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BOCA RATON, FLORIDA (407) 395-0200

HENRY PAUL JOHNSON
NAPLES, FLORIDA (813) 591-0133

FILE NO.

REPLY TO:

MEMORANDUM

TO: PRESIDENT BILL CLINTON

FROM: MARIA VICTORIA ARIAS RODHAM

DATE: August 21, 1993

RE: VIVIAN ALONSO

I promised Vivian that I would forward this to you. Her letter will break your heart. Vivian works in my office. I have known her for approximately two (2) years. She is a wonderful person.

Please see what can be done. If you cannot do it, can you at least tell me where I should send her request and I will take it from there.

Thank you.

VIVIAN ALONSO
1054 S.W. 124 Ct.
Miami, Florida 33184

July 22, 1993

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

Mr. President:

My name is Vivian Fernandez Alonso. I live in Miami, Florida and work for Xerox Corporation in the same city.

Sir I would like to start this letter by thanking you in advanced for taking the time to read it. I know that your time it is very valuable and I understand that you carry a huge responsibility on your shoulders, but I still dare to ask you for your help in a very personal matter.

At this point I would like to give you a little information about myself so you could better understand my situation.

In 1969 my parents and younger sister left Cuba to the United States leaving my brother and myself behind. During this time I was recently married to a Cuban doctor, whom I divorced a few years later because our political differences. Fruit of that marriage I have a daughter, her name is Silvia Maria Mendoza.

She lived with me after the divorce, but her father constantly threaten to take her away from me because of my religious belief and my opposition to raise her as a communist.

In 1980 my father risking his life went to Cuba in hope of reuniting our family, especially the granddaughter he had not known. This situation proved to be very favorable for my ex-husband, who taking advantage of those troubled days and all the agitation in the country, took away my daughter from me and forced me to leave the country.

Members of Castro's Secret Service came to my house and took my daughter away from my arms and escorted me to one of the boats leaving Cuba and advised me never to go back. There is a blank in my memory as to how everything really happened, I only know that for the Grace of God and the help of some friends I did not lose my mind or my life for that matter.

It's been 13 long and hard years and there isn't one day that I have not prayed to be reunited with my daughter. My parents and younger sister do not know her because her father never allowed any kind of communication what so ever.

God is merciful with his children and as soon as my daughter reached the age in which she could be independent from her father, she tried and was able to contact me, expressing at this time also her desperation to be reunited with me. God had provided a miracle for me and had finally heard from her.

Immediately I started the procedures to bring her legally to the United States. My husband as a U.S. Citizen applied and got approved by I.N.S. a petition for an Immigrant to enter the United States (Form I-130). It's now the Department of State Immigrant Visa Processing Canter (TIVPC) whom has to issue the actual Visa allowing my daughter and her husband to come and live with us.

It's at this point where I request your help with this matter, you are not only the highest authority in our country, but also a devoted father. I'm sure you can surely understand my desperation. It will take only a telephone call from you or one of your aides and her file will be pulled from under the pile to the top. It's all I am asking. Silvia will never be a burden to our Country and you and your family will be blessed in each home of my family.

Mr. President every Thanksgiving Day when our family get together to give thanks, we also ask our Heavenly Father that it could be the last that we spent without my daughter. Please I beg you, let yourself be God's instrument and help me get back my daughter in time for this coming Thanksgiving Day.

Once again, forgive me for the time I have taken away from your responsibilities, but 13 years of being separated from my child has taken its toll and I am really desperate.

I am including a copy of the Form I-130 approved by the I.N.S. Her full name is SILVIA MARIA MENDOZA FERNANDEZ. I can be contacted at the above address or by phone at:

Day Time: (305) 442-3334
Night Time:(305) 554-8835

Thanking you in advance for all the help you may provide in this matter, may God be with you and your family.

Hoping to hear from you very soon.

Sincerely,

Vivian Alonso

U. S. Department of Justice
Immigration and Naturalization Service

Notice of Action

Applicant/Petitioner A #		Application/Petition I130
A18 697 186		IMMIGRANT PETITION FOR RELATIVE, FIANCE(E), OR ORPHAN
Receipt #		Applicant/Petitioner
SRC-92-211-50507		ALONSO, ILDEFONSO
Notice Date	Page	Beneficiary
December 11, 1992	1 of 1	MENDOZA SILVIA, MARIA

ILDEFONSO ALONSO
1054 SW 124 CT
MIAMI FL 33184

Approval Notice
Class: F11
Priority Date: June 26, 1992

Notice also sent to:
Representative

The above petition has been approved.

We have sent it to the Department of State Immigrant Visa Processing Center (TIVPC), Suite 700, 1401 Wilson Blvd, Arlington, VA 22209.

This completes all INS action on this petition. The Department of State Immigrant Visa Processing Center will communicate shortly with the person the petition is for concerning further immigrant visa processing steps.

Please read the back of this form carefully for more information.

You will be notified separately about any other applications or petitions you filed. Save this notice. Please enclose a copy of it if you write to us about this case, or if you file another application based on this decision. Our address is:

IMMIGRATION & NATURALIZATION SERVICE
SOUTHERN SERVICE CTR
P O BOX 152122 - DEPT A
IRVING TX 75015-2122
Tel: (214) 767-7769

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NAPLES, FLORIDA (813) 591-0133

THE PRESIDENT HAS SEEN
9/28/93 db

FILE NO.

REPLY TO:

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Henry Cisneros is
probably [illegible]
but [illegible] need to pursue
[illegible] an [illegible]
as [illegible] church in
[illegible] on it

MEMORANDUM

TO: PRESIDENT BILL CLINTON/HILLARY RODHAM CLINTON

FROM: MARIA VICTORIA ARIAS

DATE: September 14, 1993

RE: PERRINE CUTLER RIDGE COUNCIL

I think you may have seen this before. In any event, it was sent to my office.

Again, your visit really helped.

Thanks again.

Send package to
C Rasco
Just file the letter
with RM

THE WHITE HOUSE
WASHINGTON

September 28, 1993

To: Bill Kennedy
Cheryl Mills
Cliff Sloan

A new missive from our favorite pen pal. Since this is largely about access, I think it would be best for Bill and Cheryl to coordinate on drafting an answer. My sense is that a brief reply would be in order.

TJ
Todd

From the Office of the Chief of Staff

Phone: 202/456-6797 Fax: 202/456-1121

Date: 9-27-93 Response needed by: ASAP

COS Office Contact: Bill Burton

	Action	FYI		Action	FYI
Joan Baggett			Bernie Nussbaum		
Lee Brown			Leon Panetta		
Bill Daley			Howard Paster		
Rahm Emanuel			John Podesta	X	
Mark Gearan			Jack Quinn		
Kristine Gebbie			Carol Rasco		
David Gergen			Bob Rubin		
Jack Gibbons			Eli Segal		
Marcia Hale			Ricki Seidman		
Alexis Herman			George Stephanopoulos		
Nancy Hernreich			Christine Varney		
Tony Lake			David Watkins		
Bruce Lindsey			Maggie Williams		
Ira Magaziner			Andre Oliver	X	
Katie McGinty			Cliff Sloane	X	
Dee Dee Myers					
Roy Neel					

Remarks: Please work together to draft the appropriate response to Cong Wolf from Mack. Thank you.

Response: Todd can you handle — I think the minimalist response is appropriate

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

WASHINGTON OFFICE
104 CANNON BUILDING
WASHINGTON, DC 20515-4610
(202) 225-5136

CONSTITUENT SERVICES OFFICES
13873 PARK CENTER ROAD
SUITE 130
HERNDON, VA 22071
(703) 709-5800
1-800-945-9653
(WITHIN VIRGINIA)

110 NORTH CAMERON STREET
WINCHESTER, VA 22601
(703) 667-0990

Congress of the United States
House of Representatives
Washington, DC 20515-4610

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES
TRANSPORTATION
TREASURY—POSTAL SERVICE—GENERAL GOVERNMENT
COMMISSION ON SECURITY AND COOPERATION IN EUROPE

September 22, 1993

SEP 24

Mr. Thomas McLarty III
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. McLarty:

I am writing in regard to your response to my letter concerning the issuance of White House passes.

While you declined to provide information on individuals who hold White House passes, I continue to remain concerned given that at least some of the non-government persons known to have White House passes are highly paid lawyers, consultants and lobbyists who are not subject to any kind of oversight or disclosure requirements that are routine for regular White House employees. As a member of the Treasury/Postal Appropriations subcommittee, I am concerned with this situation. Serious ethical and conflict of interest problems abound with this kind of loose operation.

In your letter you stated that, "A limited number of non-government persons who, for the most part, have rendered regular services to the Administration, also have White House passes." Given that these individuals are providing "regular services" to the White House while some or many continue to hold high paying outside jobs, I would like to know the following:

1. Who are these non-government persons who have rendered regular services to the Administration? (Regardless of whether they have White House passes or not)

2. Have these individuals obtained White House clearance and have they filed financial disclosure?

3. Since I would assume these non-government persons are unpaid, what kind of efforts have been made to determine potential conflicts of interest?

4. For whom do these individuals providing "regular services" work or who pays their salaries? From whom do they receive outside contracts or consulting fees?

5. What types of positions are these non-government persons serving in on a regular basis? Do they have office space such as was made available to Harry Thomasson earlier this year? Do they have use of office and secretarial services? Do they have limited or unlimited passes throughout the White House?

6. If these individuals are providing services to the Administration on a "regular basis" in what way, if any, are they considered different than government employees?

7. How are the various "war rooms" being staffed and paid for? Are there non-paid staff who are paid from other sources on the outside working these "war" rooms?

8. Is the Democratic National Committee, labor organizations, lobbying groups (for example, Families USA which paid for the families who attended the White House health care event to discuss their health care situations) or other groups paying the salaries of any of these "volunteers"?

I also understand that many of the staff and volunteers continue to hold "temporary" passes with many clearances pending and being held in the White House Counsel's office for further review. I am told that information on many individuals is of a nature that would in previous Administrations make them ineligible for clearance. What is the status of these pending clearances?

I am concerned that this White House seems to be developing a pattern of having highly paid (from outside sources) "volunteers" working on a regular basis in the White House with potentially unknown dubious connections. What outside group or corporation wouldn't mind "paying" an employee to go "volunteer" at the White House if that "volunteer" could promote their cause or have the White House access? Furthermore, many of these "volunteers" have the best of both worlds: They don't have to give up their outside salaries or subject themselves to financial disclosure or limits on outside income yet they have the access and the cache of working from the White House.

Your letter declining to disclose who holds these passes at least admitted that these individuals who are holding passes are providing "regular services" and as such virtually operate as employees of the White House. If these individuals are providing "regular services" doesn't the public have a right to know who they are, what their connections are and what potential conflicts of interest they might have?

Earlier this year we saw the consequences of providing Harry Thomasson with the wide roaming access that he had with his White House pass. Now we have individuals such as corporate attorney, Susan Thomases, who I understand will be doing the President's scheduling until November 1 on a "volunteer" basis. In addition, Harold Ickes who recently lobbied successfully to get the White House to switch positions on a Puerto Rican tax break and has been put on retainer by the Puerto Ricans to instruct them on "how best to deal with the Clinton administration" (WSJ, 9/21/92) bragged to The Wall Street Journal: "Many people get access to the White House; I am one of those, I see nothing improper about it." The scrutiny of Michael Deaver during the Reagan Administration was for conduct very much like that of Mr. Ickes. It was wrong when Michael Deaver did it; it is wrong now.

Further, I am told that earlier this year White House Administrator David Watkins made inquiries as to whether it would be possible to put privately donated transition money or other private donations into some kind of nonprofit fund that could then be used to hire individuals and pay them on that payroll while allowing them to be "volunteers" in the White House. I would like to know if this has been done in any capacity.

I would appreciate your response to this matter as soon as possible.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:bjc

THE WHITE HOUSE

WASHINGTON

Bass
so no

August 19, 1993

The Honorable Frank R. Wolf
United States House of Representatives
Washington, D.C. 20515-4610

Dear Congressman Wolf:

Thank you for your letter of July 29.

To our knowledge, there have been no material changes in security procedures at the White House when compared to those of previous administrations. The security function as to personnel rests primarily with the Office of White House Personnel Security, which is under the direction of the Office of Counsel to the President. Other security functions regarding the White House are provided by the Secret Service and other agencies, such as the Department of Defense. The Office of White House Personnel Security originates the necessary paperwork for security clearances.

The vast majority of the holders of White House passes are employees or detailees. Certain administration officials employed by various agencies of the Executive Branch, whose duties require regular White House access, possess White House passes. A limited number of non-government persons who, for the most part, have rendered regular services to the Administration, also have White House passes. The list of these persons is confidential. As a result of a review being conducted by my office, in conjunction with the Office of Counsel to the President, there may be some modification of our pass policy with respect to non-government persons.

Personally,

Mack McLarty

Mack McLarty

POLITICS & POLICY

Ickes, Clinton Insider and Puerto Rico Advocate, Shows Not All Who Lobby Must Wait in the Hall

By JEFFREY H. BIRNBAUM
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – When New York lawyer Harold Ickes visited the Capitol in early June, a senator's aide asked him quizzically, "Are you here on behalf of the White House or Puerto Rico?"

The confusion was understandable. Mr. Ickes, the son of Franklin D. Roosevelt's interior secretary, is widely known as an influential friend of President Clinton, has often been mentioned for a top White House job and even has the kind of Secret Service issued pass that is issued to presidential aides, allowing him to roam the White House corridors at will.

Harold Ickes

But Mr. Ickes was hardly representing the president that day on Capitol Hill. Rather, he was lobbying for Puerto Rico and working to defeat one of Mr. Clinton's most important tax proposals, the severe curtailment of a generous subsidy to U.S. manufacturers, especially pharmaceutical makers, with operations in the island commonwealth. In the end, the president relented, and Mr. Ickes's side won, when most of the tax break was preserved.

Many Hats

During his election campaign, Mr. Clinton insisted that he wouldn't tolerate special access for narrow interests, and promised to "take away power from the entrenched bureaucracies and special interests that dominate Washington." As Mr. Ickes's example shows, however, not only have special interests continued to flourish, but people close to the president are participating in the bazaar.

The Puerto Ricans placed the 54-year-old Mr. Ickes on retainer starting in mid-April, at a fee that lobbyists put at $10,000 a month. Mr. Ickes won't discuss how much he is being paid. He began meeting with prominent lawmakers and their staffs; he also attended numerous strategy sessions with lobbyists and Puerto Rican officials, helping to plot how to beat the president's proposal. Participants say he gave advice on a variety of matters, including how best to deal with the Clinton administration.

Mr. Ickes's roles as White House adviser and Puerto Rico lobbyist sometimes blurred. The chief of staff of the Senate Finance Committee, Lawrence O'Donnell, talked to Mr. Ickes as if he were the Puerto Ricans' conduit to the White House, and even admonished Mr. Ickes for failing to lobby the White House harder.

"It struck me as something of a waste of time being in my office when all the resistance was coming from the administration," Mr. O'Donnell says. "I made it clear that anyone who has access to the White House on this should be lobbying the White House."

Mr. Ickes, whose practice is based in Mineola, N.Y., contends he wasn't lobbying the White House at all at the time. In fact, after serving as the chief operating officer of the Clinton transition in Little Rock, Ark., he had agreed not to lobby any government agency for six months after the start of the new administration. He insists that the advice he gave to lobbyists didn't violate that agreement, and adds that "I certainly had no information and did not attempt to obtain any information about where different people in the White House stood" on the issue.

But he did meet with several Democratic lawmakers whose influence proved to be pivotal. These included such tax writers as House Ways and Means Chairman Dan Rostenkowski of Illinois, New Jersey Sen. Bill Bradley, New York Rep. Charles Rangel and Connecticut Rep. Barbara Kennelly. Mr. Ickes also met with two freshman lawmakers of Puerto Rican descent, Reps. Nydia Velazquez of New York and Luis Gutierrez of Illinois, whose personal pleas to the president on June 10 were said by Clinton aides to have been critical to his decision to bend on the issue.

Despite those meetings, Mr. Ickes insists that he doesn't have to register as a lobbyist because he is serving as a strategist and adviser to the Puerto Ricans in dealing with the Democratic Party. The current lobbying-registration laws are so loosely worded that he appears to be correct.

Reducing the Cut

But his work produced results nonetheless. The original Clinton proposal would have cut the Puerto Rican tax subsidy by $6.8 billion over five years. The final tax change reduced the break by $3.7 billion over the period.

Mr. Ickes is continuing to represent Puerto Rican interests, and has been meeting with White House officials on their behalf since the six-month ban on contacts by former transition staffers lapsed in July. He arranged a meeting for himself and the governor of Puerto Rico with senior White House aide Marcia Hale at the National Governors Association meeting in Tulsa, Okla., last month. He also arranged, and stayed for the start of, a meeting between the governor and Hillary Rodham Clinton at the same Tulsa event.

Meanwhile, he continues to use his White House pass to come and go at 1600 Pennsylvania Ave. "Many people get access to the White House; I am one of those," Mr. Ickes says. "I see nothing improper about it."

And clearly he is still welcome there. "His work with the government of Puerto Rico involved a whole wide range of issues; the tax issue is just one aspect of it," says White House Communications Director Mark Gearan. "Harold is a valued friend of the administration."

Wash. Post 9/21/93

The

Sheeeeeeeeeeeee's Baaaaaacck . . .

Can Thomases keep the White House trains running on time?

BY KEITH JENKINS—THE WASHINGTON POST

It's kind of hard to imagine, but White House scheduling is obviously in such disarray right now that staffers are actually hoping that **Susan Thomases** will temporarily step into her old campaign job.

Several aides yesterday expressed relief—even enthusiasm—that the Clintons' controversial friend will likely fill the scheduling job on a volunteer basis until about Nov. 1. **Marcia Hale** recently vacated the post to head the White House intergovernmental affairs office, and it's slated to be filled permanently by **Ricki Seidman**, who's on an extended R&R leave. Lately, the president's schedule has been handled seat of the pants.

We hate to rehash old stuff, but we will: Thomases, a New York lawyer and one of **Hillary Clinton's** closest pals, drove the campaign staff nuts with her abrupt, controlling and often autocratic handling of the campaign schedule last year. There was even a time when aides went into shock just thinking she might get a White House job.

But time apparently heals old wounds. "She's organized, to the point and she understands the Clintons," said one staffer. "Doing the president of the United States' schedule by committee just isn't making it."

As for Thomases, a call to her New York office went unreturned.

THE WHITE HOUSE
WASHINGTON

September 28, 1993

To: Bill Kennedy
Cheryl Mills
Cliff Sloan

A new missive from our favorite pen pal. Since this is largely about access, I think it would be best for Bill and Cheryl to coordinate on drafting an answer. My sense is that a brief reply would be in order.

TDJ
Todd

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: The Freedom of Information Act

I am writing to call your attention to a subject that is of great importance to the American public and to all Federal departments and agencies -- the administration of the Freedom of Information Act, as amended (the "Act"). The Act is a vital part of the participatory system of government. I am committed to promote and enhance its use in my Administration.

For more than a quarter century now, the Freedom of Information Act has played a unique role in strengthening our democratic form of government. The statute was enacted based upon the fundamental principle that an informed citizenry is essential to the democratic process and that the more the American people know about their government the better they will be governed. Openness in government is essential to accountability and the Act has become an integral part of that process.

The Freedom of Information Act, moreover, is one of the primary means by which members of the public communicate with their government. As Vice President Gore made clear in the National Performance Review, the American people are the Federal Government's customers. Federal departments and agencies should handle requests for information in a customer-friendly manner. The use of the Act by ordinary citizens is not complicated, nor should it be. The existence of unnecessary bureaucratic hurdles has no place in its implementation.

I therefore call upon all Federal departments and agencies to renew their commitment to the Freedom of Information Act, to its underlying principles of government openness, and to its sound administration. This is an appropriate time for all agencies to take a fresh look at their administration of the Act, to reduce backlogs of Freedom of Information Act requests, to enhance public access to information through the use of electronic information systems, to conform agency practice to the new litigation guidance issued by the Attorney General, which is attached, and to ensure compliance with both the letter and spirit of the Act.

THE PRESIDENT HAS SEEN
9-28-93

LAW OFFICES

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OF COUNSEL

KERRY A. GREENWALD
BOCA RATON, FLORIDA (407) 395-0200

HENRY PAUL JOHNSON
NAPLES, FLORIDA (813) 591-0133

FILE NO.

REPLY TO:

~~Leaven~~/Geys
Pls see me-
Jost Coral Policies
B

MEMORANDUM

TO: PRESIDENT BILL CLINTON

FROM: MARIA VICTORIA ARIAS

DATE: September 14, 1993

RE: CARLOS PEREZ

Attached is my prior memo dated August 21, 1993. Please tell me if this matter has been referred to anyone in particular.

Mr. Perez is a commission member of the Governor's Free Cuba Commission (SEE ATTACHED).

9/13/93

GOVERNOR'S FREE CUBA COMMISSION

Businessman **Paul Cejas,** a former Dade School Board chairman, will lead the Governor's Free Cuba Commission. On Sunday, commission members elected Cejas as their new chairman.

Cejas, 50, of Miami Beach, replaces **Jorge Mas Canosa,** who did not seek another term on the commission. Mas Canosa is the chairman of the Cuban American National Foundation. "He regretfully asked not to be reappointed because he has so many other commitments," Cejas said.

On Sunday, Gov. Lawton Chiles announced the 35 appointees to the Free Cuba Commission, a list that includes 20 new members. He also named Cuban dissidents **Angela Herrera** and **Paula Valiente** as honorary members.

Other commission members:

Jim Towey, secretary of the state Department of Health and Rehabilitative Services; **John Macho,** director of the Office for Latin American Trade for the Florida Department of Commerce; **Bruce Jay Colan,** an attorney who is chairman of the Greater Miami Chamber of Commerce's Planning for a Free Cuba Committee; **Wilfredo Gort,** an investment banker; **Teo Babun,** investment firm president; **Luis Sabines,** president of the Latin Chamber of Commerce of the United States; **Andres Vargas-Gomez,** adviser to the city of Miami International Trade Board; **Carlos Perez,** president of an import-export company; **Belen Saborido,** Saborido Flowers owner; **Jose Collado,** member of the AFL-CIO Labor Committee for a Free Cuba; **Erelio Pena,** owner of PAS Developers and director of the Cuban American National Foundation; **Maria Dominguez,** executive director of the St. Thomas University Human Rights Institute; **Moravia Capo,** principal of the Interamerican Academy and national board member of the Cuban Patriotic Council; **Cesar Odio,** Miami city manager; **Joaquin Aviño,** Dade County manager; **Frank de Varona,** region superintendent for Dade County public schools; **Norman Diaz,** retired journalist; **Denio Fonseca,** a doctor in private practice; **Jorge Villalba,** acting administrator for HRS's Aging and Adult Services; **Julio Gonzalez-Rebull,** chairman of a public relations and advertising agency; **Stephen Albee,** president of the Council of Interamerican Trade and Commerce; **Gisella Elgarresta,** executive director of the Multi-Ethnic Interaction Program; **Aida Levitan,** executive vice president of an advertising and public relations firm and founder of the Coalition of Hispanic American Women; **Mercedes McCall,** vice president of Sun Bank National Association; **Manuel Cereijo,** professor of engineering at Florida International University; **Guillermo Grenier,** chairman of the department of sociology and anthropology at FIU; **Georgina Hartman,** director of marketing for the Florida Department of Commerce, Division of Tourism; **Ralph Fernandez,** attorney; **Jose Lorenzo,** American Airlines executive; **Lucy Pereda,** a journalist; **Maria Elena Toraño,** president and CEO of META; **Luis Lauredo,** public service commissioner; **Nancy Whittenberg,** former refugee programs administrator for HRS; and **Manolo Reyes,** a doctor who is administrator director of Mercy Hospital and chairman of the Dade County Cuba Task Force.

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NAPLES, FLORIDA (813) 591-0133

FILE NO.

REPLY TO:

MEMORANDUM

TO: PRESIDENT BILL CLINTON

FROM: MARIA VICTORIA ARIAS RODHAM Maria

DATE: August 21, 1993

RE: CARLOS PEREZ

Attached are two (2) letters from Carlos Perez. I mentioned him to you before. He had been helpful during the campaign by providing us with radio and television time.

His idea is a good one . . . Please give me your thoughts. I am sure that whatever your response, Mr. Perez will be advised.

CITIZENS FOR DEMOCRACY, INC.

August 12, 1993

Maria Victoria Arias
201 Alhambra Circle
Suite 1102
Coral Gables, FL 33134

Dear Mrs. Arias:

Confirming our telephone conversation, I would sincerely appreciate if you could formally request, from the authorized department, to obtain an interview with the President, Bill Clinton. In the event that such an interview is to be granted we would like for it to be aired on October 10, 1993. As you know this date commemorates the day of El Grito de Yara.

This interview can be taped within the time frame of September or beginning of October, whenever most convenient for the President. We are of course willing to make any necessary arrangements to suit the President's schedule.

The television show "Carlos Perez Pregunta", is being presented on HIT TV every Sunday from 10PM to 11PM. This station is associated with four cable stations and has an estimated viewership of half a million persons. Although I firmly believe that this particular interview will be presented by all of the spanish TV stations in South Florida.

It is my intention to interview the President for approximately 40 minutes and it will be only on the relationship between the United States and Cuba, mostly since the beginning of Castro's era, also a brief analysis of the measurements that have taken place in the past and of course about the future.

It is my humble opinion that such an interview at this moment will generate a feeling of security and enthusiasm among Cuban-Americans all over the country and on the Island. It will be the "first time" that a President of the United States allows to be interviewed solely on the subject of the relationship between the United States and Cuba.

As you well know the subject of Cuba has such a priority in the minds and spirit of the Cuban-American people here in the United States and especially in the hearts of the Cuban people living on the Island itself.

3232 CORAL WAY • MIAMI, FLORIDA 33145 • TELEPHONE (305) 448-8482 / 441-1651 • FAX (305) 446-3403

I would like to stress that such an interview can really become an oasis of hope that shall always be remembered. Let us not forget that for Cuban-Americans the subject of freedom and democracy in Cuba is of such great importance, that it even takes precedance over their own political standing.

Needless to say, if this interview does occur I feel that you would be the ideal person to serve as a translator.

I anxiously await to hear your response and am very grateful for your attention concerning this matter.

Sincerely,

Carlos Perez

CITIZENS FOR DEMOCRACY, INC.

August 17, 1993

Maria Victoria Arias
201 Alhambra Circle
Suite 1102
Coral Gables, FL 33134

Dear Mrs. Arias,

In the event that the interview with President Clinton becomes a reality this program can be presented by all the Hispanic TV Stations within the United States such as CA, NY, NJ, IL, TX and of course FL. It can also be viewed in many Latin American countries such as Mexico, Venezuela, etc.........

It seems to me that such a program should somehow deal with the subject of the U.S. and Latin America, past, present and future, also spend some time speaking about NAFTA and of course the majority of the program will be about the relationship between Cuba and the U.S.

I am sure this program will immensely help to improve the image of the U.S. and Latin America and also help the image of President Clinton within the Hispanic Community in the U.S. and the cause of Cuban freedom.

Mrs. Arias, based on my experience of over 30 years of visiting and negociating with Latin countries and even representing the U.S. Government in different commissions in those countries, I'll be suggesting to you some basic concepts and ideas that I believe should be expressed in the course of the interview should it actually occur.

I look forward to discussing these concepts and ideas with you as soon as possible.

Sincerely,

Carlos Perez

3232 CORAL WAY • MIAMI, FLORIDA 33145 • TELEPHONE (305) 448-8482 / 441-1651 • FAX (305) 446-3403

CITIZENS FOR DEMOCRACY, INC.

DATE: August 12, 1993

TO: Maria Victoria Arias

FROM: Carlos Perez

NUMBER OF PAGES INCLUDING COVER PAGE: 3

3232 Coral Way · Miami, Florida 33145 · Tel. (305) 448-8482 · Fax: (305) 446-3403

CITIZENS FOR DEMOCRACY, INC.

DATE: August 17, 1993

TO: Maria Victoria Arias

FROM: Carlos Perez

NUMBER OF PAGES INCLUDING COVER PAGE: 2

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THE PRESIDENT HAS SEEN
9-28-93

THE WHITE HOUSE

WASHINGTON

93 SEP 27 P4:56

Must do Lew's meet – H'll set up when I'm in California That's soon

September 24, 1993

The Honorable Robert Strauss
Akin, Gump, Strauss, Hauer & Feld
1333 New Hampshire Avenue, N.W.
Suite 400
Washington, D.C. 20036

Dear Bob:

As always, enjoyed our recent visit. A conversation with you is good for the spirit as well as one's perspective. I am still chuckling about some of the stories you related, and following your sage wisdom.

I had a good visit with Lew Wasserman, who was feeling rather chipper after spending the night in the Lincoln bedroom. He was most responsive to helping with the Southern California delegation on NAFTA, and I will make sure Bill Daley follows up with him. As you know, Lew is trying to arrange a meeting with the President with several other movie executives on the GATT agreement. We are working diligently on this appointment, but the President's schedule is extremely full. However, I am sure that with Lew's past help and support of the President and the relationship they have, and with encouragement from the inimitable Jack Valenti, we will arrange the meeting in the near term.

Thanks also for your help with Dwayne Andreas. He indeed has a singular knowledge of and can be very helpful to us with both the business and agricultural communities, as well as with key Senators and Congressmen.

You remain the closest thing to John Wayne currently on the American landscape, and I always appreciate your counsel.

Personally,

Mack

bcc:
The President
Secretary Bentsen
Bill Daley
Nancy Hernreich

The Washington Post Writers Group

1150 15TH STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794

B Nussbaum
Good pt

THE PRESIDENT HAS SEEN
9-28-93

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^bc-yoder-column adv IMMEDIATE<

^EDWIN YODER COLUMN<

^(For IMMEDIATE RELEASE--Normally Advance for Monday, September 27, 1993)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

WASHINGTON--California surely has no monopoly on weird criminal defenses. But it was in the Golden State a few years ago that the accused murderer of the mayor and city manager of San Francisco argued that his judgment had been impaired by an excess of blood sugar, the so-called ''Twinkie defense.''

Now comes the mob-made-me-do-it defense.

Lawyers for the two men now on trial in Los Angeles for beating up the truck driver Reginald Denny during the riots two years ago have asked that a UCLA professor, an expert on mob psychology, be admitted as a defense witness.

This mob psychologist would suggest, to judge by the preview of his testimony offered with the jury out of the courtroom, that even if Denny's assailants did what they're charged with doing--drag Denny from his truck and commit mayhem against him--they may have been in the grip of mob spirit and may not have acted as morally autonomous persons.

The professor said that at times of ''group contagion,'' such as followed the acquittal of several Los Angeles policemen in the Rodney King assault case, there may be ''extremely positive or extremely negative'' reactions. Those who wake up realizing that they have yielded to mob spirit often say to themselves ''I can't believe it was me.''

Judge John W. Oderkirk ruled that the jury may hear the mob psychologist's testimony, with the restriction that the professor may elaborate the theory of the toxic influence of crowd behavior without relating it explicitly to the events of the Denny case.

(more)

As an historical proposition, there is hardly any doubt of the reality of the mob spirit. What is very much in question, however, is whether it can dissolve ingrained moral principles. Presumably, Adolf Hitler and his pack would illustrate the extreme case under this theory, and would be identified as the master mob manipulators of the century. Their blandishments led otherwise well-behaved Germans to wreck Jewish shops, burn books, march about in roaring, robotic mobs at huge outdoor rallies and, later, to do far worse and more calculated acts of evil.

That there is mob behavior is hardly in doubt. But do mobs bend or nullify the will? Or do the violent, the cowardly, the prejudiced, the antisocial welcome the noisy anonymity of the mob as a cloak and cover for acts of rage and greed?

The late Sen. Sam Ervin Jr. liked to quote--and quoted to some of the Watergate culprits who came before him with the ''everybody did it'' excuse--a scriptural injunction: ''You shall not follow after a crowd to do evil.'' This is an indispensable principle of civilized conduct, which it would be risky to dilute by accepting, even in theory, the proposition that mob membership extenuates brutal and antisocial acts.

Those attracted to the mob-made-me-do-it defense may say that it is not unlike the well-known insanity defense. But is it? Whatever you may think of the insanity defense, there is a well-developed body of evidence that states of dementia may impair moral judgment, temporarily or permanently--that the perpetrators of some criminal acts are ''insane'' in the sense that they are not in their right minds, are genuinely ill, and cannot distinguish right from wrong. But to suggest that mob spirit is a comparable form of illness stretches a soggy analogy to the snapping point.

The testimony already admitted in the Denny case suggests that on the day of Denny's beating, the intersection of Florence and Normandy Avenues, in south Los Angeles, had become the scene of assaults more deliberate than impulsive. Far from having been short-lived or temporary, the orgy of aggression against selected motorists (usually of a different race or color) was prolonged and apparently calculated.

(more)

Many will shy from the analogy, but those of us who grew up in the segregated South a generation or more ago can easily recall those grinning, slack-jawed cretins who were a standard feature of faded photographs of racial lynchings--gaping impishly at the camera while the victim dangled from a tree in the background. I can't help wondering how a reputable Southern judge even in those benighted days would have reacted to some academic theory that it was the lynchers, not the lynched, who were the real victims of the occasion. Not very enthusiastically, I fancy.

When Jobs Head South, Who Foots the Bill, Bill?

Lars-Erik Nelson

When President Bill Clinton stood before the United Nations General Assembly yesterday, he represented America as unchallenged leader of the world, victor in the Cold War, conscience of all mankind, humanitarian nation No. 1 and champion of free markets and free peoples everywhere.

And by the way, we can't afford it.

Such a paradox: The triumph of American ideals has been accompanied by America's relative decline in the world — so much so that in his maiden speech, Clinton asked the world to give us a break in paying the assessments for UN peacekeeping operations.

Under a formula worked out 20 years ago, the United States is supposed to foot 31 percent of the entire bill for UN peacekeeping. Although we are in arrears at the moment, our full assessment for 1994 is budgeted at $620 million.

"The assessment system has not been changed since 1973," Clinton complained, "and everyone in our country knows that our percentage of the world's economic pie is not as great as it was then. Therefore, I believe our rate should be reduced to reflect the rise of other nations that can now bear more of the financial burden."

Clinton's lament reflects a reality more painful than UN peacekeeping dues. Over the past two decades America has paid — with its high defense budgets and open markets — not merely for the world's security but for the world's prosperity. The price has been high.

Defense programs consumed not only our treasure but our intellects. Engineers who might have designed an electric car found themselves working instead on Star Wars. Worse, American breakthroughs in civilian technology — color TVs and VCRs, for example — were quickly licensed to Japanese manufacturers, and then imported back here.

If anybody complained that Japan or some other trade partner was dumping goods unfairly, undermining American businesses, or erecting barriers to trade, our own government told us to hush; we needed Japan's cooperation to fight the Cold War. So we suffered in silence.

"Trade is supposed to produce prosperity, but over the last 20 years, real wages for production workers have declined even as our world trade increased," Jeff Faux, director of the Economic Policy Institute, a liberal Washington think tank, said the other day. "The Ameri-

Please see NELSON on Page 31

As Jobs Flee, Who Foots The Bill, Bill?

NELSON from Page 5

ok

can people have noticed this. They see imports increase while their standard of living goes down." And while we are asked to foot the bill for all the world's problems.

This is the resentment that Ross Perot feeds upon as he leads his crusade against shipping jobs to Mexico under the North American Free Trade Agreement. It is the grievance that Pat Buchanan uses to whip up his audiences. Foes of both Buchanan and Perot often portray both of them as mere demagogues, igniting the illiterate masses against wily foreigners.

Give the American public credit for more sense than that. Its grievances — two decades of declining living standards — are real, not imaginary. Its complaints against the loss of jobs are not primitive attempts to preserve the buggywhip industry against modernization: South Korea makes computers and cars, not buggywhips. And its resentments are not racist; polls show that Americans blame the country's relative decline on short-sighted U.S. corporate leadership more than on industrious Japanese and Koreans.

A study released last week by Guy Molyneux and Ruy Texeira of the Economic Policy Institute warns Clinton and the Democrats that they are missing the boat by ignoring the public's concerns. Economic competition from our allies has now replaced the Soviet military challenge as the main threat in American eyes.

Molyneux and Texeira urge the Clinton administration at least to recognize that Americans have legitimate interests — jobs, families, communities — as Americans, not as mere consumers in the international marketplace. That means working a little bit harder to defend American jobs, rather than resigning our fate to the invisible hand of the marketplace. It means not simply shrugging when blue-collar workers worry that free trade with Mexico will kill good jobs.

"A tough-minded economic nationalism could provide a bridge between the Democrats and Perot voters," the EPI study says.

It's important that Clinton seize this opportunity, because economic nationalism can be an explosive politics. As Perot and Buchanan have already shown, with just a little demagoguery, it can easily turn into bigotry and isolationism. At the UN yesterday, Clinton took the first step: He recognized that "everyone in our country knows" that under the policies of the past 20 years, our relative wealth — and for many Americans, their absolute wealth — has eroded.

But that recognition calls for more than just reducing our UN dues. It requires from Clinton a basic re-examination of our trade policies, including NAFTA. It requires a realization that we're not just consumers. We're Americans.

FROM NEWSDAY NAT'L DESK 09.27.1993 22:17

THE PRESIDENT HAS SEEN
9/28/93 dh

GS

This guy stood w/ us through thick & thin in the primaries esp in NY -
This is his 2d hit on NAFTA - He deserves a thoughtful reply to both articles - a call from Reich and Mickey in the columnists we bring in
He is a good man

B.

THE WHITE HOUSE

WASHINGTON

This Report is very good - get to Fla [illegible] in this way [illegible] continually [illegible]

THE PRESIDENT HAS SEEN 9-27-93

'93 SEP 22 P5:53

September 22, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: KEITH MASON KM

SUBJECT: GOVERNOR CHILES/ LAW ENFORCEMENT GRANT APPLICATION

I. SUMMARY

Governor Chiles is expected today to deliver to Phil Heyman at the United States Department of Justice the State of Florida's grant proposal which outlines a dual strategy to enable Florida local and state law enforcement to provide for "the critically needed" police presence on the streets of Florida. This proposal outlines the Federal support necessary to allow for the expansion and continuation of the Dade County Violent Street Crimes Task Force and the implementation of this highly successful approach in Orlando, Tampa, Jacksonville, and Tallahassee.

II. DISCUSSION

The grant application generally follows the guidelines prescribed by the Federal Police Hiring Supplement Program. Strategy One of the Florida effort would expand and sustain the Violent Street Crimes Task Force in Dade County for a minimum of three years. This part of the Florida effort would also provide funding for 35 law enforcement officers while funding 17 additional officers. The final aspect of Strategy One would fund the Dade Robbery Clearinghouse for one year.

Strategy Two would expand the Violent Street Crimes Task Force to all regions of Florida and provide funding for 22 State officers and overtime dollars for local law enforcement relating to the task force thus totaling the equivalent of 70 officers. This strategy would also provide operational expenses for the statewide effort.

Total Initiative:	$13,284,035
Total Federal Funding:	$ 9,963,026
Total State Funding:	$ 3,321,009

DOJ has been exploring additional funding options for the State of Florida and is planning an expedited review of this application.

Enclosure

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

LAWTON CHILES
GOVERNOR

September 22, 1993

The President
The White House
1600 Pennsylvania Ave.
Washington, D.C. 20500

Dear Mr. President:

As you are aware, the recent murders of international tourists in Florida have brought extensive attention to our State. The highly publicized nature of these random and senseless acts, and previous crimes committed against tourists, pose a critical threat to not only the safety and security of our residents and visitors, but also the economic security of our State. More importantly, these acts have greatly emphasized the significant problem which Florida and other States face in dealing with the escalating nature of violence in our society. The answer to our "tourist crime" problem is embedded in our ability to solve the *overall* violence problem. The most *meaningful* solutions to these problems are extremely long-term and complex and will require efforts from many segments of our society -- not just law enforcement.

However, law enforcement must respond promptly and effectively. In the wake of these most recent tragedies it was incumbent upon us to take *immediate* action to reduce this street crime and the fear which so many residents and tourists feel on our highways. We seek your strong support in our attempt to secure appropriate Federal funding to assist Florida in a two-part strategy which we feel can make an immediate difference in reducing street crimes and restoring our public's (residents and tourists) sense of security.

The first part of this strategy seeks to expand and sustain a successful Dade County effort. In April of this year, I directed the Florida Department of Law Enforcement and the Florida Highway Patrol to work with a number of local law enforcement agencies to prevent violent street crimes committed against residents and tourists. These combined efforts resulted in the implementation of a multi-agency effort -- *the Violent Street Crime Task Force*. This innovative effort combines a concentration of highly visible uniformed officers working with special undercover investigators who constantly rove specified areas. During the period April through July 1993, the City of Miami has reported that crimes committed against tourists have dropped approximately 56% compared to the same period in 1992. Officers have also documented over 500 contacts with tourists -- many of whom were unaware that they had ventured into high crime areas. They have also documented over 230 arrests, the recovery of 100 stolen vehicles, and the interrogation of over 500 individuals encountered in specified high incident areas. This intensified police presence has certainly prevented serious crimes from occurring. The immediate expansion of this program into a larger regional area would coincide with the upcoming prime tourist season in South Florida.

The success of this model and the fact that violent street crime is indeed a *statewide* problem prompt us to propose duplication of similar task forces in all regions of Florida. Therefore, the second part of our strategy is to support similar law enforcement partnerships in the regions surrounding Tampa, Orlando, Tallahassee, and Jacksonville. The Miami effort and those proposed statewide are built upon strong interagency cooperation and commitment and have and will forge collaborative efforts which will serve as an excellent model for other states to employ. The successes which we envision on the enforcement side of the violence problem will certainly demonstrate the value of shared responsibility, information and resources.

Unfortunately, these highly visible and successful efforts will place an economic strain on our state and local agencies involved. We therefore ask the Federal government to supplement our commitments to these partnerships with funding in the amount of $9.9 million through available funding sources. It is my understanding that moneys may be available through discretionary funding; fiscal year-end funds; or the Police Hiring Supplemental Program.

It is important to note that this proposal seeks a significant level of overtime funding for local and state law enforcement. This is a vital stop-gap need which must be filled to provide for immediate increases in police presence in the most problematic areas of Florida. In addition to the 47 new positions which would be funded through this strategy, overtime funding requested would equate to an additional 87 full-time, trained and productive officers which will be placed on the streets of Florida targeting crime "hot-spots".

We have prepared a formal grant application which describes this initiative and the results which we anticipate. That proposal will be provided to Attorney General Reno today.

On behalf of the citizens of Florida, thank you for the concern you have already expressed in this matter and for your consideration of this critical issue.

With warm regards, I am

Sincerely,

Lawton

LAWTON CHILES

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 9/23/93

TO: THE VICE PRESIDENT
MACK McLARTY
BRUCE REED
RAHM EMANUEL
DEE DEE MYERS
MARK GEARAN

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

The attached has been forwarded to the President.

[redacted]

[redacted]

REMARKS BY PRESIDENT CLINTON
IN CEREMONY FOR THE SIGNING OF
THE ISRAEL-PALESTINIAN AGREEMENT

THE SOUTH LAWN

SEPTEMBER 13, 1993

Prime Minister Rabin, Chairman Arafat, Foreign Minister Peres, Mr. Abbas, President Carter, President Bush, distinguished guests.

On behalf of the United States and Russia, cosponsors of the Middle East peace process, welcome to this great occasion of history and hope.

Today, we bear witness to an extraordinary act in one of history's defining dramas, a drama that began in the time of our ancestors when the word went forth from a sliver of land between the river Jordan and the Mediterranean Sea. That hallowed piece of earth, that land of light and revelation is the home to the memories and dreams of Jews, Muslims and Christians throughout the world.

As we all know, devotion to that land has also been the source of conflict and bloodshed for too long. Throughout this century, bitterness between the Palestinian and Jewish people has robbed the entire region of its resources, its potential, and too many of its sons and daughters. The land has been so drenched in warfare and hatred, the conflicting claims of history etched so deeply in the souls of the combatants there, that many believed the past would always have the upper hand.

Then, 14 years ago, the past began to give way when, at this place and upon this desk, three men of great vision signed their names to the Camp David Accords. Today we honor the memories of Menachem Begin and Anwar Sadat. And we salute the wise leadership of President Jimmy Carter.

Then, as now, we heard from those who said that conflict would come again soon. But the peace between Egypt and Israel has endured, just so this bold new venture today, this brave gamble that the future can be better than the past must endure.

Two years ago in Madrid, another president took a major step on the road to peace by bringing Israel and all her neighbors together to launch direct negotiations. And today we also express our deep thanks for the skillful leadership of President George Bush.

Ever since Harry Truman first recognized Israel, every American President -- Democrat and Republican -- has worked for peace between Israel and her neighbors. Now the efforts of all who have labored before us bring us to this moment -- a moment when we dare to pledge what for so long seemed difficult even to imagine: that the security of the Israeli people will be reconciled with the hopes of the Palestinian people and there will be more security and more hope for all.

Today, the leadership of Israel and the Palestine Liberation Organization will sign a declaration of principles on interim Palestinian self-government. It charts a course toward reconciliation between two peoples who have both known the bitterness of exile. Now both pledge to put old sorrows and antagonisms behind them and to work for a shared future, shaped by the values of the Torah, the Koran, and the Bible.

Let us salute, also, today the government of Norway for its remarkable role in nurturing this agreement. But above all, let us today pay tribute to the leaders who had the courage to lead their people toward peace, away from the scars of battle, the wounds and the losses of the past toward a brighter tomorrow. The world today thanks Prime Minister Rabin, Foreign Minister Peres and Chairman Arafat.

Their tenacity and vision has given us the promise of a new beginning. What these leaders have done now must be done by others. Their achievement must be a catalyst for progress in all aspects of the peace process. And those of us who support them must be there to help in all aspects. For the peace must render the people who make it more secure. A "peace of the brave" is within our reach. Throughout the Middle East, there is a great yearning for the quiet miracle of a normal life.

We know a difficult road lies ahead. Every peace has its enemies -- those who still prefer the easy habits of hatred to the hard labors of reconciliation. But Prime Minister Rabin has reminded us that you do not have to make peace with your friends.

And the Koran teaches that "if the enemy inclines toward peace, do thou also incline toward peace."

Therefore, let us resolve that this new mutual recognition will be a continuing process in which the parties transform the very way they see and understand each other. Let the skeptics of this peace recall what once existed among these people. There was a time when the traffic of ideas, commerce, and pilgrims flowed uninterrupted among the cities of the fertile crescent. In Spain and the Middle East, Muslims and Jews once worked together to write brilliant chapters in the history of literature and science. All this can come to pass again.

Mr. Prime Minister, Mr. Chairman: I pledge the active support of the United States of America to the difficult work that lies ahead.

The United States is committed to ensuring that the people who are affected by this agreement will be made more secure by it and to leading the world in marshalling the sources necessary to implement the difficult details that will make real the principles to which you commit yourselves today.

Together let us imagine what can be accomplished if all the energy and ability the Israelis and the Palestinians have invested in your struggle can now be can now be channelled into cultivating the land and freshening the waters, into ending the boycotts and creating new industry, into building a land as bountiful and peaceful as it is holy.

Above all, let us dedicate ourselves today to your region's next generation. In this entire assembly, no one is more important than the group of Israeli and Arab children who are seated here with us today.

Mr. Prime Minister, Mr. Chairman: this day belongs to you. And because of what you have done, tomorrow belongs to them. We must not leave them prey to the politics of extremism and despair, to those who would derail this process because they cannot overcome the fears and hatreds of the past. We must not betray their future. For too long, the young of the Middle East have been caught in a web of hatred, not of their own making.

For too long they have been taught from the chronicles of war. Now, we can give them the chance to know the season of peace. For them we must realize the prophecy of Isaiah, that the "cry of violence shall no more be heard in your land, nor wrack nor ruin within your borders."

The children of Abraham, the descendants of Isaac and Ishmael, have embarked together on a bold journey. Together, today, with all our hearts and all our souls, we bid them shalom, salaam, peace.

CLOSING REMARKS

We have been granted the great privilege of witnessing this victory for peace. Just as the Jewish people this week celebrate the dawn of a new year, let us all go from this place to celebrate the dawn of a new era not only for the Middle East, but for the entire world.

The sound we heard today, once again, as in ancient Jericho, was of trumpets toppling walls: The walls of anger and suspicion between Israeli and Palestinian, between Arab and Jew. This time, praise God, the trumpets herald not the destruction of that city, but its new beginning.

Now let each of us here today return to our portion of that effort, uplifted by the spirit of the moment, refreshed in our hopes and guided by the wisdom of the Almighty, who has brought us to this joyous day.

Go in peace. Go as peacemakers.

Sep.24 '93 0:42 1234 DERCK SHEARER TEL 310 452 7099 P. 1

THE PRESIDENT HAS SEEN
9.27.93

RUTH GOLDWAY
AND
DEREK SHEARER

655 ASHLAND AVE
SANTA MONICA, CA. 90405

OCCIDENTAL COLLEGE
1600 CAMPUS ROAD
LOS ANGELES, CA 90041-3314

cc: Alexis/Rubin ?.-who
Joan B/POT -who ?.

GS - as I said
we need to make
sure the
Rostenkowski piece
gets good circulation
after it appears
[illegible] it will clear the [illegible] on
Program and [illegible] Paul to our
[illegible]
R

FAX TRANSMITTAL

SENDER: Derek Shearer

FAX NUMBER: (310) 452-7899

PLEASE DELIVER THIS FAX TO:

NAME: Pres. Clinton c/o Nancy Hernreich

COMPANY: Office of the President

DATE: Sept. 24

FAX NUMBER: 202-456-6703

NUMBER OF PAGES:
(INCL COVER PG) 8

ORIGINAL TO BE MAILED? YES ______ NO ______

REMARKS: ______

IF YOU DO NOT RECEIVE ALL OF THE PAGES, PLEASE CONTACT THE SENDER AT (310) 399-5924.

OCCIDENTAL COLLEGE
1600 CAMPUS ROAD
LOS ANGELES, CA 90041-3314

Friday, Sept. 24

Dear Bill,

Congratulations on the health speech! It was a home run--an almost perfect blend of policy, politics and passion.

I hope that your UN speech on Monday goes as well, and that you have a good meeting with Hosokawa (I suspect that you might actually get some golf-related gifts and some Japanese mysteries, because a MITI official called me late the other night to tell me that he had discussed these matters with Hosokawa).

On the UN speech, I have a small suggestion for a possible line or two that might fit when you're making your additions and corrections:

"America cannot be, nor should it be, the world's policeman. But, the world does require a police force...."

You can go on to say that where possible and feasible, it is desirable that a revamped and revised UN play this role thru its peacekeeping operations, and that consideration should be given to a standing UN Rapid Deployment Force, but, of course, American participation would follow the conditions spelt out in Madeline's speech.

The language in Tony's speech was not very compelling nor evocative, especially the term "enlargement." I hope that you won't repeat it, and that Jeremy or one of the other speech writers has come up with language more like your health care speech--language with which you're comfortable and which middle class folks can understand.

I've also enclosed a copy of an article that will appear in the next issue of The American Prospect praising you. It's by my friend Richard Rothstein, the labor economist whom I recruited to help us with your early NAFTA position.

Sydney getting the Olympics was good news for Keating. He's now talking about making Australia a republic in time for the Games. It'll be the end of your second term, so perhaps you can attend as an honored guest.

Regards,

Derek
Derek

Port: Noise, Complaint

The Left's Obsessive Opposition

Richard Rothstein

My liberal friends are being too harsh on Bill Clinton. I am not uncritical of administration policies: I have objected in print to its overemphasis on human capital as an economic cure and to its reluctance to embrace forthrightly the labor movement. I believe its NAFTA side agreements don't go nearly as far as they should. Still, I admire this administration. I credit its good faith and basic progressivism and fear the increasingly sour tone of the liberal left will only backfire.

I have in mind two unfortunate patterns. First, Clinton's liberal critics forget the narrowness of his mandate; they are too quick to blame the absence of a strong working liberal majority in Congress on alleged lack of presidential leadership. Second, they fall into the familiar liberal habit of making the good the enemy of the best.

Perhaps liberals who have spent their entire lives in bitter opposition to Democratic and Republican presidents alike have no instincts on which to draw when a progressive leader, under siege, needs their support. If so, this almost rote need to oppose by some on the left is but the latest tragic consequence of the Vietnam War. Other liberals are sympathetic to Clinton but fear that his program and hence his presidency will fail; they attack him as pragmatists rather than as ideologues. But their carping still reinforces public cynicism and makes his task more difficult.

Liberals already owe Clinton a big debt. In 1991, when he began to plan his candidacy, Bush was considered a cinch for reelection. No other Democrat with national stature—not Richard Gephardt, not Mario Cuomo, not Lloyd Bentsen—was willing to run in a year when a Democrat was sure to lose. Some preferred to wait until 1996 when Democrats might have a fighting chance. Others did get into the race—Tom Harkin, Bob Kerrey, Paul Tsongas—but they were the Democrats' second string.

Bill Clinton, though, came from the party's starting lineup—the nation's senior governor and widely regarded as the most talented. He headed the governors' education task force. He chaired the Democratic Leadership Council, helping to move it from the right to the center of the party. He had keynoted the 1988 Democratic convention. Clinton did not need to run in 1992 to position himself for 1996.

Why did Clinton declare for president in a year when Democrats were sure to lose? With a passionate belief that the country had to throw off Reagan and Bush, perhaps he felt compelled to run, regardless of personal or political cost. (A highly probable loss would likely have ended his political career.) Or it may have been that Clinton, alone among Democratic leaders, understood America well enough to realize that

Bush could be beaten, Desert Storm notwithstanding. So whether he ran because of a combination of personal sacrifice and political nerve or because he's smarter than the rest of us, he's entitled to more credit, and his judgment to more deference, than most liberals are now willing to give.

Few liberals understood Clinton's campaign. His most important thrust was insistence on nonracial universal programs to improve economic security for all Americans, white and black together—because white voters would support such programs from self-interest, not a sense of racial obligation. This Clinton stance was incontrovertible, notwithstanding the condescension with which the media characterized his "New Democrat" approach or the references by liberal cynics to the candidacy of "white boys." During the primaries, few appreciated the significance of Clinton's African-American vote majorities, which consistently helped him beat other Democrats who made explicit promises of racially compensatory programs. It was obvious that black voters did not want to be patronized—they wanted to win. California congresswoman Maxine Waters made this clear when she signed on as cochair of the Clinton campaign, but many liberals still didn't get it.

Clinton insisted that a truly populist program had to be directed at the broad "middle class," not at segmented interest groups like seniors, Latinos, African-Americans, or blue-collar workers. He urged these groups to transcend identity-interest-group politics by thinking of themselves, in common, as middle-class voters being taken advantage of by the rich. A Southerner, Clinton understood better than most that race is America's most difficult problem and that Democrats have not addressed it successfully by patching together programs that independently appeased each coalition constituency.

When it first seemed that Clinton might have a chance to win, many progressives had modest expectations. If, it was often said, Clinton did no more than make Supreme Court appointments who upheld "choice," he would earn enduring loyalty. This alone was sufficient to mobilize liberals to work, contribute, and bumper sticker their cars for Bill Clinton.

Governing Without a Mandate

Clinton was elected with 43 percent of the vote. In retrospect, it is clear that most Perot voters were Republicans or fiscal conservatives and that the Reagan-Bush era ended with the narrowest of margins. Clinton's mandate was an inchoate desire for "change," for a focus on the economy, rather than an explicit call for specific programs.

Nonetheless, many liberals quickly forgot the vagueness of the mandate, the narrowness of the base, the early improbability of victory, and the original modesty of their own expectations. Instead, liberals have convinced themselves that voters expressed clear support for sweeping jobs programs, single-payer health insurance, or ending discrimination against gays. Many liberals pretend there is a congressional majority for these initiatives, if only the right presidential speech were made. And, they insist, these programs have failed only because Clinton has suddenly lost his political skill, has no courage, or surrounds himself with the wrong advisers.

The economy is stagnant, the recovery is jobless, and low interest rates alone clearly won't stimulate private investment if there is a shortfall of demand. More public investment is needed for both stimulus and for technological advance. When economists at Clinton's December economic summit thus proposed a $60 billion stimulus package, liberals cheered. When Clinton suggested that $30 billion might be viable, they began to suspect the clarity of the president-elect's vision. When the President concluded that he couldn't get more than $16 billion through Congress, liberals groaned at the token-ness of it all. Then, Republican leader Bob Dole organized a filibuster to defeat even that small program. Liberal critics complained improbably that the program failed because it wasn't big enough to inspire support.

Several progressives have argued that the failure of the public investment agenda will haunt him politically, since the economy will not be healthy by the next national election. They assert that the mildly contractionary budget may cause Democrats to lose seats and a Senate majority in 1994, and perhaps the presidency itself in 1996. While they may be correct, none have convincingly explained how to conjure the 60 votes needed to keep a stimulus program from being filibustered to death.

On the other hand, Clinton has demonstrated a keen feel for the country's mood, so his political judgments should not be dismissed so easily. While a slow economy could yield a Democratic debacle, Clinton could also rout the Republicans. Clinton's one vote budget victories in the House and Senate may yet be seen as courageous, while revealing the lack of a Republican program beyond protecting the rich and exposing Ross Perot as shallow and hypocritical.

Further, while liberals appropriately scorn the notion that deficit reduction might spur a recovery led by low interest rates, a deflationary budget might keep interest rates from rising and thus help establish more propitious background conditions. Mortgage interest rates, for example, are at a 20-year low, a fact for which Clinton might legitimately claim partial credit.

Substantively, the president has negotiated a program more progressive than liberals give him credit for, and the reality of its progressivity may yet penetrate public consciousness. The most truthful criticism of the budget was conservatives' insistence that the plan reduces deficits only slightly—because the biggest spending cuts in this five-year plan won't take effect until after 1996. It's hard to see how that would be severely contractionary in the short run. If the economy is still (or is again) stagnant, spending cuts will likely be reversed. The budget plan's essence is not deficit reduction but an immediate restructuring of federal taxes to redistribute income from rich to poor. Liberals' stubborn reluctance to credit this is self-defeating.

A Progressive Budget

Liberal critics of deficit reduction rely on the Keynesian truism that when unemployment is high, government should spend more than it collects so the economy will be "stimulated." Deficit reduction could hurt job growth by taking more purchasing power out of the economy than it puts back in via lower interest rates. While this rather stylized theory is valid, liberals should remember another Keynesian truism as well: low-income consumers have greater "propensity to spend" than high-income people. Since the poor are more likely to spend dollars and less likely to save them, income redistribution is "stimulative," even if net government spending is unchanged.

With these principles, take a realistic look at Clinton's budget. About $24 billion of new revenues, raised mostly from taxes on the rich, will go to the poor, in the form of additional food stamps, a child immunization program, and an expanded earned income tax credit (EITC), a program where low-income families can claim a federal tax reduction or subsidy. A family headed by a full-time minimum-wage worker (earning $8,840 a year) with two children, for example, will get a subsidy of $2,528 for 1994 under the Clinton budget, a 27 percent increase over current law. By 1996, this subsidy will grow to $3,370, plus an automatic inflation adjustment. This is the beginning of nonpunitive welfare reform, since the EITC rewards the poor for working; it does not create social service bureaucracies, but fights poverty by increasing poor people's income. And since the poor are more likely to spend it quickly than the rich, the EITC expansion is stimulative.

Clinton's emphasis on the EITC should give pause to critics who didn't notice what he was up to until the fight was over. Clinton's original budget proposed extending EITC eligibility to those with incomes up to $30,000. This proposal was resisted even by Congressional liberals who felt that Clinton's EITC would cover families well above the poverty line and become another indefensible government expenditure. Clinton, however, insisted on a high cutoff, eventually settling for $27,000. This assured a "middle-class tax cut" for families below that income level, more than offsetting the gasoline tax increase. More important, support for what has become the government's biggest antipoverty program is now anchored in the lower middle class, voters whose opposition to antipoverty expenditures can otherwise be anticipated.

Clinton's insistence on high eligibility has already paid off. In the final days of the House budget debate, the administration distributed data detailing for each wavering congressperson the number of middle-class voters in his or her district who would get a tax break. It provided the votes needed for victory. One typical wavering Democratic congressman reportedly decided to support the budget only after White House lobbyists demonstrated that 1,300 households in his district earn more than $180,000 and would now have to pay higher taxes; but 51,000 households would be eligible for increased EITC subsidies. Even in California, with its legions of professionals and entrepreneurs, only 300,000 upper income households will pay more, while 2 million households will get a higher subsidy.

Many of those eligible (perhaps as many as 20 percent), however, don't file for the EITC. The nonfilers are mostly the very lowest earners, who are entitled to a cash EITC subsidy. Some (household service workers, for example) may not file because they deliberately avoid the social security system, but others are unfamiliar with the program or intimidated by the paperwork. Food stamps, also expanded by the Clinton budget, has even higher nonparticipation rates, about 40 percent of those eligible. Forecasts of the budget's contractionary effects assume this nonparticipation will continue. Herein lies an opportunity. What if liberals, instead of blasting Clinton for being insufficiently progressive, helped turn this budget into a more stimulative package? They could help do so by supporting educational campaigns to assist families in applying for food stamps and filing EITC forms. If all those eligible were to file for the EITC for the 1994 tax year, budgetary assumptions would crumble. Some $5 billion of extra economic stimulus might be pumped into the economy, helping the budget better to fulfill liberals' goals.

The Center on Budget and Policy Priorities conducts such a campaign to inform the poor of their EITC rights. If progressives truly want the Clinton presidency to succeed, if they want to even a score with Senators Dole, Boren, Nunn, and the like, joining this effort is a worthy project. The center's phone number is (202) 408-1080.

Kind Cuts

Some of the budget's cuts are less contractionary than they seem. One reduces administrative costs of college loans because of a Clinton demand, partially implemented, that students be able to borrow directly from government without bankers' skimming fees off the top. This reform was won after a bitter fight with the banking industry over the principle of universal middle-class entitlement to higher education.

Another big "spending cut" is less interest paid on the national debt because interest rates are expected to stay low. This is not the kind of contractionary budget reduction that Keynesians fear. Federal interest payments go mostly to wealthy bondholders with low "propensities to spend," so reducing these payments does not have the negative impact on private purchases that, say, laying off construction workers from canceled highway projects would cause. Because of this, deficit reduction is less harmful to job growth than it first appears. Think about the reverse: nobody would argue that a good way to stimulate the economy would be to raise interest rates to force higher government expenditures for debt service!

Consider the biggest domestic budget

cut: reduced payments to doctors and hospitals under the Medicare program. This cut wasn't seriously fought by senior citizen advocates because the elderly will not likely suffer much: rather, hospitals will shift charges to insurers of other patients. As seniors' lobbyists knew, if Clinton gets his national health care plan, payment systems will be restructured, making these Medicare cuts irrelevant.

Clinton insisted on defense spending cuts greater than Republicans or the Joint Chiefs wanted. His goal of one-for-one conversion, using defense savings for domestic stimulus, did not prevail. Given this, should the president have attempted to preserve an obsolete Cold War defense establishment solely for its stimulative effect? Progressives should not place themselves in the position of arguing, even implicitly, for this alternative.

The cynical press has focused almost exclusively on Clinton's compromises, and many liberals have joined this chorus.

The budget compromise certainly did not fulfill Clinton's promise to make a priority of public investment—attempts to spur economic growth not with diffuse effects of higher spending but with targeted projects like road construction and education or training programs. Clinton's liberal critics argue that the administration has abandoned investment because conservative advisers (Treasury Secretary Lloyd Bentsen, Budget Director Leon Panetta) have the president's ear. But few congressional opponents of Clinton's budget would have been won over by greater public investment while numerous deficit-conscious supporters would have been lost.

Liberals who mourn Clinton's unwillingness to take his public investment strategy to "the people" in a populist crusade forget that "the people" whose senators sabotaged Clinton's plans live in conservative places like Oklahoma, Georgia, and Nebraska—not Chicago, Brooklyn, and Los Angeles. Even at the height of his popularity, last year, Clinton was not able to save Wyche Fowler's Georgia Senate seat. History offers examples of many failed presidential crusades against Congress. Harry Truman's successful scapegoating of the "do-nothing" 80th Congress was the exception; it followed three years of Congressional defeats. For now, Clinton has chosen not to embark on an all-or-nothing crusade against conservatives, but liberal critics, with no responsibility to consider the risks, unhesitatingly urge him on.

Though the budget compromise didn't boost public investment, it did fulfill other Clinton commitments. Clinton promised not to tax the middle class but to raise new revenues from the rich. This promise was essentially fulfilled, though Republicans have characterized the tax increase of 4.3 cents per gallon as a middle-class burden. This is silly. All told, the net effect of this "middle-class tax increase" might be $10 to $20 a year for the typical middle-class family. Meanwhile, those earning $200,000 annually will pay about $1,500 each year in new income taxes. Ninety percent of new revenues in this budget come from families with incomes over $100,000. That comes close enough to fulfilling a promise of tax fairness (and a lot closer than previous leaders have come).

The Scorecard to Date

By the time Congress went into summer recess, one could look back at a flood of liberal Clinton initiatives and some spectacular appointments; as this is written, Republican senators needlessly delayed a vote on the confirmation of Joycelyn Elders' appointment as surgeon general because she supports a responsible program of sex education. Yet the liberal outcry against this outrageous filibuster pales in comparison to liberals' vilification of Clinton for withdrawing the nomination of Lani

Guinier in the face of certain Senate defeat.

Congressman Barney Frank courageously defended Clinton's adoption of the Sam Nunn-Joint Chiefs "don't ask, don't tell" position on gays in the military. In an op-ed article, Frank praised Clinton's leadership in elevating the status of gays to a national civil rights issue while Frank acknowledged that he himself would prefer no loaf to half. But are liberals really willing to accept no loaves on the full range of Clinton compromises since January? Was the country better off under George Bush?

A cynical press has focused almost exclusively on Clinton's compromises, and many liberals have joined this chorus. Meanwhile, there is no constituency praising Clinton for the half-loaves he's extracted from a conservative Congress. In addition to the budget, here are a few accomplishments, most including some compromises, from the first six months. None would have been delivered by Bush:

- The Family and Medical Leave Act (which Bush had vetoed).
- The Motor Voter bill (compromised to end a filibuster).
- The Rio Biodiversity Treaty, signed.
- Immunizations for uninsured children.
- National service program (compromised to end a filibuster).
- De-privatization of college loans.
- Abortion counseling "gag" rule, repealed.
- Funding reestablished for international family planning.
- Reversal of the ban on hiring the air traffic controllers whom Reagan fired.
- Stunning progress in minority and women appointments.
- A ban on the import of assault rifles and a pledge to sign the Brady Bill.

There's been positive administrative change as well. Clinton's Labor Department has reversed 12 years of declining labor standards enforcement and just negotiated the largest back-pay settlement in history—$13.2 million to Food Lion workers (and another $3 million in fines) for overtime and child labor violations. The Justice Department has revived antitrust enforcement. Grazing fees on federal lands have been increased to reestablish conservation as a national priority. The administration has taken a less obsequious stance toward Japanese trade barriers, and the mission of the defense research agency has been redefined to give greater emphasis to civilian technology.

Liberals need to learn how to bargain with this administration, as conservatives have done more astutely. For example, liberals are fumbling NAFTA. After 40 years of presidential free-trade preaching, Clinton proposed that labor and environmental standards be harmonized upward as part of a Mexican trade deal. While some, like Congressman Richard Gephardt, reserved judgment until they saw whether side agreements approached this goal, most liberal and labor leaders forfeited the endgame when they decided to oppose the accord regardless of what the side agreements achieved. While business lobbyists pressed administration negotiators to water down the standards, the left offered virtually no promises of support if supplements were toughened.

We now enter a debate over national health care reform. The Clinton proposal includes many compromises with insurance companies, business groups, doctors, hospitals, and drug companies, not to mention the fiscal conservatives in Congress. But the proposal will also include provisions unimaginable before the Clinton presidency: universal access and coverage, a one-tier basic benefit package, emphasis on prevention, and openings toward long-term care.

Liberals will have another opportunity to grumble about how the good is the enemy of the best. Or we can begin to appreciate a president and administration who, notwithstanding the never-satisfied plaints of liberal friends, forge ahead to implement an agenda of economic justice, equality, and decency.◆

THE PRESIDENT HAS SEEN
9.27.93

Mack/cc GS/Rubin we need to deliver his suggestions — B

H. Peter Tepperman

Procurement Pains

Why my company stopped bidding on government paint contracts.

As the White House prepares to implement the recommendations of Vice President Gore's "Reinventing Government" task force, no one should underestimate the depth of the problem and the difficulty of solving it. I have firsthand experience—as CEO of a paint-manufacturing company—that is illustrative of the challenge facing the administration.

After 20 years of selling paint to the government, my company stopped bidding on government contracts because the process was nonsensical, costly and filled with mind-boggling hassles.

The paint procurement process works like this: The General Services Administration acts as the purchasing arm of government for everything from pencils and paper clips to paint and computers. It has a $10 billion annual budget, primarily obtained not through congressional appropriations but from markups on the products it procures for other agencies of the government.

The officers responsible for procuring paint are separate from those involved in contract administration, thus ensuring turf wars and lack of accountability for results. Adding insult to injury,

> *As one former official put it: "If GSA was a business, it would be in bankruptcy."*

these contract administration officers know almost nothing about the paint they are purchasing, since they lack any chemical or engineering background. This is important, because paints required for military applications involve sophisticated technologies—painting an aircraft carrier is not like painting a house.

For each paint procurement, there are hundreds of government-created specifications. The age of these specifications averages more than 20 years. They are irrelevant to military paint applications, where technological advances occur continually. As a result, the government denies itself new—and better—products.

Adding to the complexity of the problem, there is enormous inconsistency between GSA's various regions in how contract administration, testing, quality control and enforcement are handled.

Then there is GSA's laboratory, which tests the paint it procures. I know of no diplomatic way to put it. They are incompetent. Kenneth Kellogg, the retired director of procurement for the Paint and Chemicals Commodity Center of GSA observed, "In my last 10 years with GSA, I had absolutely no confidence in the GSA laboratory." All judgments of the GSA lab are final, with no referee testing allowed if a dispute arises. My company noted 25 deficiencies and inaccuracies in testing methods for just four products. In fact, we sent paint samples to three independent labs and the GSA lab. Every lab found the paint fine—except for GSA, which reported the paint failed multiple tests.

After jumping through all of these hoops, if a paint manufacturer is finally awarded a contract, the nightmare can get worse. GSA can terminate contracts without due process, and it can bankrupt a company by causing delays and withholding payments.

One result of this ludicrous process is that companies like mine don't touch government contracts with a ten-foot pole. When GSA sends solicitations to 200 to 300 bidders, it typically receives three bids or fewer per item, a response rate of approximately one percent. On some contracts, no qualified company bids.

An additional result is that the taxpayer suffers. For example, the Navy purchases more than $2 million of Mare Island Epoxy Formula 150-156 each year. This product sells for roughly $12 per gallon in relatively small quantities to commercial entities such as the Newport News Shipyards. GSA now pays $18 per gallon for far larger quantities of the same product. Add in GSA's markup, and taxpayers are charged more than 50 percent above market cost.

The bottom line? Kellogg put it best: "If GSA was a business, it would be in bankruptcy." As the last government reform effort, the Grace Commission, noted, GSA employs 17 times as many people and spends almost 14 times as much to manage its facilities as would a comparable private firm. If you intentionally set out to design the ultimate dysfunctional system, it would be hard to do worse than GSA.

This is what the White House faces. Fortunately, its report, "Creating a Government That Works Better and Costs Less," notes that "our procurement system has become too complex, absurdly slow and frequently ineffective. . . . Federal procurement must be massively reshaped by decentralizing authority to line managers and simplifying regulations and processes."

Among several positive steps are proposals to rewrite federal procurement regulations, "shifting from rigid rules to guiding principles"; allowing agencies to directly buy products for less than the GSA price; relying more on the commercial marketplace instead of requiring products to meet "government-unique specifications"; and bringing federal procurement laws up to date.

Beyond these recommendations, the administration ultimately must overhaul the entire GSA culture, from top to bottom, in every nook and cranny. This is a formidable challenge, but in meeting it, President Clinton and Vice President Gore will have no more enthusiastic supporters than the myriad suppliers like myself who have seen firsthand how desperately government needs to paint out wasteful practices.

The writer, chief executive officer of Seagrave Coatings Corp., is chairman of the Government Paint Suppliers Committee of the National Paint and Coatings Association.

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come from the United States. Thus as Mexico's industry expands, it should provide a continuously growing market for U.S. goods as well.

Beyond this there is the potential for the United States to do in Mexico what Japan has done in Thailand. There, Japanese companies have invested and assembled components shipped from Japan into products for export to the world. Japan thereby runs a trade surplus with Thailand, while both their production and exports increase. Under NAFTA, U.S. firms should be able to do the same in Mexico, turning Mexico into the same kind of export platform that Thailand provides to Japan.

It is important to correct two major fallacies that have arisen in the NAFTA debate. The first is the notion that the choice is between keeping jobs in the United States or moving them to Mexico. In fact, in many instances jobs have already moved or will move to Asia if they don't go to Mexico. For the reason noted above, if jobs are going to move, Mexico is preferable to Asia as a destination.

The second fallacy is the notion that companies make investment decisions primarily on the basis of labor costs. The truth is that it is overall costs, not labor costs, that determine investment locations. BMW recently made a major decision to locate its first plant outside of Germany. It did not choose low-labor-cost Mexico. Rather, it chose South Carolina. The reason is that despite Mexico's cheap labor, according to the Office of Technology Assessment, it costs only $8,777 to build a car in the United States versus $9,180 in Mexico. Mexico's high shipping, parts and inventory costs more than offset its low labor costs. Thus it is unlikely that there will be a major emigration of U.S. manufacturing to Mexico. More likely, and much more desirable, is a combination of Mexican and U.S. operations to make both more competitive with Asian and European enterprises.

Beyond the economic considerations, there are fundamental reasons of national security for going ahead with NAFTA. Mexico and the rest of Latin America are engaged in an historic realignment away from dictatorship and state intervention in the economy toward democracy and the free market. They are asking for our help. It is not in our interest to have an impoverished and embittered nation with a rapidly growing population on our southern border. If the Israelis can shake hands with the PLO, surely the United States can take the outstretched hand of Mexico that, after all, has been more sinned against than sinning in the history of our mutual relations.

If NAFTA is to pass, the White House and big business will have to do much more than they have done to date. Tariffs will remain higher on the Mexican than on the U.S. side of the border for several years after NAFTA's enactment even in industries such as glass, steel and chemicals in which Mexican competitors are already world-class producers. Moreover, Mexican industrial decrees and re-export requirements will be phased out slowly, thus damaging the potential for U.S. exports for several years after ratification. The agreement permits acceleration of the removal of trade barriers, and the Clinton administration ought to insist on it in key industries.

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At the same time, it should be made clear to Mexico that U.S. implementation of the deal will be contingent on rapid democratization in Mexico and particularly on guarantees for the rights of labor to organize and bargain collectively.

Finally, American business, which stands to gain much from NAFTA, must assert some leadership. So far the airwaves have been dominated by opponents offering simplistic and misleading aphorisms about what business will and won't do. Where are the captains of industry at the Business Round Table, the National Association of Manufacturers and the Chamber of Commerce? They must get on "Larry King" and "Meet the Press" too. And when they do, they should recognize that some of the opposition to NAFTA is based not on the exact terms of the treaty but on a more amorphous but understandable feeling among American workers that neither big government nor big business has been vigilant enough in defending and advancing their interests.

When industry leaders campaign for NAFTA, they should be prepared to talk straight and to make some commitments to the American public. A formal pledge, like the Sullivan Principles that guided business in South Africa, might be appropriate. Such principles might include a pledge to pay the U.S. minimum wage at Mexican operations; to provide for reassignment and retraining of any displaced workers; and to maintain a company-wide trade surplus with Mexico. Such commitments would go a long way to calm the fear of losing more American jobs. It is clear that this fear must be counteracted if NAFTA is to have a chance of passage.

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The New American Liberal: Guilt-Ridden and Nativist

■ **Doctrine:** NAFTA and the upsurge of immigrants have caught the left without many appealing solutions. But there is a way out.

By Harold Meyerson

Was it only a couple of years ago that California liberals almost uniformly favored open borders for capital and people? In those days, the idea that free trade could threaten the state was blithely dismissed. The North American Free Trade Agreement might imperil the fossilized economies of Pittsburgh and Detroit, but it merely opened new markets to the ever-expanding economy of the Golden State. As for the idea of restricting the flow of immigrants: If anyone had had the temerity even to raise it within the Democratic Party, with its increasingly Latino base and its staunchly civil-libertarian elite, it would quickly and surely have died for lack of a second.

Today, it would be more likely to pass by acclamation.

By mid-1992, the sea change among California Democrats was already apparent, and it reflected a broader shift in the national Democratic Party. A wave of immigrants and refugees was rolling over a stagnant global economy, and wherever business was slow and newcomers abundant, longtime proponents of liberal immigration policies and free trade were proclaiming the sanctity of borders.

For liberal Democrats, the populist attack on free trade, though it has its nativist component, should be the less of a problem. Since the 1930s, American liberals have not espoused free trade as a booster shot for the domestic economy, seeking instead to craft a mixed economy in which unions, the minimum wage, Social Security, etc., all worked to distribute income more equitably and to bolster purchasing power. The challenge for liberals today is to craft a position—of using trade accords to foster an international mixed economy—distinct from the more nativist anti-NAFTA sentiments.

If the Democrats should feel doctrinally comfortable opposing free trade, they should feel even more comfortable politically. Opposition to free trade unites the Democratic core constituencies, and support for it is far from overwhelming on the Democrats' peripheries.

It's the war on immigration that's the more ideologically, politically and morally difficult for liberals. Few, if any, liberals, for example, would argue that endangered immigrants—refugees seeking political asylum, or a haven from a raging civil war—should be returned to their countries of origin. And yet, the spurned Haitian boat people were, above all, political refugees. The Salvadorans and Guatemalans, who flocked to Los Angeles in the '80s, fleeing civil strife would never had made it had the border been militarized, as some liberals now suggest.

The Democrats' own moral ambivalence in these matters constitutes a rather slipshod brake against the rush to slam the doors. At the moment, the Democrats seem to be headed toward a combination of managed nativism and feelings of guilt.

How can liberals get through this nativist nightmare? Three perspectives—one analytic, one programmatic, one structural—can help shape the liberal response.

● *The analytic.* Immigration did not make this economy. Begin, though, by giving the devil his due: There *are* sectors of the economy where a native work force has been replaced by an immigrant one, bringing wage levels down with it. Building services and drywall construction are two such sectors.

Yet, the entire nation has been moving toward a lower-wage economy for decades, including sectors and regions unaffected by the immigrant influx. It is not the immigrants' doing that technology is now dis-employing the service sector.

Indeed, the U.S. economy is coming to resemble the Mexican economy—but that's much more the result of conscious choice by U.S. management than it is of the immigrant upsurge. One of the valid criticisms of NAFTA, for example, is that the side agreements don't really mandate that productivity gains in Mexico go toward higher wages. But then, the link between productivity increases and higher wages has been broken in the United States, too. Twenty years of corporate violations of labor law, abetted by the pressures of a global economy, have reduced U.S. unions to a position not that much more powerful than that of their Mexican counterparts.

● *The Programmatic.* In "The New Dealers," a history of the Franklin D.

Please see NAFTA, M6

Harold Meyerson is executive editor of the L.A. Weekly and a member of the editorial board of Dissent.

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NAFTA

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Continued from M2
Roosevelt Administration, Jordan Schwartz contends that the New Deal was, in large part, a regional-development strategy: using federal power and federal funds to bring the roads and factories and industries to the then-underdeveloped South and West. Regional development placed a floor beneath the economy. As the economic gulf between a Mississippi and a Connecticut gradually closed, so did the possibility that one region of the nation's economy could undercut another.

The same logic informs the managed-trade agreements of the European Community. As the nations of Western Europe moved toward free trade, they invested in their less-developed economic regions, the better to protect their own work forces. During the past decade, for example, the EC has spent $32 billion on projects in Spain, Portugal, Greece, Southern Italy and Ireland, and in the Iberian nations, at least, the resulting projects have substantially increased per capita income.

A program put together by the L.A.-based Southwest Voter Research Project seeks similar results. It calls for substantial public investment on both sides of the border, and an agreement increasing workers' rights. This is trade policy that derives from the New Deal tradition.

• *The structural.* Problem is, when it comes to the economy, all politics may not be local, but it's certainly still national—though the economy has been transnational for two decades. What liberals are grappling with, directly in the case of NAFTA, obliquely in the case of immigration, is the fact that their greatest creation—the mixed economy—has been eroded by the globalized economy, and that there are precious few existing political structures to build a mixed economy (inherently a political creation) on a global scale. The EC is a model here, albeit an imperfect one, but it has no North American counterpart, and NAFTA fails to establish one. The Clinton Administration raised hopes that its side agreements with Mexico would create some mechanism for raising wages and living standards on both sides of the border. But the documents signed last week fall short of that.

Simply opposing NAFTA isn't enough. Liberals must agitate for a NAMTA—a North American Managed Trade Agreement—that would establish international bodies to foster development, unionization and economic rights on both sides of the border. Politically, it would be useful if American liberals cultivated contacts with those elements in Mexico that are committed to building a cross-border mixed economy.

Neither this analysis nor this program nor this particular emphasis on international structures offers a magical solution to liberals as they grapple with the problems of open borders and public apprehensions. There are no magical solutions. But there are ways to think and talk about the international flows of capital and people that can free liberals from the cycle of reaction and remorse, and provide them with a better vehicle than the rickety jalopy of national politics as the global economy whizzes by. □

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For Children Who Have Children

By Lynn Martin

CHICAGO

The debate over Joycelyn Elders's nomination as Surgeon General stirred an important discussion on the national epidemic of teen-age pregnancies. But the focus on sex education, condom distribution and abortion rights has left out one critical area: the steady rise in teen-age motherhood. Whatever the Government attempts to prevent teen pregnancy, it must stop sending the signal that unwed teen mothers can, with a few dollars from government, both raise their children and seek a decent future for themselves.

It seems no great surprise that the number of unmarried women having children has increased. From a time not too long ago when a pregnancy without marriage was almost unthinkable and kept hush-hush, we have moved unwed motherhood to prime time and celebrate it on the covers of glossy magazines.

I hope all of us are glad to leave a past where a child was branded illegitimate or a desperate marriage ruined two or more lives. But it strikes me as equally damaging to ignore the economic and social realities faced today by single teen-age mothers, and to avoid the policy changes that are needed to discourage unwed pregnancies and help girls who have children get their lives in order.

Mature, educated single women who make a choice for motherhood, though increasing in number, are still a small percentage of the total. The huge increase is among young women — who usually stop their education, have few economic opportunities and often lack support systems for parenthood. That means problems for them and their babies.

We must leave the old conservative-vs.-liberal arguments behind and discuss instead how to change a failed system. A 15-year-old girl is not a 21-year-old woman, yet we have a system that treats her as one.

Think of your own 15-year-old daughter. You find out she's pregnant. Wouldn't you do more than give her a check on the beginning of every month? Wouldn't you be furious this had happened? Wouldn't you want to know how, when, who? Wouldn't you want to know how your child and her child will survive this trauma?

We would not treat our own daughters the way the welfare system does. Could it be that because many of America's 15-year-old mothers are children of color and are poor, too many of us believe they are not important?

Our welfare system should differentiate and separate the pregnant girl who is not yet 16. I'm saying: Remove her from where she is staying — whether it is with a boyfriend, sister or parent or, too often, on the streets. We need a system that has a residential base where these young girls can stay, be protected and grow up.

Why not have supervised group housing? Why not provide counselors during the pregnancy and, in cases where the mother keeps the baby, for the first eight months of the infant's life?

Why not require school attendance and nightly check-ins? Why not create a haven where a girl can learn she is truly of value — a place to learn about her new responsibility?

A girl in a group home can more easily get services that help her and her new child. Only half of teen mothers begin prenatal care in their first trimester. Too many continue using drugs and alcohol. Repeat pregnancies occur more often among teens. Abusive parenting is far too common.

Would group housing foreclose easy access for her boyfriend, give greater authority to the state and infringe on the young mother's right to do anything she wishes? You bet.

Group homes, not just welfare checks.

But if we adults know better and do nothing, we are adults in name only.

Obviously this would cost money. But Washington already spends $25 billion a year for families whose first child was born to a teen-age mother. So we have an enormous economic and moral stake in ending the tragedy of childhood motherhood.

Such a program will require fundamental changes in our welfare, medical and legal systems. But why not risk change? All we have now is failure.

Lynn Martin, who was Secretary of Labor in the Bush Administration, advises the accounting firm Deloitte & Touche on women's issues.

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Clinton's Conversion On NAFTA

President's Inner Struggle Mirrors the Battle Today

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By Peter Behr
Washington Post Staff Writer

President Clinton's ringing public adoption of the North American Free Trade Agreement last week ended a political debate waged not only among his closest advisers, but also within Clinton himself.

The trail that took Clinton to that White House ceremony began in the early days of the 1992 presidential campaign and passed through Midwestern union halls, an Arlington hotel suite and negotiating rooms in Ottawa, Mexico City and Washington.

Along the way, Clinton did not stray from his belief that expanded trade would strengthen the U.S. economy, according to administration officials and former campaign aides who participated in the decision. Rather, the debate concerned the politics of a trade agreement they feared could cost the jobs of individual Americans.

Along the way, Clinton did not stray from his belief that expanded trade would strengthen the U.S. economy.

Clinton's personal struggle with NAFTA is a portrait of his decision-making that reveals his many parts: Intellect, compassion, calculation, indecision and resolve. The debate mirrors the battle over the agreement itself that is spreading around the country as Congress prepares to vote on the pact, which would remove trade tariffs between the United States, Canada and Mexico.

The decision involved plainly political calculations over the trade agreement—begun by President Ronald Reagan and concluded by President George Bush—that could strengthen his presidential credentials but

See NAFTA, H4, Col. 1

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This is essentially accurate - A lot of these [illegible] [illegible] [illegible]

alienate his party's oldest, truest supporters in the labor movement, which is ardently opposed to NAFTA.

Clinton's stance is full of irony. He won last year's election by portraying himself as more concerned about the average American than Bush. And now he has thrown the prestige of his presidency behind an uphill battle for a trade agreement that Bush had pressed for and that critics charge benefits big business at the expense of many of the very Americans Clinton championed in the campaign.

Turning Point

The turning point for Clinton's decision came in a three-hour meeting with campaign advisers in a suite at an Arlington hotel on Sept. 29 last year, just weeks after the Bush administration had completed NAFTA negotiations with Mexico and Canada. Before then, Clinton had hedged about the agreement.

At heart, Clinton believes in the importance of expanded trade as a critical element of the country's economic future. It was a lesson he learned as Arkansas governor, when he had led personal campaigns to attract foreign investment to his state.

In late 1991, as Clinton moved around the country in his nascent campaign for the presidency, he voiced support for the authority for the president to send NAFTA to Congress for consideration without amendment, a stand that organized labor opposed.

The position cast him as a "new Democrat" who was willing to stand up to the unions, reflecting his belief that his main competition in the 1992 primaries would be a traditional liberal such as New York Gov. Mario M. Cuomo (D) or Sen. Tom Harkin (D-Iowa).

The dynamic of the campaign changed when Paul E. Tsongas, the former Massachusetts senator, and former California governor Edmund G. "Jerry" Brown Jr. ended up as his main opponents. Tsongas forced Clinton to begin to move left; Brown taunted him to move even farther left—farther than was politically smart.

Clinton was under pressure to yield to the unions on NAFTA before the Michigan primary in March 1992. Instead, he went into a United Auto Workers hall in Flint, Mich., and delivered an eloquent defense of his position to a hostile audience. But to avoid a break with labor, he held out the possibility that he could oppose the NAFTA treaty, saying he doubted he could support something Bush negotiated.

In August, the hypothetical agreement suddenly become a reality. The Bush administration pushed hurriedly through the remaining pieces of NAFTA, announced the agreement at the White House with election-year fanfare—and immediately pressed Clinton to take a stand.

If Clinton supported the pact, he risked a major break with labor, a key Democratic constituency. If he opposed it, he would undercut his efforts to portray himself as a "new Democrat" by leaving himself open to the charge that he was a tool of organized labor.

Against that backdrop, Clinton brought together a large group of advisers, combining both his chief political strategists and his trade experts, at the Arlington hotel.

Clinton, in Washington for the funeral of Democratic National Committee political director Paul Tully, arrived in jogging clothes for the 9

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p.m. meeting. Characteristically, he had already digested the briefing papers on the issue and knew their arguments chapter and verse.

He began by reminding the group of his belief in free trade. "In principle, I'm strongly for this agreement," he said, according a participant. "I'm worried about many of the details. . . . Who gets hurt, and why?"

Clinton had just finished a campaign trip by bus through rural Georgia with his running mate, then-Sen. Albert Gore Jr. (D-Tenn.), and what he had seen and heard made him anguish over whether to support NAFTA.

"They loved us, but they don't want NAFTA," several participants recalled him saying. NAFTA could be the best policy for the country, but what could he say to those who rightly feared that competition with Mexico's cheaper products would cost them their jobs?

"I believe in open trade and open markets," Clinton said. "But I have to figure out how to do it."

Rancor in the Ranks

His advisers were deeply split.

David Wilhelm, who was then Clinton's campaign chairman and is now DNC chairman, stressed the political risk Clinton would take by backing NAFTA, participants said. If the race were close, the loss of even one industrial state over the trade issue would be a hard price to pay.

Stanley Greenberg, Clinton's pollster, said that if Clinton supported NAFTA, he would lose enough support to Ross Perot to throw Michigan's 18 electoral votes to Bush.

Top adviser George Stephanopoulos, speaking for himself and strategist James Carville, urged Clinton to simply endorse NAFTA to neutralize it as an issue. Since Clinton was leading Bush at the time, he said, it was essential to take as many issues away from Bush as possible.

But Greenberg and others said there could be important political gains from backing NAFTA too. Even though many voters were uneasy about the Mexican trade issue, they were not against trade itself, Greenberg said.

"People want their president to be forward-looking, optimistic, expansive about the economy, not defeatist and isolationist," Greenberg said in a recent interview.

Others argued that Clinton would underscore his self-portrayal as a "new Democrat" if he backed NAFTA. That would help him more in such states as California that have large blocs of independent votes than it would hurt him in the industrial states, those advisers said.

Bridging the Divide

In the end, Clinton characteristically decided to attempt to bridge the two sides of the debate.

He would announce his support for NAFTA as it stood—but only if Mexico and Canada agreed to additional side provisions addressing the concerns of labor and environmental groups, two key constituencies. It was one of two options his advisers had prepared—the other was to reject NAFTA but promise to renegotiate a new agreement. NAFTA would also have to be accompanied by a new retraining program for workers who lost their jobs in the process.

"It's very typical of Bill Clinton," said Paula Stern, a trade consultant who advised Clinton during the campaign but did not participate in the September meeting. "He tries to find a position where everyone can sign on."

Hillary Rodham Clinton attended the meeting but said little, according to participants. Her one question was of basic strategy—as president, could Clinton control NAFTA and keep it from being enacted if Canada and Mexico balked at the side agreements? The answer was, he could.

The political anxieties did not go away.

Clinton's NAFTA position was spelled out at a speech Oct. 4 speech in Raleigh, N.C. On the day of the speech, he placed phone calls to seek the support of AFL-CIO President Lane Kirkland, House Majority Leader Richard A. Gephardt (D-Mo.) and Henry G. Cisneros, the former mayor of San Antonio, and now housing and urban development secretary.

He fidgeted with his message on the way to North Carolina, producing a speech that moved back and forth between the pros and cons of the trade agreement.

"If it is done right, it will create jobs in the United States and in Mexico," Clinton declared that day. ". . . I'm convinced that I will do it right. I am equally convinced that Mr. Bush won't."

Clinton's stamp was now on NAFTA.

'Mission Impossible'

After Clinton took office, it took U.S. Trade Representative Mickey Kantor seven months to get the side agreements, which extracted more concessions from Mexico and Canada than most NAFTA supporters had considered possible. "I must say I thought it was 'Mission Impossible,'" Sen. John H. Chafee (R-R.I.), a NAFTA supporter, said last week.

One side agreement enabled Clinton to hold onto a large part of the environmental movement, although there is strong opposition there as well. But a second has not won over a critical bloc of undecided Democrats, headed by Gephardt. Labor has vowed to defeat NAFTA.

But now the adoption is complete. It is Clinton's NAFTA now.

Staff writer Dan Balz contributed to this report.

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Changing the Fortunes Of the Medical Business

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Clinton's health-security plan means insecurity for a lot of the care-givers.

By MILT FREUDENHEIM

REMEMBER that callous wisecrack about the people the Wall Street crash of 1987 put out of a job? Question: "How do you call a stockbroker?" Answer: "Waiter!" In the 1990's, the unwitting targets of such gallows humor could well be surgeons, hospital workers, health-insurance brokers and pharmaceutical researchers.

Under President Clinton's health proposal, which would light a fire under a number of trends already happening, a lot of Americans in the medical business, many of them well paid, would be looking for new and often less lucrative lines of work, or at least seeing their incomes fall substantially. Others, however, would adroitly seize new opportunities and come out far ahead.

While the health proposal will touch all Americans, it most affects the 11 million people who earn their livelihoods in this $900 billion business — a business that has grown so large that it consumes one in every seven dollars the nation spends and is sometimes referred to as the medical-industrial complex.

The President's plan, which he is expected to announce formally on Wednesday, aims to guarantee comprehensive health coverage for all, control medical costs by reducing waste and excesses in the system, and improve the quality of health care to boot. Mr. Clinton hopes to prove wrong the experts who have argued that it's possible to accomplish any two of those three goals at once but not all three.

Under the proposal, regional "health alliances" — essentially giant insurance-buying pools — would collect money from employers and individuals and in return offer them a variety of competing health plans. A National Health Board would control the regional alliances' budgets and prevent them from raising insurance premiums more than a certain amount. At its simplest, the proposal implies a lot of new pressure on medical providers to hold down their costs without sacrificing quality, or lose out to others who do.

While any plan that emerges from Congress next year may bear little resemblance to what Mr. Clinton is proposing, it seems clear that many of the concepts he is endorsing are already here to stay. If some Americans still harbored hopes that the cost-conscious approach known as managed care might be just a bad dream, they likely abandoned them after the President's endorsement.

The Physician's Lot

Among the winners under Mr. Clinton's proposal would be physicians who join a health plan's medical network that assures them a steady stream of patients. The price they pay: a loss of some of their prized autonomy, as medical reviewers scrutinize the way they treat patients and the fees they charge. Those who refuse to play by these rules could be excluded by the health plans, and find it increasingly difficult to find patients. For many resentful physicians, George Orwell was only a decade off in predicting Big Brother would rule in 1984.

Primary care physicians — family practitioners, internists and pediatricians — could be big winners, as the "gatekeepers" whose approval is required for referrals to specialists.

By contrast, many medical specialists would be losers as primary-care doctors follow rules that keep the "gates" shut more of the time and some specialists are frozen out by health plans that deal with only a select group of doctors.

Lawyers may also be winners. The new limits on the historically independent practice of medicine could produce many a legal battle. "There are very few losers in this world who aren't going to use whatever legal rights they think they have," said Kirk Johnson, general counsel of the American Medical Association.

Consulting firms also expect to prosper by keeping employers abreast of the latest rules and helping physicians and hospitals play the managed-care game.

Many hospitals, long on empty beds, will be losers. They'll be out of business unless they can ally themselves with the medical networks that increasingly control hospital admissions. But nursing homes and home health care companies could be winners if Congress approves a tax break for long-term care insurance and Federal money to help states pay for more home care.

Pharmaceutical, biotechnology and medical-device companies could be losers. They contend that price controls on drugs and limits on overall medical spending would hobble their ability to finance research, which would mean fewer innovative life-saving products.

Then again, most large drug and technology companies have profitable operations in foreign countries that already regulate both spending and prices.

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Although medical technology may be set back, computer technology could be a winner. Medical networks are increasingly relying on elaborate software to analyze mountains of medical information. The results are used to determine whether patient care is not only medically appropriate but cost-effective.

Health maintenance organizations have been the model for the managed-care health plans to be offered under the big regional alliances. The big H.M.O.'s seem sure to be winners, unless the Government clamps down on their prices.

Small insurance companies, which do not have enough capital to set up and operate managed-care networks, will lose out, deserted by many of the customers for their traditional health insurance products. Many small health care companies can be expected to pool their resources in alliances and mergers.

Even the five proudly independent teaching hospitals affiliated with the Harvard Medical School are "talking about coming together," said Thomas O. Pyle, the new head of health plans for the Metropolitan Life Insurance Company. "For those hospitals to even sit and talk about that suggests that the world has changed."

Following is a closer look at some of the winners and losers in a changing medical business.

HRC — As opponents say who the winners & losers will be, it's

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important to rebut them when they're wrong to the affected constituencies. B.

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... or Indians

Political Memo

Streetwise Politics Put to Use In Quest for Health Overhaul

By ROBIN TONER
Special to The New York Times

WASHINGTON, Sept. 18 — The civics books suggest that the real wheeling and dealing over restructuring the health care system will begin Wednesday, when President Clinton formally presents his proposals to a joint session of Congress.

But in fact, for seven months, in a marathon series of meetings within the Government and with 1,100 outside groups, the Administration's health planners have already agreed to a complex series of political tradeoffs. One way of comprehending the intricacy of this plan, which is a challenge even to those who have spent their careers in health policy, is to understand the basic political strategy behind it.

As outlined by Administration officials and those close to the policymaking process, these strategic principles are recognizable to any self-respecting precinct captain:

¶Solidify your base. In this case, that meant trying to take care of the elderly, organized labor and the liberals whose hearts are really across the border with the Canadian system, in which the Government pays all medical bills and guarantees coverage to all.

¶Defuse the most dangerous potential opponents. That meant subsidies for small businesses to help them meet the new requirement of contributing to health insurance; preserving the existing fee-for-service system for doctors, and backing off direct price controls on hospitals, doctors and other providers.

¶Remember the middle class. Unless the health care overhaul is seen as a new benefit for the middle class, the Administration's political advisers believe, it is doomed. This goes to the heart of the decision to reject a broad-based tax and the decision to make the guaranteed benefits pack-

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Drawbacks for Couples

The President's health proposal might prove to be a mixed blessing for two-income families who now enjoy excellent health coverage at virtually no personal cost. Page 32.

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Political Memo

Streetwise Politics Put to Use In Quest for Health Overhaul

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age as comprehensive as it is.

¶Remember your campaign promises. That meant covering the 37 million Americans who are uninsured, controlling health costs and somehow doing all this without major new taxes — just through greater efficiencies in the system, as Mr. Clinton promised so expansively, and repeatedly, last year.

Just how well all this careful politics will work is, of course, still a question. Even experts friendly to the Administration voice qualms about its financing system, which, while still under development, appears to be heavily based on projected cuts in the rate of growth of Medicare and Medicaid. "I think how to pay for it is a leap of faith," said Stuart Altman, an expert on health policy at Brandeis University who advised the Administration during the transition last winter.

Objections Right and Left

Theoreticians on the left and right are already objecting to the blend of market forces and Government regulation that characterizes the preliminary draft of the Clinton plan. Some suggest that the Clinton penchant for splitting the difference and hugging the center may have produced a Rube Goldberg-like system, a marvel to look at but with questionable efficiency.

An Administration official, speaking on condition that he not be identified, acknowledged the situation: "The risk is that we're kind of in the

A seven-month juggling act to sell Clinton's plan.

middle. The regulators want more regulation, and the pure managed-competition buffs are saying more competition. But we're also in the only place where we can win."

It is also far from clear how well the Administration has succeeded in muting the opposition. Small businesses, so far, have hardly been mollified, and most groups continue to express reservations of one kind or another, although this is also part of the bargaining process. But there seems to be more wariness than outrage in many of these quarters.

Moreover, the Administration at times seems to be trying to finesse that which cannot be finessed — like its avoidance of the word abortion in the draft of the plan, in lieu of the more opaque promise to cover "pregnancy related services."

No Time for Finesse

Kate Michelman, president of the National Abortion Rights Action League, said, "If the Administration is trying to finesse this and get it through with a wink and a nod, it's impossible."

Still, the plan reflects some arduous efforts at building a coalition to do what has never been done before: reorganize the American health care system.

From the start, health planners were solicitous toward the elderly, the natural constituency for new health care benefits, and one of the best organized and most powerful at the grass roots. ("I want to say this to those older Americans listening today: Our plan offers you more peace of mind," Mr. Clinton said in his radio address today.)

The prescription drug benefits in the plan have long been sought by advocates for the elderly, who make up 13 percent of the population but 34 percent of all spending for outpatient prescription drugs. They had, but lost, some prescription drug benefits in the short-lived program to protect the elderly from the cost of catastrophic illnesses, abolished after a backlash from older Americans, who had to pay a surtax to finance it.

For the Elderly

Health planners were unable to deliver on the other priority of advocates for the elderly: a comprehensive new long-term nursing care program. But the plan does offer a start along those lines, with new benefits for care for the disabled at home. The draft also caused some jitters among advocates for the elderly because of the projected cuts in the growth of Medicare spending.

Administration officials met early and often with leaders of the A.F.L.-C.I.O., another longtime advocate of restructuring the health care system with the ability to mobilize troops. This helps explain why the taxation of benefits in excess of the basic package, a cherished precept of some of the gurus of managed competition, would be watered down and very gently phased in under the Clinton plan. Organized labor bitterly opposes the concept of taxing employee benefits.

Attracting Liberals

At the same time, the Administration clearly hopes that the promise of universal coverage is enough, over the long haul, to hold another important chunk of the base: those who support a system of national health insurance run by the Government and financed with taxes, like Canada's. (About a third of the House Democrats signed on to a bill that would establish such a system.) The Clinton draft also says individual states may establish state-run systems if they so choose.

Efforts to defuse the most dangerous potential opponents have accounted for some of the plan's most intricate politics. For example, assuring doctors that a fee-for-service option — the traditional system of allowing people to see any doctor and pay on the basis of each service rendered — would be an explicit part of the plan "made it possible to have a serious dialogue with the A.M.A.," said one of the President's political advisers. Dr. James Todd, executive vice president of the American Medical Association, said in an interview on Friday that the plan now being circulated was a good first draft, although "it has some things that we're going to be very stubborn about."

Among them, Dr. Todd said, are the controls on insurance premiums and other efforts to cap health spending, part of what he described last week at a news conference as a disturbing degree of "government and corporate intrusion into the relationship between physician and patient."

CHANGING FORTUNES OF BUSINESS

President Clinton's health proposal will produce many winners and losers among the 11 million people who earn their livelihoods in the medical business. Business, Section 3.

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Hospitals

So Many Beds, So Few Patients

Many hospitals will be losers. They are already viewed as the most expensive caregivers, where patients go only as a last resort. With more than one-third of their roughly 1 million beds standing empty, hospitals increasingly have to accept hard bargains. As they do with doctors, a growing number of health plans pay the hospitals in their networks a fixed fee for each person covered, sick or well. If the cost of care exceeds that amount, it's the hospital's problem.

Many smaller hospitals face a struggle simply to survive. Some will merge or become partners with others, or be acquired. Chains like Columbia Healthcare typically buy several at a time, seeking to dominate a market. Then they close the least-efficient hospitals and offer doctors incentives like ownership of stock in the remaining hospitals to encourage them to send their patients there.

Trying to make themselves more attractive in the world of managed care, strong hospitals are already creating systems that include walk-in clinics, home care and nursing homes. Henry Ford Health System in Detroit recently announced a partnership with Michigan Blue Cross and Blue Shield, the Mercy hospital chain and several thousand doctors. New York Hospital, the teaching hospital of Cornell University, created a network that includes six hospitals in Manhattan, Brooklyn and Queens (including Gracie Square Psychiatric), two nursing homes and three outpatient clinics.

Hospitals, which once pampered specialists, are now wooing primary-care physicians with offers of free office space and, in some cases, even acquiring practices. Sutter Health, a Sacramento, Calif.-based hospital group, recently added two large group medical practices.

But not all the news is bad for hospitals. President Clinton's plan to cover 59 million Americans who are either uninsured or inadequately covered could sharply reduce the bad debt that leaves 6 percent of hospital charges unpaid each year, said Kenneth S. Abramowitz, a health care analyst at Sanford C. Bernstein.

As hospitals slim down or close, thousands of registered nurses are moving to new jobs in H.M.O.'s, clinics, home-health agencies and nursing homes, where the demand for nurses is growing. The Clinton proposal to make health-education classes and preventive services like immunization shots a standard benefit would mean even more jobs for nurses.

The outlook is much less bright for some of the 3.2 million hospital workers who are not nurses. Some large teaching hospitals like Rush Presbyterian St. Luke's in Chicago have already announced large dismissals.

Nursing Services

A Chance, Finally, For More Coverage

Nursing homes and companies offering home health care could be winners as more people join managed-care networks, in which doctors and nurses move patients from hospitals to less-expensive settings as soon as possible. Under the Clinton proposals, the current Medicare benefits for home or nursing-home care for the disabled and people over 65 after a hospital stay would be extended to people of all ages.

New tax breaks would encourage people to buy private insurance for long-term care for chronic illnesses like Alzheimer's disease.

Medical Technology

Hurt by the View That Less Is More

Tougher times are ahead for makers of medical technology, the overuse of which may account for as much as $135 billion a year in unnecessary health care spending, experts estimate. For example, a study published last week raised questions about the medical value of hundreds of thousands of routine ultrasound checkups for pregnant women, at $200 a test. The list of potential customers for everything from artificial hip joints to million-dollar scanners could shrink from thousands to mere hundreds if the 6,000 hospitals and thousands of physician groups are folded into tightly managed medical networks that control purchasing.

There are already "tremendous pressures" to decrease use of the equipment, said Dr. William Straub, a University of Pittsburgh radiologist who is a senior technology analyst with the Jackson Hole Group of health policy experts. For example, when doctors receive a per capita fee to minister to a group of patients, they can no longer add income by running tests in their own office lab.

There will still be a premium on breakthrough devices like Medtronic Inc.'s new implantable defibrillator to restart faulty hearts, said Mr. Abramowitz, the analyst. And the emerging medical networks will need technology to differentiate themselves from competitors, added Fred Abbey, a partner at Ernst & Young. But they won't be ordering as many machines in a given city.

Cost-effectiveness is the watchword. "Unless you are developing technology that lowers your customers' costs, it will not be accepted in the market, except in very niche circumstances," said John Trani, president of General Electric's GE Medical Systems unit, the world's largest maker of diagnostic imagers. Prices of the company's magnetic resonance scanners have dropped to $800,000 for a basic model, from $2 million for the early, more limited versions in 1985. The company, whose 1992 sales exceeded $3 billion, is urging budget-obsessed buyers to buy extra features for existing scanners or models with fewer bells and whistles.

Official advisory committees in a number of places, including Minnesota, Maine and Rochester, N.Y., are already looking at proposed big-ticket purchases of equipment in their communities. "Do we really need this?" they are asking. "If so, how many?"

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Physicians

Generalists Gain, Specialists Lose

Illustrations by Al Granberg

Family practitioners, internists and pediatricians will be winners. Health maintenance organizations, group medical practices and many hospitals are frantically recruiting them for their networks to serve as gatekeepers who oversee patients' care and refer them to specialists when necessary.

Prosperous medical specialists — heart surgeons, urologists and radiologists, for example — would fare less well. Many health care experts say that while there is a shortage of primary-care doctors, there are too many specialists, performing more tests and operations than are medically justified. Cost-conscious medical networks make fewer referrals to specialists and entirely exclude specialists they don't need or want. Those who get lots of work will do so only if they accept discounted fees.

Under the Clinton proposal, some specialists could suffer especially deeply. Not only would certain benefits not be covered under the guaranteed health package, but also their cost would ultimately be taxed as income for the employee receiving the benefits. So demand for such things would fall. Examples: adult eyeglasses, hearing aids and in-vitro fertilization.

Some medical groups are so worried about their prospects that they are selling their offices to investor-owned companies like Caremark International and Phycor Inc., which pay for new buildings and equipment that the doctors will need to compete for managed-care business.

Under the Clinton plan, Government-appointed councils would order more graduate training slots in teaching hospitals for primary-care physicians, and fewer for specialists. There would be a Federal program to encourage specialists with dwindling practices to retrain in primary care.

As managed care spreads, a rapidly growing percentage of physicians are also coming face to face with an unsettling practice called capitation — receiving a pre-arranged fee for each person enrolled in an H.M.O., rather than a payment for each service rendered. "Capitation is an incentive to provide less care," said Dr. James S. Todd, executive vice president of the American Medical Association. "There are no benign incentives in health care."

For example, Humana Inc. recently bought Group Health, a nonprofit H.M.O. in Washihgton; United Healthcare acquired H.M.O. America of Chicago, and Qualmed Inc. bought Health Net, California's largest for-profit H.M.O.

"H.M.O.'s will do well, with or without reform, unless Washington screws it up with tight price controls," said Mr. Pyle of Metropolitan Life. He criticized the President's proposal to tie increases in health-plan premiums to the general inflation rate. He said tight price controls would stymie efforts to increase quality and cost-effectiveness.

Prodding H.M.O.'s to move faster to improve, consumers and employers will be able to comparison-shop for a health plan on the basis of standardized measures of performance, like how long it takes to get an appointment with a doctor and time spent in the waiting room.

Traditional Insurers

Pity Small Firms With Old Ways

Hundreds of small health insurance companies with tens of thousands of independent insurance salespeople expect to lose their customers for traditional health coverage as managed care gathers steam.

"There are many more sellers than buyers," said Lee Zinzow, an actuary and broker based in Winston-Salem, N.C., who helps small companies sell their traditional major medical insurance lines. "Values have dropped dramatically. The majority are not willing to pay anything at all."

Some of these companies are switching to disability insurance, or planning supplementary policies for features like adult dental care and eyeglasses that would not be covered under the Clinton plan. Others are developing niches that they hope will be overlooked by big independent H.M.O's and the insurers that are strong in managed care. One small company, Medical Benefits Mutual Life, based in Newark, Ohio, is helping rural hospitals "create their own private-label health plans," said Doug Freeman, the president.

New Insurers

Medical Networks With Big Dreams

Big health maintenance organizations are likely winners in a new system in which capitation payments would finance most medical care, replacing traditional fees for each service. Among the H.M.O. businesses likely to gain: those of Aetna, Cigna, FHP, Humana, Kaiser Permanente, Metropolitan Life, New York Life's Sanus unit, Pacificare, Prudential, Qualmed, Takecare, Travelers, United Healthcare and U.S. Healthcare, and big Blue Cross networks including those in California, Florida, Massachusetts, Michigan, Illinois and Kansas City.

The big H.M.O.'s have already organized large networks of doctors and hospitals, and many have deep pockets to finance expansion.

Smaller or financially shaky health plans are disappearing into mergers with or acquisitions by larger managed-care insurers and hospitals.

THE PRESIDENT HAS SEEN
9-27-93

Cisneros - Summit Mtg B.

HUD Targets Homelessness In District

$20 Million Committed To Pilot Program in City

By DeNeen L. Brown A1
Washington Post Staff Writer

The federal government promised yesterday to give the District $20 million to help eliminate homelessness by providing permanent housing, medical treatment and job training while, in some cases, using police officers to "encourage reluctant homeless persons living on the streets" to go to shelters.

Officials of the Department of Housing and Urban Development said the $20 million would be given to the District, with no strings attached, over the next two years to finance the the D.C. Homeless Initiative. The District spent $23.6 million on shelter programs in the last fiscal year, including $1.4 million in federal money.

HUD Secretary Henry G. Cisneros said the initiative, designed by federal officials, D.C. officials and advocates for the homeless, would shift the focus of the city's efforts from providing emergency shelter to preventing needy people from becoming homeless and helping others escape homelessness permanently. By 1995, more than 2,050 individuals and families in the District would receive permanent housing, treatment or job training, according to the plan.

The initiative won some praise from advocates for the homeless, but they questioned whether the funding was adequate and expressed concern about provisions for the possible involuntary commitment of some mentally ill homeless people and the use of police officers to move homeless people off the streets.

"The D.C. Initiative will call for a sustained effort to get people off the streets and into appropriate service programs, returning the District's parks, streets, and other public areas to their intended use," the implementation plan said. "With transitional services available, it will no longer be necessary for homeless persons to live in public spaces."

Before the program can begin, the D.C. Council must approve a new homeless agency to carry it out.

At a news conference at HUD headquarters yesterday, Cisneros said that if the program worked in the District, it would become a model for use in other cities across the country that are dealing with thousands of people on their streets.

"Why [start with] the District?" Because this is the nation's capital," Cisneros said. "American people look to the District. . . . When homelessness exists at this level in the nation's capital, it deserves special attention."

See HOMELESS, A6, Col. 1

HUD Picks D.C. to Begin Attack on Homelessness

HOMELESS, From A1

Cisneros said he went out one night recently and found a pregnant woman sleeping on the lawn of the Justice Department, which he said was a symbol of injustice. He saw another woman sleeping on the steps of the Treasury Department, which he said was ironic because the building was a symbol of the nation's wealth.

He said that in the next 60 to 90 days, he would begin to identify other cities where the program might be tried.

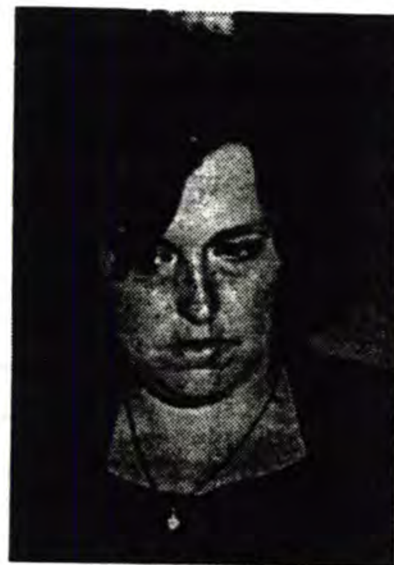
The program calls for D.C. Mayor Sharon Pratt Kelly to work with the D.C. Council to create a "public-private entity" that would coordinate and finance the city's new system to help the homeless. The agency would contract with nonprofit groups to provide housing services and disburse money.

HUD would give the District $20 million in three payments over two years without requiring the city to provide shelter for everyone who seeks it. The District, which the mayor said has no money to match the federal dollars, would not be required to contribute money to the initiative, Cisneros said. The program, he said, should be running by January.

> *"Why [start with] the District? Because this is the nation's capital. American people look to the District."*
> — HUD Secretary Henry G. Cisneros

Vada Manager, the mayor's press secretary, said Kelly supported the intiative. "She has said the funding would be enough to help us make some progress in this area," Manager said.

"There is a lot of potential for good things and a lot of potential for damaging things," said Joan Alker, assistant director of the National Coalition for the Homeless. "What concerns me is this: They say in [the implementation plan] if outreach teams requested, they may have police come and encourage reluctant homeless persons living on the street to accompany a team to an assessment center."



CAROL FENNELLY
. . . activist has some reservations

Carol Fennelly, a member of the Community for Creative Non-Violence, said the report is a good start and is different from reports that were not backed up with money.

But Fennelly also said she was concerned about moving homeless people off the streets. "There are certain activities that are unconstitutional and illegal. We don't support the entire report," she said, referring to the implementation plan. "Outreach workers are needed, not police officers, to take people where they need to go."

Maria Foscarinis, director of the National Law Center on Homelessness and Poverty, said she thought that the intiative's goals were good but the measures outlined to meet those goals were inadequate.

"Take the proposal to create 50 job-training slots in the first year," Foscarinis said. "That is a terribly meager number and clearly inadequate to meet the need. . . . There are 10 to 15 thousand homeless people in the District. A conservative estimate is 25 percent now work. So 50 slots is just a drop in the bucket."

chron

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THE PRESIDENT HAS SEEN
[illegible]/93

Mack / BL / Emerson

We need a strategy
for this — non
presidential appts may
not be enough

BC

Hispanics are frustrated over Clinton hirings

WASHINGTON — In many ways they were the most optimistic of Bill Clinton's supporters, Hispanic Democrats poised to thrive in an administration that promised to reflect America. They believed him when he said there was a place called hope.

Now listen to them. They talk about feeling ignored, outright dissed. They talk about a lack of commitment to Hispanics. Where are the high-level, policymaking Latinas and Latinos in this administration?

The level of frustration among key U.S. Hispanics seems to be reaching a boiling point. Voices once raised in fierce support of Clinton during his presidential campaign now demand to know: Hey, what about us?

I could hear the rumblings all week, during a blitz of Hispanic Heritage Month events. A sour air of disenfranchisement simmered underneath the galas and speeches, the award lunches and power breakfasts.

They have been patient. They have flooded the White House with resumes. They have met quietly with administration officials in recent months, even with the president himself. Now they want results.

I heard it from Mexican Americans, Puerto Ricans, Cuban Americans. I heard it from politically active women whose great hopes of inclusion fade a little more every time a non-Latina gets a presidential appointment.

"There is no place called hope for Latinas," says Rosa de Anda, a Latina activist and Democratic fund-raiser from Sacramento.

At a breakfast this week a group of Hispanic women issued an "action alert," urging a boycott of Democratic campaigns. They're sending him a "Dear

MIAMI HERALD SEPT 20th, 1993

SEP 21 '93 13:19

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"Not only do your appointments of Hispanics to high-level positions pale in comparison to the Reagan and Bush administrations, but Hispanic women are not proportionately represented in high-level positions," wrote the National Hispanic Democratic Women's Network.

Another group is preparing to hit the White House with a bleak report card, reaffirming a statement issued four months ago for Clinton's first 100 days. Back then, the National Hispanic Leadership Agenda, which represents 28 organizations, gave the president a C minus.

Things aren't much better now, says executive director Frank Newton: "We're losing ground."

What he and other Hispanics look at mostly when evaluating Clinton's record is the number of appointments that require Senate confirmation, the most influential jobs in the administration.

In May, there were 15 Hispanics. Now there are 14, putting Clinton one slot behind Reagan, eight behind Bush. Of more than 500 appointments.

Of those 14 Hispanic slots, only four belong to women.

"Look, I advocated for him. I told Hispanic women that we would finally get a place at the table. But we're nowhere near the table, and I'm embarrassed," says Denver Councilwoman Ramona Martinez.

At the gala of the Congressional Hispanic Caucus where Clinton spoke Thursday night, a group of women from California told me they felt scorned when a Latina of impeccable credentials lost the U.S. attorney's post in San Diego to an out-of-towner who went to school with Clinton.

One of the women was interviewing for an administration job this week. Was she hopeful? "No," she said, "I'm not an FOB. Friend of Bill's."

That night, Clinton was vague on Latino issues. He challenged the audience not to run away from issues, even when they didn't agree with his policies.

In her seat, Washington consultant Maria Elena Toraño, who organized a Hispanic women's summit earlier this year, could think of only one thing: "Yes, Bill, we have a problem with your appointments. And we're not running away."

FROM:

Paul L. Cejas
Chairman/CEO

CARE FLORIDA
HEALTH SYSTEMS, INC.

7950 Northwest 53rd Street, Third Floor • Miami, Florida 33166
Miami: (305) 591-3311 • Extension 1950
Fax: (305) 470-2936

MR. PRESIDENT:
we need to address this issue. Cuban Americans need to be with the Democratic Party. Paul Cejas

Paul

This went out to Brown
just after you left Sat pm.

Shelley

FAXED: 93 SEP 25 P7:44

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Secretary Ron Brown

Fax Number: 362-4395 **Phone Number:**

FROM: Shelley Walker
Staff Secretary Office

SUBJECT: Draft of UN speech

DATE: September 25, 1993

NUMBER OF PAGES (including cover sheet): 19

MESSAGE:

Sending at request of Paul Richard in
Staff Secretary Office for your review.

If all pages are not received, please call 202/456-2702

DEPARTMENT OF THE TREASURY
WASHINGTON

September 24, 1993

MEMORANDUM FOR ROBERT RUBIN

FROM: Joshua L. Steiner, Chief of Staff

SUBJECT: Memorandum from Secretary Bentsen to the President

Attached is a memorandum for the President from Secretary Bentsen on the President's meeting with Japanese Prime Minister Hosowaka next Monday.

cc: Anthony Lake
John Podesta ✓

Kristie —
Tony received
a copy of
Bentsen's memo.
Where do you
think it went
John

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 24, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Lloyd Bentsen

SUBJECT: Japan Strategy for the Fall

I want to convey a few thoughts on your upcoming meeting with Prime Minister Hosokawa.

The new Government has moved forward quickly with a modest stimulus package that includes macroeconomic and structural measures. They followed with a substantial cut in the discount rate to an historic low of 1.75%.

The recent package, while helpful, will **not be sufficient to revive moribund private sector demand.** However, it does have built into it clear linkages to a second set of policy actions later in the year. These include an overhaul of the tax system, which is likely to include a stimulative income tax cut, and a broader program of structural reforms and deregulation.

Suggested Approach

Our window of opportunity on these issues is likely to **close in December**, before the early 1994 negotiating deadline in the Framework. The tax package will be outlined at the end of November, with the final decision made in the context of the budget debate at the end of December. Also in December, the new commission formed by Prime Minister Hosokawa to consider further structural changes to the economy, as well as how to reduce the current account surplus, will present its recommendations.

This makes it important that we use your two scheduled fall meetings with the Prime Minister productively. In your meeting next Monday, I recommend that you set clear hurdles for progress before year-end, and then follow them up when you meet Hosokawa again in November in Seattle.

The right approach is a relatively positive public message that acknowledges the change in direction made by the new Government, combined with a very strong private message about the need for progress in the areas that matter to us. We should be **supportive in the fall, with the possibility of a tough November.**

<u>Essential Message on Economics</u>

There are three areas in particular where Hosokawa should understand we will expect results by the end of the year.

1. <u>Progress on the Framework</u>, particularly in the areas where we need to show results by January (autos and auto parts, government procurement, and insurance).

    -- The Government's agenda for deregulation and structural reform must be **responsive to our commercial interests and to international concerns with the low level of import penetration** in the Japanese market.

2. <u>A substantial, stimulative income tax cut</u>. We think this is the most effective way to **increase Japanese consumption and the demand for imports.**

    -- The political consensus in Japan seems to be moving in favor of a tax package that combines an income tax cut with, after some delay, an offsetting increase in the consumption tax. The magnitude of the cut, the timing of the offsetting revenue increase, and the mechanics of linking the two have yet to be worked out.

    -- However, two major obstacles remain -- opposition within the coalition to any increase in the consumption tax, and the Finance Ministry's concern that the income tax cut not be funded by a net increase in government borrowing.

3. <u>A commitment to reduce the current account balance to below two percent of GNP within the next three years</u>.

    -- There is growing support for such a guidepost within the coalition and the business community. Proponents argue that a target would reduce upward pressure on the yen by sending a **more credible signal to the markets that the Government is serious about cutting the surplus.**

    -- Such a guidepost would reinforce pressures within the government to strengthen domestic demand and reduce barriers to imports.