secretary of Education
- _____ Secretary of Energy
- _____ Secretary of Housing and Urban Development
- or ✓____ Secretary of the Interior
- _____ Secretary of State
- _____ Secretary of Transportation

Ag, Energy, HUD, Transp
are on Ec Council

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

NOTE FOR: Bob Rubin

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

[redacted]

The President spoke with Mickey.

JDP

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN
01-29-93

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN RR

SUBJECT: **Title 7 Trade Action Against the EC**

The attached memorandum from Ambassador Kantor is self-explanatory.

All interested agencies, plus Tony Lake, Sandy Berger and Bo Cutter, agree with this recommendation.

Under the new, simplified procedure with respect to trade matters, any recommendation you get will have been cleared with the relevant agencies and both the National Security Council and the National Economic Council.

Given that all concerned agree with this recommendation, I think you should approve. However, Tony and I would observe that we do not have a developed trade policy in this Administration and thus, for the time being, decisions such as this, of necessity, are being made without an overarching framework. This problem is being addressed through an inter-agency deputies committee, and, in time, you will receive recommendations with respect to such trade policy.

Approve ✓ Disapprove ______ Let's Discuss ✓

We do need a serious trade discussion - GATT, NAFTA

Attachments
Incoming from Ambassador Kantor

THE PRESIDENT HAS SEEN
01-29-93

THE WHITE HOUSE

WASHINGTON

January 29, 1993

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All interested agencies, plus Tony Lake, Sandy Berger and Bo Cutter, agree with this recommendation.

Under the new, simplified procedure with respect to trade matters, any recommendation you get will have been cleared with the relevant agencies and both the National Security Council and the National Economic Council.

Given that all concerned agree with this recommendation, I think you should approve. However, Tony and I would observe that we do not have a developed trade policy in this Administration and thus, for the time being, decisions such as this, of necessity, are being made without an overarching framework. This problem is being addressed through an inter-agency deputies committee, and, in time, you will receive recommendations with respect to such trade policy.

Approve ✓ Disapprove ______ Let's Discuss ✓

Attachments
Incoming from Ambassador Kantor

We do need a serious trade discussion - GATT, NAFTA

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: TITLE 7 TRADE ACTION AGAINST THE EC

Attached is a memo and draft statement from Mickey Kantor recommending retaliatory action against the EC in response to the EC's January 1, 1993 Utilities Directive, which requires EC utilities to discriminate in procurement against non-EC products.

Kantor recommends three actions, which are consistent with Title VII of the 1988 Omnibus Trade and Competitiveness Act and are GATT legal: (i) prohibit US government purchases of EC goods and services not covered by the GATT Government Procurement Code -- effective in 45 days; (ii) request public comment on other possible trade restrictions; (iii) request public comment on the value of continued U.S. participation in the GATT Government Procurement Code.

As Bob Rubin's cover memo indicates, all interested agencies and the NSC concur in Kantor's recommendation.

This requires immediate attention.

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

January 28, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Ambassador Michael Kantor

SUBJECT: Title VII Trade Action Against the EC

ISSUE

How should the U.S. respond to a recently-enacted European Community (EC) directive that requires EC utilities to discriminate in their procurements against non-EC products?

RECOMMENDATION

That USTR immediately publish a Federal Register notice containing the following steps. All interested agencies concur.

- Prohibit, effective in 45 days, government purchases of EC goods and services not covered by the GATT Government Procurement Code. This prohibition would cover a wide range of products, though Defense Department procurement would be exempted and waivers would be available for other agencies with special problems. The issue would be reassessed before the end of the 45 day period and any action was taken.

- Request public comment on other possible trade restricting actions. This deliberately vague request would signal to the EC that more substantial actions could come later if the discrimination is not eliminated.

- Request public comment on the costs and benefits of continued U.S. participation in the GATT Code. This would initiate a formal interagency evaluation of our Code participation, and send a strong signal to the EC that failure to conclude an expanded Code could lead to U.S. withdrawal from the current Code.

BACKGROUND

EC Discrimination. For years, many state-owned utilities in the EC have bought telecommunications and power generating equipment solely from national suppliers. This informal discrimination was replaced on January 1, 1993 by an EC-wide law -- the Utilities Directive -- that requires utilities in EC countries to observe more transparent procurement rules. The Directive requires countries to apply a 3% price penalty against non-EC bids, and allows them to refuse to even consider non-EC bids.

This discrimination strikes directly at two important high-technology manufacturing industries in which U.S. firms are competitive -- telecommunications and power generation equipment. OMB's preliminary estimates for lost U.S. sales are between $200 and $400 million per year.

Legal Requirement. Title VII of the 1988 Omnibus Trade and Competitiveness Act requires the President annually to identify to Congress countries whose government entities discriminate against U.S. businesses in their purchasing practices. President Bush identified the EC in February 1992 for the practices outlined above. However, action was deferred until January, 1993, pending the EC's January 1 implementation of the Utilities Directive. President Bush took no action before leaving office.

Status of Negotiations. Since 1985, USTR has sought to end this discrimination by negotiating an expanded GATT Government Procurement Code that would subject EC state-owned utilities to the same open procurement rules that U.S. agencies now follow. The EC has demanded a number of unacceptable conditions, including that the U.S. place its private companies (e.g., AT&T and the Bell Operating Companies) under Code disciplines. The Code is unpopular in Congress because it is perceived to be unbalanced in favor of the EC: the U.S. provides twice the opportunities under the Code that the EC does, and EC firms' sales exceed those of U.S. firms by a factor of ten.

To break the deadlock in the Code negotiations, we have also sought to conclude a bilateral telecommunications agreement with the EC. This would permit the EC to waive the discriminatory rules of the Directive. The EC, however, has insisted that the U.S. guarantee (through regulation or oversight) that our private telephone companies will not discriminate against EC firms in their procurements. This would be unacceptable intrusion. Moveover, there is no evidence that our private telephone companies discriminate against European suppliers.

DISCUSSION

The consensus recommendation offers the best prospect of making the EC more reasonable in both the Code and the bilateral telecommunications negotiations. It also sends an important first signal to Congress that your Administration takes Title VII (and other trade laws) seriously. The message of firmness to the EC and other trading partners will pay dividends in other negotiations. Though the dollar amounts are small, affecting less than $40 million of EC commerce, the recommended action is the one specified under Title VII.

We would portray this action as an initial response to the EC directive. The negative public reaction from the EC (particularly the French) will likely be tempered by the mild commercial impact. A worst-case scenario -- the collapse of negotiations on this and other Uruguay Round issues -- is unlikely. Some EC retaliation is possible, perhaps by worsening the discrimination in the Utilities Directive. This reaction would have only a small impact on U.S. firms.

The recommended steps are GATT-legal. Most of the stronger steps we have considered but not recommended would violate GATT rules, something we should avoid at this time.

The firms most involved in this issue, such as AT&T and General Electric, will support this action. Some firms may request that we limit the scope of our action to avoid possible retaliation that could harm them in certain countries.

I expect most in Congress to applaud this action. However, in my informal consultations this week, several Senators urged swifter and tougher action. I believe, however, that we should solicit public comment before the prohibitions take effect and before other actions are decided.

Unless you indicate otherwise, I plan to announce our decision soon after you have approved it. I have attached my proposed statement.

DECISION

Agree_______ Discuss Further_______

Attachment

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

Statement of Ambassador Michael Kantor
EC Utilities Directive
January 28, 1993

I am today announcing the initial actions by the United States in response to certain discriminatory procurement practices maintained by the European Community. These restrictions on foreign bidders under EC procurement policies prevent some of our most competitive companies from selling products such as telecommunications and power generating equipment to government owned utilities. Government owned utilities make up the bulk of the European market in these sectors. This European-wide policy of discrimination against non-EC products stands in stark contrast to the open and non-discriminatory access their firms enjoy in selling to our predominantly private utilities market. This situation is intolerable.

The entry into force of the EC's Utilities Directive highlights the current imbalance in government procurement between the U.S. and the community. We have long sought to eliminate this imbalance by negotiating a strengthened GATT Government Procurement Code that provides access on both sides of the Atlantic. We have not sought a one-way deal. We have sought fairness.

The Clinton Administration intends to take firm steps to ensure open and fair world trade. We do not want to close our procurement market, but we must insist that our major trading partners show an equivalent commitment open and non-discriminatory procurement policies. We stand ready to conclude an agreement, but we will not hesitate to enforce our right to be treated fairly.

I therefore announce the following steps:

First, that effective 45 days from today the United States will prohibit the procurement of EC sourced products not covered by the GATT procurement code or by our defense and security related agreements with EC countries for all Federal agencies.

Second, that the USTR will immediately solicit public comments concerning the impact of other possible actions restricting imports of telecommunications and power generating equipment from the EC.

Third, that the U.S. government will begin an immediate study of the desirability and feasibility of withdrawing from the GATT Government Procurement Code. We will seek public comments on this possible action, which may indeed be necessary if we cannot obtain a better balance under that agreement.

This Administration does not take such action lightly. We believe that this is a measured first step. U.S. telecommunications and electrical suppliers have long suffered significant damage from the restrictions placed on them in European markets. While we welcome many aspects of the recently issued EC Utilities Directive, we consider it unacceptable that it retains such restrictions. Over the past year, U.S. negotiators have met several times with the EC to find a mutual solution. Despite our efforts, no solution has emerged. The EC has simply refused to show a sufficient desire to conclude a balanced arrangement. I have instructed my negotiators to make every effort to continue working towards a balanced resolution of this dispute. In the absence of such an outcome, however, the United States will act and will act firmly.

Today's action enjoys the full support of the President and his entire Administration. It has been taken only after careful consultation with all affected agencies and guidance from the National Economic Council. It reflects a strong desire by President Clinton to address the trade problems of this country in a manner that is fair to all, and that demonstrates our commitment to a global economy.

THE PRESIDENT HAS SEEN
01.29.93

THE WHITE HOUSE

WASHINGTON

January 28, 1993

MR. PRESIDENT:

Attached for your signature is a Presidential Memorandum to the Secretary of Defense implementing the first step of the strategy recommended by Secretary Aspin for eliminating discrimination in the Armed Forces on grounds of sexual orientation.

We have included the Congress in the list of groups the Secretary would consult for preparing the draft executive order.

The Secretary of Defense and White House Counsel have cleared the language which has also been reviewed by the Vice President, Mack McLarty, Mark Gearan, George Stephanopoulos and Tony Lake.

I recommend that you sign the Memorandum.

John

John Podesta

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Ending Discrimination on the Basis of Sexual Orientation in the Armed Forces

I hereby direct you to submit to me prior to July 15, 1993, a draft of an Executive order ending discrimination on the basis of sexual orientation in determining who may serve in the Armed Forces of the United States. The draft of the Executive order should be accompanied by the results of a study to be conducted over the next six months on how this revision in policy would be carried out in a manner that is practical, realistic, and consistent with the high standards of combat effectiveness and unit cohesion our Armed Forces must maintain.

In preparing the draft, I direct you to consult fully with the Joint Chiefs of Staff and the military services, with other Departments affected by the order, with the Congress, and with concerned individuals and organizations outside the executive branch.

William J Clinton

THE PRESIDENT HAS SEEN
1/29/93

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA JDP

We have received a memo from Secretary Cisneros informing you of his decision to hold off the filing of litigation against the City of Detroit which would have resulted in HUD's taking over the City's public housing. Although Secretary Cisneros believes such action may be eventually required, he intends to review the situation within the next 60 days.

No response or action is required.

I've forwarded a copy of the memo to Carol Rasco and Bernie Nussbaum. I can forward the Secretary's memo to you if you wish.

THE WHITE HOUSE

WASHINGTON

January 27, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Christine A. Varney
Cabinet Secretary

SUBJECT: Secretary Cisneros Memorandum to the President Regarding Status of City of Detroit Litigation

The attached memorandum from Secretary Cisneros discusses his decision to hold the filing of litigation against the City of Detroit which would have resulted in HUD's taking over the City's public housing. Although Secretary Cisneros believes such action may be eventually required, he intends to review the situation within the next 60 days.

No response or action is required.

Attachment

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

January 26, 1993

MEMORANDUM FOR: The President

FROM: Henry G. Cisneros Henry Cisneros

I have stayed the filing of litigation against the City of Detroit by which HUD would have taken over the City's public housing authority. The litigation was announced by HUD on January 19th, the last full day of Secretary Kemp's tenure. After discussing the matter with Senator Riegle, Congressman Conyers and Mayor Young, I concluded that even though it may be necessary to proceed with the eventual takeover of a very troubled housing authority, their concerns about the process used warranted an independent review by your new HUD team.

I am appointing a work group from outside HUD to evaluate these serious problems and recommend corrective action. I plan to meet with Mayor Young after the review is completed to indicate the corrective actions that are expected. If those corrective measures are not acted upon in a reasonable time - i.e., 60 days - HUD is ready to re-initiative the takeover process.

Due to long-term mismanagement, Detroit has been designated a "troubled" housing authority since 1979. For example, some 2,000 names are on the waiting list, yet 40 percent of the public housing units remain vacant. Nearly $1 million is owed from delinquent tenants. No sound financial systems are in place.

I wanted to inform you about this because you may pick up the reverberations from Michigan no matter what we do. The takeover was being called unfair by the leaders of Detroit who felt that they were singled out on the last day of a Republican Administration. But other Detroit observers, including the major papers, will claim that we backed off in the face of political pressure and gave in to Mayor Young who has had more than enough time to clean up the housing authority. HUD may yet have to take it over, but I wanted to be satisfied after my own look based on an objective review.

Chron

THE WHITE HOUSE

WASHINGTON

January 29, 1993

NOTE FOR MACK McLARTY

Janice Rutledge, who you asked about, is not in my department. I believe she was in correspondence in the White House Personnel Office.

I talked to DeConcini directly about her (he was calling me about his candidate for Ambassador to Italy). I asked David Watkins to check to see if she is still on the payroll and to discuss her situation with Bruce.

John Podesta

cc: David Watkins
Bruce Lindsey

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

25-Jan-1993 07:40pm

TO: John Podesta

FROM: Bruce W. McConnell
Office of Mgmt and Budget, OIRA

SUBJECT: Reason for my call.

The reason I called this evening was to be sure you are up to speed on the White House Media Affairs public e-mail situation. Here is a copy of a note I sent to Jock Gill who is running that operation, in response to his request for advice on a stock response to incoming electronic mail from the public.

I have also attached a "typical" inquiry that came into "The White House" mailbox that is presently on Compuserve.

We are ready to assist at any time!

To: 75300.3115@compuserve.com (this is the White House mailbox)

Subject: Responses to public e-mail

I suggest the following text:

> Thank you for your recent electronic mail message. We have forwarded it to the Presidential Correspondence office for reply. If you did not include your U.S. mail return address in your message, please send your message again and include that information. You will receive a reply within a few weeks.
>
> This is the first time in history that the White House has been connected to the public through electronic mail. Thank you for your patience.

(I have suggested a slightly formal tone given that it is official White House correspondence.)

Hopefully you can set this up as an "auto-reply" message.

You should talk to John Podesta about this situation soon! We need to all work together on a plan for processing these inquiries in a standard fashion.

--Bruce McConnell, OMB

o o o o o o o o

FROM: Mike Ezrine, INTERNET:chicken@maria.wustl.edu
TO: The White House, 75300,3115
DATE: 25-Jan-93 at 12:41:17

SUBJECT: NFS nad OMB

Sender: chicken@maria.wustl.edu
Received: from maria.wustl.edu by iha.compuserve.com
(5.65/5.910516)
id AA25269; Mon, 25 Jan 93 12:36:35 -0500
Subject: NFS nad OMB
To: Bill Clinton <75300.3115@compuserve.com>
Date: Mon, 25 Jan 1993 11:35:55 -0600 (CST)
From: Mike Ezrine <chicken@maria.wustl.edu>
X-Mailer: ELM [version 2.4 PL20]
Content-Type: text
Content-Length: 353
Message-Id: <9301251135.aa05122@maria.wustl.edu>

I am writing you for two reasons
1) Can you please give me a number by which I can contact the
Office of
Management and budget. Toll free is best, e-mail is ok, toll call
is not possible for me.
2) Second can you please inform me of the status of: Forest
Service
regulatory amendments to 36 CFR Section 251, et. Seq.
Thanks for your help.
Mike Ezrine

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/29

NOTE FOR: RAHM Emanuel

The President has reviewed the attached, and it is forwarded to you for your:

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

[redacted]

NOTE FOR: George S

The President has reviewed the attached, and it is forwarded to you for your:

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/29

NOTE FOR: MARK Gearan

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

I also forwarded to RAHM + George

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary

THE PRESIDENT HAS SEEN

1/29/93

Mack
I went to G'town w/ her - sharp journalist - some good ideas might be worth having
~~[illegible]~~
Rahm talk to her - or anyone you think appropriate

TO: The President-elect and Hillary Clinton

FROM: Kathy Sylvester (202-862-1435)

RE: A proposal for the transition

As you begin to define your presidency and shape the legacy that you will leave our country, I'd like to offer a small piece of help.

Material from a book I'm writing--on how leaders build support for change--might offer some useful lessons for the team you bring to Washington. While many of these strategies are intuitive to you as veterans of consensus politics, they may not be instinctive to everyone in your new Administration.

Drawing on the experiences of political leaders who have successfully changed public attitudes and reformed public institutions, I've been examining three elements of their strategies.

First: How these leaders built public support for new ideas and sustained that support when success was not immediate. Next: How they managed the media and used it to create consensus for their ideas. And finally: Building on some of the themes in David Osborne's book, how these leaders made it attractive for bureaucrats to take risks and do their jobs differently.

A few examples:

* Define goals in incremental steps. This makes it possible to declare victory frequently and build a sense of momentum.

* Choose the most visible problem first. In British Columbia, for instance, the government's public approval ratings shot up overnight when huge waiting lines at the Department of Motor Vehicles were eliminated.

* Define what you are doing as ''experimental.'' This keeps the media from declaring failure if you can't deliver everything you promised, and creates latitude for mid-course corrections.

* Create an internal journalistic mechanism. Pierre Salinger had an assistant White House press secretary whose job it was to ''report'' on all federal agencies, scouting for trouble so damage control could start early.

* Compromise the press by making it part of the consensus-building process. When George Sinner got the newspapers and television involved in a campaign to design North Dakota's future, they praised his idea.

* Involve the bureaucrats early. Roy Romer recently called thousands of Colorado employees to the Denver convention center to brief them on a new family preservation program before it was made public. The result? Agency heads gave up turf willingly, and no bureaucrat tried to sabotage it.

I'm gathering material primarily from the people I've met in five years at Governing--the best and brightest in state and local government. But in the realm of marketing ideas and creating public support, I'm also drawing from non-government sources, such as the social marketing techniques of the anti-smoking movement and the citizen empowerment strategies of the Industrial Areas Foundation.

Because transition work isn't strictly political, I could take a leave from my job and develop these ideas more fully in the next few months. I'd also be happy to do some of the homework for the first 100 days in any of the policy areas with which I'm familiar--education, welfare, employment and training or health.

If you think any of this work would help advance your agenda, I'd be honored to be a part of it.

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/29

NOTE FOR: SANDY BERGER

The President has reviewed the attached, and it is forwarded to you for your:

- Information ☐
- Action ☑

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

BLAIR HOUSE
THE PRESIDENT'S GUEST HOUSE

[redacted]

THE PRESIDENT HAS SEEN
/29/93

Terry
Anderson

[redacted]

Sandy Berger
Sen NM M'Thin

BC

[redacted]

THE WHITE HOUSE
WASHINGTON

RM
Chron

[redacted]

DATE: 1/29

NOTE FOR: Bob Rubin

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

[redacted]

NOTE FOR: MARK Gearan

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑
Action ☐

[redacted]

I've also referred
to Rubin

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN
1/20/93

Alan White, Sr.

- Recommends <u>Jack Faris</u>, the new president of the National Federation of Independent Businesses (NFIB) and himself, <u>White</u>, to work with you on small business issues.

<u>Nancy</u>

We need to make
an overture to small business
as soon as we decide
what's in this for them —

B.

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 1/29

NOTE FOR: Bob Rubin

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

Robert J. Samuelson

Our Love-Hate Relationship With Government

Broadly speaking, President Clinton's nemesis is the modern welfare state. By welfare state, I mean something beyond the usual narrow concept: government as helper of the poor. The modern welfare state differs radically from that. It touches all of us, providing us with benefits of various types and claiming a huge part of our incomes. It creates a vast web of dependency on government that is the ultimate source of huge budget deficits and, quite perversely, distrust of government.

The generational change of which Clinton spoke in his inaugural address could well be this transformation of government. In 1955, when Clinton was 9, defense spending accounted for 62 percent of federal outlays and "human resource" spending for only 22 percent. Of that, veterans' benefits were a third and Social Security an additional third. By 1992, the proportions had almost reversed: 56 percent for human resources, 22 percent for defense. In the intervening years, we created Medicare, Medicaid, food stamps, federal college loans and much more.

No president has successfully grappled with the political consequences of this upheaval. Becoming responsible for the welfare of the many, government also incurs the wrath of the many. Consider how government has become central to our lives. In 1990, 34 million of us qualified for Medicare, 1.7 million got farm subsidies and 22 million received food stamps. Millions benefit from tax breaks: interest deductions on home mortgages, the tax-exempt status of health insurance and other fringe benefits.

But while government earns our gratitude, it also stirs our resentment. Dependency creates a backlash. We detest the limitations, the conditions, the paperwork, the hassles and the occasional humiliations that accompany our benefits. We fear that benefits may be cut or modified. Even when they seem safe, we resist higher taxes to pay for other people's "unworthy" benefits. Paradoxically, government's very generosity helps make it unpopular. Government does so much for so many that anyone can find something that seems wrong or unneeded. My benefit is a public-spirited necessity; yours is ill-conceived waste.

What makes these conflicts so unmanageable is that we have no public philosophy by which to judge government. By public philosophy, I mean widely shared beliefs about what government should—and should not—do. This crippling deficiency dates to the Great Depression, when economic collapse gave rise to a new concept of government. The general idea was (and is) that government should act to protect people against the defects, instabilities and hardships of private markets. The trouble was that this new concept of government is utterly open-ended.

To justify government support only requires a showing—strong enough to convince Congress—that a "problem" exists that government might ameliorate. We gradually moved from an era when people were loath to use government for almost anything to an era (today) when people use government for almost everything. In 1929, federal spending was only 2.8 percent of the economy's output. Now, it is 24 percent. Our welfare state aids the old, supports scientific research, subsidizes art and runs a railroad. We undertook these commitments in part, because we assumed, in the 1960s and 1970s, that they could be easily financed with the taxes generated by rapid economic growth.

In an arithmetic sense, the budget deficits result from our over-optimistic economic assumptions and a loose concept of government. We simply borrowed to pay for bigger government, because the tax burden has actually remained stable. (In 1968, federal taxes equaled 18.1 percent of the economy's output; in 1992, the ratio was 18.6 percent.) But in a larger sense, the deficits stem from an inadequate public philosophy. We lack the popular consensus that would enable the political process to cut some spending programs—because they're not deemed worthy of government support—and raise taxes to cover the rest.

There is a huge dilemma here. To close the deficits risks public anger and cynicism, because the president and Congress would break past commitments. But to let the deficits languish also arouses public cynicism, because government seems incapable of governing. We do not want the status quo disturbed, even though we find the status quo disturbing. Whether Clinton can overcome this dilemma will measure his political skills. By words or deeds, he needs to create clearer boundaries between governmental and private responsibilities. The problems of the health care system, incidentally, involve the same basic questions.

As yet, Clinton has no workable public philosophy. He talks of "change," "sacrifice" and "responsibility," but the details that would give these words meaning are missing. Inconsistencies abound. He pledges to cut budget deficits but plugs new programs that seem unrelated to critical national needs. His plan for "national service" (allowing students to repay college loans with two years of community service) could cost, if fully funded, at least $13 billion annually, Bruce Chapman, former Census Bureau director, recently wrote in The Washington Post.

If Clinton persists, he will perpetuate a tradition of bipartisan timidity. Ronald Reagan attacked Big Government in the abstract without actively campaigning to curb programs he thought unneeded. George Bush believed the issues so sensitive that they could be handled only in quiet bargaining between the White House and Congress—which meant that not much got done. The deadlock is not between Democrats and Republicans so much as between politicians and the public. Easy escapes don't exist. In fiscal 1993, the projected deficit ($327 billion) exceeds all defense spending ($289 billion). Any tax increase that raises major money must hit the broad middle class.

Sooner or later, we need to come to terms with the welfare state. We need more rigorous standards for judging whose welfare is being advanced, and why. As it is now, the welfare state is too big and intertwined in our social fabric for conservatives to dismantle. But it is too expensive and unpopular for liberals to expand endlessly. The irony is that the welfare state arose in the 1930s as an antidote to the insecurities of free markets. More than 50 years later, it has itself become a wellspring of anxiety and contention.

Bruin
Fascinating
Alice Rivlin tried to
address this in her book

THE PRESIDENT HAS SEEN

The Washington Post
1/27/93

Ivo H. Daalder

Setting a START II Example

It used to be that negotiating arms control agreements with the Soviet Union was the hard part. Once an agreement was reached, it was sure to be ratified and implemented. But one of the inevitable consequences of the recent changes in Russia is that neither ratification nor implementation of the just-completed START II treaty can be ensured. It will be up to President Clinton to help Boris Yeltsin save the treaty.

Ever since Presidents Bush and Yeltsin agreed to the basic framework of START II in June 1992, the agreement has been in trouble Moscow. Opposition to the agreement has centered on the requirement for large-scale reductions in Russia's land-based missiles, including the elimination of the large SS-18 missiles, which have been the backbone of its strategic arsenal.

During the final days of negotiation, the Bush administration made significant concessions to help Yeltsin in countering his hard-line opposition. The United States agreed to allow Russia to convert rather than destroy 90 SS-18 silos for use of the smaller SS-25 missile. Moscow will also be permitted to retain 105 SS-19 missiles by removing five of their six warheads. Most significant, the United States acceded to Russia's request to inspect American B-2 bombers, a right Washington had successfully denied the Soviet Union in earlier START negotiations.

These American concessions were sufficient to clinch the deal Bush and Yeltsin signed in Moscow Jan. 3. The question remains whether they are also sufficient to persuade the sizable political opposition in the Russian parliament to vote in favor of the treaty's ratification.

The Clinton administration can help Yeltsin by moving swiftly to implement the START II treaty. Specifically, Clinton should announce that the United States will reduce its forces to START II levels by taking some 3,600 warheads off land- and sea-based missiles, converting up to 100 strategic bombers to perform conventional missions only and removing all MX missiles from their silos.

These steps could be achieved within a year, so that by the end of 1993 only the 3,500 warheads allowed under START II would remain deployed. In addition, the United States should declare its intention to destroy all warheads and missiles removed from service and invite Russia to verify this commitment through on-site inspections.

While making clear that the United States will undertake these steps unilaterally and unconditionally, Clinton should urge Yeltsin to match the initiative within the same time frame.

A unilateral initiative along these lines offers many gains at little cost. As Gen. Colin Powell told Congress last July, "With a U.S. force structure of about 3,500 weapons, we have the capability to deter any actor in the other capital no matter what he has at his disposal." This being the case, the United States can safely go down to START II levels even if Russia does not immediately follow suit.

But Yeltsin is likely to reciprocate. In moving unilaterally, the United States would clearly demonstrate that it is not trying to exploit Russian weaknesses but merely to reduce the nuclear danger common to all. The forces of reform would be strengthened, nullifying the suspicious of the old guard and arguments in favor of the status quo.

A Russian commitment to match this initiative would ensure that START II reductions were fully implemented within a year and that those weapons withdrawn from service would in fact be destroyed. An agreement to verify these steps through reciprocal on-site inspections would reassure both sides that commitments were being implemented.

The time to implement START II is now. The United States can lead the way with bold and decisive action. This would provide Yeltsin with the incentive he needs to counter his hard-line opposition, thus ensuring not just the ratification but the full implementation of this historic agreement.

The writer is director of the Project on Rethinking Arms Control at the University of Maryland's Center for International and Security Studies.

The Washington Post
1/27/93

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/29

NOTE FOR: Bob Rubin

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

Trade Watchers Should Focus on Regions, Not Nations

By KENICHI OHMAE

Washington is now, in its relations with the regional economies of the U.S., in the same situation as London was with its colonies in the late 18th century. If the federal government tries to impose central control on these increasingly diverse regions, it will lose even more economic relevance and power than it has already lost.

A "regional economy" is a unit of about five million to 20 million people with a distinct skill base and industrial profile that causes it to trade not only goods and services but also people, information, technology and capital with other regional states around the world. In Europe, a good example is the new continental industrial belt that includes Alsace-Lorraine (France), Baden-Wuerttemberg and Bavaria (both in southern Germany). In Asia, three of the most prosperous regions are Singapore's "Growth Triangle," encompassing Indonesia's Riau Islands and Malaysia's Johor state; Hong Kong and the Pearl River Delta in southern China; and Taiwan.

North America consists of a dozen or more regional states. Good examples are the Pacific Northwest (including British Columbia) with its close ties to the Pacific Rim, Southern California and Texas with their ties to Mexico, and the Great Lakes region, including Ontario.

China is doing this pretty well

An appreciation of the differences between regions is reflected in the strategy of Japanese companies in the U.S. Japanese companies tend to avoid Washington and New York and start up in California or the Southern states, not only locating production there but also focusing their marketing efforts there. They have done the same in Europe. Wales, for example, receives half of Japan's direct investment in Britain.

If America's trade watchers ever captured trade flows on a regional basis, they would paint a far different picture than they do now. Moreover, they would recognize how irrelevant or even harmful some of their "good-for-the country" and "let's-make-America-competitive" proposals are for many individual regions. Such a perspective might have prevented the "voluntary" restraints on automotive and steel imports, the semiconductor price floors, quotas on color TVs — all of which put the interests of one or two regions ahead of the interests of several others.

The trade watchers should realize, too, that America's so-called trade imbalance is nothing of the sort — so long as the rest of the world continues to trade in greenbacks. Unlike other countries, the U.S. uses its domestic currency to buy foreign goods. This makes the trade imbalance akin to an imbalance of domestic regional trading, such as that between Arizona and California, or Maine and New York. The trade imbalance represents a victory for U.S. consumers, who are able to obtain the best and the cheapest goods world-wide using their domestically printed paper. With the current arrangement, it is as if the U.S. had "regionalized" Canada, Mexico, Japan, Taiwan, Korea and Germany, and made them parts of its domestic economy.

Given these realities, wouldn't it be better to let individual regions figure out what's best for them? What helps Austin excel globally in electronics or Idaho in chips might not help the Northwest excel in aerospace.

Wouldn't this be better than the current system, under which Europeans as a cluster negotiate with North Americans as a cluster, ensuring that small, politically active groups can impose their will on millions of other people? The world economy is moving in just the opposite direction. Around the world, ever-better-informed people are demanding the best and cheapest goods and services. That basic force has overrun manufacturers and politicians who say "buy American" or "Japanese is best."

Last month in Tokyo a group of business and opinion leaders started a movement to fund a new political process for Japan. Our goals are to reduce protectionism and put people's interests first. We also advocate a new constitution that recognizes that Japan has about a dozen regional economies. This constitution would let those regional economies deal with the world in their own best interests. "Japan" would take a back seat. Japan would, therefore, become a republic and rid itself of its central bureaucracy.

In a way, we are following the lead of Europe and the concepts of federation and community. There we have seen nation-states relax their traditional tension and allow more autonomy for regions such as Wales, Catalonia and Lombardy.

It doesn't seem that President Clinton's advisers understand this reality. The Clinton team uses the word "global" often, as if to prove it understands international economic affairs. But it usually is followed by the word "competition," as if to imply that the U.S. is pitted against other countries in a win-or-lose battle. And it seems to want to emulate Japan's Ministry of International Trade and Industry, at the very time when MITI itself is redefining its mission in a borderless world.

Mr. Clinton's proposed tax on foreign companies suggests that he doesn't appreciate the financial interdependence of the world's major economies. His proposed tax could cause Japanese capital to go elsewhere — to Mexico, Canada or even Japan — and create a real vacuum of capital in several regions in the U.S., which is already short of capital. Just talking about something like this could cause what American economists call capital flight and what we in Tokyo call "happy homecoming."

Industrial planning is not the answer. Now is not the time for the U.S. to imitate Japan or Germany. It is true that in the '80s, while the U.S. was deregulating and opening its markets along with Britain, Japan and Germany held back and took advantage through subsidies and protectionism. But now U.S. companies and U.S. managers are much stronger and ready for the '90s. The Japanese and German governments have no choice but to respond to their consumers and deregulate. It will be their companies playing catch-up, and it will be U.S. and British banks, airlines, etc., that succeed. In the long run, the U.S. got it right, and the fact that its economy is beginning to revive is evidence of this.

This doesn't mean that the road ahead is smooth. Turbulence is part of our times. What Mr. Clinton must not do is lean back on his skis. As every good skier knows, to make a turn you must lean into the hill, against your instincts. Let regional economies lean into the hill, win or lose jobs, take part individually in a global economy that now is defined by 750 million people who earn $10,000 a year or more. Have faith in the benefits of those myriad interactions and resist the temptation to try to control it all from the center.

Mr. Ohmae is a partner in the Tokyo office of McKinsey & Co.

THE PRESIDENT HAS SEEN

Bob Rubin – Interesting piece
cc Reich, Ron Brown, Kantor

THE WALL STREET JOURNAL
1/27/93

A Fight Worth Picking

Bill Clinton could use a victory about now. But to win, he's got to pick a fight. From where we sit, beating up on Colin Powell and Sam Nunn would appear to produce the victory that is called Pyrrhic. Why not take on an opponent on behalf of the middle class, which must be feeling pretty jilted these days. Take on the protectionists in Detroit.

In the weeks since the election, the Big Three have been lobbying for a crippling 25% tax on Japanese minivans. From the way they carry on, you'd think it was in the bag for them. But the American middle class loves these hybrids – half station wagon, half van. Detroit's auto makers deserve full credit for inventing them, but auto consumers like the array of minivan choices they've got. Though apparently Detroit would rather rest on its laurels than compete.

Their CEOs practically did a victory dance on the President-elect's lawn after a preinaugural visit to Little Rock. Then it was off to deliver "coordinated speeches" at the Economic Club of Detroit, laying out their demands for the new administration. Now the Big Three are reportedly considering yet more trade complaints against virtually all imported autos, not just minivans. If successful under our zany trade laws, this would be a multibillion dollar tax hike on U.S. car buyers.

Chrysler, Ford and even GM have all made well-earned progress in recent years. But that doesn't justify this effort to offload their problems onto the car-buying public. A presidential rejection of this soak-the-nonrich strategy couldn't come at a riper moment and would save the President grief in the long run.

Mr. Clinton's reign is barely a week old, but he's already being treated as an easy mark. Let's try to count the industries that are suddenly crawling all over him, clamoring for protectionist favors: steel, domestic oil, airlines, makers of ceramic computer-chip housings. The line will ring the Beltway.

It's worth remembering why this is bad and worth stopping. America's President is the closest thing the world has to a leader, and for the last half century, Presidents have recognized a special duty to protect humanity's stake in an open trading system. Today, GATT and Nafta are both hanging in the balance. The director-general of Japan's MITI was murmuring darkly this week about retaliation against unilateral trade sanctions. With one of the few growing economies, thanks largely to exports, America hardly needs a trade war. Yet trade policy is in danger of degenerating into a special-interest *pinata*.

The confirmation testimony of Commerce Secretary Ron Brown of Patton, Boggs & Blow couldn't have been comforting to the world's hard-working masses. It was one long come-hither for special pleaders. "Action, not ideology, will be my watchword," he blathered. "We have to stop getting rolled."

Until last week, Mickey Kantor's most famous statement on trade was to advise Candidate Clinton to politick against Nafta. In his testimony on the way to becoming Special Trade Representative with an office in the White House, he proudly declared himself "theology"-free.

Which brings up back to the middle class. Every act of protectionism is a direct tax on consumers, most of whom, interestingly, aren't the evil rich. Princeton's Allan Blinder, now a member of Mr. Clinton's Council of Economic Advisers, spelled it out in his Business Week column a few years ago. "More often than not, protectionist measures redistribute income from average citizens to those doing better than average while harming economic efficiency in the bargain," he wrote. "That is why economists on both the left and the right are mostly free traders."

If the industries now lining up for import protection get their way, the prices of lots of things will go up. Mr. Clinton should step in between these special interests and U.S. consumers and tell the protectionists to pick on someone their own size.

THE WALL STREET JOURNAL

1/27/93

THE WHITE HOUSE
WASHINGTON

DATE: 1/29/93

NOTE FOR: THE VICE PRESIDENT

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

The President wanted to make sure you had seen. These should be coming directly to you from CEA.

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

To AG

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE PRESIDENT HAS SEEN
1/29/93

January 27, 1993

THE CHAIRMAN

3 JAN 27 P9:12

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D. TYSON, CHAIR-DESIGNATE LDT
ALAN S. BLINDER, CHIEF ECONOMIST AB

SUBJECT: Advance Estimate of Fourth-Quarter GDP, Commerce Department Release, Tomorrow Morning, 8:30 a.m.

Real GDP growth in the fourth quarter of 1992 was 3.8 percent at a seasonally adjusted annual rate--up from 3.4 percent in the third quarter.

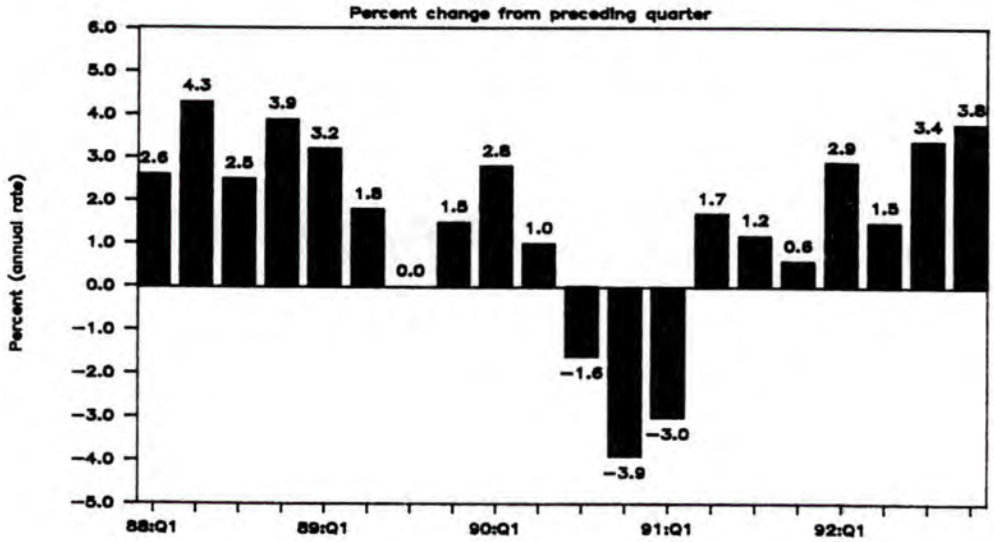
The 3.8 percent number is the highest figure in four years. Since the market survey expectation had been for just 3.0 percent growth, this release will definitely be seen as good news. (However, many private forecasters have been marking up their forecasts in recent weeks.)

You should be aware that these initial estimates are based on fragmentary data, and are therefore subject to substantial revision. For example, the Commerce Department's first estimate of third quarter GDP growth was 2.7 percent; then they estimated 3.9 percent; now they estimate 3.4 percent.

Domestic spending increases were strong across the private sector. Real consumer purchases advanced at a 4.3 percent rate, business fixed investment at a 9.7 percent rate, and housing at a stunning 29.1 percent rate. In fact, while housing accounts, on average, for only about 4 percent of GDP it accounted for 27 percent of the increase in GDP in the fourth quarter. The weak sectors were government purchases, net exports, and inventory investment, each of which declined.

Real GDP

Percent change from preceding quarter



Inflation as measured by the fixed-weight price index for GDP ran at a 3.2 percent annual rate in the fourth quarter, in line with the view that we now live in a world of 3 percent inflation.

Real disposable income increased 3.8 percent in the fourth quarter, vastly higher than its third-quarter rate (0.5 percent). As a result, strong consumption growth was financed with virtually no change in the personal saving rate.

This latest GDP report continues the "good news, bad news" pattern of recent quarters. The good news is that the economy is moving uphill, albeit modestly by the standards of past recoveries, and that productivity is doing very nicely. The bad news is that very few new jobs are appearing. Employment rose at only a 1 percent annual rate in the fourth quarter (just 279,000 new jobs) while GDP was rising at a 3.8 percent rate. While output has now increased 3.8 percent since GDP bottomed out seven quarters ago, employment has increased only 1 percent and the unemployment rate remains much higher than it was at the "bottom" of the recession.

THE PRESIDENT HAS SEEN
1/29/93

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

January 28, 1993

93 JAN 28 P7:28

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D. TYSON, CHAIR-DESIGNATE
ALAN S. BLINDER, CHIEF ECONOMIST AB

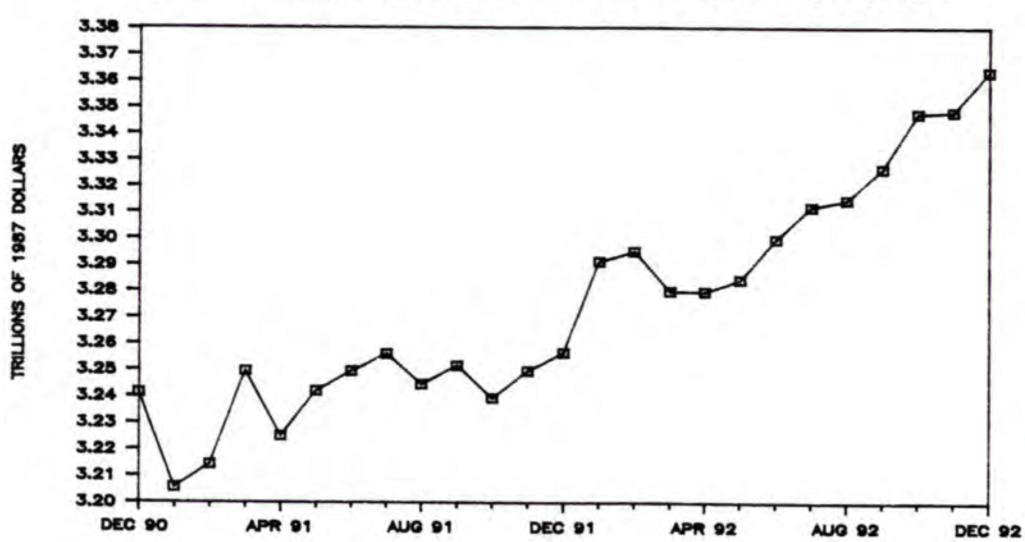
SUBJECT: December Personal Income and Outlays, Commerce Department Release, Tomorrow Morning, 10:00 a.m.

The personal income and outlays release showed that income growth was stronger than expected in December while consumer spending growth about matched expectations.

- In December, personal income increased $50.2 billion (seasonally adjusted annual rate) or at a 1.0 percent monthly rate. Private analysts had expected a 0.3 percent increase. Accelerated bonus payments in the securities industry accounted for $18 billion--about 36 percent of the increase. Those bonus payments are usually made in January.
- Real disposable personal income--income adjusted for inflation and taxes--increased 0.9 percent in December.
- Real personal consumption expenditures rose 0.4 percent in December.

While the quarterly values of these variables were reported in the GDP report released Thursday morning, the income and outlays report carries additional information about the composition and monthly pattern of the variables.

REAL PERSONAL CONSUMPTION EXPENDITURES



THE PRESIDENT HAS SEEN
1/29/93

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

JAN 28 P7:28

January 28, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D. TYSON, CHAIR-DESIGNATE
ALAN S. BLINDER, CHIEF ECONOMIST

SUBJECT: Advance Durable Goods in December, Commerce Department Release, Tomorrow Morning, 8:30 a.m.

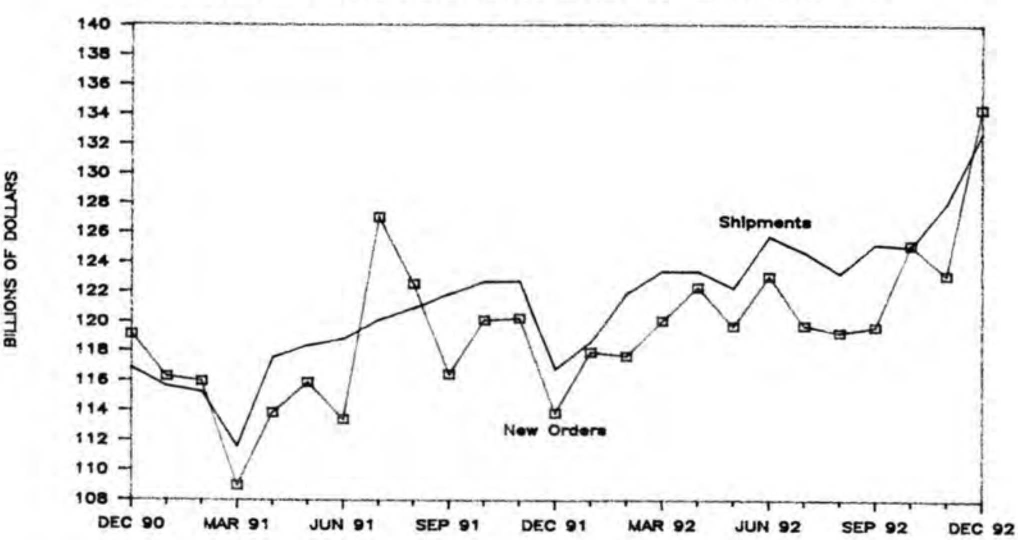
Advance durable goods orders and shipments came in much stronger than expected, indicating some improvement in the manufacturing sector. Specifically:

- New orders for durable goods rose 9.1 percent in December, the largest increase since July 1991, and the second largest increase in 4 years. Private analysts had expected a much smaller increase of 1.2 percent.

- Shipments of durable goods rose 3.7 percent. Shipments of nondefense capital goods--a key measure of durable equipment investment--rose 3.8 percent.

The chart below shows that the sharp increases in new orders and shipments in December reinforce the upward trends in those series over the past year. However, caution should be used in interpreting these data as they are inherently volatile and subject to revision.

DURABLE GOODS ORDERS & SHIPMENTS



cc:
Stephanopoulos
Hunwich

THE PRESIDENT HAS SEEN
1/29/93

The debate over whether to lift the ban on homosexuals in the military has sparked much interest over the last few days. I want to explain what I believe and why, and what I have decided to do after ~~[illegible]~~ consultation w/ the JCofS and members of Congress.

The issue is not whether there should be homosexuals in the military -- there are. The issue is whether men and women who can serve and have served with distinction should be excluded based solely on their status -- I believe they should not.

The single principle on which I base my position is this: American citizens who want to serve their country in the military should be able to do, regardless of sexual orientation, as long as their conduct does not disqualify them from doing so. (~~Yesterday, a Federal District Court affirmed that the policy of discrimination was unconstitutional. Although the White House~~ Legal ~~Counsel has not completed a final review, I believe~~ in the ~~principle upheld by this decision.~~)

Military, life is fundamentally different from civilian society. It necessarily has a different code of conduct, a different set of laws. I believe ~~It is right to discipline and where necessary separate those whose behavior~~ violates the law and ~~disrupts the military mission. But it is no longer appropriate to exclude from the military, solely on the basis of their sexual orientation,~~ individuals who are prepared to accept all necessary restrictions on behavior

-- many of which would be intolerable in civilian society -- ~~and to~~ should be able to serve their country honorably and well. ~~We should not restrict opportunity solely on the basis of personal characteristics.~~

I today have asked Secretary of Defense Les Aspin to submit ~~for my review and signature~~ by July 15, 1993, after full consultation with military and congressional leaders and concerned individuals outside of government, a ~~proposed~~ executive order that would end ~~the current~~ discrimination ~~on the~~ based ~~of~~ solely on sexual orientation ~~in determining who may serve in the Armed Forces~~ and at the same time establish ~~that would mandate~~ rigorous standards regarding sexual conduct ~~behavior~~ to be applied to all military personnel.

The draft executive order should be accompanied

study conducted during the next 6 mos.
by a ~~repor~~t on how this revision in policy would be carried out in a manner that is practical, realistic, and consistent with the high standards of combat effectiveness and unit cohesion our Armed Forces must maintain. I agree with the Joint Chiefs that the highest standards of conduct must be required.

This change cannot be accomplished overnight, and requires extensive consultations among the Defense Department and the Joint Chiefs of Staff, experts in the Congress and the legal community, joined by my Administration and others. We have consulted closely to date, and expect to do so in the future. During that consultation process, these interim measures will be in place; including

The Joint Chiefs of Staff ~~will~~ have agreed to remove the question regarding orientation from future versions of the enlistment application, and it will not be asked in the interim. Through the period ending on July 15th, the Department of Justice will seek continuances in pending court cases involving reinstatement. And administrative separation under current Department of Defense policies based on status alone will be stayed pending completion of this review.

The final discharge in cases based only on status will be suspended until the President acts on the recommendation of the Secretary of Defense with respect to the current policy. ~~In the meantime, a member whose discharge has been suspended by the Attorney General will be separated from active duty and placed in the standby reserve.~~

~~America has -- and continues to require -- the best, strongest, and most ready armed forces in the world. The action under development here is limited in scope, and must be implemented carefully to avoid preventable impacts on combat effectiveness. With a procedure that invites appropriate consultation, we will develop a~~

~~policy that protects both our military preparedness and the rights of patriotic Americans to serve their country without unjust discrimination.~~

I will work with the Congress during this review process, and I believe the compromise announced by myself and Senators Mitchell and Nunn shows that we can work together to end the gridlock that has plagued Washington for so long. ~~This compromise is~~ not ~~everything I would have hoped for or everything I've fought for, but it is a step in the right direction and~~ it ~~will allow us to move forward on the other important~~ items ~~of our legislative~~ agenda.

Our Administration came to this city with a mission -- to bring the critical issues of reform and renewal to the public debate because those issues are central to our people's lives.

We will put forward an economic reform agenda, beginning with an address before a Joint Meeting of the United States Congress on February 17th.

In the coming months, a White House Task Force, led by the first lady, Hillary Rodham Clinton, will complete work on a comprehensive health care reform package that will be submitted to Congress for its consideration and enactment.

In the coming months, I will be designing a system of national service. We hope to begin a season of service in which our nation's unmet needs are addressed, young people have the opportunity to afford college, and Americans are encouraged to learn the joy of serving others.

And in the coming months, we will vigorously pursue our goal of reforming our politics and revitalizing our government. I plan to announce a proposal for political reform, including campaign finance reform and lobbying reform.

These are the ideas and dreams the American people sent us here to pursue, and these are the changes we will bring them in the days ahead.

THE WHITE HOUSE
WASHINGTON

DATE: 1/29/93

BERNIE NUSSBAUM

M: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President.

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 1/29/93

TO: CAROL RASCO

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

January 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

We have received a memo from Secretary Cisneros informing you of his decision to hold off the filing of litigation against the City of Detroit which would have resulted in HUD's taking over the City's public housing. Although Secretary Cisneros believes such action may be eventually required, he intends to review the situation within the next 60 days.

No response or action is required.

I've forwarded a copy of the memo to Carol Rasco and Bernie Nussbaum. I can forward the Secretary's memo to you if you wish.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

January 26, 1993

MEMORANDUM FOR: The President

FROM: Henry G. Cisneros Henry Cisneros

I have stayed the filing of litigation against the City of Detroit by which HUD would have taken over the City's public housing authority. The litigation was announced by HUD on January 19th, the last full day of Secretary Kemp's tenure. After discussing the matter with Senator Riegle, Congressman Conyers and Mayor Young, I concluded that even though it may be necessary to proceed with the eventual takeover of a very troubled housing authority, their concerns about the process used warranted an independent review by your new HUD team.

I am appointing a work group from outside HUD to evaluate these serious problems and recommend corrective action. I plan to meet with Mayor Young after the review is completed to indicate the corrective actions that are expected. If those corrective measures are not acted upon in a reasonable time - i.e., 60 days - HUD is ready to re-initiative the takeover process.

Due to long-term mismanagement, Detroit has been designated a "troubled" housing authority since 1979. For example, some 2,000 names are on the waiting list, yet 40 percent of the public housing units remain vacant. Nearly $1 million is owed from delinquent tenants. No sound financial systems are in place.

I wanted to inform you about this because you may pick up the reverberations from Michigan no matter what we do. The takeover was being called unfair by the leaders of Detroit who felt that they were singled out on the last day of a Republican Administration. But other Detroit observers, including the major papers, will claim that we backed off in the face of political pressure and gave in to Mayor Young who has had more than enough time to clean up the housing authority. HUD may yet have to take it over, but I wanted to be satisfied after my own look based on an objective review.

MEMORANDUM

3 JAN 28 P8:50

TO: John Podesta

FROM: Nancy Hernreich NH

RE: Memos to the President

DATE: January 26, 1973

You probably should indicate on your memos to the President, everybody who has signed off on it.

Nancy —

I'll do that, but the list of signoffs will usually be longer than the memo

John

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/28

NOTE FOR: Bob Rubin

The President has reviewed the attached, and it is forwarded to you for your:

- Information ☑
- Action ☐

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc: [redacted]

THE WALL STREET JOURNAL
1/27/93

THE PRESIDENT HAS SEEN
1/28/93

Bhubru

Never Mind Energy, Tax Consumption

By ROBERT M. GIORDANO

It looks like the Clinton administration's first big effort at deficit reduction may be an energy tax. Unfortunately, an energy tax is unlikely to do the job, however desirable it might be on environmental or national security grounds. Its revenues will be insufficient. A quadrupling of the federal gas tax, for example, would raise less than $50 billion a year.

But the deficit still has to be addressed. The best way would be to cut spending, of course, but achieving a consensus on cutting entitlement spending – by far the biggest chunk of the budget – will take years, even in the case of health care. Given the tenacity of special interests, it may not be possible at all – in the absence of a real economic crisis. Thus, there is no getting around the need for increasing revenue.

A tax on consumption is the best way of meeting this need. It is the only tax that can raise enough revenue to make a serious dent in the deficit and do so with a minimum of economic distortion. Raising income taxes on the rich is not the answer: There are simply not enough rich folks around. Only about 5% of all tax returns, and 20% of tax liabilities, are accounted for by people with incomes greater than $200,000. Besides, taxing income undermines work effort and is most prone to result in a misallocation of resources.

By contrast, several key benefits of a consumption tax readily come to mind. First, such a tax would remove the fear of a further deficit explosion, and thus induce some further decline in interest rates. It would also help restrain, if not reverse, a rise in the dollar exchange rate. A stable or lower dollar, in turn, would help preserve the competitive advantage in export markets that is now so important to the economy.

Second, a consumption tax essentially guarantees a reliable source of large revenues down the road. In particular, it would broaden the tax base by ensnaring income earned in the underground economy but spent in the measured one. This would be real money, not some vague calculation of future revenue based on wished-for spending cuts or counterproductive income-tax hikes. Rough calculations suggest that a consumption tax of only 5% to 10% could raise approximately $100 billion to $150 billion per year, depending on the exact tax base selected. By comparison, consumption tax rates in European countries are commonly 15% to 20%.

Third, taxing consumption could bolster the economy's long-term growth. By exempting capital goods, it would encourage productive investment. The tax would encourage more saving, too, by raising the cost of consuming today vs. tomorrow. In addition, it would allow taxes on capital, and marginal income tax rates for low- and middle-income households, to be cut. Indeed, a consumption tax is the only practical way to fund income tax relief for people on the lower end of the income scale.

The two most forceful objections to the consumption tax have to do with its regressivity and the fear that a consumption tax would act like a Trojan horse for more reckless tax-and-spend policies. These objections are easily met.

Consumption levies do indeed impose a greater burden on citizens with lower incomes. But the tax can be structured to correct this bias and still raise revenues. Many staples, for example, could be exempted, or a negative income tax could be introduced for households with incomes below a certain level. This would help preserve the fundamentally progressive nature of the tax code.

Without a doubt, a consumption tax could be used as a blank check for more spending. Specific guidelines and constraints, however, could be written into the legislation that would limit future tax hikes. For example, a two-thirds majority vote of Congress could be required to change the rate. Or perhaps the size of any individual rate hike could be limited to a few points and allowed only at certain intervals.

All of this will take time, of course. But it is well worth doing. Up to now, the ballooning federal budget deficit has been more of a problem for economists than the economy. Output grew throughout the 1980s, inflation remained low, and interest rates declined – all contrary to expectations. The situation, however, is starting to change, and a more serious effort must be made to correct the budget's imbalances. If left alone, the deficit and public debt relative to gross domestic product will go notably higher in coming years, exposing the economy to real dangers. Most noticeably, it will impair the Clinton administration's ability to use fiscal policy as a stimulus weapon.

Now is the time to start planning for the eventuality of a broad-based tax on consumption, before the budget deficit becomes a desperate problem. A bipartisan study sponsored by Sens. Sam Nunn (D., Ga.) and Pete Domenici (R., N.M.) recently acknowledged as much when it recommended that the U.S. adopt such a levy as part of a reform of the tax system.

A consumption tax will certainly be no panacea for the nation's fiscal ills. It will do more, however, than any of the other deficit reduction plans now under consideration.

Mr. Giordano is director of economic research at Goldman, Sachs.

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 1/28

NOTE FOR: Tony Lake

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

[redacted]

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

[redacted]

cc:

[redacted]

NSC
Tony
Intensity

THE PRESIDENT HAS SEEN
1/28/93

The Washington Post
1/22/93

Charles Krauthammer

Iraq: Clinton's First Crisis

Contrary to reports, Bill Clinton is not inheriting a world of crises as he assumes the presidency. He does not have to worry about Somalia. He can get out of there any time he wishes. He has no immediate worries about Bosnia. He can stay out of there for as long as he wishes.

He has but one urgent worry: Iraq. There is no way out of there short of capitulation, not the wisest way for a foreign policy neophyte to begin his presidency. Saddam's inaugural "cease-fire" notwithstanding, Iraq is Bill Clinton's first crisis.

Saddam's olive branch is extended only to the Bill Clinton of Jan. 13, the one who indicated, before being corrected by his foreign policy team, that he would be willing to live with a reformed Saddam. "I am a Baptist. I believe in deathbed conversions," Clinton told the New York Times. Someone should tell him what happened to the last famous Baptist to challenge a Middle East tyrant.

Saddam is trying to draw out Clinton. He is offering to call off his incessant cheat-and-retreat campaign and give Clinton a breather to concentrate on domestic affairs—if Clinton begins loosening the no-fly, embargo and inspection regime imposed on Iraq after the gulf war.

Clinton dare not do that, for it means the return of Iraq as a threat to the region, forfeiting the considerable, if incomplete, achievement of the gulf war in reducing Iraq from regional menace to irritant. Which is why the honeymoon with Saddam must end soon. When he realizes that the new American administration will not restore him the freedom he lost in the war, the testing of Clinton will begin.

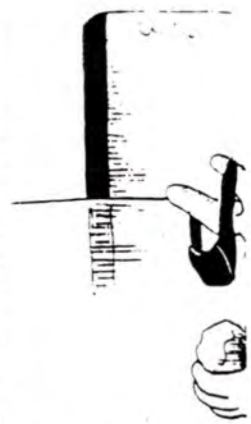
Clinton had better be prepared. The worst thing he can do is repeat the feeble and flailing "proportionate" bombing runs of Bush's last days. It is easy to understand why Bush chose this response. He was afraid that a massive attack would be interpreted as a parting act of personal pique. He was afraid of leaving behind captured airmen as his final presidential legacy. He was afraid of rocking the coalition, reckoning that a moderate response would do less to weaken the resolve of such waverers as Egypt, Turkey and Russia. Most of all, he chose as he did because, to the end, he had no strategy. Bush knew he had to do something, and, in the absence of any larger idea, he chose the least risky option.

And the most ineffective. Bush said the air strikes would send Saddam a "message." It did not work because air forces are not for sending messages. As Samuel Goldwyn (or his press agent) once said of movies: "If you want to send a message, get Western Union."

Proportionate response leaves the initiative to the aggressor. Saddam knows what he risks with each provocation. That allows him to calibrate the effects of the next one. Knowing the consequences of his aggressions allows him rationally to probe and provoke.

Proportionate response thus has the perverse effect of encouraging rather than deterring further provocations. It is an invitation to escalation, the folly of which we should have learned in Vietnam.

Colin Powell was in Vietnam. Which is why he believes in the use not of proportionate but of overwhelming force. That is the essence of the Powell Doctrine, which proved itself in Panama and the gulf war. It is demonstrably the best way to make conflict cheap, brief and successful.



If Clinton wishes to avoid four years of endless, nail-biting brinkmanship with Saddam, he must return American policy to the doctrine of disproportionate response. Saddam must be made to pay a heavy price for violating the U.N. sanctions regime—not just for individual plays of his cheat-and-retreat game but for the game itself. He has to be told unequivocally to allow U.N. inspections, stop the blockade of the Kurdish north and remove his threats to allied aircraft. And that violations will bring him ruin.

Ruin of two kinds: attacks on military installations (Republican Guards, weapons facilities) or on physical infrastructure (roads, bridges, power plants). Not a 15-minute raid, but a recapitulation of the opening days of Desert Storm, a promise to set back the physical reconstruction of Iraq by months or years. Challenge the rules of the gulf war cease-fire, and we turn out the lights in Baghdad.

Won't that fray the coalition? Bush's futile tit-for-tats have already frayed the coalition without any effect on Saddam. The coalition will fray with every attack. That is a reason to make each one count, not to squander what coalition cohesion still exists in an endless and pointless campaign of tit-for-tat.

It is not Clinton's fault that Bush has left him a mess in Iraq. But it was not Nixon's fault that Johnson left him a mess in Vietnam. Excuses, however, are no excuse. Saddam will challenge Clinton. Clinton will have but three choices: tacit capitulation, gradual escalation, or massive retaliation. His only hope of success is the last. Anything less, and Saddam gets out of his cage. Then we have no choices.

The Washington Post 1/22/93

Stephen S. Rosenfeld

The Legacy From Bush

Perhaps Saddam Hussein has decided to use Bill Clinton's accession to the White House as a cover for changing course and learning to live with the United Nations resolutions. It's possible this is his way to ease the embargo. That's the cheerful reading

But as the Clinton presidency's first military exchange with Iraq yesterday indicates, it's a risky and unproven reading. Saddam's record makes it more likely that he's taken the regional and international temperature, found a diminishing taste for continued confrontation and set out to isolate the United States among both its Arab and Western allies. In which case, Clinton is going to be drawn into his own frazzling off-and-on duel with Saddam.

Can he do it better? It helps to inspect the five flaws commonly attributed to the Bush policy:

(1) George Bush was accused of "personalizing" the conflict with Iraq. This is said as though he was so intent on settling scores with the man that he missed the chance to improve relations with the country.

But this is too glib a formulation. Let us stipulate Bush was "obsessed" with Saddam—even though some Iraq-policy hawks have never stopped lamenting that he was not obsessed enough. Still, objectively speaking, it's hard not to personalize a dispute with a state so utterly dominated by one person. And it is a fair question whether it is feasible, let alone wise, to invest much in altered conduct from a totalitarian leader of demonstrated treachery. Clinton has a little room to explore there, but not much.

(2) Bush came also to be accused of arousing legitimate Iraqi fears of national dismemberment, fears which in turn stirred broader Arab anxieties of being humiliated by the West. (There was a time, of course, at the end of the gulf war when Bush was sharply criticized for being so overly concerned about possible Iraqi dismemberment that he called off the hunt for Saddam.)

True, insecure Arab societies are prey to fears of Western manipulation. But look how those fears arose this time. Saddam was murdering Kurds and Shiites. Their foreign sympathizers demanded protection for them. The American-British-French response was the no-fly zones. Under their umbrella, Kurdish and Shiite separatist movements now sprout. The Western countries could indeed ease dismemberment anxieties—by abandoning the Kurds and Shiites. Any takers?

(3) There may be some grounds for the further complaint against Bush that his long engagement with Saddam and especially his latest military response may have backfired and made the villainous Saddam Hussein something of a sympathetic national hero.

But this seems to me not so much a reason to abandon military enforcement as an unavoidable cost that can perhaps be reduced by more careful targeting, better explanation of policy and so on.

(4) Bush is taxed with a politically costly inconsistency in demanding strict enforcement of U.N. resolutions on Iraq even as he shrinks from enforcement of resolutions on Bosnia and Israel. To be sure, foreign Muslims who press this charge have done little themselves for their embattled Bosnian brothers. But I don't want the job of defending Western policy on Bosnia; it's been unforgivably weak.

On Israel, however, there is no good reason for Americans to be intimidated by frail double-standard charges. Israel is a democratic country under terrorist assault but engaged nonetheless in serious peace-seeking. All three of these considerations qualify Israel for understanding along with pressure when it does something shocking and wrong such as expel 400 accused but untried extremists. All three are absent from the Iraq equation.

(5) Finally, it is said that since the gulf war Bush has played "checkers, not chess," reacting to Saddam but never fashioning a long-term strategy. Another fair criticism. Clinton will have the chance to do better.

Three broad courses are being urged upon him. He could gear up for a protracted campaign aimed at unseating a still unrepentant and dangerous Saddam. He could try to accommodate rising tides of Arab nationalism, Islamic fundamentalism and Western fatigue by moving from the military plane to a more sinuous diplomacy. A third option is to shift from tactical fascination with Saddam to a strategic reach for a gulf balance of power in which Iraq, Iran, the United States and others would all play parts.

The pragmatic Clinton may end up borrowing elements from all these approaches. He has spoken to the issue a bit awkwardly in recent days. The fact is he brings only light baggage to a challenge that can make or break his foreign policy.

Rowland Evans and Robert Novak

The Mess in the Balkans

NSC
Terry
Wrestled
Decision
Nia

In one of his final acts as president, George Bush succumbed to Greek threats and helped block U.N. recognition for the former Yugoslav republic of Macedonia, deepening the Balkan crisis left in President Clinton's lap.

International recognition might insulate the fledgling state from Serbian "ethnic cleansing." But Athens warned Washington that such a move would doom the first pro-American Greek government in decades and replace it with a hostile left-wing regime.

State Department experts correctly argued that the danger of mainly Muslim Macedonia failing to gain sovereignty and falling under Serbian gun sights far outweighs the danger of a Greek government collapse. But in the final hours before power changed hands Wednesday, Bush's White House advisers convinced him not to take the risk.

Greece's rationale for denying Macedonia its right to sovereignty is simply its name: Ancient Macedonia, home of Alexander the conqueror and a different place from the former Yugoslav republic, was part of Greece. That may seem whimsical to the rest of the world, but the Macedonian name dispute plumbs emotional depths among Greeks.

No European state wants to antagonize Greece, a member of NATO and the European Community. What's more, U.S. officials describe a French "deal" with Greece: In return for France's help in delaying recognition of Macedonia, Greece backs France on agricultural protectionism and thus continues to block freer trade by keeping the Uruguay Round of worldwide tariff cuts stalled.

Nevertheless, if the United States had forced the issue in the United Nations, it probably could have easily won Macedonian recognition. "The time to act was just before he left office," a key Bush administration official told us. "If the United States had invested just a little bit of persuasion and taken a strong lead, Macedonia would have gone through. If the United States recognized, everyone else would follow."

But Bush did not pick up the telephone to make an appeal. Instead, the United States told foreign governments in a confidential diplomatic cable last week that if Macedonian membership came up in the U.N. Security Council, the United States might vote yes but in all probability would abstain. That got other U.N. countries off the hook.

Bush's failure to pursue support for Macedonia in his last hours may be traced to the fact that he spent so much U.S. influence squeezing allies to back his eleventh-hour attacks on Saddam Hussein.

The Washington Post
1/22/93

Bush's relentless pressure to keep the gulf coalition behind him on Iraq left him with reduced clout to seek another favor.

All this is bad news for the new president, who is far more beholden than Bush to the U.S. Greek lobby. Clinton may decide that at the outset of his presidency he dare not risk confrontation with a large minority that voted heavily for him on Nov. 3. Greek American leaders count on him for support, limiting his political options in dealing with the Macedonian question. It is doubtful that so experienced a politician as Bush would be unaware of Clinton's burden.

Now, with neither the United States nor Serbia's European neighbors taking a hard stand against Serbian president Slobodan Milosevic, the ethnic cleansing that has tortured, maimed and killed tens of thousands of Bosnian and Croatian nationalists is likely soon to turn to adjacent regions. First on the list is Macedonia, where Serbia demands political rights that the government would not consider relinquishing.

Milosevic's top political aides are known to have discussed the possibility of annexing Serbia's Muslim neighbor outright. Macedonia cannot defend itself against Serbia. But as a recognized sovereign state, it could at least appeal for protection to the United Nations or seek treaties and guarantees to guard against Serbia.

That might conceivably deter Serbia from an aggression against Macedonia that would be apt to ignite full-scale war. If it comes, that will be one of many continuing conflicts in former Soviet and Yugoslav lands that George Bush failed to stop but will soon be known as Bill Clinton's war.

CLINTON IS GREETED WITH A MAJOR TEST ON BAIRD HEARINGS

OPPOSITION IS MOUNTING

Influential Senators Speaking Against His Choice to Head the Justice Department

By MICHAEL KELLY

Special to The New York Times

WASHINGTON, Jan. 21 – The nomination of Zoë Baird as Attorney General suffered severe damage today as a growing number of influential Senators opposed her appointment, confronting President Clinton with his first political test on his first day in office. The White House offered only a confused, lukewarm show of support for the embattled nominee.

There was little evidence tonight of a major push by the President to save the nomination of Ms. Baird, who said today that she would not withdraw. No telephone calls were reported from the White House to Capitol Hill on her behalf, as White House aides said privately that they were casting about for solutions to what they acknowledged was a growing problem.

Public Opposition Grows

George Stephanopoulos, the President's spokesman, said Mr. Clinton had no plans "at this point" to withdraw the nomination, and he offered words of encouragement that fell conspicuously short of a ringing endorsement of Ms. Baird.

Within hours of Mr. Stephanopoulos's comments at the Administration's first White House news briefing, members of Congress, television stations and radio programs reported a swell of public opposition to Ms. Baird. Senator Alan K. Simpson of Wyoming added his voice to the growing chorus of disapproval on Capitol Hill. Mr. Simpson is the Republican whip, a member of the Senate Judiciary Committee that is reviewing the nomination, and the co-author of the law Ms. Baird violated by hiring illegal aliens as household help.

Message for Iraq

The crisis came as Mr. Clinton confronted problems elsewhere at home and halfway across the world. The guarded optimism that had greeted Iraq's Inauguration Day cease-fire ended abruptly this morning as American warplanes attacked an Iraqi missile site. Mr Clinton and Secretary of State Warren M. Christopher swiftly asserted that the attack was a sign of their determination to continue the American policy of answering Iraqi provocations with limited but immediate force.

While the White House argued that the Senate should overlook Ms. Baird's mistakes, it took a far tougher position on another ethical question involving the Justice Department that could complicate its handling of the Baird nomination. It sent what was tantamount to a vote of no-confidence to the Director of the Federal Bureau of Investigation, William S. Sessions, a holdover from the Bush Administration.

In remarks that clearly were prepared, Mr. Stephanopoulos said that Mr. Clinton found "disturbing" a Justice Department report charging Mr.

Continued on Page A14, Column 1

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Sessions with a range of ethical abuses. Mr. Stephanopoulos said Mr. Sessions's actions, as detailed in the report, were "precisely the kind of violations and abuse of privilege that President Clinton is committed to changing," and he added that the White House was reviewing Mr. Sessions's job status.

Mr. Clinton, who loves pressing the flesh of an appreciative public, spent most of the morning trying to enjoy one last feast of good will, shaking hands and exchanging pleasantries with about 2,000 well-wishers who had been invited by a postcard lottery to a White House reception.

The President was accompanied throughout the four-hour marathon — he shook about 3,000 hands in the course of the day — by his wife, Hillary, who aides confirmed has become the first First Lady to locate her office in the West Wing, the site of the Oval Office.

The unplanned, unpredictable stuff of life and governance kept intruding into Mr. Clinton's day as if to welcome him to the messy realities of a job that has grayed the hair and lined the faces of other men who had arrived fresh and full of hope.

In addition to dealing with Saddam Hussein and Ms. Baird, Mr. Clinton faced a typical array of Presidential chores. Mr. Stephanopoulos strongly suggested that the President was preparing to sign an executive order on Friday lifting two bans imposed by the Bush Administration — one on employ-

New York Times

1/22/93

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On My Mind

A. M. ROSENTHAL

What's in It for Us?

WASHINGTON

The ruler of a great power had shown kindness and friendship to a new nation. So its leader wrote a letter of appreciation, and of his country's realities.

"Within our territories there are no mines either of gold or silver, and this young nation, just recovering from the waste and desolation of a long war, have not, as yet, had time to acquire riches by agriculture and commerce.

"But our soil is bountiful, and our people industrious, and we have reason to flatter ourselves that we shall gradually become useful to our friends."

At the inauguration of the 42d President, those words from a letter by George Washington to Sultan Mohammed III of Morocco in 1789 were in my pocket and mind.

They possess those qualities Americans would most like to distinguish their nation and Presidents, and occasionally even do: common sense, dignity, candor, a decent modesty joined to a comfortable sense of self-worth, and, in world affairs, loyalty and faith.

At inaugurals, each of us listens for a word that touches our own sense of national purpose. Most people at the Capitol saw President Clinton as a dot. But each had a clear, unobstructed view of himself.

The passage I hoped for came toward the end. The President spoke of America's greatest strength — the power of "our ideas" — and said: "Our hopes, our hearts, our hands are with those on every continent who are building democracy and freedom. Their cause is America's cause."

Hellbent for brevity, Mr. Clinton did not explain just why freedom's causes have to be ours. What's in it for us?

At least in part he has explained it in other talks. Democracies do not go around slaughtering each other, a fact that tends to increase American longevity. The more democracies that exist, the less American blood is likely to be spilled abroad.

Also, the American system prospers economically and politically in concert with other free nations, even if sometimes we threaten not to drink their white wine.

Dictatorships can be good customers for awhile, particularly for arms. But the stronger the tyranny becomes the quicker it presents a political price the U.S. cannot pay — Imperial Japan, Nazi Germany, the Soviet Union, or Saddamite Iraq. Why we expect Communist China, with its burgeoning military might, to be different is a puzzle, unless we again put cash register ahead of international security and individual freedom.

Political freedom may not be "our" idea and certainly was not during slavery. But Mr. Clinton was right: it is our greatest strength abroad.

I have lived in nations oppressed by Communist despotism and nations oppressed by poverty. Almost every day, the longing for the freedom America represented could be touched. Poles threw roses in the path of Richard Nixon because he was the Vice President of the United States. In India, college students filled lecture halls to hear almost every visiting American, roses of attention.

The hopes of and for America often had cost to those who held them. In every war, every crisis, the U.S. asked the help of other peoples. It was given in belief that political freedom was transferable and that the U.S. would be its conduit. Without that trust, for most of the world the U.S. would be just real estate.

'Their cause is America's cause.'

American "pragmatists" warn that democratic idealism will make us the world policeman. Not if we have any judgment it won't. Sometimes American armed power is necessary — with or without the U.N., which is supposed to expand freedom's boundaries, not confine them.

But mostly freedom fighters plead not for U.S. troops but for food, medicine, a political arm around them.

To Mr. Clinton and his chief of staff Thomas McLarty: Freedom's causes need supporters in the Administration. The transition has squeezed most of them out — a dangerous invitation to cynicism.

To journalists: We are the last people who can justify becoming automatic cynics. The whole beauty of journalism is that every day we get another crack at the story, to get more information, assuage cruelties, adjust our heads, correct mistakes.

Maybe Bill Clinton can make that the whole beauty of being President, who knows? □

New York Times 1/22/93

Tony Lake

I am concerned there is strong evidence — at least of perception

Anyone?

RC

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Abroad at Home

ANTHONY LEWIS

The Clinton Doctrine?

BOSTON

The classic reason for the use of American military force has been to protect our vital interests. In one pregnant sentence of his Inaugural Address, President Clinton added another.

"When our vital interests are challenged," he said, *"or the will and conscience of the international community is defied,* we will act, with peaceful diplomacy whenever possible, with force when necessary." (Emphasis added.)

If that important new doctrine is to have any meaning — if it is to be respected as the Clinton Doctrine — the place to apply it is at hand in Bosnia. And the time is now.

That Serbian aggression in Bosnia defies the conscience of the international community cannot be in doubt. Not unless at the end of the 20th century the world accepts mass murder, rape and terror directed at one ethnic group.

"It borders on genocide," Patricia Díaz Dennis, Assistant Secretary of State for Human Rights, said of Serbian behavior as she released the annual State Department report on human rights around the world. The Serbs' "ethnic cleansing," the report said, was "on a scale that dwarfs anything seen in Europe since Nazi times."

What can and should President Clinton do to stop the horror? He may be tempted to postpone the hard decisions because Cyrus Vance and Lord Owen are seeming to make progress in their negotiations on Bosnia. But that would be a disastrous mistake, morally and politically.

Bosnia is where to apply it.

The singular fact about the Vance-Owen effort is that while it has gone on, over many months, the Serbs have continued their killing. They are still besieging Sarajevo and other cities, lobbing shells at civilians. And they will go right on, as things look now.

The Bosnian Serbs' "assembly" voted this week to accept the Vance-Owen plan for a Bosnia with 10 autonomous provinces. But the Serbs, though that plan would reward their aggression, insisted that they would keep working for their ultimate aim: a Bosnian Serb republic.

Even if all the parties sincerely accepted the Vance-Owen principles — a huge if — the borders of the autonomous provinces still have to be negotiated. And while that difficult business goes on, the Vance-Owen approach allows the Serbs to continue their slaughter.

To earn any respect, this "peace process" would at a minimum require that the Serbs immediately stop their siege of Sarajevo and other Bosnian cities. Even under their own aggressive theories, what possible excuse do the Serbs have for shelling and starving a capital that has never been a Serbian city?

That is where President Clinton must act: to stop the killing while peace negotiations go on. He can do so with great effect by speaking directly and strongly to the warring parties in Bosnia. These are some of the things he should say:

- The siege of Sarajevo must end at once.
- Aid to civilians elsewhere must get through. Any further interruptions of relief convoys will not be tolerated.
- Military attacks on civilians must stop.

President Clinton would of course work with our European allies and with the United Nations. But if there was at last some forceful American leadership, it would quickly have its effect. For one thing, he could urge on the British and French, and the United Nations, a change in the rules for their peacekeeping forces on the scene allowing them to use their weapons if there are any further attempts to block relief convoys.

Moreover, the President would have many ways to signal the Serbs that he means business. He could act to tighten the economic embargo, for example. He could reduce the number of U.S. diplomats in Belgrade.

And he could prepare to act militarily. After 14 months of American dithering and evasion on the Serbian attacks, military action is more difficult. But at a minimum the United States could join in setting up and protecting safe havens for the Bosnian Muslim population now threatened with genocide.

The stakes are high: for Bill Clinton's credibility abroad as a decisive President, and more broadly for the world's safety. Continued appeasement of the worst calculated atrocities in Europe since the Nazis would exact a terrible price. □

New York Times

1/22/93