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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 2242

FOLDER TITLE:

November 14-20, 1993

2018-0662-S
rs3076

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
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b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE PRESIDENT HAS SEEN
11-15-93

Newhouse/CS

Crime abounds as Clinton assails it

By Patti Patterson
The Commercial Appeal

President Clinton came to Memphis Saturday to talk about crime. During the day, two men were shot to death. Twenty-three people were assaulted. A juvenile was raped. A woman was stalked.

Forty-one cars were stolen. Burglars took money, food, guns and stereo equipment from 27 residences. More than 100 larcencies and incidences of malicious mischief were reported.

It was a typical weekend day.

During his 5½-hour visit Clinton told members of the Church of God in Christ that the nation must confront its "great crisis of the spirit." He also called for laws to restrict gun sales. He pledged Washington's help in communities' battles against crime.

But city leaders said that Memphis must ultimately face its own problems.

Saturday began with a report of malicious mischief. An alarm sounded and police found that somebody had broken the front plate-glass window at Memphis Sewing Machine, 5870 Fox Bend. Nothing appeared to be missing.

The day ended with a man snatching a woman's purse in front of her home in the 1400 block of Shadowlawn.

In between, police telephones rang frequently as victims returned home to find their homes burglarized — or walked outside and found their cars were missing.

Among the incidents:

■ At least six guns were taken, four by a shoplifter from E-Z Pawn Shop, 4228 Winchester.

■ Two men, a 20-year-old and a 21-year-old, were shot and killed, one at 900 S. Fourth and the other at LeMoyne Gardens housing project.

■ About the time Air Force One landed at 9:50 a.m., Alvin L. Brian discovered his 1978 Delta 88 had been stolen. Police later found the car with the steering column and rear window broken.

One of Clinton's proposals for reducing crime is to add 100,000 police officers to the nation's streets.

Annette Randolph said she doesn't think that's the solution. She was a crime victim twice last week.

She discovered a burglar at her place of work Monday and on Friday night returned home

Please see **CRIME,** Page **A5**

sent
Political + Economic
Issues

SAN Fran +
Los Angeles CA

11-20 + 11-21

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No. 001865

SENDER INFORMATION

Date: 11/18/93	Name: John Podesta		
Agency: The White House		Room: GrFl-WW	Extension: 2702
Signature: Sharon E. Wagner		(202) 456-2702	

DELIVERY INFORMATION

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THE WHITE HOUSE

WASHINGTON

November 18, 1993

Dear Carl:

Thank you for your letter concerning the proposal by the Financial Accounting Standards Board (FASB) to change the accounting for stock options. The FASB proposal, open for comments until the end of the year, would require that companies take a charge against income on the grant of both stock options and other types of equity-based compensation such as employee stock purchase programs.

The FASB proposal responds to both accounting concerns that corporate transfer of something of value should be recognized in the income statement and abuses in executive compensation. The Administration is committed to ending such abuses, as shown by our support for the limitation on tax deductibility of excessive executive compensation adopted as part of the budget reconciliation act. The accounting issues are also important and need to be dealt with.

Nevertheless, the FASB proposal has raised a great deal of concern among companies, particularly in the high tech sector of the economy, which use broad-based stock options to attract and retain employees at all levels. Unlike those companies which, for example, make megagrants of short-lived options with low exercise prices, many of these companies use stock options and other option-based compensation to align the interests of all or a very large proportion of their employees with the interests of non-employee stockholders. I am pleased that FASB is meeting with representatives of these companies and doing field testing to attempt to assess the impact of its proposal on actual companies. It will be particularly important to understand the impact of the proposal on growth companies, which tend to have highly volatile stock prices. It would be unfortunate if FASB's proposal inadvertently undermined the competitiveness of some of America's most promising high-tech companies.

I agree that it would be better to avoid legislation on this issue -- whether to enact legislatively FASB's current proposal or to overturn it. I hope that in the course of receiving and analyzing comments and the results of the FASB field test, all issues raised by the proposal will be dealt with effectively.

Thank you for your interest in our position on this matter.

Sincerely,

The Honorable Carl Levin
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

November 18, 1993

Dear John:

Thank you for your letter concerning the proposal by the Financial Accounting Standards Board (FASB) to change the accounting for stock options. The FASB proposal, open for comments until the end of the year, would require that companies take a charge against income on the grant of both stock options and other types of equity-based compensation such as employee stock purchase programs.

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Thank you for your interest in our position on this matter.

Sincerely,

Ron

The Honorable John Bryant
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE
WASHINGTON

DATE: 11/18/93

NOTE FOR: The Vice President

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

Information ☐

Action ☒

See President's note --
'Send to VP - ask him
to have National Performance Review
look into.'

Thank you.

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

cc:

Send to
VP - ask him
to have NPR look
into - B

THE WHITE HOUSE

WASHINGTON

November 17, 1993

Mike Danesco
50 Carpenter Street
Foxboro, Massachusetts 02035

Dear Mike:

Thanks so much for your letter and for sharing with me your concerns about community-based public service delivery. Your experience with the Social Security Administration provides you with a unique perspective, and I am glad you shared your insight with me.

I also appreciate the Hoya Footnote, which gave me a great laugh. Thanks!

I hope you'll give Lee my best regards, and I look forward to seeing you both again soon.

Sincerely,

Bill

I'll ask the V.P. to look into your concerns—

THE PRESIDENT HAS SEEN 11/18/93

50 Carpenter Street
Foxboro, Ma. 02035
November 10, 1993

Dear Mr. President,

Writing to the President is a truly humbling experience so please allow me to put this in the context of a note from me to Lee Beane's friend Bill. So much has transpired since that evening at Bob Farmer's home in 1991 but the moment when you greeted Lee with so much true affection is as clear as it happened yesterday. I was so glad you got to see each other and look forward to a more extensive reunion.

I'm invoking the Hoya Connection in self-defense. As a 20 year employee of the Social Security Administration I am concerned for the survival of community based public service delivery. The nationwide system of Social Security field offices gives our citizens access to the most efficient and sensitive government agency in the world. But it is a fragile system weakened by a decade of decisionmaking in which field office needs were always secondary and dwindling resources were usually directed elsewhere. The employees in field offices are a tired and graying group of workers. They need help but are in danger of being declared obsolescent. It is time to send in the cavalry to boost them up, not phase them out.

Someone from Vice President Gore's task force should listen closely to the people who are advocating community-based service, They are good people, dedicated professionals with a clear view of what true public service entails - people like my boss in Fall River, Don Singewald. Don is an intelligent and honest individual who speaks with refreshing candor. He and Pete Toland,the # 2 man at HHS in Boston and former manager of the Boston SSA office, testified before Congress during the Reagan years about service diminishment and have continued their battle for better public service delivery to this day. Their vision for the future of the agency should be considered in the process of making government work better.

Thank you for what you are doing for this country and our children's future.

Nick Danese

THE PRESIDENT HAS SEEN 11/18/93

A HOYA FOOTNOTE

The mood in the Danesco household was pretty downbeat as the New Hampshire Primary neared and the media and the opposition hit you with everything but the kitchen sink. The Boston College grad walked around shaking his head a lot and mumbled incoherent insults about the media. The woman from Georgetown was uncharacteristically quiet. Then in the last weeks they threw the kitchen sink too and that was when Mother Superior had had enough. " This isn't fair. I have to do something". She dug out her Georgetown Directory bought a stack of 19 cent postcards, and sent out a hand written message to a bunch of New Hampshire alumni who she had never met before. In essence she said,"I'll be voting for Bill Clinton. We were classmates in the Foreign Service School. He's a good person." It really doesn't matter if any of those people voted for you. Who knows? What's important is that Lee values your friendship so much that she had to do something she thought would help you. I'm sure its reciprocal. She one of the good guys (even if she's been known to put Comet cleanser in her baked lasagna pan because it comes in a green can like the Kraft parmigan cheese and on occasion she has started the clothes dryer up with the family cat sleeping inside). I thought you might appreciate this little insight for those times when you need a lift from the most difficult job in the world. Best wishes on everything... except the BC-Georgetown basketball games.

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Date: 11-17-93	Name: John Podesta		
Agency: The White House		Room: G, FL-WW	Extension: 2702
Signature: Sharon E Wagner			

DELIVERY INFORMATION

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Organization: Suite 680		Bill Recipient Account No.:	
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THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

THE PRESIDENT HAS SEEN
11/17/93

Need EITC publicity
should ask all Dems (+GOP?)
to mention EITC in
newsletters —

November 16, 1993

Memorandum for Mack McLarty
George Stephanopoulos

From: Roger Altman RA

Subject: Income Taxes

Yesterday, the IRS issued this press release trying to further explain who will be paying higher income and social security taxes and who won't.

This is part of our continuing effort to dispel the myth that middle income Americans will be paying more.

To: President Clinton
Fr: George S.

FYI

11/18
George S.
Gene S.
per JDP

Department of the Treasury
Internal Revenue Service
Public Affairs Division
Washington, DC 20224

NEWS

For Release: 11/15/93
IR-93-105

Media Contact: Tel. (202) 622-4000 Copies: Tel. (202) 622-4040

TAXPAYERS OVERLOOK KEY DETAILS OF TAX LAW CHANGES

Washington -- Calls to the Internal Revenue Service show that many taxpayers have questions about some key details of recent tax law changes.

For example, many taxpayers think that everyone's tax rates have gone up. In fact, the higher rates affect fewer than two percent of taxpayers. The law created two higher tax rates for 1993, but did not change the income levels for the lower rates.

The new top rates apply for taxable incomes above:

Filing Status	36 Percent	39.6 Percent
Single	$115,000	$250,000
Head of Household	127,500	250,000
Married, joint return	140,000	250,000
Married, separate returns	70,000	125,000

Taxable income is figured by subtracting deductions and personal exemption amounts from your total income.

Some older Americans have expressed concern about new rules for taxing social security benefits. Many senior citizens don't realize that the changes won't take place until 1994 and will impact only about 3 million higher-income recipients. Generally, those affected are persons with incomes, including one-half of their social security benefits, over $34,000 -- over $44,000 if married filing jointly.

(more)

Some retailers eligible for luxury tax refunds are delaying the processing of their checks by not following procedures for filing claims. The new law repealed the luxury tax on boats, planes, furs and jewelry retroactive to the beginning of 1993.

Many boat dealers and jewelers especially have omitted their customers' taxpayer identification numbers with their claims. They have also failed to attach an accounting of luxury taxes reported or paid during 1993, refunds claimed, and the remaining tax eligible for refund. Retailers preparing their own refund claims should get the instructions for Form 720 for detailed information.

IRS assistors have received special training in the new tax law changes and can help taxpayers who need information. Taxpayers should call IRS toll-free at 1-800-829-1040.

X X X

THE WHITE HOUSE
WASHINGTON

11/18/93, 9:30 a.m.

John,

Per your instructions, the nomination for Mr. Black was sent to the Senate this morning.

Tim
Deputy Exec. Clerk

Office of the Attorney General
Washington, D.C. 20530

November 16, 1993

Dear Mr. President:

I have the honor to enclose the nomination of Hugh Dinsmore Black, Jr. of Arkansas, to be the United States Marshal for the Western District of Arkansas, for the term of four years vice James C. Patterson.

Mr. Black was born August 27, 1925, in Pea Ridge, Arkansas. He is married and has four children. Mr. Black graduated from Bentonville High School, Bentonville, Arkansas, in 1943.

Mr. Black is currently retired, having been employed as a Deputy U.S. Marshal in the Western District of Arkansas, from 1964 to 1984. From 1958 to 1964, Mr. Black was employed as Sheriff, Benton County, Arkansas, and served as Chief of Police in Bentonville, Arkansas, from 1951 to 1958.

Mr. Black bears an excellent reputation as to character and integrity, and is well qualified, I believe, to be United States Marshal for the Western District of Arkansas.

I recommend the nomination.

Respectfully,

Janet Reno

Janet Reno

The President
The White House

HUGH DINSMORE BLACK, JR.

BORN:	August 27, 1925	Pea Ridge, Arkansas
MARITAL STATUS:	Married	Willard four children
LEGAL RESIDENCE:	Fort Smith, Arkansas	
EDUCATION:	1943	Bentonville H.S. Bentonville, Ark.
MILITARY:	1943 - 1945	U. S. Navy Honorable Discharge
EXPERIENCE:	1964 - 1984	Deputy U.S. Marshal Western District of Arkansas, Fort Smith, Arkansas (Retired)
	1958 - 1964	Sheriff Benton County, Ark.
	1951 - 1958	Chief of Police Bentonville, Ark.
	1948	Deliveryman, Bentonville Ice & Cold Storage, Bentonville, Ark.
	1946 - 1948	Cook, Plaza Grill Bentonville, Ark.
RESIDENCE:	6605 Eastgate Ft. Smith, Arkansas 72903 (501) 452-2621	
ETHNIC GROUP:	White	
SALARY:	$66,609	

The White House

Office of the Press Secretary

For Immediate Release November 15, 1993

STATEMENT BY THE PRESIDENT

I would like to thank Senior Advisor Stephanopoulus for his leadership, courage and vision in supporting the North American Free Trade Agreement.

While still officially undecided, his personal pledge to save my presidency and be the 218 vote if needed, demonstrates his loyalty, convictions and moral compass.

I have strong confidence in George Stephanopoulos and his belief that the American worker will benefit from this agreement and that when the political chips fall where they may, he will do the right thing and vote for NAFTA.

In other words, he's # leaning yes, no, or undecided.

William J. Clinton

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Agency: The White House		Room: Gr FL-WW	Extension: 2702
Signature: Sharon E. Wagner			

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Addressee: Jocelyn Dorsey		Phone:
Organization: WSB-TV		Bill Recipient Account No.:
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SENDER INFORMATION

Date: 11-5-93	Name: John Podesta 'sewagner		
Agency: The White House		Room: GrFL-WW	Extension: 2702
Signature: Sharon E. Wagner			

DELIVERY INFORMATION

Addressee: GIANNA McCarthy		Phone:	
Organization: People for the American WAY		Bill Recipient Account No.:	
Street Address: 2nd FL 1460 Broadway			
City: New York	State: NY	Zip: 10036	

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THE WHITE HOUSE
WASHINGTON

DATE: 11/17

TO: Nancy Soderberg / w.l Itoh

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

As I recall, one of your contacts made us rush to take care of "CAP" at midnight, one night. I guess we won't make that mistake twice.

John

Bcc: Mark Gearan
Jim Dorskind

ROUTING SLIP

93 NOV 17 A9:57

FROM: Mark Gearan
Communications Director

DATE: 11-17-93

TO:

Rahm Emanuel	___	Howard Paster	___
David Gergen	___	John Podesta	X
Marcia Hale	___	Carol Rasco	___
Alexis Herman	___	Bob Rubin	___
Nancy Hernreich	___	Eli Segal	___
Anthony Lake	___	George Stephanopoulos	___
Bruce Lindsey	___	Christine Varney	___
Mack McLarty	___	David Watkins	___
Regina Montoya	___	Maggie Williams	___
Roy Neel	___	OTHER	___
Bernie Nussbaum	___	______________________	

FOR YOUR:

Action ___ Information X

See me ___

COMMENTS:

U.S. TRADE AND DEVELOPMENT AGENCY

October 4, 1993

Mark Gearan, Assistant to the President
Director of Communications
The White House
Washington, D.C. 20500

Dear Mark,

Late last month I attended the USA-ROC Economic Council's Business Conference at Hilton Head. As chairman of the council, former Secretary Caspar Weinberger read a most gracious letter from the President (copy attached). On the following evening, Weinberger saw fit to attack the President, notwithstanding he was speaking in his role as council chairman and half the audience were the Taiwanese guests.

My reason for writing is to urge you to place an asterisk next to Weinberger's name. He should neither be paid the compliment of reading a communication from the President nor should he be given additional creditability when he obviously sees fit to use the same to engage in a partisan diatribe. If it is more appropriate that another office rather than yours be made aware of the same, I would ask that you properly direct this letter. Thank you.

Sincerely,

J. Joseph Grandmaison
Director

enclosure

Room 309 SA-16, Washington, D.C. 20523-1602
Telephone (703) 875-4357 • Fax (703) 875-4009

THE WHITE HOUSE

WASHINGTON

September 22, 1993

Dear Cap:

I would like to extend my hearty congratulations on the occasion of the 17th Annual Joint Business Conference of your Council and its counterpart on Taiwan.

Having spoken to your gathering in Taipei in 1986 as Chairman of the National Governor's Association, I know personally of the contributions of your Conference to the development of closer and expanding economic ties between the peoples of the United States and Taiwan. The American people respect what has been accomplished on Taiwan and view its economic prosperity and achievements as a model for others. We also welcome the steps taken to continue to lower tariffs and to improve the protection of intellectual property rights. In addition, the achievements of the Taiwanese people in creating a more democratic and open society are impressive.

Taiwan is working hard to enter the twenty-first century as a regional center for transportation, finance and business. American companies want to play a role in this major undertaking and I look forward to progress toward that goal in the years ahead.

Let me take this opportunity to congratulate Dr. C. F. Koo, who retired this past spring as Chairman of the Council, for his more than ten years of distinguished service. I also extend best wishes to the Council's new Chairman, Dr. Jeffrey Koo.

Please convey my appreciation to the members of both Councils. I wish all of them a very successful and productive Conference.

Sincerely,

Bill Clinton

The Honorable Caspar Weinberger
USA-ROC Economic Council
815 Connecticut Avenue, NW
Suite 1202
Washington, DC 20006

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 11/17/93

TO: MACK MCLARTY

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

[redacted]

The attached has been forwarded to the President.

[redacted]

044506

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

From: Joan Baggett
Joe Velasquez

Subject: Post-NAFTA Union Strategy

I. BACKGROUND

Winning the NAFTA vote will cause several union leaders and, more important, rank and file union members to lose confidence in you and in many Members of Congress. The AFL-CIO is holding a press conference tomorrow and will probably attack the deficiencies of the treaty and the White House campaign.

The NAFTA debate has demonstrated the organizing capability and lobbying skills of unions -- we need to harness these strengths for continued support of your policies and programs and to help Members of Congress who voted with you today to win re-election.

We must take immediate action -- symbolic and tangible -- to regain union support and to give Members of Congress opportunities to vote on legislation favorable to working people.

Not all unions are affected by our NAFTA victory. We must immediately begin working with those unions on health care. Not to divide the unions, but to begin the gradual process of reclaiming our key base constituents.

Fast action is important to the DNC and coordinated campaigns since they need the financial support these unions generously provide and are now holding back.

II. RECOMMENDATIONS

1. We must control the anti-union comments some of our moderate friends may make in their victory celebrations.

2. The first public statement you make after the vote is critical to regaining support from elements of the labor movement. The unions had a solid intellectual foundation to their arguments, and there were many serious economic questions that never would have been raised without their presence in the debate.

   Point out that:

   - To those who believe the American labor movement has lost its strength, I want you to know this was one of the toughest political battles of my career.

   - We may not see eye-to-eye on this one, but I sure am glad to have them on my side when dealing with so many of the other challenges working people face.

   - I want every American to know that I will not allow any violation of this treaty to harm our workers. I will ask both labor and management to help me implement this agreement.

3. When you return from Seattle you should have a one-on-one meeting with Lane Kirkland and make calls to three or four selected industrial union presidents.

4. In a couple of weeks, invite selected union presidents to the White House for an informal gathering. Include Wilhelm, Gephardt and Bonior.

5. Over the next few months, give Members of Congress who voted for NAFTA the opportunity to vote for issues important to working people, e.g., OSHA reform, a jobs package, defense conversion, labor law reform, striker replacement, minimum wage, NLRB appointments and health care.

c: David Gergen
Mark Gearan
George Stephanopoulos
David Wilhelm

THE WHITE HOUSE
WASHINGTON

DATE: 11/17/93

TO: MACK MCLARTY
ROY NEEL
DAVID GERGEN
GEORGE STEPHANOPOULOS
RICKI SEIDMAN

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

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

17 P3:22

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: MARCIA HALE MH

SUBJECT: NOVEMBER 17, 1993 MAYORS AND POLICE CHIEFS' EMERGENCY MEETING ON VIOLENT CRIME

As you are aware, the U.S. Conference of Mayors called an emergency meeting of the mayors and Police Chiefs on November 17, 1993 in Chicago. I have attached a list of attendees.

They were very appreciative of the attached letter that was sent from you and they look forward to coming to the White House in December to continue the discussion.

A meeting here, at the White House, with the mayors and police chiefs would further the series of meetings that we have been having here on this issue. I suggest that we do this meeting just after Congress goes out of session and before the winter holidays.

The Chicago meeting was a successful start to the discussion of the issue of violent crime for the mayors, and they will forward to me their recommendation as soon as it is finalized. I will keep you and others apprised of any further actions taken by the mayors, police chiefs, and governors on this subject.

attachments: list of attendees
Presidential letter

C.C. Ricki
Roy
George
DAVID
Mack

CONFIRMED LIST OF ATTENDEES
EMERGENCY MEETING ON VIOLENT CRIME
Chicago, IL -- November 15, 1993

MAYORS

Jerry Abramson - President
Victor Ashe, Knoxville
Ed Austin, Jacksonville
Sidney Barthelemy, New Orleans
Charles Box, Rockford
Emanuel Cleaver II, Kansas City
Robert Coble, Columbia
Deedee Corradini, Salt Lake City
Juanita Crabb, Binghamton
Richard Daley, Chicago
Richard Clay Dixon, Dayton
Paul Helmke, Fort Wayne
Sharpe James, Newark
Frank Jordan, San Francisco
Sharon Pratt Kelly, Washington
Patrick J. McManus, Lynn
Rita Mullins, Palatine
James P. Perron, Elkhart
Joseph P. Riley, Charleston
Paul Soglin, Madison
Wellington Webb, Denver
Michael White, Cleveland

POLICE CHIEFS

Doug D. Hamilton

Sheriff Jim McMillan
Alan J. Abadie

Stephen Bishop
Charles Austin
Ruben Ortega

Matt Rodriquez
James E. Newby
Neil Moore
William Celester, Police Director
Tony Ribera

Jerome Ivory
Ruben Greenberg
Richard Williams

William Bratton, Commissioner - Boston
Richard Neal, Commissioner - Philadelphia
Melvin McQuay, Acting Commissioner - Baltimore

PUBLIC SAFETY DIRECTORS

Julian Boyd, St. Louis
Payne Brown, Fort Wayne

THE WHITE HOUSE

WASHINGTON

November 12, 1993

It gives me great pleasure to greet the mayors, police chiefs, and other officials gathered in Chicago for this emergency meeting on crime and violence. I commend Jerry Abramson, President of the U.S. Conference of Mayors, for calling this session to address an issue that weighs so heavily upon our communities.

In recent months, Americans have witnessed a series of brutal crimes and acts of violence in our neighborhoods. Our feeling of security has been shaken and severely undermined. A government's primary responsibility is to keep its citizens safe and secure, and it is imperative that we rededicate ourselves to protecting people all over this nation.

I am pleased that both Houses of Congress are considering anti-crime legislation that will provide mayors and police chiefs with important resources to make our streets safe. Recent efforts in the House and the Senate to substantially increase the number of police working in partnership with communities will tremendously benefit our war against violent crime in America's neighborhoods. I firmly believe that putting more officers on the streets is a vital step in making our neighborhoods free of danger, and that it will allow us to pursue an ambitious, common sense agenda of crime control and prevention measures.

The House and Senate are also moving ahead with gun control legislation, such as the Brady Bill, that will impose waiting periods on handgun purchases to give officials time to perform background checks on buyers. This legislation is long overdue, and I hope to sign it into law soon.

I applaud all of the participants in this session for working to address the urgent issues of crime and violence. I remain as committed as ever to stopping violent crime and protecting our citizens, and I look forward to meeting with you at the White House to discuss these issues.

Best wishes for a most successful conference.

Bill Clinton

THE WHITE HOUSE
WASHINGTON

DATE: 11/17/93

TO: MACK MCLARTY
DEE DEE MYERS

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

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ELI SEGAL

SUBJECT: NATIONAL SERVICE UPDATE

Crime and Violence

Your Corporation for National and Community Service has decided to make public safety the focus of our Summer of Service 1994. This effort will sweep across the various streams of service you have energized: from youth corps, to VISTA Summer Associates, to the participants in grants programs (like those from our SOS class of 1993 with whom you met at the University of Maryland), to the various ACTION senior citizen programs. In all, we expect to have approximately 3500 participants organizing neighborhood patrols; creating and staffing "safe schools" and other safe places for latch-key children; undertaking those functions that now keep uniformed officers off the street; running mediation and other dispute resolution programs; helping victims find assistance; teaching seniors how to protect themselves and their homes from criminals; and fighting crime in a myriad of other innovative ways. We will undertake a particularly aggressive program in one city, ideally here in Washington.

The decision to target public safety will give us an early opportunity to showcase national service as a key delivery system of real change on critical national and community needs. We are working closely with Bruce Reed, David Gergen, Peter Edelman and others in the inter-agency working group on crime and violence -- to make sure our summer program works and to incorporate national service now as part of the administration's arsenal in the fight against crime. We have support for this initiative from police officers, prosecutors and others in the judicial system, corrections officials, and victims' assistance organizations. Mayor Richard Daley and his Police Commissioner, Matt Rodriguez, one of your nominations to the Board of the Corporation for National and Community Service, are particularly supportive of this approach.

Veterans

I was happy that you got a chance on Veterans' Day to meet General Don Scott, who is heading our Civilian Community Corps. Don has been a hit with veterans and the active military (his old friend General Shalikashvili was especially glad to see him), as he develops this residential service program on military bases, using veterans in leadership capacities. Don and the CCC provide just one of the initiatives we have already undertaken to convert the veterans community into supporters of civilian national service. We outlined our activities and intentions in a letter (drafted with Herschel Gober's help) to the five biggest veterans service organizations, sent just before Veterans' Day.

National Service in Los Angeles this weekend

Currents plans for your visit Sunday call for a number of California Conservation Corps members who fought the recent fires to join your church reception in the Pasadena area. In your remarks, you may wish to emphasize the following:

-- The vanguard of national service has already arrived. Hundreds of service participants (mostly from the California Conservation Corps) helped fight the various fires around the state.

-- Service is also providing vital assistance to post-disaster recovery. Fire fighters must move on to other emergencies and compassionate public support in the wake of the fires, as heart-warming as it is, is by definition short-lived. That's why the LA Conservation Corps and others will be stepping in, planting trees and ground cover on fire-ravaged hillsides, to protect against mudslides -- helping avoid the next disaster.

-- And your Corporation will be developing a Rapid Response Relief Reserve -- the concept you and I discussed the day of the August summer forum, where a specially trained corps could be assembled quickly from around the country to provide invaluable services and help coordination when any disaster hits.

Capitol Hill Launch

Next Monday evening, in the Senate Caucus Room, we will have a reception hosted by the Vice President for Congressmembers, the service community, the press and others to launch the Corporation. The reception will climax a day of press briefings to the major dailies, long-lead magazines and specialty press, introducing our management team, describing our schedule and objectives for our first year, and moving the interest in national service into this next phase.

Americorps is coming

We know how much you enjoy seeing the City Year corpsmembers in Boston. Keep your eyes peeled on the road in the weeks ahead -- Americorps is coming!

17-93 WED 10:34 CARTER PRESIDENTIAL CTR. P.02

THE PRESIDENT HAS SEEN 11/17/93

Tony Lots Sinnin NSC

JIMMY CARTER

November 17, 1993

To President Bill Clinton

I presume you have received a copy of the pro-NAFTA letter that we prepared yesterday and are delivering today from all five of your predecessors. From my more recent phone calls, the move seems to be in our favor. I wish you -- and our nation -- well on the upcoming vote.

I am writing you because of my deep concern about the North Korea issue. Last week I shared my concerns with Boutros-Ghali and with both Warren Christopher and Tony Lake, but, since you will be making the final decision on what to do, I also want you to have my opinion.

Unless resolved successfully, this problem in the Korean peninsula could become a much greater international crisis than any that you inherited in Somalia, Haiti, or Bosnia. For the past two years, we at The Carter Center have spent a great deal of time addressing the disputes, mostly attempting to learn how the North Korean leaders think and feel.

Because of many continuing importunities from them for me to visit North Korea, I received encouragement from the State Department early last year and sent an advance team to both Koreas. Before I made my own plans to go, however, Secretary Baker informed me that the talks were going exceedingly well on the nuclear issue and between Pyongyang and Seoul and that there was no need for me to make a visit.

I understand the reluctance to visit with top leaders in North Korea, and I would never do anything to interfere with a promising negotiation path. However, now there is every possibility that the isolated and paranoid leaders will be forced into making decisions that will be very difficult if not impossible to reverse. It will not hurt to treat them with respect and to permit a comprehensive agreement to be worked out that might lead to peace and reconciliation on the peninsula and remove the threat of their final rejection of IAEA inspections. If we continue to make public demands or seek U.N. sanctions (provided China will agree to abstain), it will no longer allow the North Koreans to save face and to seek a compromise.

As you know, we do not need the Team Spirit exercises in any case, and haven't even included it in next year's budget, but now it has become something of a face saving issue for us, if we give it up as part of a public quid pro quo. Only in a privately negotiated comprehensive agreement can both we and they avoid boxing ourselves into a corner.

In closing, let me urge you to treat this developing crisis with extreme sensitivity, giving the North Koreans every chance to feel respected and to save face. My opinion is that they want to work out a solution, but not as a result of public pressure.

Sincerely,

Jimmy

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

To Bill Daley

THE PRESIDENT HAS SEEN
11/17

MEMORANDUM

To: The President

From: Nancy Hernreich

Date: November 16, 1993

Re: Bob Strauss

Bob Strauss called to say that he spoke with Ralph Hall, who said he had a good visit with you yesterday. Hall said he liked you a lot, that you're trying to do good things. Bob just wanted you to know that he said some very positive things about you. He has asked Daley to give him a call and just say that the President appreciates the nice things you said to Bob Strauss about him. Strauss thought that would probably secure his vote for NAFTA.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
11-17-93

November 12, 1993

RECOMMENDED TELEPHONE CALL

TO: Ernie Greco, President of the Metropolitan Baltimore AFL-CIO Unions

DATE: No later than this weekend

RECOMMENDED BY: Howard Paster HP

PURPOSE: To fulfill our promise to Congressman Cardin, who announced in favor of NAFTA with the understanding that you would make a brief call to Mr. Greco.

BACKGROUND: Congressman Cardin was assisted in his decision to announce by Ernie Greco, as he has been in many past activities. He arranged for Ira Shapiro to discuss the treaty at a meeting of the Congressman and union leaders. Congressman Cardin credits Ernie Greco with the reasonable discussion that followed.

TOPICS OF DISCUSSION: 1. You can thank Mr. Greco for his reasonable approach to the issue, and for not putting undue pressure on the Congressman.

CONTACT PERSON AND TELEPHONE NUMBER(S): Ernie Greco can be reached at (410) 242-1300
(410) 876-7764 (h)

DATE OF SUBMISSION: November 12, 1993

ACTION: Good talk
He wants to keep up the momentum.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

Dear Frank:

I want to respond to the concerns you raised regarding imports of peanuts and peanut products from Canada as they relate to the North American Free Trade Agreements (NAFTA).

I know that peanut growers are concerned about imports of peanut butter and peanut paste as well as quality standards for peanut products. I am, therefore, instructing the Secretary of Agriculture to begin discussions with the Canadian government to seek to remedy the increase in imports of peanut butter and peanut paste and agree on appropriate quality standards for peanut products. I am also requesting the United States International Trade Commission (USITC) to commence, in 60 days, investigation under Section 22 of the Agricultural Adjustment Act (7 U.S.C. 624) to make findings and recommendations as to whether imports are being or are practically certain to be imported into the United States under such conditions, and in such quantities as to render or tend to render ineffective, or materially interfere with, the peanut program of the Department of Agriculture. I am also requesting the USITC to give precedence to this investigation. Such investigation is to begin unless I notify the USITC that, as a result of our consultations with Canada, and subsequent Canadian actions, an investigation is unnecessary.

Regarding the issue of quality standards for imported raw peanuts, Secretary Espy informs me that under the Food, Agriculture, Conservation and Trade Act of 1990 -- as affirmed in the proposed NAFTA implementing legislation -- all peanuts, whether shelled or in-shell, imported in to the United States will be inspected and handled as provided in, and fully comply with, Marketing Agreement No. 146.

I trust these actions and assurances will enable you to support the NAFTA implementing legislation.

Sincerely,

Bill

The Honorable Frank Tejeda
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

November 17, 1993

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Sincerely,

Bill

The Honorable Frank Tejeda
House of Representatives
Washington, D.C. 20515

Brubin
unveiled to ag group
next week
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THE PRESIDENT HAS SEEN
11-17-93

Drawing Back

Nafta's Odds Improve, But U.S. May Reduce Its Trade Leadership

Clinton Wins Converts to Pact Even as Debate Changes Climate for Future Deals

The House Votes Tonight

By BOB DAVIS and JACKIE CALMES
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—After a grueling two-month battle, the Clinton administration yesterday seemed poised to win a cliff-hanger triumph on the North American Free Trade Agreement.

But no matter what happens tonight in the House of Representatives, the momentum of trade liberalization, dominant in the U.S. and in most industrial nations since the end of World War II, has been slowed sharply and may be headed for reversal. The bitterness of the Nafta fight, the power of the opponents and the divisions within the Democratic Party and Congress all presage a shift away from a global trading system in which nations—led by the U.S. — have collectively lowered trade barriers for 60 years. The system now emerging combines trade-related pressures from domestic economic interests with one-on-one deals in which the U.S. muscles other countries into specific concessions.

Even as the White House was tallying the votes necessary to ensure approval, the Nafta battle clearly leaves a powerful legacy: It gave respectability to the notion that something is fundamentally unfair about trading with poor nations, whose labor costs undercut those in the U.S. And alongside this view is a growing perception of the U.S. economy — the world's mightiest — as an innocent abroad, in danger from foreign predators.

Moreover, the brawl over Nafta has spawned a permanent trade opposition that blames global trade for an array of economic and social uncertainties. World-trade negotiations — a far bigger prize economically than Nafta — are currently stalled partly because of the wheeling and dealing over Nafta in Congress. And even after securing a Nafta victory, the administration won't be in a hurry to try to fold in other Latin American states.

Public Support Grows

The latest Wall Street Journal/NBC News poll found that Americans favored Nafta by a margin of 36% to 31%. In last month's survey, the public opposed the accord by 33% to 29%. Article on page A24. In related coverage:

- **A list of questions and answers addresses the main points of Nafta, A14.**
- **Japan is hoping to play a mediator's role in the world trading system, A18.**
- **U.S. franchisers expand in Mexico and are hoping for a Nafta windfall, B2.**
- **A Democratic representative makes a lonely decision about her vote, A24.**

Trade Still Expanding

Of course, trade flows continue to grow — even as the political support for trade-liberalization weakens. Moreover, fundamental economic forces, such as technological change, ease of transportation and improved communications, are facilitating trade expansion around the world. But antitrade sentiments, if they continue to fester, could erupt in steps that eventually might begin to limit global commerce.

By any assessment, the push to pass Nafta has been exhausting. House Republicans yesterday met their goal of reaching 118 firm "yes" votes, and Democratic vote-counters expressed confidence they would produce the remaining 100 votes needed to pass Nafta. As is common on controversial issues, Democrats have in reserve several lawmakers who have agreed to vote yes only if the pact otherwise would fail.

Deal-making with key lawmakers was critical. A significant break came yesterday when Rep. Tom Lewis, a Florida Republican who has been considered a bellwether for that large delegation, switched from opposition to support after Mr. Clinton personally agreed to a concession benefiting tomato growers. In past weeks, the administration has agreed to a series of deals aimed at satisfying Florida's sugar, citrus and vegetable growers, but Mr. Lewis, a member of the Agriculture Committee, remained opposed. Yesterday, he got a phone call and a letter from the president, and by morning's end told reporters, "We've gotten almost everything we've asked for. . . . I feel like there comes a point in time where you should declare victory."

A Major Switch

As many as 15 of the 23 Florida lawmakers now are expected to support Nafta. Rep. Peter Deutsch, a freshman Democrat, was among those who remain opposed to the pact. "I really don't think it's good for America," he said. Previously, he had acknowledged the pressure of organized labor against Nafta. "It's a tougher vote for freshmen," he said. "For more senior members, they may have a 10-year record with labor. So, the political pressure is different for freshmen."

Rep. Tom Sawyer became the second of Ohio's 10 Democrats to support Nafta; he made the announcement at an Akron news conference that included a congratulatory phone call from Mr. Clinton. Rep. Sawyer had planned a press conference for Monday, but the White House, fearful that he would oppose Nafta, secured a delay.

Also endorsing Nafta are other uncom-

Please Turn to Page A14, Column 1

Continued From First Page

mitted legislators, from Texas, Vice President Albert Gore's Tennessee and Massachusetts. Two Oklahoma Democrats, Reps. Bill Brewster and Glenn English, along with Rep. Bill Sarpalius of Texas, came out in support yesterday after trade associations for wheat and peanut growers assured the lawmakers they were satisfied by the agreements on those products.

Rep. Curt Weldon was the only House member to publicly announce opposition to Nafta, expressing concern about its cost and the impact on jobs and immigration. "I guess I was the only one who didn't cut a deal," the Pennsylvania Republican said in an interview. Even so, he predicted the president would win, given the deals that have been arranged. "I won't sell my vote to get some goodie," he added.

But having all but secured a Nafta victory, the administration faces difficulties in pushing other far-reaching trade deals—particularly the global-trade accord being negotiated under the General Agreement on Tariffs and Trade. Following that a new trade pact, such as the one that might someday be hammered out with the Asia-Pacific Economic Cooperation group, which is holding top-level meeting in Seattle this week, would face an uphill fight.

"The idea of a president bringing back trade agreements [mand] having Congress vote up-or-down on them may be a thing of the past," says Paul Drazek, a former trade negotiator who now works at the American Farm Bureau Federation.

Michael Porter, a Harvard professor whose monumental work "The Competitive Advantage of Nations" chronicles the rise and fall of national economies, worries about the shift inward. "Clinging to what we have, rather than moving on to new sources of wealth, is a process that destroys economies," he contends. He adds that U.S. attitudes are reminiscent of Britain's mood before its economic decline in the wake of World War II.

Certainly, America's plunge toward isolationism would be far steeper if Nafta were to be defeated, wrecking plans to phase out trade restrictions among the U.S., Mexico and Canada over 15 years. But what is striking is how much trade policy has already shifted in the U.S., weakening the president's power to deliver a trade-opening policy even when his own party controls Congress.

The Nafta debate shows "free trade is a suspect concept," adds Alejandro Foxley Rioseco, Chile's finance minister, who was educated and taught in the U.S. "Domestic political forces are so strong that negotiating free-trade agreements may mirror their political interests." The antipathy of many Americans toward trade parallels a rise in protectionist sentiments in France and much of the rest of Europe, where governments are considering whether to continue liberalization or erect more barriers.

In the U.S., the muscle-flexing by the broad antitrade coalition marks the first time since Franklin Roosevelt started reducing tariffs in 1934 that a trade-liberalization measure has been so imperiled. The coalition ties together labor unions, upscale environmentalists, suburban Perot supporters and thousands of local

(1st of two pages)

Drawing Back: Nafta Odds Gain; U.S. to Reduce Trade Leadership

(2nd of 2 pages)

activists nationwide, all convinced that trade is a sucker's game played for the benefit of multinational corporations. Their rhetoric is pure down-with-the-rich populism, a movement with political roots reaching back to the 1830s presidency of Andrew Jackson but laced with a 1990s concern for the environment.

"The goal should be to protect the future through restrictions on international trade," write two British environmentalists who link trade liberalization with environmental degradation in an antitrade manifesto called "The New Protectionism." They add: "More long-distance trade will only intensify the damaging trends which are already bringing the world to its current sorry state."

Despite a poor showing in the recent Nafta debate, Ross Perot has used public anxieties over global trade to build up his political organization, and he isn't likely to stop after the Nafta vote. Indeed, passage of Nafta tonight could intensify the Perotistas' conviction that the Washington power structure is stacked against them, with the president winning on Nafta by cutting deals with lawmakers.

The trade issue "gives staying power to his organization," says Don Weiner, an antitrade organizer in the Midwest. "They're building a permanent political issue, just like the Christian right used school boards, antigay measures and school choice."

The White House's chief economist, Laura Tyson, consoles herself with the notion that the antitrade movement will peter out once the economy improves. But corporate restructuring and technology shocks will continue to cut into jobs in particular sectors, and global trade will frequently get the blame. In Canada, the free-trade agreement with the U.S. in 1988 was faulted for job losses and a recession even before the trade deal fully took effect. The political party that signed the accord lost power in recent elections.

Trade opponents first organized to defeat world-trade talks, held under GATT auspices in Geneva, and shifted to Nafta only as a political tactic because the administration was making more headway on it. Once the Nafta uproar subsides, their focus will turn again to Geneva. "GATT is Round Two," says Ralph Nader, the consumer activist and an anti-Nafta leader.

The conspiratorial, antielitist arguments made by Nafta foes may resonate even more loudly with GATT — an obscure but powerful trade organization tucked away in Switzerland and run by bureaucrats unknown in the U.S. GATT arbitration panels meet in secret, don't make their findings public and deem U.S. environmental laws improper if they block trade. And the GATT deal now being negotiated, with a Dec. 15 deadline, proposes to *increase* the GATT bureaucracy's power, and decrease U.S. authority to use trade sanctions to protect the environment or the domestic economy.

Even apart from the antitrade foes, getting a GATT deal "is much tougher than any of us would have thought six months ago," says Robert Rubin, director of the White House's National Economic Council. That's because unlike Nafta, which corporate America supports almost unanimously, a GATT deal deeply divides U.S. industry. Launched seven years ago under President Reagan, the GATT talks proposed a new world order in trade. Developing nations would promise to open their markets to rich nations' financial-services and high-tech companies. In exchange, rich nations would open their markets to agricultural and textile imports from developing countries. But both rich and poor countries in the 110-nation GATT have balked at making concessions.

Now, such major U.S. industries as Hollywood, semiconductors, pharmaceuticals and banks worry that Asian and European nations will offer only cosmetic changes in generally closed markets—and that the administration will accept them anyway in order to claim an economic and foreign-policy victory. Developing nations, on the other hand, see the U.S. protecting its textile and apparel companies and the European Community refusing to open its agriculture markets very much.

Administration deal-making to win support for Nafta has complicated the GATT round even further. To woo Rep. James Bacchus, a Florida Democrat, the U.S. trade representative's office promised that the U.S. wouldn't cut tariffs more than 15% on the citrus products and fresh vegetables that Florida farmers grow. But Latin American nations such as Brazil are counting on far bigger agricultural concessions across the board. If they don't materialize, the Latin Americans may be reluctant to open their markets to financial services and other fast-growing industries.

Textile-Industry Deal

The American Textile Manufacturers Institute agreed to back Nafta because of domestic-content rules that require textile makers generally to produce yarn and fabric in North America to qualify for low tariffs. But with President Clinton beholden to the U.S. textile industry for supporting Nafta, he has pledged to lawmakers from Southern textile states that he will seek a prolonged phaseout of the international textile-quota system that shields U.S. producers from low-wage competitors. As a result, India and Pakistan, two major textile producers, could well walk away from the final GATT package.

With all the retrenchment — and the opposition of politically powerful French farmers to trade liberalization—any GATT deal will probably be "modest," says Mr. Foxley, the Chilean finance minister. "That may not enough to control the mounting trade barriers or counter the growing political pressure in favor of neoprotectionism," he worries. The World Bank's chief economist for Latin America, Sebastian Edwards, notes that Colombia, Chile and some nations in Central America are considering measures to protect their agriculture from competition. "These guys are suffering from being shut out" of Europe and the U.S., he says.

Following resolution of the GATT deal, the prospects for further U.S.-led initiatives to liberalize trade look bleak. For the past 20 years, the U.S. Congress has been willing to delegate to the president "fast-track" authority to negotiate trade deals and to limit itself to voting yes-or-no on the results without picking the pact part with special-interest amendments.

Nowadays, the fast-track formula has come to represent the elitism of trade politics, with a small number of specialists negotiating deals that broadly affect the economy. Critics, especially environmentalists, will demand a role on the committees that set goals for trade negotiators and oversee their work.

But if the fast-track formula goes, "you won't get a trade deal," says Treasury Secretary Lloyd Bentsen, who shepherded fast-track bills through Congress when he headed the Senate Finance Committee. He reasons that foreign negotiators wouldn't make the needed concessions for a trade pact that Congress is likely to rewrite.

A Test in Latin America

A major test of the post-Nafta world will come in Latin America. Nations there have been waiting anxiously for the U.S. to approve the pact so they can then sign on and get tariff-free access to the U.S. market. Bolivian President Gonzalo Sanchez de Lozada goes so far as to liken Nafta to the "sun," with "the rest of the economies of our hemisphere like planets in orbit around it, bringing down trade barriers" and extending democratic practices.

But few see any realistic prospects for extending Nafta into a free-trade zone stretching from Alaska to Tierra del Fuego, as President Bush had proposed. Nafta negotiators initially discussed letting others apply for membership if they met certain macroeconomic standards, but the idea never made it into the pact.

At a Latin America conference last month, Deputy U.S. Trade Representative Charlene Barshefsky disparaged the notion that "hemispheric free trade was just around the corner. That's not the case," she said. Privately, administration officials say it could take as long as Mr. Clinton's second term—if he has one—before the U.S. is willing to gear up for a fight to add another nation to Nafta. Congress is already balking at extending Nafta-style benefits to Caribbean and Central American nations because of labor-union fears that wage rates there are even lower than in Mexico.

One-on-One Tax Policy

Meanwhile, a dispute over international tax issues suggests the directions U.S. trade policy may take. When GATT nations were negotiating an agreement providing fair tax treatment for foreign companies, the U.S. refused last month to sign on. The reason: Treasury officials figured the U.S. could act more effectively on its own, by bargaining one-on-one with other nations.

It's this one-on-one approach that the U.S. is taking in Asia, where it will begin negotiations with Japan in January and with China later next year. With Japan, the U.S. wants commitments that a much-bigger portion of that country's market will be reserved for foreign companies — and privately threatens to impose heavy import tariffs if Japan doesn't agree.

Ms. Tyson, the White House economist, has pushed hard for the U.S. to take a more aggressive stance on trade. But she understands the downside of what Jagdish Bhagwati, a Columbia University economist, calls "aggressive unilateralism." The rapid growth of Asian economies makes them less vulnerable to U.S. muscle-flexing. Compared with the past, she concedes, "We're not as effective going it alone."

56

THE WALL STREET JOURNAL WEDNESDAY, NOVEMBER 17, 1993

Our Color but Not Our Kind

By STANLEY CROUCH

Because there is a history of judicial prejudice and excessive police violence against black Americans, a suspicion of "law and order" has evolved in the black community that makes it difficult for us to clearly address the violent crime that plagues our cities. No presidential sermonizing, no crime bill, no gun-control laws will work for black Americans unless law enforcement and black Americans come together for mutual support.

We are in the middle of a criminal occupation of our cities on a scale that has no precedent. This is partially because of the drug trade and partially because the underground sale of illegal firearms has made traditionally lower-class street gangs into drive-by organizations that murder in larger numbers than we have ever seen. The citizens of high-crime areas live under an anarchic martial law declared by these criminals who lord it over the night and, for youngsters, turn acts as simple as attending public school into daily experiences of terror.

An Inverted Defense

The fact that so many of these violent criminals are black makes it more difficult than it should be to recognize that they represent criminality first and foremost and race only incidentally. But if anyone points out that less than 1% of black youths commit murders and that the vast majority of the young, black people they terrorize want these tyrants either intimidated into good behavior or put away, the response is often an inverted defense of these monsters as victims. Or one is told that "crime in the suites" is just as bad as "crime in the streets," and that it is criminals such as the white BCCI crooks who belong at the top of the law-and-order menu. Any suggestion of harsh penalties is interpreted as hatred of black people—of black youths in particular—and labeled fascist.

If one responds by saying that all criminals—from the suites to the streets—should be put away in places that are not simply homes away from home, that do not provide televisions and radios or allow conjugal visits and that demand hard labor, the listener will usually go deaf and return to the position that black criminals are, above all else, victims, and that any proposal of this kind would unleash racially selective and unrecallable military dictatorships of urban areas. If one observes that no white organization that rode through black communities racking up hundreds of murders with illegal weapons would be allowed to continue killing, even if it meant that the military had to be called into action to restore order, the point is missed.

In short, a double standard exists: The terrorizing and murdering of black people by black criminals is socially "understandable." However bad their conduct might be, we have come to expect less of blacks than we do even of white racists. We find it somehow unfair to black Americans in general that the criminals among them be removed or intimidated into submission.

The terrorizing and murdering of black people by black criminals is deemed socially "understandable." We have come to expect less of blacks than even of white racists.

Much of this problem is rooted in ideas that originated in the 1960s, a decade as filled with shoddy thinking as with glowing victories for the highest aspirations of our democracy. After the black power movement twisted the head of the civil rights movement, our American love of the bad boy and our traditional suspicion of authority were thrown into the pot with Marxist cliches and boiled into an irrationally radical brew. Such people as Huey Newton, Eldridge Cleaver and Angela Davis politicized the romance of criminality, projecting the ideas that the black criminal is a hero-victim, an unconscious revolutionary who represents the community's anger at the unfairness of the greater society, and that the police officer is a villain who represents the brutal ruthlessness of the prejudicial order.

It was a hustle that worked. Incarcerated black criminals began to see themselves as "political prisoners" and middle-class black naifs like Angela Davis were intimidated into embracing them as the most "authentic" black people. Responsibility and guilt were shifted over to white society and the black middle class, which was told that civilized behavior was an attempt to "act white." That was a remarkable moment because the traditional black American attitude toward criminals was—and is—the same as that of any sensible community: "They may be our color but they're not our kind." Criminals weren't seen as beacons of harsh truths, and sophistication wasn't believed an exclusive province of white people.

This is still largely true, but the debate over criminality and ethnic authenticity has been muddled by purported representatives of black American interests who are stuck in platitudes from the late '60s. They have only recently begun to realize what the idea of the criminal-hero has done to popular entertainment, where video after video projects the image of black youth as either murderous or obsessed with sex to the point of an erotic minstrelsy rooted much more in Madonna than in the blues. Things need to be updated.

What we need is repudiation of criminal behavior, no matter what segment of society it comes from. Just as all Americans have to free themselves of stereotypes about black criminals, we also have to free ourselves of stereotypes about the police. Anyone who commits brutal crimes shouldn't be allowed to squeeze sympathetic tears from the stone face of justice because a list of historical injustices is hoisted.

When the police step out of line, they should be prosecuted to the fullest extent of the law, but those rotten apples shouldn't be viewed as the essence of law enforcement anymore than black criminals should be seen as ethnic representatives. In cities of millions, homicides by police are always far below 50 a year, which shows the absurdity of the perception that the police are "a fascist, murderous, occupying force." How could any police chief or mayor maintain his job if the local force killed even a quarter of the numbers we now routinely accept from criminals?

We don't need to build more prisons. They're a waste of money. We should confront the large numbers of criminals we have occupying our cities and take the term "war on crime" seriously. We should build P.O.W.-style camps staffed by the military; this does not require new funding—they are already paid.

Spartan Conditions

In those camps, there should be hard labor and education, including a rule that prisoners who have not achieved a GED level of competence in reading, writing and arithmetic will not be eligible for parole. VISTA workers, interning education majors, and white-collar criminals could do the teaching. We must impose Spartan conditions, hard labor and close surveillance to eliminate homosexual rape, drug use and the formation of murderous gangs so as to remove all the glamour from doing time. Only then would the country begin to address the needs of our most beleaguered communities.

Mr. Crouch is the author of "Notes of a Hanging Judge: Essays and Reviews 1979-1989" (Oxford, 1990) and a 1993 recipient of a MacArthur Foundation "genius" grant.

GS/Crouch

THE PRESIDENT HAS SEEN
11-17-93

THE PRESIDENT HAS SEEN

11-17-93

CAPITAL JOURNAL
By Gerald F. Seib

Nafta Vignette: Lowey Displays A Gutsy Profile

WASHINGTON ISN'T MUCH noted these days for profiles in courage, but the debate over the North American Free Trade Agreement has produced a few. Here's one.

Rep. Nita Lowey is a little-known Democratic congresswoman from the New York City area. She's in her third term and seems a run-of-the-mill liberal Democrat. She usually wins a 100% rating from the labor movement for voting in favor of its agenda.

Until last Friday, that is. That's when Rep. Lowey announced that she would be voting for Nafta.

It was a lonely decision. She was the only Democrat in her three-state area (New York, New Jersey and Connecticut) to have come out for the trade deal.

She knows that the labor leaders who earnestly and heatedly urged her to vote no on Nafta will be steaming. And that could cost plenty. Last election cycle, Rep. Lowey got $146,750, or 48.4% of all her political action committee contributions, from labor-related PACs, according to the Center for Responsive Politics. That flow could slow or even dry up now.

Meanwhile, there's no indication that Rep. Lowey got any goodies from the pro-Nafta forces. White House officials say she had a talk with President Clinton, but didn't ask for any pork in return for a yes vote. What she asked for, the White House says, was more information about Nafta's details.

Rep. Lowey herself says her decision-making standards were simple: "No deals, no dams, no bridges."

So why is she doing this? Certainly, it isn't because Nafta is winning popularity contests. Like many lawmakers, Rep. Lowey represents some who like Nafta and some who really dislike it. Her district is a patchwork that runs through the Westchester, Bronx and Queens counties outside Manhattan. The upper-crust neighborhoods of Westchester county are home to suburban professional commuters and corporate executives, who presumably like Nafta. The working-class neighborhoods of Bronx and Queens are home to the kinds of union workers fuming about Nafta.

AS IN MOST PLACES, the Nafta haters have been more vocal. How often did Rep. Lowey hear from Nafta opponents? "Every five minutes," she says. "These are people I have worked with. If you look at my record, it's as a fighter for the working people. They all came in and saw me. They were very persuasive."

But in a capital awash with cynicism and deal-making, she seems to be an example of somebody who actually strained to do the right thing rather than run with the pack.

In a nutshell, Rep. Lowey made a hard-headed decision that the legitimate fears born of recent economic pains are overpowered by the evidence that Nafta would be good for her region's high-tech and service industries in the future.

"The jobs that were fleeing were going anyway," she says. Indeed, Rep. Lowey notes, New York City alone has lost 600,000 manufacturing jobs in the past 35 years, and New York state has lost a third of its manufacturing base in the past 20 years. "Having Nafta go down was not going to bring back those jobs," she argues.

Rep. Nita Lowey

Instead, she says, "strengthening the whole region was the key. . . . I became convinced that if Nafta went down, our exports would go down, our jobs would go down."

And she was unconvinced by arguments that Nafta should be stopped because of Mexico's shoddy labor practices. "Those arguments really didn't make sense to me, because I realized that by shining a spotlight on Mexico you'd have a better chance of raising wages, of improving living standards."

But Rep. Lowey's story isn't important so much because of the substantive arguments on Nafta. On those, reasonable people can and will continue to disagree. The important thing is that she has shown that it's still possible, in this era of electronic town halls, mass telephone campaigns and instant polls, for a politician to decide what to do by some means other than sticking a finger in the wind. For some reason, women members of the House of Representatives show the greatest willingness to take these kinds of risky stands.

Rep. Lowey also poses a test. Will those in the business community and the political leadership who are pro-Nafta stand up later to help those like Rep. Lowey who take the hard road this week? Or will she endure only punishment from the other side?

Refreshingly, Rep. Lowey seems not to worry too much about that. "I am a mother, I've raised kids, I'm active in the community," she says. "I came here to try to do the right thing."

THE DAVIDSON COLLING GROUP
INCORPORATED

JAMES H. DAVIDSON
TERESE COLLING

ROBERT D. HYNES, JR.
OF COUNSEL

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202-638-1101
FACSIMILE: 202-638-1102

'16 A9:21

November 15, 1993

Will Itoh —
Ex-Im Bank is staffing this, but it seemed to me something that should be consid
Joe
11-16-9

Mr. John Podesta
Assistant to the President &
Staff Secretary
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C 20500

Dear ~~Mr. Podesta~~ John:

I'm writing to bring to your attention a matter of significant interest to Ellicott Machine Corporation of Baltimore, Maryland. Because of the immediacy involved, I appreciate your interest.

Ellicott is a major American manufacturer of large dredging equipment, and is the sole U.S. exporter of such equipment. The Maryland based company employs nearly 100 workers.

In Seattle, on Thursday, President Clinton will meet with many Asian leaders in order to develop mechanisms to improve trade relations between the United States and Pacific Rim countries, including Indonesia. We would hope that the President would express support for Ellicott's efforts to provide Indonesia with heavy dredging equipment.

Ellicott has a long-standing relationship with Indonesia dating back more than forty years and, until recently, had been the exclusive supplier of heavy dredging equipment to that country. In 1991, as a direct result of the personal intervention of Chancellor Helmut Kohl, contracts were awarded to a competing German company.

Currently, Indonesia is soliciting bids on a contract for heavy dredging equipment, valued at $30 million, through its state-owned dredging company. Ellicott is actively pursuing this contract, and anticipates receiving ExIm Bank support with its financing package. But again, foreign biuders, with their governments' support, are also involved. Both German and Norwegian companies also are submitting proposals.

There are no other American bidders for this contract. All of Ellicott's former domestic competitors have either closed down or withdrawn from export markets in the face of competition from government-subsidized foreign companies. Apart from the hundreds of jobs that Ellicott represents, the U.S. government should support and encourage the only U.S. dredge manufacturer competing in the international marketplace. When the ExIm Bank commitment is in place, Ellicott will be fully competitive with German and Norwegian bidders. However, the company also needs direct U.S. support to counteract the support of both foreign governments, which see this as an opportunity to expand the reach of their own influence in the Pacific Rim.

Ellicott depends on exports and, for this reason, has not stood silent during the ongoing intense NAFTA campaign. Its local steelworkers union is the only organized union in the country to publicly support NAFTA, and was with Mr. Clinton on the White House lawn for an October 20th rally. Its president, Peter Bowe, was on stage with Mr. Clinton at the U.S. Chamber of Commerce sponsored 'Town Hall' on November 1st. Mr. Bowe has appeared on ABC News and CNN to support the Administration.

This is an American company, strongly competitive in overseas markets, ready and able to meet all contractual requirements. But it cannot overcome foreign government intervention without the full support of its own. This is a clear case in which the U.S. Government should make its interest known to Indonesia when President Clinton meets President Suharto at the APEC meeting on Thursday.

Sincerely,

James H. Davidson

Enclosures

ELLICOTT MACHINE CORPORATION
DOCUMENT LIST

1. One-page discussion of Ellicott proposal for Indonesia contract.

2. Memorandum to President Clinton and Secretaries Brown and Pena.

3. Draft letter from President Clinton to President Suharto.

4. Draft letter from Transportation Secretary Pena to Indonesian Minister of Transportation Dr. Haryanto Dhanutirto.

5. Draft letter from Commerce Secretary Brown to Indonesian Minister of Transportation Dr. Haryanto Dhanutirto.

6. Two-page memorandum to Senator Sarbanes (D-MD).

7. Documents on Ellicott.

   a. Peter Bowe Op-Ed article in the Baltimore Sun, Oct. 27, 1993.

   b. Pro- NAFTA article in the New York Times, Oct. 21, 1993, with a picture of President Clinton and business supporters at the White House. Ellicott Union member appears in the picture.

   c. Baltimore Sun article on Transportation Secretary Pena's visit to Ellicott on Oct. 15, 1993.

   d. Ellicott Steelworkers Union endorsement of NAFTA, Oct. 14, 1993.

   e. Financial Times article dated Nov. 12, 1993 outlining Germany's export bids.

   f. Two articles, one in the New York Times dated Nov. 9, 1993 and one in an Indonesian paper printed in English dated Sep. 30, 1993 concerning President Clinton's efforts to increase American business in Asia.

8. Copy of Indonesian soft loan offer dated July 20, 1993.

9. Three pages from a document related to a Norwegian bid for the Indonesian project, dated Feb. 5, 1993.

10. Memorandum from German Emixbank, Kreditanstalt fur Wiederaufbau, to Indonesian government dated Aug. 6, 1991 outlining negotiations between Chancellor Helmut Kohl and President Suharto on behalf of the German bid.

11. Ellicott letter to U.S. Export-Import Bank requesting an extension in the expiration date of the loan agreement.

12. Ellicott letter dated Nov. 12, 1993, to Senator Sarbanes office verifying foreign competition for dredging equipment bid in Indonesia.

13. Letter to Kenneth Brody, Chairman, U.S. Export-Import Bank.

14. Letter from U.S. Import-Export Bank to Indonesian government concerning 1991 preliminary commitment for Ellicott's financing.

Ellicott Machine Corporation International

Indonesia Project

The Ellicott Machine Corporation of Baltimore, Maryland, a world class manufacturer of offshore dredging equipment has been principal supplier of dredging equipment to Indonesia's state owned dredging company, P.T. Rukindo, since 1952. Indonesia has been the largest single customer of Ellicott's dredging equipment since World War II, and supplied 100% of the Indonesian government market for cutter dredges through 1991.

In 1991, **German Chancellor Kohl personally offered Indonesia $150 million** worth of soft loan financing to buy dredges from Ellicott's German competitor. (This was in addition to German financing to Bolivia, Venezuela, and Yugoslavia for dredging equipment.)

Indonesia is currently accepting bids valued at over $30 million for dredging equipment. Ellicott is a competitive bidder for this contract, along with Dutch, Norwegian, and German concerns. Ellicott has not provided any new dredging equipment to Indonesia since completion of a 1976 order for three large dredges and auxiliary dredging equipment valued at $20 million.

If Ellicott fails in its efforts to obtain the Indonesian contract, its long term access to foreign markets will be severely undermined. Ellicott's U.S. competitors have already closed, shrunk, or withdrawn from export markets in the face of heavily government subsidized European competitors.

Ellicott is virtually assured of receiving an extension or reissue of ExIm Bank preliminary financing commitment valued at $30 million to meet the contract terms. **Ellicott needs full support from the United States government**, akin to the support previously given the German dredging industry, if it is to have a chance of winning the contract.

It is crucial that President Clinton express his interest in and support for Ellicott directly to Indonesian President Suharto at the upcoming meeting in Seattle on November 18.

NOTE: Representatives of Ellicott's unionized work force appeared on stage with President Clinton at the October 20 NAFTA rally on the White House lawn. Ellicott's President , Peter Bowe, was on stage with President Clinton at the U.S. Chamber of Commerce NAFTA "Town Hall" on November 1. Ellicott is based in Rep. Ben Cardin's (D-MD) Congressional district,with many of the employees residing in Rep Kweisi Mfume's (D-MD) district.

C

MEMORANDUM

DATE: **October 19, 1993**

TO: **President Clinton, Secretary of Commerce Ronald Brown, Secretary of Transportation Federico Peña**

FROM: **P.A. Bowe**

RE: **Immediate U.S. Export Opportunity for $30 Million of Dredging Equipment to the Ministry of Transportation, Government of Indonesia**

When the Clinton Administration announced its New Export Strategy (NES) on September 30, this news reached even the English language press in Indonesia. This is relevant because immediate action by the Administration will result in a $30MM export to the Indonesian government from America's depressed shipbuilding industry.

Ellicott Machine Corporation International, America's sole remaining large dredge builder, already has a commitment from the U.S. Eximbank for a $30MM soft loan for dredging equipment for the Indonesian government-owned dredging company. Ellicott has been a supplier to the Indonesian government for 40 years, but recently has lost several sales to a German competitor because of direct intervention by Chancellor Helmut Kohl with President Suharto of Indonesia.

Ellicott needs the same kind of administration support at the highest possible level - "a government-business partnership" to succeed on the next project which will be decided imminently.

This project will mean 250 man-years of work for Ellicott and its American shipyard subcontractors.

As is widely known, subsidized European competition in the shipbuilding industry has all but devastated America's own shipbuilding. Ellicott has the financial backing, but it still needs the official support in the form of a strong communication to Suharto that this next project should be "our turn". This support has already been offered at the Ambassador level but it needs to be even higher to counteract what Ellicott's competitors have been able to do.

Full background is attached.

Peter A. Bowe
President
Ellicott Machine Corporation International

PAB/slb
10-061

Attachments:
1. Ellicott's briefing memo to U.S. Senator Paul Sarbanes (D-MD) September 7, 1993
2. Ellicott letter to Indonesian Minister of Transportation (Communication) dated August 3, 1993
3. Eximbank telex to Indonesian government dated July 32, 1993

DRAFT
FOR CONSIDERATION BY
PRESIDENT BILL CLINTON

October 29, 1993

H.E. President Suharto
Government of Indonesia

Dear President Suharto:

You and I have both pledged our commitments to increase economic growth in our countries by new investment in infrastructure and export led growth. I understand for Indonesia, a country with 13,000 islands, that this will mean continued emphasis on ports and dredging.

It is fortunate that we have here in the United States one of the world leaders in dredging equipment design and manufacture - Ellicott Machine Corporation International - a company known worldwide since it built all of the dredges used in the original construction of the Panama Canal.

Since then, of course, Ellicott has been a principal supplier to Indonesia's state-owned dredging company, P.T. Rukindo, going back to 1952.

I am aware that in recent years P.T. Rukindo has used "soft loans" from other countries to meet its dredging equipment needs. However, I am very pleased to advise you that Ellicott now has a $30MM "soft loan" commitment from the U.S. Eximbank for new dredging equipment for Rukindo, including, Rukindo's "Blue Book" project F-ST-37. I understand that the financial terms of Exim's offer are excellent and in fact better than the German soft loan offer accepted 18 months ago by Rukindo.

I want you to know that Ellicott has my full support for this project, and I trust you will give the Ellicott/Exim offer the consideration it deserves.

Very truly yours,

William Clinton
President of the United States

10-079

DRAFT
For Consideration by
Transportation Secretary Federico Peña

October 29, 1993

H.E. Dr. Haryanto Dhanutirto
Minister of Transportation (Communications)
Government of Indonesia
Jl. Medan Merdeka Barat No. 8
Jakarta, INDONESIA

Re: Dredging Equipment for Indonesia

Dear Minister Dhanutirto:

You and I share a common mission which is imperative to the future economic growth of both our countries: maintaining high rates of investment in our transportation infrastructure. While a country with 13,000 islands such as Indonesia has slightly different needs from the USA, we both recognize that export-driven economic activity is the key to our overall economic growth. And exports, of course, require substantial port capacity and therefore dredging.

I have spoken publicly in the past on the need for expanded dredging activity to maintain uncongested sea ports here and abroad. I understand that Indonesia executes much of its dredging through the state-owned company PT Rukindo. This has many parallels with the U.S. Army Corps of Engineers here in the USA which funds most navigational dredging and also maintains a substantial fleet of its own dredges.

I understand that Rukindo has a substantial planned need and capital budget for all kinds of dredging equipment over the next few years. I believe you are also aware that Ellicott Machine Corporation International of Baltimore, USA has been a dependable supplier of dredging equipment to Rukindo for over 40 years. I personally have visited Ellicott and can recommend them as a first-class organization with the latest technology in dredging equipment.

I think you are also aware that Ellicott has obtained a $30MM "soft loan" from the U.S. Eximbank which can be used for the dredging equipment on Rukindo's capital budget. I want you to know that the Ellicott/Eximbank offer has the full support of the Clinton Administration. Such financing offers are not made without serious consideration, and in this case Exim PC 064040 for US$30MM represents a substantial financial investment in American-Indonesian relations by our government. Given the magnitude of Rukindo's long term needs, we expect that the Indonesian government will certainly want to take advantage of this financing opportunity from a known supplier.

I urge you, as one charged with the same challenges and responsibilities as I am, to accept the Ellicott/Exim offer. I would be pleased to receive you in Washington, DC to discuss this specific opportunity and our many other areas of mutual interest.

I look forward to hearing from you.

Sincerely,

Federico Peña
US Secretary of Transportation

cc: HE Ir Rahardi Ramelan, BAPPENAS
Vice Chairman
BAPPENAS
Jl. Taman Suropati No. 2
Jakarta, INDONESIA

DRAFT
For Consideration by
Commerce Secretary Ronald Brown

October 29, 1993

H.E. Dr. Haryanto Dhanutirto
Minister of Transportation (Communications)
Government of Indonesia
Jl. Medan Merdeka Barat No. 8
Jakarta, INDONESIA

Re: Dredging Equipment for Indonesia

Dear Minister Dhanutirto:

You and I share a common mission to enhance the future economic growth of our countries. While a country with 13,000 islands such as Indonesia has slightly different needs from the USA, we both recognize that export-driven economic activity is the key to our overall economic growth. And exports, of course, require substantial port capacity and therefore dredging.

I understand that Indonesia executes much of its dredging through the state-owned company PT Rukindo. I further understand that Rukindo has a substantial planned need and capital budget for all kinds of dredging equipment over the next few years.

I believe you are also aware that Ellicott Machine Corporation International of Baltimore, USA has been a dependable supplier of dredging equipment to Rukindo for over 40 years. I have seen examples of Ellicott products, have met with their people, both executives and workers, and can recommend them as a first-class organization with the latest technology in dredging equipment.

I think you are also aware that Ellicott has obtained a $30MM "soft loan" from the U.S. Eximbank which can be used for the dredging equipment on Rukindo's capital budget. I want you to know that the Ellicott/Eximbank offer has the full support of the Clinton Administration and the U.S. Commerce Department. Such financing offers are not made without serious consideration, and in this case Exim PC 064040 for US$30MM represents a substantial financial investment in American-Indonesian relations by our government. Given the magnitude of Rukindo's long term needs, we expect that the Indonesian government will certainly want to take advantage of this financing opportunity from a known supplier.

I urge you to accept the Ellicott/Exim offer. I would be pleased to receive you in Washington, DC to discuss this specific opportunity and our many other areas of mutual interest.

I look forward to hearing from you.

Sincerely,

Ronald Brown
U.S. Secretary of Commerce
10-081

cc: HE Ir Rahardi Ramelan, BAPPENAS
Vice Chairman
BAPPENAS
Jl. Taman Suropati No. 2
Jakarta, INDONESIA

September 7, 1993

To: Senator Sarbanes' Office

Re: Background Memo on Ellicott Machine Corporation International (Baltimore) and Eximbank Loan for Indonesia; Action Requested

Ellicott Machine Corporation International, based in Baltimore since 1885, is the last U.S. exporter of large dredges. Ellicott's U.S. competitors have closed, shrunk, or withdrawn from export markets in the face of heavily subsidized, primarily European competitors. Ellicott too has suffered in the absence of support comparable to what European dredge builders have received as part of foreign aid schemes, export promotion schemes, and shipbuilding subsidies.

Since World War II, Ellicott's largest single customer has been the Government of Indonesia. Through 1991, Ellicott had a 100% market share with the state owned dredging company for cutter dredges. In 1991, German Chancellor Kohl personally offered Indonesia $150 million worth of "soft loan" financing to buy dredges from Ellicott's German competitor. (This was in addition to recent German soft loans for dredges for Bolivia, Venezuela, Yugoslavia, etc.) Ellicott was ultimately able to persuade Eximbank to offer similar financing for $30MM but not before the Indonesians had committed to the German offer.

Exim has supported Ellicott by extending this financing offer through November 14, 1993. This has been necessary as Ellicott has worked with the Indonesians to develop a suitable project for dredging equipment. We understand the Norwegian government has offered, or intends to offer, a $20MM "soft loan" financing for dredging equipment with even more generous terms than Eximbank's existing offer through Ellicott (e.g. longer repayment period, longer grace period, more local content allowed). In addition to support from Exim, the U.S. Embassy in Jakarta, both Ambassador Barry & Commercial Counselor Ted Villinski, have actively supported Ellicott. This level of support and this amount of time are typically necessary for this kind of capital goods project in Indonesia.

Ellicott desperately needs this business for our own survival. We've invested hundreds of thousands of dollars in technical groundwork, proposal development, and sales costs to date. During this period our Dutch and German dredge competition have received comparable "soft loans" for India, Honduras, China, etc. as they have in the past for Indonesia.

<ins>Ellicott has not used one Exim soft loan for over 15 years. We need this one.</ins>

SUMMARY OF HELP AND SUPPORT BEING SOUGHT:

1. We understand Exim's (all-new) Board of Directors will have to approve an extension beyond November 14, 1993. While Ellicott is making good progress, these projects develop slowly and must have an extension.

2. The original proposal was for one large dredge. The customer now needs Ellicott equipment, but multiple units of a smaller size at the same total cost. We need Exim to be flexible about the exact equipment financed. The contribution to U.S. labor hours is the same no matter what.

3. Ellicott faces competition on this project from Dutch and German proposals, as well as from a Norwegian proposal whose financing terms come closer to what the Indonesian government requires than Exim's Ellicott offer. The reason for Exim's deviation is that it was a response to the German offer which also deviated from Indonesian government norms. We need Eximbank to be flexible about the financing terms as we understand from our sources that full compliance with Indonesia's request on (a) longer loan maturity, and (b) longer grace period would result in an Ellicott order for sure.

Ellicott is very grateful for Exim's support to date, but we also recognize the political and diplomatic aspects of this competition. We cannot leave these issues to chance when the future viability of Ellicott is on the line.

We believe you are aware that the State of Maryland has been very supportive in the case through DEED (Mark Wasserman) and MID (Scott Blacklin).

ELLICOTT MACHINE CORPORATION INTERNATIONAL

Peter A. Bowe
President

PAB/SLB
09-009

OPINION • COMMENTARY

NAFTA Will Benefit Workers

By PETER BOWE

So far the debate about the North American Free Trade Association has been unnecessarily emotional and vague regardless of the side being argued. Opponents appeal to populist fears about low Mexican labor costs, and proponents ask us to have courage about American competitiveness and faith in the benefits of free trade.

In a nod to reason, both sides have relied on economists to make projections about job gains or losses. Most of us, however, have plenty of history to justify our skepticism when it comes to econometric models and predictions.

In fact, NAFTA very likely will be beneficial to America and American workers. It should help American manufacturers and labor. And we need not rely on high-minded free-trade principles to reach that conclusion.

At a recent White House briefing for Maryland business leaders, a woman suggested to Vice President Gore that worker opposition to NAFTA was based on fear that it would accelerate a trend toward "outsourcing" manufacturing production and jobs offshore, and continue downward pressure on wages from cheaper labor elsewhere. Mr. Gore responded that we shouldn't worry because Mexican labor isn't really all that cheap, once you factor in lower productivity, logistical problems, worker turnover, *etc.*

I found that part of his answer unsatisfying and likely to leave lingering doubts in the minds of the undecided. Who wants to depend on the possibility of electrical brown-outs in Mexico to keep American companies from moving jobs there for cheaper wages? Fortunately, the vice president followed with a much stronger argument: Contrast our situation if we continue without NAFTA to what NAFTA will change?

The attractions and economic arguments for manufacturers to move to lower-labor-cost areas already exist and will continue if NAFTA doesn't pass. Mexico, like many developing economies, has used protectionist policies such as high duties and local-content requirements to force companies wishing to serve the Mexican market to locate production in Mexico. NAFTA will change this situation dramatically.

The removal of local-content laws actually will reduce incentives for American firms to reach the Mexican market by investing in Mexico. They will be able to export from existing American plants. For example, the Big Three American car makers expect Mexican auto imports, now virtually banned, to rise to 60,000 cars in the first year alone. It's not American industry that must improve its productivity because of NAFTA, but currently protected Mexican industries!

NAFTA's effects on duties tells the story even more simply. Mexican duties on imports now range from 10 to 20 percent, while American duties average less than 5 percent. Reducing all duties to zero means that the prices of American products in Mexico will drop more than Mexican prices will drop here.

If our products cost less, American market share will rise for two reasons. First, Mexicans will be able to buy more American goods for the same amount of money. Secondly, American products will enjoy a new and substantial 10 to 20 percent price advantage compared with imports from other areas like Europe and Asia that will still be subject to the higher duties. We don't need to know NAFTA's precise impact on U.S. GDP growth to see that it will create jobs by increasing American exports.

The experience of my company, Ellicott Machine Corporation International, with the Canadian free-trade agreement convincingly suggests that lower duties do mean more exports. Ellicott exports dredges for marine construction, mining and environmental markets. Before the free-trade agreement now in place between the U.S. and Canada, import duties were much higher in Canada than in the United States, making our products disadvantageously priced there.

When the Canadians eliminated their duties against American imports, new Ellicott dredges were much more attractive to Canadian buyers than European products or used equipment, which was less efficient but also much less expensive. The effect on exports was immediate: Our Canadian sales more than doubled. We expect the same from Mexico if NAFTA passes. Interestingly, it is our environmental sales to Canada which have grown the most.

The logic of this relationship between lower duties and more exports is sufficiently clear that Ellicott's unionized steel workers have broken away from labor dictum to endorse NAFTA. These people know that exports mean jobs — their jobs.

Some of the opposition to NAFTA is based on environmental issues. Some enviro[illegible]tal groups are unreservedly for NAFTA, and some against. Here we really need to look at where would we be without NAFTA. What seems logical to me is that we have more leverage on Mexican environmental issues if we adopt NAFTA than if we don't.

Whatever environmental problems exist in Mexico today will certainly continue without NAFTA, which is the first trade agreement to recognize environmental issues as a multi-sovereign affair. The Environmental Protection Agency's Carol Browner is right when she says that environmental opposition is a red herring or more appropriately, a "red dolphin." We also shouldn't ignore the beneficial economic impact of greater American exports of environmental goods and services based on NAFTA's mandate to improve implementation of environmental standards.

I support NAFTA based on global principles like free trade and in recognition of th[illegible]ree to which Mexican President Carlos Sa[illegible]s de Gortari has stuck his neck out. Rejection of NAFTA would likely push Mexico out of our trading sphere into some other bloc such as Japan's, with unfavorable consequences for America's current large trade surplus with Mexico.

But the Clinton administration shouldn't try to sell NAFTA on those principles alone. The logic of NAFTA can be shown more simply and compellingly to the average American worker on other grounds, such as those I have suggested. American workers are too cynical for appeals based largely on faith in free trade.

Peter A. Bowe is president of Ellicott Machine Corporation International.

Clinton Uses Japan to Sell Mexico Pact

Tapping Japan's bogeyman image to save a troubled trade pact.

By GWEN IFILL
Special to The New York Times

WASHINGTON, Oct. 20 — President Clinton, gearing up for the final weeks of an uphill battle to win Congressional support for the North American Free Trade Agreement, has settled on a provocative strategy that treats Japan, not Mexico, as the most severe threat to American jobs.

The new approach emerged today at the White House, where Mr. Clinton was joined by Lee Iacocca, the retired chairman of the Chrysler Corporation. The two appeared under one of two giant tents erected on the muddy South Lawn for a sort of political yard sale showcasing businesses that support the trade agreement.

Surrounded by business people and lobbyists in dark suits promoting everything from hot dogs to forklifts, both men predicted that if the trade agreement failed, Japan would make its own deal with Mexico to flood the United States with goods that undercut American products.

"What would we do in America if we turn away from this and they make this sort of arrangement with Japan, or with Europe, and they make the investments there, and then we have to deal with their products coming through the back door from Mexico?" Mr. Clinton said, referring to actions the Mexican Government might take if the trade agreement is rejected. "What will happen to our job base? I'm telling you, everything people worried about in the 1980's will get worse if this thing is voted down, and will get better if it's voted up."

Mr. Iacocca, who is loathed by many in Japan for his frequent criticism of Japanese trade barriers, was even more blunt than Mr. Clinton.

In television advertising on behalf of the pact, Mr. Iacocca has described a vote against the trade agreement as a vote in favor of Japan and Europe. "The Japanese and the Europeans think Nafta is a bad deal," Mr. Iacocca says in the commercial, which began to be shown this week. "Why? Because it's good for us and it's bad for them."

And in his remarks today, Mr. Iacocca dismissed criticism from opponents of the trade agreement like Ross Perot who argue that jobs will be lost to Mexico.

"I'm perplexed by a lot of my friends, be they Ross Perot or others," Mr. Iacocca said. "They say we can't compete against little old Mexico when we're beating the hell out of Japan in the auto business."

Mr. Iacocca said that those who supported the trade agreement had failed to convince Americans that it would help the economy. "It's nuts," he said of opposition to the agreement. "It's absolutely nuts."

For weeks, the Administration has been seeking an effective approach to use in selling the agreement after opponents got off to what one official described today as a "head start" in the battle.

Trying to Use Old Habits

Because Americans are more accustomed to seeing Japan as the enemy on trade matters, the Clinton Administration has seized on that as an opportunity to simplify the argument for the trade agreement and add an emotional element to it.

"If this does not work, then what you see happen is that Mexico turns to Japan," Treasury Secretary Lloyd Bentsen told the Senate Committee on Environment and Public Works on Tuesday. "They turn to Europe. I tell you, the Japanese and the Europeans will be just delighted if we do not approve Nafta."

Hadeaki Domichi, the economic counselor at the Japanese Embassy, said that the Japanese Government had taken no position on the trade agreement.

"Certainly we would expect Mexico and other Latin American countries would be very much disappointed if Nafta does not succeed," Mr. Domichi said. "They may look to other countries, including Japan. That is a natural reaction. But our relationship with Mexico will go on, regardless of Nafta."

If the the trade agreement is accepted, Japan could make investments in Mexico, for instance, in a factory making goods that could be exported to the United States free of tariffs.

Sen. Paul Simon, Democrat of Illinois, announced that he would vote in favor of the pact after meeting with the President this morning. The House, where the vote is more critical, will vote first, on Nov. 17.

Members of the A.F.L.-C.I.O. tried to counter the President's appeal by arguing that the benefits of the trade agreement would not be as great as the Administration was projecting. The current American trade surplus of $5.4 billion with Mexico, union officials argued, has comes from transfers of plants and equipment, not from any increase in consumer purchases.

Saying he did not want Congress to "adopt this out of fear," Mr. Clinton criticized opponents of the agreement, saying, "There's been too much fear-mongering on the other side and all kinds of ridiculous statements made."

Stephen Crowley/The New York Times

Business people and lobbyists who support the North American Free Trade Agreement were heard yesterday at the White House. President Clinton was embraced by Harold Sumpter of H & H Industries, as Lee A. Iacocca, right, the retired chairman of the Chrysler Corporation, applauded.

Opposition to Trade Pact May Be Costing Perot

DALLAS, Oct. 20 (AP) — Ross Perot's opposition to a free trade agreement with Mexico is costing him business.

Victor Almeida, chief executive officer of Interceramic, a conglomerate based in Chihuahua, Mexico, said in an interview last week that he had considered building a $21 million tile-making plant at Mr. Perot's Alliance Airport near Fort Worth. But he said the company's board had rejected the plan because of Mr. Perot's campaign against the North American Free Trade Agreement.

"It's hard to support somebody that's trying to destroy something that we feel is very good, not only for Mexico, but it's going to be good for the U.S., also," Mr. Almeida said.

He said he would announce another site for the 262,000-square-foot tile plant, which will employ at least 175 workers, within two weeks.

Other Texas and Mexico business leaders say Mr. Perot, who has assailed the trade pact in rallies and in a book, appears hypocritical after the airport won designation as a duty-free foreign-trade zone last month. That means factories at the airport can import parts, assemble them and export finished products without paying duty.

"The Mexicans are very resentful of Ross Perot," Fred Quintana, executive director of the Matamoros Maquiladora Association, said on Tuesday. Maquiladoras are factories run by foreign corporations in Mexico, near the border, where parts and products are made for export.

Michael Berry, senior vice president of the the Alliance Development Company, said he could not discuss Alliance's dealings with Interceramic. Asked if Perot's trade stance has cost Alliance business, Mr. Berry said, "I'm not aware that it specifically has."

Alliance is a $200 million, 17,000-acre industrial park being developed on Mr. Perot's land north of Fort Worth. Some analysts say Alliance cannot afford to alienate businesses from Mexico or elsewhere. Only eight companies have set up operations at the four-year-old airport.

PAGE 10D
FRIDAY
OCT. 15, 1993

MARKET SUMMARY ON THE BACK PAGE

THE SUN
Business

MARK BUGNASKI/STAFF PHOTO

Bob Scheydt (left), a machinist at Ellicott Machine Corp., talks with (left to right) Transportation Secretary Federico F. Pena; Ellicott's president, Peter A. Bowe; and Gov. William Donald Schaefer.

STUMPING FOR NAFTA IN MARYLAND

Schaefer joins with White House to push trade pact

By David Conn
Staff Writer

Maryland has NAFTA fever, or at least it should after this week.

Gov. William Donald Schaefer and the Clinton administration have turned up the heat in their campaign to sell the North American Free Trade Agreement: The governor used a sister-state agreement with Mexico to stump for the trade pact on Tuesday; on Wednesday, a group of Maryland and Virginia business leaders headed to the White House for a sales pitch; and yesterday's event brought Mr. Schaefer and U.S. Transportation Secretary Federico F. Pena to South Baltimore's Ellicott Machine Corp.

Mr. Schaefer and Mr. Pena, properly decked out in safety glasses, watched a spray of yellow sparks fly off a machine 10 times the size of the man operating it. The machinist was busy crafting a part of the hydraulic pumps that go inside the dredging equipment that Ellicott Machine produces.

Minutes later, sparks flew again as the two politicians mounted the soapbox — actually a brightly painted red-white-and-blue Mud Cat dredging machine — to sing the praises of NAFTA.

"This is a treaty that's going to create jobs!" Mr. Pena shouted to the crowd of about 100 workers and reporters. "If we pass NAFTA, we will have a trading bloc of 370 million consumers . . . and over a $6 trillion economic machine."

"Give NAFTA a chance — read it," Mr. Schaefer implored. "I can tell you it's absolutely good for America."

At least one group was sold. The company's main union, U.S. Steelworkers Local 15338, capitalized on the attention from yesterday's event to announce its support for NAFTA, which is scheduled for a vote by the U.S. House of Representatives on Nov. 17. The local union endorsed the agreement without consulting its national supervisors, despite the U.S. labor movement's widespread opposition to the pact.

After more than a year of yielding the debate to their foes, supporters of the trade agreement have pushed their campaign into overdrive — in Maryland and across the nation.

"We're trying to bring this home to people on a very local level, on a very direct level," Mr. Pena said after his speech. "We think the best way to do that is to pick out examples like Ellicott Machines that will thrive with the passage of NAFTA."

Ellicott, the nation's oldest

See NAFTA, 12D, Col. 6

Schaefer joins with White House to push NAFTA

NAFTA, from 10D

dredging manufacturer, exports about 80 percent of its products. "All of us here recognize that we live on exports," said Ellicott's president, Peter A. Bowe.

The company has sold two of its Mud Cats to Mexico in recent years, despite hefty import duties of 20 percent to 25 percent, which would be phased out under NAFTA. "Our little dredge is about $300,000, and 25 percent of $300,000 is a big nut for these guys to swallow," said Charles A. Sinunu, international sales manager.

The company also hopes that as Mexico's economy improves, that country will invest more in infrastructure, which means more dredging.

Mr. Pena is among a group of Clinton Cabinet members and other administration officials — including the president — who are fanning out across the country to lobby for NAFTA. "One of the things we're concentrating on is port cities," said Jennifer A. Watson, a spokeswoman for Mr. Pena. "Cities with a port, we think, are going to see a lot of benefits from NAFTA."

Wednesday's meeting in Washington with about 80 business and political leaders was another method the administration used to spread the word. "Hopefully, they leave as active supporters, with an emphasis on both words," Ms. Watson said.

Peggy Chaplin, an international trade lawyer at Baltimore's Ober, Kaler, Grimes & Shriver firm who attended the meeting, said she is writing a note to all her clients "to take the word back to the community, as we were asked to do."

The meeting was led by Vice President Al Gore; Leon E. Panetta, the administration's budget director; Carol M. Browner, administrator of the Environmental Protection Agency; and William Daley, the Chicago businessman whom Mr. Clinton hired to lead the overall lobbying effort. In the audience were academic officials, business leaders and politicians, including Sen. Charles S. Robb and former Gov. Gerald L. Baliles, both of Virginia.

"Panetta really laid it on the line," said M. Sigmund Shapiro, president of Samuel Shapiro & Co., a Baltimore customhouse broker and freight forwarder who attended.

"If we don't cut this deal, we are going to lose big time" to the trading blocs being formed in Europe and the Far East.

ELLICOTT MACHINE CORPORATION
1600 BLOCK OF BUSH STREET BALTIMORE, MARYLAND 21230, U.S.A.
TELEPHONE 301-837-7900 TELEX NUMBER 8-7621 FAX # 301-752-3294

October 14, 1993

U.S. STEELWORKERS LOCAL 15338 ENDORSES NAFTA

Baltimore, MD - U.S. Steelworkers Local 15338, representing the manufacturing employees of Ellicott Machine Corporation International, endorses the Clinton Administration's push for NAFTA.

The union believes NAFTA's reduction of Mexican duties will create expanded market opportunities for Ellicott's dredges. As Ellicott depends on exports for 80%+ of its sales, market opportunities mean jobs for Ellicott and new union jobs too. Union local President Robert Gardner said the union's executive committee and membership had no problem endorsing NAFTA because of the obvious positive relationship between exports and jobs.

FINANCIAL TIMES FRIDAY NOVEMBER 12 1993

Germany bids for DM3bn China deals

By Quentin Peel in Bonn

GERMAN industrialists are hoping to sign contracts worth up to DM3bn (£1.2bn) in China next week, when Chancellor Helmut Kohl leads a top-level delegation for talks in Beijing, Shanghai and Guangzhou.

Among the deals expected to be finalised are the purchase of six Airbus A340 aircraft, worth some DM500m, and the DM700m contract for an 18km stretch of underground railway in Canton, to be built by a consortium headed by Siemens and AEG.

Around half the cost of the underground railway is intended to be financed with soft loans from the German development ministry, on the grounds that it is not a commercial project.

A further contract, also part financed with development loans, is for DM165m worth of railway wagons for the Chinese railway system, to be provided by Deutsche Waggonbau, one of the biggest east German enterprises still to be successfully privatised.

Some 40 chief executives of German companies are expected to travel with the Chancellor on his week-long trip, including Mr Edzard Reuter, the head of Daimler-Benz, Mr Heinrich von Pierer of Siemens, and Mr Ferdinand Piëch of Volkswagen.

Daimler-Benz' troubled Deutsche Aerospace subsidiary has been negotiating on possible collaboration deals in satellite technology, solar collectors, and other electronic components. Siemens, apart from its involvement in the underground project at Guangzhou, is also hoping for major telecommunications contracts in transmission systems, and digital mobile telephones.

Siemens Transportation Systems will also be making a proposal to the Chinese government to supply its ICE high-speed train system.

The German delegation is also hoping to sign new contracts for container ships which might be built at east German shipyards, on top of an existing contract for eight ships already signed.

Mr Kohl is to visit the VW plant in Shanghai, where the annual capacity of 100,000 Santana cars is to be increased to 150,000.

More than 100 potential new projects are under negotiation, according to the German economics ministry, including power stations and engineering plants.

German exports to China soared by more than 85 per cent in the first half of 1993, to reach almost DM5.6bn, while Chinese exports to Germany increased by a more modest 12 per cent to DM7.57bn, according to German figures.

The Chancellor's visit is seen as a big effort by the German government to support German industry in a new drive for Asian markets, which officials admit have been neglected in the past.

On departure from China, he will visit Hong Kong for talks with Mr Chris Patten, the British governor, underlining Germany's commitment to a "harmonious solution" between Beijing and London on the future of the colony, according to officials in Bonn.

Reuters

Korean farmers burning rice in Seoul to demand that the Government keep a promise not to import rice.

Clinton Pushing Business With Asia

Trying to end trade barriers and stir U.S. companies.

By STEVEN GREENHOUSE
Special to The New York Times

WASHINGTON, Nov. 9 — Seeking to capitalize on the world's fastest growing economies, the Clinton Administration is pushing to topple trade barriers in Asia, increase export subsidies and persuade American companies to overcome their traditional reluctance to expand in the region.

While trade with Mexico and Canada dominates national debate, the Administration is orchestrating the push out of concern that American businesses are not taking advantage of the huge opportunities in a region whose boom the World Bank calls the "East Asian Miracle."

Some officials have suggested creating a trade zone free of barriers to trade and investment on both sides of the Pacific, invoking the same philosophy that underlies the North American Free Trade Agreement: More trade means more jobs.

"The fact is this is the most dynamic region in the world," said Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs. "If we are interested in more exports and jobs, the most lucrative direction is the Asia-Pacific region."

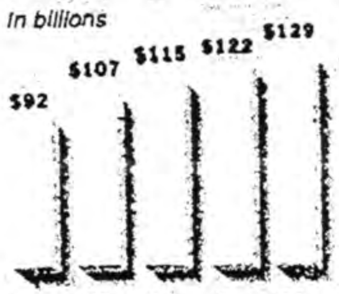
Waking Up Businesses

Corporate America has been slow to expand in Asia. The Administration initiatives are also presented as a way to prod American businesses to wake up to the opportunities there, although some critics may question whether the Administration's push is more show than substance.

Exports to Asia

Exports from the United States to Australia, Brunei, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, and Thailand.

In billions



grow larger than the American economy. In the same period, American officials say, China, Indonesia, Taiwan and other Asian countries will be shopping for hundreds of billions of dollars in goods and services in which American companies are world leaders.

These include computers, aircraft, telecommunications equipment, hospital equipment, airport construction, power-generating equipment and financial services, like insurance. Wall Street's investment banking giants might also benefit from Asia's huge need for billions of dollars in capital to finance factories and infrastructure, American officials say.

The Clinton Administration is eager to use its Asian efforts to show that post-cold-war foreign policy can indeed translate into more jobs and higher living standards for Americans.

"Improved economic cooperation with Asia is naturally a major component of a foreign policy directed at promoting prosperity at home," said Lawrence H. Summers, Under Secretary of the Treasury for International Affairs. "Asia, which already represents a $1 trillion-a-year import market, will account for nearly half the world's economic growth over the next tion's push on Asia is to transform a weak, 15-nation association — the Asia-Pacific Economic Cooperation forum — into a powerful group that might, for instance, establish uniform rules for trans-Pacific trade and investment.

In parallel actions to increase America's economic presence in Asia, the Administration is pressing Japan to open its market more to American manufactured goods. The Administration's efforts have yet to produce concrete changes in Japanese practices, however.

The Treasury Department has also stepped up a campaign to put pressure on Japan, South Korea, Taiwan and other Asian nations to remove barriers to American banks and insurers.

And the Trade Representative's office is pushing China to remove quotas on American goods, including cars, chemicals and computers.

Clinton to Meet Pacific Leaders

As part of the Administration's efforts, President Clinton will meet in Seattle on Nov. 19 and 20 with the leaders of 14 nations from the so-called Pacific Rim. Some officials fear that the President's position could be undercut, however, if Congress defeats the North American Free Trade Agreement in a vote scheduled two days before the summit meeting.

Several officials described the push into Asia as a strategic repositioning, redirecting American economic ties away from slow-growing, inward-looking Europe toward a more dynamic, outward-looking Asia.

"If you look at our problems in that region, a lot has to do with the lassitude and ignorance of American business," said Paula Stern, a Washington-based trade consultant. "There needs to be a sense of urgency on the part of U.S. interests because we are slipping, relatively speaking, in that area."

Source: International Monetary Fund

The New York Times

American companies have been slow to expand in Asia for various reasons, including cultural differences, trade barriers, a lack of capital, a widespread perception that much of Asia remains backward, and opportunities in other regions, like Latin America and Eastern Europe.

Governments in Japan, Thailand and other parts of East Asia also maintain that the United States has simply been too complacent, allowing Tokyo investors to fill the vacuum. They are also concerned that the recent withdrawal of American military forces from the Philippines and, in part, from Japan and South Korea, signifies a diminishing American interest in Asia.

Focusing on 'the most dynamic region in the world.'

Many trade experts question how soon the Administration's Pacific overtures will translate into more exports and investments in Asia. American officials acknowledge that it might take years for these efforts to bear fruit.

If the United States increases its $120 billion in annual exports to Asia by just 10 percent, that will mean 240,000 new American jobs, experts say.

In another decade, the World Bank predicts, the combined economies of China, Taiwan and Hong Kong will

In the view of Administration officials, most Americans fail to recognize how fast Asia's economy has grown, how trade with Asia is booming and how rich many Asians have become. Per capita income in Singapore is $15,000 a year, higher than in many Western European countries. Indonesia's economy has more than doubled in size since 1985, and while most of its 190 million people remain poor, it has developed a sizable middle class able to afford American goods.

China's Economy Booming

Thanks to moves toward a free market, China's economy has been growing by a phenomenal 12 percent a year, and India's economy is starting to boom thanks to reforms there. Since 1988, America's exports to Indonesia, Thailand and Malaysia have more than doubled. In 1980, the nation's trans-Atlantic trade was the same size as its trans-Pacific trade, but now the Pacific trade is 50 percent larger.

Some Asian officials complain that the Seattle summit meeting shows that Washington is arrogantly assuming a leadership role in Asia, and perhaps seeking to dominate that continent. For this reason, Malaysia's Prime Minister, Mahathir Mohamad, plans to boycott the summit.

But other Asian officials have quite a different fear: that the summit meeting will mainly be a photo opportunity with little follow-up. Leaders of some Pacific nations are eager for the United States to play a larger role, partly to serve as a counterweight to Japan and China.

"They certainly want us to stay on in security and economic terms," said Mr. Lord of the State Department. "They find that we provide stability. Each one has concerns over the longer term about one or more of its neighbors. They see us as a friendly balancing nation."

Leon Hadar finds a new aggressiveness surfacing in Was

The shaping of Clinto

SEPTEMBER 30, 1993, will probably be remembered in Washington as the day the Clinton Administration unveiled the first part of its Industrial Policy.

Surrounded by the presidents of the Big Three US auto companies at a White House ceremony, President Bill Clinton said that scientists [illegible] the government's [illegible] and energy laboratories would work together with Detroit's engineers to find a new propulsion system to replace the century-old engine within 10 years.

Two hours later came another dramatic announcement of the administration's new policies aimed at creating a "government-business partnership" to promote exports. Meeting with leaders of the computer and telecommunications industries, Mr Clinton announced his plan to remove Cold War-era controls on high-tech exports to most of the world.

That move was only one out of 65 measures proposed by a committee chaired by Commerce Secretary Ron Brown to increase exports from the current US$700 billion (S$1.1 billion) to $1 trillion by the year 2000 and to create six million new jobs.

The new export promotion policy creates a US$150 million fund run by the Export-Import Bank to match exports and subsidies used by Japan and European nations to help sell their products in the developing world. The US$150 million will finance about US$600 million in low-cost Ex-Im Bank financing.

"The president wants to signal that this is a pro-business administration that understands where jobs are created," explained Mr Brown as he presented what the administration calls the new National Export Strategy (NES).

It promises better coordination of federal, state and private export promotion services as well as more government support for certain US export deals.

And if anyone still had doubts that unlike the "invisible hand" philosophy that gave birth to "Reaganomics," the ideological foundations of "Clintonomics" reflect the notion of the government playing the role of a guide to if not an ally of business, a third initiative announced late in the afternoon probably helped to dispel them.

Transportation Secretary Federico Pena unveiled a US$147 million programme to support US$3 billion in loan guarantees to domestic and foreign buyers of US-built ships. The administration says the goal of the policy is to pressure Asian and European governments to [illegible] their shipbuilders.

The president's advisors refuse to lump together these three initiatives as one grand Industrial Policy. But if one accepts the definition of Industrial Policy proposed by economic textbooks as "government measures to channel economic resources into specific sectors and activities that are considered for economic growth," then the new policies — and in particular the announcement of the NES — seem to fall exactly in that column.

The NES is "historic — a sea change in the way the federal government works with the private sector," said Mr Brown. No longer will government tell businesses: "Good luck, fellows, go out and compete." Instead, the Clinton Administration will "work hand-in-hand, shoulder-to-shoulder" with US exporters.

It is true that every president since Dwight Eisenhower has played up the importance of exports. Some administrations promised government help.

The Kennedy Administration, for example, established a series of Export Expansion Councils to help US exporters. Other presidents argued that US businesses should take advantage of the power of the free market.

The Reagan Administration went as far as trying to abolish the Export-Import Bank. But its officials did not hesitate to pressure foreign governments behind the scenes to counter business pitches from other countries (for example, they pressed Turkey to accept a US$1 billion deal involving US-made armoured vehicles).

The Bush Administration encouraged export conferences and trade missions and created a National Trade Data Bank to offer exporters business tips. Commercial attaches operating at US embassies were ordered to help American companies searching for business deals, and an inter-agency group to promote exports, the Trade Promotion Coordination Committee (TPCC) was formed.

Throwing down the gauntlet: Mr C

President George Bush, a former businessman, took special interest in helping US companies. He intervened, for example, with Indonesia in support of a contract for American Telephone & Telegraph (AT&T) and led a group of US auto executives on his famous trip to Tokyo to encourage the Japanese to buy American products.

For the Clinton Administration, however, cooperating with US businesses on the international economic arena is not, like in the case of the Bush Administration, an example of just one more tactic to bolster American exports: It is a dramatic example of a global economic strategy.

This geo-economic strategy is based on the idea that with the end of the Cold War, the US government should divert resources from the military sector to the civilian economy and, together with business and labour, work to develop plans for the new "trade wars" with Europe and East Asia. Hence, the government's role in promoting ington, with three major initiatives heralding a bold new Industrial Policy

n's global economic strategy

inton believes his government's role in promoting trade is not a necessary evil, but a legitimate function now

ade is, according to this thinking, ot a necessary evil — but a legitimate function. Indeed, many of the xperts who have devised the ecoomic policies of the administraion, such as Labour Secretary Robrt Reich, have argued that the US overnment should imitate the inustrial policy strategies of Germay and Japan, in the trade area articularly.

Hence, while Bush Administraion officials had denied that they ad pressured Jakarta to accept the AT&T deal, Mr Clinton's advisors — reflecting the new aggressive export promotion policy — made an ffort to publicise the fact that the resident had in September telehoned Saudi King Fahd and peruaded him to approve US$6 billion worth of new contracts with Boeing and McDonnell Douglas.

Secretary Brown says that Mr Clinton will use similar persuasion actics in dealing with other overnments.

Mr Brown was the one who haired the TPCC group that proosed the ambitious NES goals. The trategy outlined promoting exports, acilitating the coordination between 19 agencies in charge of more than 100 programmes in the export arena with a US$4.3 billion spending outlay in the 1995 budget — and simplifying rules and procedures for exporters in their dealings with Washington.

For example, the government will shorten the time for receiving export licences, consolidate government export services in four cities, and encourage high-level government advocacy on behalf of US exporters.

Moreover, funds will be shifted to manufacturing exports from agriculture, which enjoys a disproportionate level of funding by the export promoting agencies — a move that is expected to counter strong opposition from the powerful agriculture lobby.

Another major shift in the government export policies is the decision to permit at least part of US foreign aid to be tied to the buying of American products by the recipient countries.

The policy of combining foreign aid with export promotion has been applied by other Western countries. Washington has rejected since 1978 this "tied aid" practice that has cost US businesses — and, in particular, engineering and construction companies — billions of dollars in potential sales.

The administration contends that the new policy will force other nations to stop using foreign aid to distort trade. The State Department, however, was opposed to this change in policy.

These steps to rationalise the government's export policies and improve US export competitiveness has won unanimous approval by business leaders. Most of them, especially in the high-tech industry, also applauded the administration's decision to move towards decontrolling the computer exports.

The administration's plan raises the ceiling on licence-free exports of computers from 12.5 million theoretical operations per second (MTOPS) to 194 MTOPS immediately and eventually to 500 MTOPS for Western countries.

It increases supercomputer definition from 195 MTOPS to 2,000 MTOPS, easing restrictions on many high-powered workstations, expands availability of distribution licences to computers and removes licensing requirements for most telecommunications exports to Western nations.

Most of these restrictions reflected Cold War-era national security considerations and have cost US businesses millions in export sales.

Clinton Administration officials say they will seek accommodation with Germany on easing allied curbs on exports of telecommunications equipment, computers and machine tools to China and the former Soviet Union. Germany, however, is expected to block any computer sales to those countries until Washington agrees to ease restrictions on the sale of telecommunications equipment and machine tools.

Washington has resisted such a move during discussions within the 17-nation Coordinating Committee for Multilateral Export Controls (Cocom) based in Paris because of concern that Russian use of fibre optic phones will impose difficulties for US espionage activities. (US companies can sell fibre optic cable to Russia, but not the necessary transmission equipment.)

The heads of high-tech companies argue that unless the administration solves this "telecom" problem, they will continue to face major impediments to increased foreign sales.

Some economists have expressed general apprehension over the new export policies. It is an excellent idea to abolish outdated regulations over exports, they say. But by giving government a green light to help and "guide" the industry and promote sales, they argue, businesses are permitting Washington to make decisions on bolstering exports of certain companies and giving them an advantage over others — which in many cases could reflect political interests and not economic considerations.

But most business leaders seem to be content in the warm embrace of the Clinton Administration, ushering in what they hope will be a new era of Big Business-Big Government alliance. Eat your heart out, Japan Inc.

● *The writer is BT Washington Correspondent*

EKSPORTFINANS

Dronning Mauds gate 15, Postboks 1601 Vika, 0119 Oslo, Norway
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H.E. the Minister of Communications
Mr. Haryanto Dhanutirto,
Ministry of Communications,
Jl. Merdeka Barat 8,
Jakarta 10110

Jakarta, 20 July 1993

Your Excellency,

NORWEGIAN SOFT FINANCING FOR SPLIT BARGES AND TUG BOAT FOR P.T. RUKINDO TO BE BUILT IN INDONESIA

We refer to your very kind reception of our charge d'affaires Mr. Niels Didrik Buch of the Norwegian embassy and myself in your office on 16 July.

It was a great honour to get the opportunity to discuss together with you the recent development in the maritime cooperation between Indonesia and Norway.

The Norwegian interest in the P.T. Rukindo procurement programme for split barges and tugs as announced in the "Blue Book" of 1992 - 1993 and 1993 - 1994 with a budget estimate of USD 20.5 mill. should be seen in this context.

The positions of NORAD, the Norwegian Agency for International Development Cooperation, as well as Messrs. SingaNor of Norway has been described in the enclosed copy of telefax to Bappenas dated 5 February 1993.

At this stage we feel it appropriate to express our appreciation of the cooperation with P.T. Rukindo in respect of the production of a feasibility study in conformity with the OECD rules pertaining to mixed credits (the Helsinki Package), to ensure its eligibility for soft loan financing

As soon as the OECD consent has been obtained, we shall be in the position to give a firm commitment to the Indonesian authorities of 25 years of finance including 7 years of grace period in accordance with the Inpres 8 rules, including an interest in USD of less than 3.5% p.a. The financing will include local costs relating to the execution of the building

EKSPORTFINANS Dronning Mauds gate 15, Postboks 1601 Vika, 0119 Oslo, Norway
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In order to save time and to substantiate technical and cost aspects still needed to complete the feasibility study, we ask you kindly to authorize P.T. Rukindo to enter into discussions with SingaNor with the explicit understanding that such move would not incur any extra obligation to any party.

Sincerely yours,
for A/S EKSPORTFINANS

Per Bondesen

Per Bondesen
Senior Vice President

c.c. H.E. the Minister of Research and Technology Professor Dr. B.J. Habibie

c.c. H.E. The Minister of National Planning and Chairman of Bappenas Mr. Ir. Ginanjar Kartasasmita

c.c. Director General for Sea Communications, Mr. Soentoro, Directorate General for Sea Communications, Jakarta

c.c. Chargé d'affaires Niels Didrich Buch, Royal Norwegian Embassy, Jakarta

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Indonesia

Telefax No. 095 62 21 33 46 83

Your ref: Our ref: PU/3706 Date: 5 February 1993

Dear Mr. Simatupang,

RE: NORWEGIAN MIXED CREDITS FOR FINANCING P.T. RUKUNDO'S PROCUREMENT PROGRAMME FOR SPLIT BARGES AND TUG BOAT

In continuation of last year's successful conclusion of Bakosurtanal's mapping project with the Norwegian company Blom Inc., we take pleasure in reverting to discuss the above project with you.

Much to our regret we were not in the position to meet you in person Friday 29 January due to a change of schedule, and we hope that you can accept our appology. Therefore, we take leave to present in writing a number of points that we would have liked to raise with you in Bappenas.

1. P.T. Rukindo's procurement programme as outlined in the Blue Book has attracked the attention of the Norwegian ship company SingaNor A/S (as well as the Norwegian ship equipment industry that is likely to get involved).

2. The Norwegian-Indonesian cooperation in the maritime sector dates back almost two decades. The Norwegian development assistance that followed the procurement of 30 vessels from Norwegian yards in 1976 has continued ever since, including commitments of grant funds from NORAD last year.

ROOM No. 1624

SINGANOR A/S
SELMER SEA EQUIPMENT

Postal address:
P.O.Box 2100, Strømsø
3003 Drammen
Norway

Office address:
Tollbugata 69
(Gyldenløve Brygge)
3044 Drammen

Telephone:
Nat. (03) / Int. +47-3 89 33 70

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Telex:
78 972 sino n

FAX TRANSMISSION

A facsimile is urgent - please hand carry to receiver.

If you do not receive all pages, please contact us immediately

Date : 24th April 1992

Telefax No. : 005-62-21490430

To : P.T.Pengerukan Indonesia

Attn. : Mr. R.M Parikesit, Fleet Director

From : M.W. Haller

Total Pages (including this page) : 2

NOTE : <u>10 NOS 1000M³ SELF PROPELLED SPLIT BARGES</u>

Further to our conversation I am pleased to confirm that our target for financing the 1st phase of this project would be as follows :-

Description : **4 Nos 1000m³ Selmer Split Barges, self propelled.**

Under the 'Instruction of the President of the Republic of Indonesia No.8 of the year 1984' we would follow these parameters:-

3. All development projects which are financed under foreign export credits or under a mixture of foreign export credits and soft loans shall be put out to International tender.

4. Except from International tender referred to in (3) shall only be those cases :
   a) when projects can only be accommodated by specific suppliers, allowing for no alternatives;

   b) when repeat orders are placed, on the condition that the technical requirements, prices and terms of the credit are the same as, or better than, those of previous ones.

cont'd on page 2/...

SingaNor A/S
Selmer Sea Equipment

In case the country concerned should fully provide a soft loan for the development project in question while the Indonesian Government is looking for soft loans for the development project in question, the development project in question can be fully financed under a soft loan from the country concerned in so far as the following three requirements are met :

a) The period of repayment, including the grace period, shall at least be 25 years.
b) The grace period shall at least be 7 years.
c) The interest rate shall not exceed 3.5%.

Value : 4 Nos at NOK 30 million each (approx US$4.6 million).

For your information it has been known for Norway to supply a mixed credits loan with interest below 3.0%.

Execution :

Phase One : SingaNor A/S, Selmer Sea Equipment would be a main contractor responsible for delivery of 4 Nos 1000 m³ barges to the Government of Indonesia. SingaNor A/S plan to subcontract the shipbuilding to an Indonesian shipyard.

Phase Two : An Indonesian Shipyard would be main contractor for delivery of 6 Nos barges to P.T.Pengerukan Indonesia SingaNor A/S would be the subcontractor supplying a design, equipment package, supervision and export finance.

I trust that this information is of assistance to you and look forward to discussing this project with you soon.

Regards

R.W.B.

MARK HALLER

Kreditanstalt für Wiederaufbau

Palmengartenstrasse 5-9
Postfach 11 11 41
6000 Frankfurt am Main 11

Telefon (0 69) 74 31-0
Telegrammadresse
Kreditanstalt Frankfurtmain
Telex 4 15 25 60 kw d
Telefax (0 69) 74 31 29 44
Teletex 69 94 04 ...

Menteri Keuangan R.I.
Attn. Prof. Dr. J. B. Sumarlin

Jakarta / Republic of Indonesia

officer in charge: Mr. Ludwig
our ref.: PL/Go 338
extension: 2714
Date: 06.08.91

B IV a / Procurement of three Dredger Vessels for Perum Pengerukan

here: Financing offer

Dear Sirs,

On occassion of the visit of His Excellency President Soeharto in the Federal Republic of Germany from July 3 to July 5, 1991, the Indonesian Dredger Project has been one of the subjects of the discussions held between His Excellency President Soeharto and Chancellor Dr. Kohl. More detailed discussions on this project took place between Drs. Radius Prawiro, Coordination Minister for Economic, Finance, Industry, and Development Control, Prof. Dr. Ing. Habibie, State Minister of Research and Technology and Chairman of BPPT, Ambassador Dr. Djalal, and a delegation of representatives of German ministries, headed by Mr. Möllemann, Minister for Economic Affairs, in the presence of the German Ambassador to the Republic of Indonesia, Mr. W. Lewalter.

The Indonesian and the German delegations agreed that the envisaged realization of such a repeat order would further intensify the excellent Indonesian - German cooperation; the German delegation explicitly welcomed the Indonesian support of the German reunification by strengthening the Eastern German economy by the envisaged cooperation of east and west German companies.

with reference to these discussions we are glad to inform you about our willingness in principle to support the dredger project by a financial loan on basis of the soft loan terms under the VIIIth Shipyard Assistance Programme.

We understand the basic data of the supply contract to be the following:

Buyer:	Ministry of Communication, Jakarta
Project:	construction and supply of a) one 5.000 m^3 hopper suction dredger b) one 4.000 m^3 hopper suction dredger c) one self-propelled cutter suction dredger 900 $^m/m$.
Exporter:	an eastern German shipyard; in co-operation with and under the full responsibility of O & K Orenstein & Koppel Schiffstechnik, Lübeck, with regard to design, know-how and delivery of dredge components
Contract value:	approx. DM 280 million, i.e. a) about DM 80 million for one 5.000 m^3 hopper suction dredger b) about DM 80 million for one 4.000 m^3 hopper suction dredger c) about DM 120 million for one self-propelled cutter suction dredger 900 $^m/m$
Terms of payment:	10 % down and interim payments 90 % out of a financial loan of KfW
Delivery:	two units in 1993 one unit in 1994

Based on the foregoing and subject to the following terms and conditions, we would in principle be willing to participate in the financing of the envisaged German export contract by extending a loan as set out below:

Loan amount:	up to DM 252 million, i.e. 90 % of the envisaged DM contract and comprising a) DM 72 million for one 5.000 m^3 hopper suction dredger b) DM 72 million for one 4.000 m^3 hopper suction dredger c) DM 108 million for one self-propelled cutter suction dredger 900 $^m/m$

Currency:	Deutsche Mark
Borrower:	Ministry of Finance
Disbursement:	upon delivery and acceptance of each dredger, i.e. a) DM 72 million for one 5.000 m^3 hopper suction dredger. b) DM 72 million for one 4.000 m^3 hopper suction dredger c) DM 108 million for one self-propelled cutter suction dredger 900 $^m/m$ to the exporter
Repayment:	each portion in a) 22 alternatively b) 20 equal semi-annual instalments commencing 6 alternatively 18 months after delivery and acceptance of a dredger, i.e. a grace period of between 30 to maximum 42 months and an overall credit period of about 13 years from the coming into force of the supply contract.
Interest and Interest Subsidies:	3.5 % p.a. The subsidies granted out of the German Federal Budget enable the reduction of the capital market rates for this credit period to the above mentioned rate. In case of an increase of the respective capital market rate we reserve the right to increase the interest rate accordingly.
Fees:	Commitment Fee of 0.375 % p.a. on the undisbursed loan amount, starting from the date the Loan Agreement has come into force to the date of disbursement from the loan and a Management Fee of 1/8 % flat on the loan amount.
Security:	none, as the Ministry of Finance will act as borrower

Our willingness to provide the financing for your project in accordance with the above terms is subject to

- the contract for the construction of the dredger vessels will be awarded to the German suppliers;
- our appraisal of the project will prove its worthiness of promotion;

- HERMES export insurance cover will be provided;
- all official authorizations required for the implementation of the project and the Loan Agreement in Indonesia and the Federal Republic of Germany will be given;
- the German Government will agree to provide the required interest subsidy funds;
- the European Committee will give its approval.

This offer is open until October 31, 1991.

We hope this offer will meet with your interest, and we are looking forward to hearing from you at your earliest convenience.

With best regards,
KREDITANSTALT FÜR WIEDERAUFBAU

Klaus Freding

CC:

Menteri Ekuin
Coordination Minister for Economic, Finance, Industry and Development Control
Attn. Drs. Radius Prawiro

Menteri Negara Ketua
Bappenas R.I. State Minister of National Development Planning/Chairman of Bappenas
Attn.: Prof. Dr. Saleh Afiff

Menteri Ristek State Minister of Research and Technology and Chairman of BPPT
Attn. Prof. Dr. Ing. B. J. Habibie

Menteri Perhubungan R.I.
Minister of Communication
Attn. Ir. Azwar Anas

(C)

ELLICOTT MACHINE CORPORATION
1600 BLOCK OF BUSH STREET BALTIMORE, MARYLAND 21230, U.S.A.
TELEPHONE 301-837-7900 TELEX NUMBER 8-7621 FAX # 301-752-3294

November 8, 1993

Ms. Jackie Clegg
U.S. Export-Import Bank
Room 1215
811 Vermont Avenue, N.W.
Washington, DC 20571

Re: Ellicott-Indonesia & Exim PC 064040

Dear Jackie:

Thank you for your time and interest in this most important subject. Ellicott has been working on this project for two years now, and as we get close to the finish line we are understandably anxious that all the pieces should fall in place. During the meeting several questions came up requiring our clarification. I wanted to get back to you with as thorough an answer as possible on each of these points.

Specifically, I want to review the history of Ellicott and Eximbank in Indonesia, Ellicott's status as the sole U.S. bidder, and finally evidence on competing financing proposals from European suppliers. I will send a copy of this to Terry Hulihan, Barbara O'Boyle and Clem Miller.

Please keep in mind that timing is important so I hope we can resolve these matters soon

I. History

Ellicott has enjoyed four major contracts with the Government of Indonesia since World War II. Three of these have had Eximbank and/or U.S. government soft loan support Thanks to this financing, the Indonesian government has been the single largest customer in Ellicott's history. Unfortunately we haven't sold them any new dredges since 1977, and now only is our second opportunity since then to do so. As you know, the German soft loan last year introduced a German company into a product line where previously we had a 100% market share.

Our first large order was in 1951 under a $100 million general U.S. financial aid package for Indonesia. Under this credit we sold the 22" dredge MUSI I. This is the dredge I mentioned in our meeting as still being in active service but technically not listed on the fleet reports because the government requires officially that all equipment be scrapped after 25 years of service. The total value of the MUSI and associated dredges sold under the 1951 credit was about $3.5 million. I have attached an excerpt from the Ellicott corporate history, pages 159-161 (chapter entitled "Indonesia"), that describes this project and Exim's role. You will note on page 159 that there was only one other American bidder for this U.S. credit, Bucyrus Erie. Bucyrus Erie liquidated their dredge building interests in the late 1950's. These early sales established Ellicott as the sole U.S. supplier to Perum Pengerukan.

In 1958 we negotiated another order with the Indonesian government for 65 small dredges subject to financing. In July of 1961 Eximbank agreed to finance 55 of these dredges. The first 10 were financed by the Indonesian government out of their own funds (see again the Ellicott history, pages 249-254 attached). Unfortunately, according to our records, Eximbank curtailed the financing after just a couple of dredges (see page 254) so that about 50 dredges had to be cancelled. (Maybe you should say Exim owes us one!)

In 1976 Ellicott negotiated the largest order in its history for about $20 million for three big dredges and auxiliary dredging equipment. This is described in the attached World Dredging article from June 1976, pages 14 & 15. This article says that the financing was provided by Eximbank so you can see that Eximbank has been very involved in all three of these important transactions. The picture on page 14 shows some of the auxiliary barge equipment supplied by Ellicott under this credit.

In 1982, the Indonesian dredging company received a "Blue Book" approval for new dredges and auxiliary equipment and spare parts for equipment from four countries. The approval specifically named Ellicott of the U.S. Total value was to be US$60 million. The Indonesian government subsequently eliminated this project for budgetary reasons. Until the German order last year and the F-ST-37 project this year the Indonesian government company has made no new capital expenditures for dredging equipment.

II. Ellicott as Sole U.S. Bidder

I think the history described above provides credence to our role as the sole U.S. supplier to the Indonesian government for dredging equipment. As further evidence I have attached relevant pages from the customer's annual report (Perum Pengerukan also known as Rukindo) showing a complete fleet listing. You will see two companies from Japan, one from Holland, one from Germany, and only one from the U.S. which is Ellicott. I am also sure that the staff at the U.S. Embassy in Jakarta will confirm that in all their discussions with the customer that the Indonesians have referenced only one American supplier.

III. Soft Loan Financing by Competitors

Our European competition has a long history of soft loan financing in ways calculated to exclude competitors such as Ellicott. I gave you some evidence of this from the Germans in our recent meeting. On one occasion back in 1986 I wrote Dick Crafton of Exim about several alleged cases. He confirmed each one as in fact having occurred. After my conversations with Dick, I wrote an Op-Ed piece in the Wall Street Journal (8/21/86) about a few of these financing cases by our dredge competitors and exhorting Congress to maintain funding for Eximbank. As a separate subject I have since educated myself, somewhat painfully, about the level of shipbuilding subsidies offered to our competitors in addition to customer financing via soft loans, etc. This subsidy ranges from 9% of sales value in the EC to 36% of sales value for former East German yards.

In the current case for Indonesia, we have seen written offers from IHC of Holland, Ferrostaal of Germany, and Singanor of Norway all offering soft loans for the dredging equipment project. We believe that the Norwegian offer is the most serious, but we have not ruled out the possibility of the German offer. I have attached five pages from three items of correspondence that we have been able to obtain showing concessionary financing being offered by the Norwegian credit agency and the Norwegian supplier. This is all 1993 activity. We also understand that the Indonesian customer has prepared a feasibility study of the type described by Clem Miller as a prerequisite for OECD approval of soft loans.

As far as German practice is concerned, I trust my submission last week confirmed several instances of soft loans and where the Germans did not comply with notification procedures to Ellicott's detriment.

I spoke to Ambassador Barry on several occasions this weekend as part of the ASEAN Ambassador's Tour. He confirmed that it is his staff's impression that Ellicott is in a favored position on this project.

In conclusion, we believe there is ample evidence, background, and logic to merit the continued availability of the Exim PC for the dredging equipment project described as F-ST-37. As we have said before this will generate 200-250 man-years of labor for Ellicott and our subcontractors. It will also generate substantial future spare parts business for a long period of time. This of course would normally be financed out of operating funds without further Exim support. According to our rep in Indonesia, the State Planning Agency (BAPPENAS) prefers Ellicott and will recommend Ellicott once the Exim position has been confirmed. We expect a letter from BAPPENAS to this effect any day.

I would be happy to answer any questions or clarify any points.

Sincerely,

ELLICOTT MACHINE CORPORATION INTERNATIONAL

Pete Bowe

Peter A. Bowe
President

PAB/slb
11-016

Attachments

1. Ellicott History, pp. 159-161, Chapter on Indonesia
2. Ellicott History, pp. 249-254, "The Kalimantan Project in Indonesia".
3. World Dredging, pp. 14-15, June 1976
4. Perum Pengerukan corporate brochure, excerpts
5. Eximbank letter Crafton 3/31/86
6. Wall Street Journal article, 8/21/86
7. Norwegian correspondence on soft loan offers:
    a) Eksportfinans letter 2/5/93
    b) Singanor letter 4/24/93
    c) Eksportfinans offer letter 7/20/93

BCC: Bud Moss
Marty Gruenberg

ELLICOTT MACHINE CORPORATION INTERNATIONAL

1611 Bush Street • Baltimore, Maryland 21230 • U.S.A. • (410)837-7900

FAX TRANSMITTAL COVER SHEET

DATE: November 12, 1993

TO: Marty Gruenberg
Bud Moss

FAX NO.: (202) 224-1651

FROM: P.A. Bowe

TELEPHONE NO.: 410 837-7900
EXTENSION NO.: 205

NO. PAGES SENT:

REPLY TO FAX NO.: (410) 539-6104

PLEASE CALL (410) 837-7900, Ext. 209 IMMEDIATELY IF ALL PAGES ARE NOT RECEIVED OR IF TRANSMISSION IS NOT LEGIBLE.

Re: Continued Eximbank financing support for Ellicott for Indonesian project

Dear Marty & Bud:

I know you have by now received a copy of my November 8 letter to Eximbank.

Since then I have had several discussions with Ambassador Robert Barry (during his trip to Baltimore 11/12-11/13) and also Exim Chairman Ken Brody. (I met Brody at the U.S. Chamber of Commerce on 11/1 where I sat behind Clinton at the NAFTA "Town Hall" simulcast event). While Ambassador Barry continues to be a very strong advocate of Ellicott, it is clear that Ken Brody's preliminary view was that Ellicott did not have evidence of competition. I want to highlight for you the significance of the Norwegian letter dated 7/20/93 which describes the Norwegian soft loan proposal. Neither Brody nor I had seen that letter when we spoke. We just received it last week. It really is a "smoking gun" and should refute any sentiment that there is no competition here. Without having to go through all of the documents I provided with my November 8 letter, you should focus on this one document and also our Indonesian rep's status report dated November 10. I'm emphasizing this because I know Eximbank had promised to follow-up with both of you. I don't know where Brody stands now, but the Exim staff is rapidly becoming convinced that Ellicott's position is correct and that there is evidence of competition.

Please call me if you have questions, but I'll be sure to call you shortly.

Sincerely,

ELLICOTT MACHINE CORPORATION INTERNATIONAL

Peter

Peter A. Bowe
President

ELLICOTT
MACHINE CORPORATION
1600 BLOCK OF BUSH STREET BALTIMORE, MARYLAND 21230, U.S.A.
TELEPHONE 301-837-7900 TELEX NUMBER 8-7621 FAX # 301-752-3294

October 4, 1993

Mr. Kenneth Brody
Chairman
U.S. Export-Import Bank
Room 1215
811 Vermont Avenue, N.W.
Washington, D.C. 20571

Re: Export Financing Support

Dear Mr. Brody:

I applaud the initiative announced last week by you and the Clinton Administration to support U.S. exports more aggressively. For too long America has stood back enabling other countries to grab country market share because of strong official government support for their exporters.

Ellicott is an American rarity, a capital goods manufacturer dependent on exports for 70%+ of our sales. Without the commitment and strategy that you suggested, our ultimate fate is to be overwhelmed by our German and Dutch competitors who use tied aid and active government support as their principal marketing weapons.

Senator Paul Sarbanes (D-MD) told me he met with you recently to discuss Exim's PC (064040) for a $30MM loan to Indonesia on Ellicott's behalf. I welcome this support as we expect to begin discussions shortly with the appropriate Ministry on a letter of intent. Given the long history of support from the U.S. Embassy staff in Jakarta on Ellicott's behalf it is only appropriate that those of us on the home front work together as well for the same purpose. The Exim staff on this project have been very helpful throughout the process too. I trust Ellicott can count on Exim to see this project through to its conclusion.

Thanks again for your leadership on such fundamentally important issues.

Sincerely,

ELLICOTT MACHINE CORPORATION INTERNATIONAL

Peter Bowe

Peter A. Bowe
President

PAB/slb
10-007

P.S. I've taken the liberty of enclosing an editorial I published in the Wall Street Journal some years back on the same subject.

cc: Bud Moss, Sen. Paul Sarbanes Office ✓

Dear Bud:
I was very grateful to receive Sen. Sarbanes' call Friday a week ago. Your follow through was excellent and effective. Let's see how Exim reacts to our request for them to be flexible about expiring dates and otherwise. So far they've been quiet.

Peter

BBAOS

BARBARA A. O'BOYLE
LOAN OFFICER - ASIA
Deborah Thompson
TERRENCE J. HULIHAN
VICE PRESIDENT - ASIA

7-32-93

BAPPENAS
ATTN: H.E. DRS. IR GINANJAR KARTASAMITA
CHAIRMAN
TELEX 61333 BAPNAS IA

CC: MINISTRY OF FINANCE
ATTN: ACHMAD ROCHJADI
DIRECTOR OF EXTERNAL FUND
TELEX 45799 DJMLN IA

BAPPENAS
ATTN: IR. MACHMUDIN YUSUF MSC.
HEAD BUREAU OF COMMUNICATIONS & TRANSPORTATION
TELEX 61333 BAPNAS IA

MINISTRY OF COMMUNICATIONS
ATTN: H.E.DR. HARYANTO DHANUTIRTO
TELEX 46116

P.T. RUKINDO
ATTN: MR. YUSUF DAUD
PRESIDENT DIERCTOR
TELEX 64196

RE: DREDGING EQUIPMENT FOR PT RUKINDO

WE ARE PLEASED TO ADVISE YOU THAT THE U.S. EXIMBANK IN NOVEMBER 1991 MADE AVAILABLE TO THE MINISTRY OF INDONESIA ON BEHALF OF PT RUKINDO CONCESSIONARY FINANCING OF U.S. $30 MM FOR DREDGING EQUIPMENT TO BE SOURCED FORM ELLICOTT MACHINE CORPORATION INTERNATIONAL, BALTIMORE, MD, USA. WE HAVE ISSUED OUR PRELIMINARY COMMITMENT PC 064040 FOR A MAXIMUM AMOUNT OF $30.714 MM INCLUDING FINANCED EXPOSURE FEES. THIS EXTRAORDINARY SUPPORT WAS DUE TO A VIOLATION BY ANOTHER EXPORT CREDIT AGENCY OF THE OECD GUIDELINES FOR TIED AID CREDITS IN EFFECT AT THAT TIME.

THIS FINANCING MEETS YOUR PRESIDENTIAL DECREE REQUIREMENTS WITH A GRANT ELEMENT OF OVER 35%, CALCULATED ACCORDING TO OECD REGULATIONS AT THE TIME OF THE OFFER. WE BELIEVE THAT THE GRANT ELEMENT OF THIS FINANCING IS GREATER THAT IN A GERMAN LOAN RECENTLY APPROVED BY THE GOI, AND ALSO FOR PT RUKINDO.

WE WISH TO DRAW YOUR ATTENTION TO THE EXPIRY DATE OF THIS PC ON NOVEMBER 14, 1993 AND INVITE YOUR TIMELY ATTENTION TO THIS PROJECT. IT IS OUR UNDERSTANDING THAT RUKINDO HAS IMMEDIATE CAPITAL NEEDS FOR THIS DREDGING EQUIPMENT TO BE SUPPLIED BY ELLICOTT.

O'Boyle:sej
cc: Hulihan, D. Thompson, O'Boyle/Chron, files
(A:OBOYLE#6 Bap.tx)

EXIMBANK UNDERSTANDS THAT ELLICOTT HAS BEEN AN ESTABLISHED SUPPLIER OF DREDGING EQUIPMENT TO RUKINDO FOR ALMOST 40 YEARS, AND SO SHOULD BE WELL QUALIFIED IN THIS IMMEDIATE CASE.

REGARDS, Deborah L. Thompson for
TERRENCE J. HULIHAN - ASIA
EXIMBANK.

CS

036594SS

THE PRESIDENT HAS SEEN

09-23-93

FG999

THE WHITE HOUSE

WASHINGTON

93 SEP 17 P6:19

September 26, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE McGINTY

SUBJECT: FILLING THE 25TH POSITION ON THE PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

I am recommending that Mr. William Hoglund be appointed to fill the 25th position on the President's Council on Sustainable Development. Mr. Hoglund is an executive vice president of General Motors with responsibility for managing GM's North American operations.

The Council has already identified energy and transportation as issues that will be an area of focus. The automobile industry's economic and environmental impact make it a key sector to be represented on the Council.

Mr. Hoglund's position, experience, and interest in the relationship between economic growth and environmental protection make him an ideal candidate. Vice President Gore has expressed his support for Mr. Hoglund's appointment. Mr. Hoglund is a resident of Michigan, a state that does not register voters by party. He has, however, been an active fundraiser for Michigan Democrats.

Approve ✓____ Disapprove _____

5:35pm called McGinty's ofc + told them; also sent them a copy

9/23

Bruce has ok'd

JLP

2710

THE WHITE HOUSE
WASHINGTON

DATE: 11/16/93

NOTE FOR: Howard

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

Information ☑

Action ☐

Thank you.

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

cc: Christine Varney

THE PRESIDENT HAS SEEN

11-16-93

THE WHITE HOUSE

WASHINGTON

'93 NOV 16 P3:47

November 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: MISCELLANEOUS NON-NAFTA HILL CALLS

1. Senator Robert Kerrey called to express the hope the Administration would reconsider its opposition to the Penny-Kasich deficit reduction plan. Senator Kerrey is now sponsoring that proposal in the Senate. We discussed the issue, and I sought to explain the macro-economic issues that Laura had raised and the impact on health care. I did not convince the Senator of the validity of your position, and he asked me to urge that this be reconsidered in the White House. The Senator also reported that he and Senator Danforth have been meeting with Congressional leadership on the entitlement commission. Most meetings have gone well, although Bob Michel and Newt Gingrich did ask the Senators if the GOP could approve five of your ten appointments. The obvious answer is that we will be happy to talk to them, but they may not have approval rights. We may be heading toward some tension on that issue after NAFTA.

2. Representative Charlie Stenholm called to say he feared the combination of our opposition to the balanced budget constitutional amendment and Penny-Kasich would further isolate fiscal conservative allies of the Administration. I suggested to Charlie the NPR, entitlement commission, line-item veto and other counters on which we have worked were intended to give him and others in similar positions sufficient cover. His simple answer was that it was not working, and he wanted you to be aware of the problem.

3. Senator Don Riegle called to advise you he is going to pursue vigorously the issue of Desert Storm syndrome, i.e. the theory that our troops in the Gulf War were exposed to chemical and/or biological warfare and are beginning to realize the health consequences. The Senator specifically wanted you to be aware of the risk of having the Clinton Administration perpetuate a cover-up begun in the Pentagon during the Bush Administration. His point is simple -- if he is right why should this Administration bear the responsibility for hiding the lies of the last Administration.

agree. Someone is taking care of this

4. Senator Harry Reid is hurt and angry about how the grazing fee issue was handled. He believes, unfairly I think, the White House did not back him when he aligned himself with Secretary Babbitt and the legislative compromise that failed. To the extent his anger is aimed at me, as unjust as that is, it is better than having him upset with you. Before Thanksgiving you need to chat with the Senator who has been too good an ally to offend or to lose.

Leon

c.c. The Vice President
Mack
George

THE WHITE HOUSE
WASHINGTON

DATE: 11/16

NOTE FOR: MARK

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

Information ☐

Action ☑

I'll keep this on my list also

John

Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
11-16-93

93 NOV 16 P3:41

November 15, 1993

Mack
make sure
this is done
B

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER H

SUBJECT: SENATOR MIKULSKI

As you instructed, I met with Senator Mikulski to follow-up on her conversation with the First Lady regarding the Senator's unhappiness with Administration cooperation and support for her in her capacity as chair of the VA-HUD Appropriations subcommittee. Certainly the Senator has encountered more problems than can be justified in working with the Administration.

We had a long and candid conversation during which Senator Mikulski raised a number of valid points. Clearly during my conversation with the Senator, and now as we seek to avoid future problems, it is neither productive nor necessary to go into great detail on each issue brought to my attention by the Senator. For example, while I do not agree with the Senator's analysis of how we ran into trouble on the economic stimulus bill, the overwhelming majority of the issues she raised are valid.

The commitment I made to the Senator was to prevent a recurrence of the problems she encountered during 1993. In that regard, Senator Mikulski gave me a set of the notes she had for our meeting so that the Administration could see the full magnitude of the problem from her perspective. It is my intention to share those notes only with Leon Panetta, who is in the best position to make sure we do a better job of working with Senator Mikulski and her staff in 1994. My simple, specific suggestion is that a single person -- presumably from OMB -- be designated as the Administration's lead person in dealing with the Senator on Appropriations matters. Having such a designated liaison is essential because the VA-HUD bill covers many agencies and departments, some of which have done a very poor job working with the Senator.

In my view, to bring this to a close, we can and we should do better in cooperating with Senator Mikulski from this point forward.

cc: Senator Mikulski
Leon Panetta
The Vice President
MACK

THE PRESIDENT HAS SEEN
11-10-93

x Cardin
do Ewing

THE WHITE HOUSE

WASHINGTON

November 9, 1993

RECOMMENDED TELEPHONE CALL

TO: Representative Ben Cardin (D-MD)
Representative Tom Ewing (R-IL)

DATE: November 9, 1993

RECOMMENDED BY: Howard Paster

PURPOSE: To thank them for committing to vote for NAFTA.

BACKGROUND: Representative Cardin had been struggling with his decision on NAFTA until yesterday, when he told the Vice President that he would support the Treaty. He has been under strong pressure from labor to oppose NAFTA and we need to emphasize how much we appreciate his support.

Representative Ewing signed a recent letter from 26 Republicans saying that he would oppose NAFTA because of possible tax increases. Today, he appeared with Secretary Espy and announced that he would support NAFTA. We expect that other Republicans who signed this letter may change their minds now that Ewing has indicated his support for the Treaty.

TOPICS OF DISCUSSION: 1. Thank them for their support for NAFTA given the political difficulties they both faced.

CONTACT PERSON AND TELEPHONE NUMBER(S):

Representative Cardin:	225-4016
Representative Ewing:	225-2371

DATE OF SUBMISSION: November 9, 1993

ACTION: ______________________________

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THE WHITE HOUSE

WASHINGTON

November 4, 1993

RECOMMENDED TELEPHONE CALL

TO: Representative Jose Serrano (D-NY)
Representative Luis Gutierrez (D-IL)
Representative Nydia Velazquez (D-NY)

DATE: November 4, 1993

RECOMMENDED BY: Howard Paster HP

PURPOSE: To ask for their support on NAFTA

BACKGROUND: As you know, the support of the Congressional Hispanic Caucus is crucial for a victory on NAFTA. Several members of the Caucus, such as Reps. Richardson, Torres, Tejeda, and Pastor are strong supporters of the Treaty. Other Members, such as Reps. Becerra, Martinez, and Roybal-Allard are currently undecided. We believe that if you secure the support of Serrano, the Caucus Chair, as well as Gutierrez and Velazquez, other Caucus members will follow suit.

Reps. Serrano, Gutierrez, and Velazquez are currently against the Treaty. However, we believe that it will be possible for you to secure their support for NAFTA.

In making the case for NAFTA with Serrano, Gutierrez and Velazquez, it is important that you remind them how supportive you have been of their needs. When they asked you to have a private meeting with them on Section 936, you listened to them and supported their position. Now it is time for them to listen to you and support your position on NAFTA.

CONTACT PERSON AND TELEPHONE NUMBER(S):
Rep. Serrano 225-4361
Rep. Gutierrez 225-8203
Rep. Velazquez 225-2361

DATE OF SUBMISSION: November 4, 1993

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A Low-Wage Game Plan

By Samuel Bowles
and Mehrene Larudee

AMHERST, Mass.

Americans justifiably worry that the North American Free Trade Agreement may provoke a flight of jobs to Mexico. But what's wrong with Nafta goes beyond lost jobs. In Mexico, Canada and the United States, even those seemingly unaffected by the agreement will be worse off if it is carried out. Nafta is Victorian economics and will foster Dickensian conditions.

Its proponents say that Nafta would open new markets for U.S. consumer goods. But more important, it would make it far easier for companies to move south and far more difficult for governments to enact coherent development policies.

The agreement would bind all three countries in the straitjacket of 19th-century free market economics, jeopardizing governmental efforts to promote long-term growth of productivity and better living standards throughout the continent.

And it would favor footloose corporations as they bargain with employees over wages and working conditions, with communities over taxes and environmental issues and with local suppliers over prices.

In October, when President Clinton sought pledges from major corporations not to move jobs to Mexico, not a single one signed up. Asked by the Roper polling firm in 1992 if their companies would "shift some production to Mexico . . . if Nafta is ratified," 40 percent of the top executives of U.S. manufacturing corporations answered that this was "very" or "somewhat" likely. For large companies, the figure was 55 percent.

Why do these companies need Nafta? Many have already moved to Mexico. But the agreement would greatly lower their risks, since it would lock the Mexican Government into business-friendly policies for the foreseeable future.

A return to Victorian economics.

Supporters of Nafta say that few U.S. companies would actually make the move, preferring the vastly more productive American work force. But while average productivity in existing Mexican companies is relatively low, productivity and quality at new U.S.-owned companies there approaches that of those north of the border. Ford's plant in the town of Hermosillo has won quality awards for the Tracers and Escorts it exports to California.

For the boardroom, Mexico spells "workers," not "consumers": for every middle-class Mexican itching to buy a new U.S.-built car, there are dozens of low-wage or unemployed workers lining up for work at a sixth of U.S. wages. Mexico's labor force is larger than the entire labor force in Michigan, Illinois, Ohio, Indiana and Pennsylvania combined. By contrast, the Mexican market, as measured by its gross domestic product, is smaller than New Jersey's.

No one knows how many U.S. jobs will be lost if Nafta is approved. No major studies of Nafta have estimated the number; following textbook assumptions, the models simply ignore the possibility that companies will move.

But the impact would be substantial even if, as seems unlikely, the flight of jobs were minor. What counts is not how many jobs actually leave but the fact that so many could leave. In the same Roper poll, 24 percent of business leaders candidly said that it was either very likely or somewhat likely that "Nafta will be used by [their] company as a bargaining chip to keep wages down in the U.S."

In Mexico, the battering ram that will keep wages down is not the threat to move but a flood of prairie-grown corn. It will bankrupt high-cost farmers, driving them to the cities in search of work and worsening an already severe labor surplus. Even if half a million new jobs open up in Mexico as U.S. companies move south, the number of displaced farmers will mount to twice and perhaps three times this number over a decade.

That would mean intensified competition for jobs and significant downward pressure on wages. Among the rosy projections offered by the pro-Nafta side, the assurance that Mexican wages will soar deserves the Pollyanna prize. Even Nafta supporters concede that the flow of grain south into Mexico will be matched by an increased northward flow of illegal immigrants in search of work. The Mexican labor surplus thus becomes a North American labor surplus.

But even Mexico cannot beat Sri Lanka or China at the low-wage game. None of the signatories to Nafta should try. The alternative — a high-wage, high-productivity strategy — requires the active involvement of governments at all levels. What boosts productivity is neither governments nor markets alone but a combination of market competition with effective intervention by a development-oriented government. The East Asian economic miracles should have pounded this lesson home.

Nafta would label many of the necessary governmental initiatives "barriers to trade" and could force their retraction. When in 1990 Ontario's provincial government proposed a universal public car-insurance system, U.S. insurance companies invoked the Canada-U.S. Free Trade Agreement and demanded $2 billion compensation. Ontario backed down. Any state in the U.S. that decided to convert to a single-payer health insurance program or to subsidize solar energy or recycling might suffer a similar fate.

Closer economic ties with the rest of the hemisphere are an essential part of any sound U.S. economic strategy. And protection of inefficient industries is no way to promote productivity in the long term.

But Nafta is a giant step down the wrong road. Its "let the chips fall where they may" low-wage game plan promises the continent not three nations but just two: the rich and the poor. □

Samuel Bowles is professor of economics at the University of Massachusetts. Mehrene Larudee is staff economist at the Center for Popular Economics in Amherst.

12

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U.S. Manufacturers' Mexico Investment Slowed Sharply Last Year, Survey Finds

By LUCINDA HARPER
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — U.S. manufacturers increased the number of new investment projects abroad in 1992 but sharply curbed such ventures in Mexico; an Ernst & Young survey suggests.

The report found that U.S. factories started 709 projects abroad in 1992, compared with 659 in 1991, an 8% increase. However, the number of new projects in Mexico, a popular investment site in 1991, dropped 43% to 32.

Ernst & Young partner Scott Hill attributed the slowdown in Mexico projects to concern about the North American Free Trade Agreement. "Either U.S. companies are waiting until the vote on the North American Free Trade Agreement, or they are reluctant to announce their Mexican investment activities because of political sensitivity," Mr. Hill said. The House is scheduled to vote Wednesday on Nafta.

Mr. Hill also noted that investment in Mexico may have risen to an unsustainably high pace in 1991 because Mexico's foreign-investment laws were changed to allow foreign majority ownership of enterprises there for the first time in many years. U.S. companies may have rushed to take advantage of the resulting new opportunities.

The study found that Europe was the most popular site for overseas investment projects by U.S. manufacturers, taking more than half the new projects last year. China and Czechoslovakia showed significant increases in the amount of investment they attracted.

Chemical and food companies were the most frequent investors abroad. Most joint ventures were in Asia, mainly because cultural and economic differences with the U.S. make the joint-venture approach desirable, the study suggested. Companies based in New York, Illinois, California, Pennsylvania and Connecticut accounted for more than half the projects announced in 1992.

Despite the increase in the number of projects, the amount of money flowing from the U.S. and many other countries into foreign projects has decreased.

Failure Group Forecasts Loss

MENLO PARK, Calif. — **Failure Group** Inc. said it expects to report a loss of 10 cents to 14 cents a share for the second quarter ending Nov. 26, with revenue declining 5% to 10% from a year earlier.

Failure Group, a consulting firm that investigates instances of engineering failure, blamed increased competition and cost-consciousness on the part of its clients. A year earlier, the company posted a profit of $803,000, or 10 cents a share, on revenue of $15.9 million.

THE PRESIDENT HAS SEEN
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COLUMN ONE

Hospitality Turns Into Hostility

■ California has a long history of welcoming newcomers for their cheap labor—until times turn rough. The current backlash is also fueled by the scope and nature of the immigration.

By RONALD BROWNSTEIN
and RICHARD SIMON
TIMES STAFF WRITERS

Like tectonic plates, two relentless forces are colliding to produce the political earthquake over immigration that is shaking California.

On one side is a demographic remaking of the state: a dramatic rise in immigration—legal and illegal—that has swelled the foreign-born share of the state population to the highest level since 1920.

On the other is the economic unmaking of the state: a sustained economic slump that has swelled unemployment, strained finances and eroded the optimism about the future that Californians for generations have assumed as a birthright.

Throughout the state's history, the combination of rising immigration, economic contraction and anxiety about the future has been explosive. From its founding, California has followed a schizophrenic pattern of welcoming immigrants at times of economic need, then turning against them: either when the economy soured or the ranks of newcomers reached critical mass.

"California has a long and unfortunate history of treading on immigrants after they have been

THE GREAT DIVIDE
Immigration in the 1990s
■ First in a series

welcomed," said Wayne Cornelius, an immigration expert at the UC San Diego Center for U.S.-Mexican Studies.

Now, in the crucible of the state's worst economic downturn since the Depression, the historic pattern is reasserting itself.

In the last three decades, with only intermittent murmurs of concern, California has integrated into its economy millions of legal and illegal immigrants as workers in factories, restaurant kitchens, farm fields and construction sites, as nannies in middle-class homes and gardeners of lavish estates.

"When things are going well, and there's a shortage of labor, people either look the other way or are actively supportive of bringing cheaper labor into the United States," said Bruce Cain, associate director of the Institute of Governmental Studies at UC Berkeley. "There probably are a very high fraction of middle-class homeowners in this state that have used

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immigrant labor in one form or another to do something and have reaped the economic benefits of having a cheaper labor supply."

But that equilibrium has been torn apart by the force of economic trends and the flow of immigration. Among the key factors:

- The explosive rise in the level of immigration in which more arrivals entered California in the 1980s than in the previous three decades combined.
- A slowdown in the state economy that has cost California more than 830,000 jobs in the last three years and raised anxieties about competition for work posed by the arrivals, both legal and illegal.
- The recession-induced strains on state and local budgets that have made the public more receptive to California Gov. Pete Wilson's arguments that the state can no longer afford to provide as many public services to illegal immigrants.
- The preponderance of newcomers from a single source—Mexico—that appears to be sharpening fears among many U.S.-born residents about the Balkanization of American culture.

Together, these powerful forces are sharpening the lines for a debate over immigration that is

About This Series

The Times today publishes the first in an occasional series, "The Great Divide: Immigration in the 1990s." As debate about immigration grows more heated, the series will examine the significant issues for California and the nation.

likely to divide the state more than any other issue through the 1990s. Wilson, facing a battle for reelection next November, galvanized the issue earlier this year with his polarizing proposals to deny benefits to illegal immigrants—including the automatic right of citizenship to the U.S.-born children of illegal migrants.

Now virtually every officeholder in the state is rushing forward with proposals to combat the flow of illegal immigrants—from deploying the National Guard along the border to deporting illegal immigrants held in California jails.

"There's suddenly a sense that we can't afford this," Cain said. "We tolerate it only insofar as the net benefit is good. But when jobs are tight, and the cost of supporting people goes up, then we suddenly redo the calculus."

Advocates for immigrants are firing back with charges of nativism, racism and scapegoating. But they are bracing for difficult months and years ahead. "Part of the dilemma for those of us in immigrant rights is who [among public officials] are our friends anymore?" said Angelo Ancheta, head of the Coalition for Humane Immigrant Rights of Los Angeles and the son of Filipino immigrants.

"Are there any friends left?"

In no other state have concerns about immigration reached the intensity they have here. But in less concentrated form, the key factors driving the debate over immigration in California are present at the national level too.

"There is a notion that we are 'full'—that there are not enough opportunities to go around," Democratic pollster Mark Mellman said. "Today the notion is [that] the pie is shrinking and that each new person who arrives not only takes a piece of the pie, but takes it from me."

On these waves of anxiety, the issue is relentlessly rolling east. In 1986, Congress passed sweeping legislation to choke off the flow of illegal immigrants by punishing employers who hire them. Now there is widespread agreement that employer sanctions have failed, and proposals are proliferating in Washington for measures to stem the flow—from beefing up the Border Patrol to creating a tamper-proof national ID card to discourage illegal immigrants from seeking jobs or government benefits.

The Clinton Administration has proposed to stiffen procedures for reviewing refugee and asylum claims—and others in Washington are discussing a rollback of the 40% increase in legal immigration that Congress approved with relatively little rancor three years ago.

"It used to be a political risk to deal with immigration, whether legal or illegal," said Alan Nelson, former Immigration and Naturalization Service commissioner and a lobbyist for FAIR—Federation for American Immigration Reform, a leading anti-immigration group. "And the politicians tended to run from it. Now it's almost a 180-degree shift. It's sort of a political necessity that you've got to deal with the issue."

Politicians may be focusing attention on immigration for their own reasons, but the issue's political life begins with a basic reality: The United States, and particularly California, is being transformed by a wave of immigration as powerful as any in its history.

From 1880 to 1920, in a country with far less than half of today's population, the United States absorbed 23.5 million immigrants, the vast majority of them from Europe. Then an economic and cultural backlash led Congress to restrict immigration in 1921 and 1924. It established a national origins quota system for admissions that reduced immigration levels and favored groups already well represented in the country by 1890—essentially migrants from Northern and Western Europe.

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THE PRESIDENT HAS SEEN
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113

According to a recent Los Angeles Times Poll, these concerns are strong in white and black communities. But they are present even among Latinos, the state's largest immigrant group. In the September survey, Latinos were more likely to see positive contributions from the new arrivals. But even so, only 5% of California Latinos supported an increase in the level of legal immigration, and three-fourths described illegal immigration as a significant problem.

Economic Concerns

Although it draws on traditional concerns, there are also several new twists in the latest turn of anti-immigrant sentiment.

One is that the traditional concern about competition for jobs has been largely overshadowed by a relatively new economic worry: the cost of providing services for immigrants, especially illegal immigrants. Fear of job competition still exists: It ranked second in the Times poll when residents were asked about the principal problems that foreign immigration has caused for the state. But it was far outdistanced by concern over the cost of government services and welfare for immigrants.

The facts on both issues are murky. Studies do not definitively answer the question of whether high levels of immigration hurt U.S. workers. But many analysts point out that those results may not accurately reflect current conditions.

Advocates for immigrants argue that the debate typically overlooks a major point: the benefits to consumers of inexpensive immigrant labor.

"We're going to keep having immigrants come because there is a market for their labor," said Arturo Vargas of the Mexican American Legal Defense and Educational Fund. "Every time we go to a salad bar we're willing to pay $2.99 a pound for that produce picked by an agricultural worker. In the garment district, we're willing to pay the low prices."

Nailing down the public costs and benefits to the state of immigrants is not any easier. Illegal immigrants do not qualify for welfare but can receive free emergency and pregnancy-related services at public hospitals. Their children are eligible to attend public schools and, if they are born in the United States, can receive welfare.

In a recent study of census data, the California Research Board found that legal and illegal immigrants were slightly more likely than U.S.-born residents to receive welfare. Wilson said the state spends $3 billion—more than it cost to build the Century Freeway—in services to illegal immigrants and their children. But no one knows exactly how much those illegal immigrants pay in local, state and federal taxes.

"We lack systematic information about the pattern of public services used by different groups of immigrants," said Georges Vernez, director of immigration research at RAND.

The real issue may not be whether immigrants are a net benefit or burden to the country—most economists still insist that the bottom line is positive—but what level of government bears those burdens and reaps those benefits. Many experts say the problem is that the federal government, which receives the bulk of taxes from immigrants, does not provide enough money to help the relative handful of localities that bear most of the cost of assimilating the newcomers.

The concerns heard across California about the ability—or willingness—of immigrants to assimilate are longstanding too. But new considerations are reshaping this cultural argument as well.

One is the framework of affirmative action, voting rights and other civil rights laws built over the last quarter-century that confers group rights on arrivals and thus present a new avenue for conflict with whites and racial minorities.

The 1990 voting rights lawsuit that led to the election of Gloria Molina as the first Latino on the Los Angeles County Board of Supervisors this century drew protests from white board members, who argued that non-citizens were being counted improperly to increase Latino political clout through redistricting.

The other new factor is the extent to which new arrivals are coming from a single source. During the 1980s, 40% of all legal immigrants to California came from Mexico; in the last two years, Mexico has provided 60% of the legal immigrants admitted to California.

"That degree of homogeneity in the immigrant stream—immigrants reflecting a particular cultural heritage, a particular language, in most cases, a particular religion—I think is perceived as much more threatening to the average non-immigrant resident," Cornelius, of UC San Diego, said.

All of these concerns may have been sharpened and accelerated by the searing images produced by the 1992 Los Angeles riots—which claimed many immigrants as victims, but also saw many involved as participants, especially in looting. On the state and national level, that may have been an unrecognized turning point in the evolution of this issue, said Michael Fix, director of immigrant studies at the Urban Institute. "It changed the imagery of the immigrant from the exploited to a problem," he said.

A Constant Complaint

The uneasiness about immigration in California today is unique in its intensity, not its content. Skepticism among the native-born about immigrants has been as constant a factor in American life as immigration itself.

In polls conducted since 1946, only once has as much as 10% of the public said levels of legal immigration should be increased, according to Simon and Susan H. Alexander, authors of "The Ambivalent Welcome," a recent history of U.S. attitudes toward immigration. In a Gallup poll taken last summer, two-thirds of Americans said overall immigration should be reduced—double the percentage in 1965.

Other patterns persist. Consistently through American history, the public has favorably viewed earlier generations of immigrants and looked unfavorably on contemporary immigrants—often translating their sentiments into discriminatory barriers. Before the Civil War, Eastern cities experienced violent reactions against the Irish; by 1896, the secretary of the Immigration Restriction League complained that the new Italian immigrants lived in a manner that would be unacceptable to any Irishman. National polling today finds the same pattern, with positive assessments of Irish, Poles and Chinese and negative reactions toward Mexicans, Iranians and Haitians.

In the long history of American ambivalence about immigration, the depth of these anxieties about newcomers has often been a barometer of the nation's fundamental sense of confidence.

In his classic study of American nativism, "Strangers in the Land," historian John Higham describes anti-immigrant sentiment as "the defensive nationalism of an age undergoing disillusion." The decision to largely close the borders in the 1920s, he wrote, reflected not only economic and cultural concerns but also the national disillusion that followed the failure of World War I to eliminate international tensions.

If anything, the disillusionment about America's future is greater today—particularly in economically shellshocked California—than during the 1920s. As Higham noted in an interview, no one used the word *decline* to describe America during the Jazz Age. But today, fears of economic decline are widespread.

"There is a deeper sense of loss," said Higham, now an emeritus professor of history at Johns Hopkins University in Baltimore.

For all the concern about competition for American workers during the first great wave of immigration, the immigrants arrived in a context of dramatically increasing manufacturing employment and rising wages for unskilled workers, particularly from 1900 through 1920. But today the backdrop is strikingly different:

2/6

114

For the next 40 years, Congress did little more than tinker. But in 1965 it substantially liberalized immigration by junking the quota rules and replacing them with a system that gave highest preference to close relatives of U.S. citizens and those with skills that were said to be needed by U.S. employers.

Three times since 1980, Congress has returned to the immigration issue: In 1980, it passed legislation easing the admission of refugees: in 1986, it approved the landmark legislation that coupled amnesty for millions of illegal immigrants with efforts to restrict future entry, and in 1990, another sweeping revision increased the overall level of legal immigration.

Taken together, these laws have recast U.S. immigration policy in two elemental respects. One has been to shift the flow of immigration away from Europe and Canada—which together provided three-fourths of the immigrants during the 1950s—to Asia and Latin America, which accounted for 85% of legal immigrants during the 1980s.

The other has been to enable the century's second great wave of immigration. No one knows exactly how many people enter the United States every year. But a consensus estimate is that the nation takes in more than 1 million immigrants annually. The INS says about 693,000 immigrants entered the country legally in 1992, along with 120,000 refugees and asylum-seekers. In addition, groups on both sides of the immigration debate estimate that despite the 1986 reform law, about 300,000 illegal immigrants enter the country every year. Only around the turn of the 20th Century has the country absorbed so many people at once.

Like waves on a beach, these human flows are literally remaking the face of America. After declining steadily from 1920 to 1970, the share of the U.S. population that was born abroad increased from about 5% in 1970 to nearly 8% in 1990. Jeffrey S. Passel, director of immigration policy research at the Urban Institute in Washington, D.C., projects that the combination of high immigration levels and low birthrates among natives will push the foreign-born share above 10% by the end of this decade, a level not seen since 1930.

Once established, immigrant communities tend to attract other immigrants. Although the current wave of immigration is being felt everywhere, the most dramatic impacts are in a handful of states. In 1960, 62% of all foreign-born Americans lived in seven states; by 1990, three-fourths of the new arrivals flowed to those same states.

At the top of that list is California. During the 1980s, nearly one-quarter of all legal immigrants to the United States settled in California, and more than half of the 3 million illegal immigrants granted amnesty under the 1986 immigration reform law settled in California. Moreover, the INS estimates that nearly 1.3 million illegal immigrants live in the state, about 40% of the nation's 3.2-million total.

Overall, California's foreign-born population has increased from 1.3 million in 1960 to 6.45 million in 1990—from about 9% to 22% of the population, the largest share since at least 1920. Today in Los Angeles County, nearly 33% of the population is foreign-born—up from 11% in 1970—and it is not unusual to find a mosque or Sikh temple down the block from McDonald's golden arches. Although the largest number of immigrants are Latinos or Asians, the foreign-born include Russians and Iranians, Armenians and Lebanese and people from around the globe.

At county-run Martin Luther King Jr./Drew Medical Center hospital in South-Central Los Angeles, 85% of the births are Latino.

In parts of the San Fernando Valley, once a national symbol of a white, middle-class suburbia, bakeries are now *panaderias* and the Church of God is *Iglesia de Dios*. Latinos, now 28% of the state's population, are projected to become the majority by 2040. The change is even more dramatic in Los Angeles County as a whole, where Latinos—nearly 40% of the population—are projected to become the majority by 2007.

History of Extremes

At regular intervals, California has recoiled from such powerful demographic change.

If the state has long been a principal port of entry, it also has been a wellspring for nativist and exclusionary movements—from the Workingmen's Party that organized against Chinese immigrants in San Francisco in the mid-19th Century, to the Asiatic Exclusion League of California that pressed Congress to cut off Japanese immigration in the 1920s. "California was always an extreme," said Rita J. Simon, a sociologist at American University.

No single factor explains the volatility of California's reaction to immigrants. One key, though, may be that California throughout its history has faced integrating an immigrant population that is primarily non-white. And those racial differences have intermingled explosively with economic anxieties when boom turned to bust.

Chinese immigrants were the first to come in large numbers—lured by gold and recruited by the railroads in the 1850s. They were welcomed at first as a source of cheap labor—laying railroad tracks across the Sierra in the killing winter without complaint. But soon after, the state imposed its first restrictionist law—a $20 monthly tax on foreign miners. Once the transcontinental railway was completed in 1869, the Chinese migrated into cities and tensions heightened.

In 1882, pressure from California was instrumental in the passage of federal legislation barring foreign-born Chinese from acquiring citizenship and banning the entry of Chinese workers for decades.

Once the nation excluded Chinese immigrants, California agricultural interests began recruiting the Japanese to replace them around the turn of the century. Like the Chinese, Japanese immigrants were at first welcomed. But success brought retribution.

In 1906, the San Francisco school board set off an international incident by segregating Japanese schoolchildren. "The Japanese government was so ticked off that they inquired whether Japan could declare war just on California," historian Kevin Starr said. It took the federal government to persuade the San Francisco board to rescind its order.

With other groups, the pattern persisted: a welcome that curdled into resentment. By 1929, race riots flared against Filipino laborers. When the Depression hit, Mexican workers—who had been recruited earlier as a source of cheap agricultural labor—were deported by the hundreds of thousands. This exclusionary impulse has been constantly counterbalanced by an insatiable desire for cheap labor to fuel the state's growth. Not long after the mass deportation of Mexicans during the Depression, California agriculture—then the state's largest and most powerful industry—persuaded Congress during World War II to establish the bracero guest worker program that brought in hundreds of thousands of Mexican immigrants.

Even after the bracero program was repealed in 1964, much of the state winked as illegal immigrants flowed back into California in ever-larger numbers, finding work not only in farms and factories, but in upper- and even middle-class homes. Shortly after the 1978 passage of the tax-slashing Proposition 13, the cost of providing health care to illegal immigrants emerged as a hot topic of debate at meetings of the Los Angeles County Board of Supervisors.

In 1986, in a surge of national concern over illegal immigrants, Congress passed the landmark Immigration Reform and Control Act. But until recently, few state leaders appeared even mildly annoyed about the law's palpable failure to stem the flow of illegal immigrants.

To this historic hunger for inexpensive labor, state leaders in the last two decades have articulated a second rationale for welcoming immigration—a vision of California as the multicultural capital of a new Pacific Basin world axis, culturally and economically enriched by its diversity.

Voices committed to that vision still exist, but they are increasingly being overwhelmed by the clamor for measures to stem the flow of arrivals, particularly illegal immigrants.

3/6 115

two decades of stagnant hourly wages and family incomes; an estimated 2 million workers annually displaced from their jobs; a growing trend toward corporate downsizing and the replacement of full-time with part-time work, and a widespread sense of financial insecurity and economic squeeze in the middle class.

This anxious economic environment, combined with the end of the Cold War, is inspiring a new wave of defensive nationalism that flared during the 1992 presidential campaign and could emerge as a much more visible factor by 1996.

Indeed, immigration is emerging as a touchstone between diametrically opposed views of how the nation defines its interests in an era when it no longer dominates the international economy.

Among U.S. leaders since at least the 1950s, support for substantial levels of immigration has stood as a litmus test of open attitudes toward the world—part of a trinity of internationalist values that include free trade and active engagement in the defense of allies abroad. With his support for the North American Free Trade Agreement, his defense of high levels of legal immigration and advocacy of American intervention in Somalia and Haiti, President Clinton has firmly aligned himself with that tradition.

But each aspect of that internationalist consensus is coming under intensifying fire from "America first" or economic nationalist arguments. These arguments maintain that traditional internationalist policies sublimate purely national interests to a diffuse sense of global responsibility. In the hands of conservative populists such as Patrick J. Buchanan and billionaire industrialist Ross Perot, criticism of open immigration is converging with the rejection of open trade as central elements in an overall explanation for middle-class economic anxiety.

Buchanan emphasized opposition to immigration—on cultural as well as economic grounds—and NAFTA in his Republican presidential campaign last year. Perot, the most visible NAFTA critic, has not talked much about immigration, but in his limited comments he has aligned himself with a restrictionist view. "We have got to turn immigration back into a rational process," Perot said on C-SPAN last summer. "We cannot just be a dumping ground in this country when our people are out of work and we're $4 trillion in debt."

In these ways, anxiety over immigration is intertwined with doubts about America's ability to compete in a global economy, the coherence of its national culture in a multiracial society, and a general sense of diminishing opportunities for future generations. In the midst of its wrenching economic downturn—and the aftermath of the devastating 1992 riots—these feelings are particularly strong in California.

"The United States is undergoing a period of tremendous transition," Los Angeles demographer Leo Estrada said. "In periods of uncertainty, we have a tendency to hunker back into a kind of bunker mentality.

"Most of the changes that occur in society are outside the powers of individuals to really deal with, like global economic change," added Estrada, a UCLA professor now on ~~leave~~. "Immigrants are one of the few tangible targets of change. The vision of them reminds us of the change. . . . It becomes a real easy target to point to as a way of looking at things going on in the world."

In this age of global economic anxiety, these sentiments are hardly unique to America. In Canada, the Western-based populist Reform Party exploded into prominence in recent national elections on a platform that called for reducing immigration. Across Europe, governments are closing borders to immigrants and refugees.

That ominous backdrop frames what many consider the real challenge for policy-makers in Sacramento and Washington: distinguishing between xenophobia and legitimate grievances and defusing the former by dealing responsibly with the latter.

Higham, the historian who studied the cycles of American attitudes toward immigration, said the risk is of failing to impose moderate restrictions today and precipitating an explosive negative reaction later. That, he added, is what happened in the years around World War I, when Congress and President Woodrow Wilson were unable to agree on reasonable steps—and eventually the nation virtually shut the doors to newcomers with the restrictionist and racially tinged immigration laws of the early 1920s.

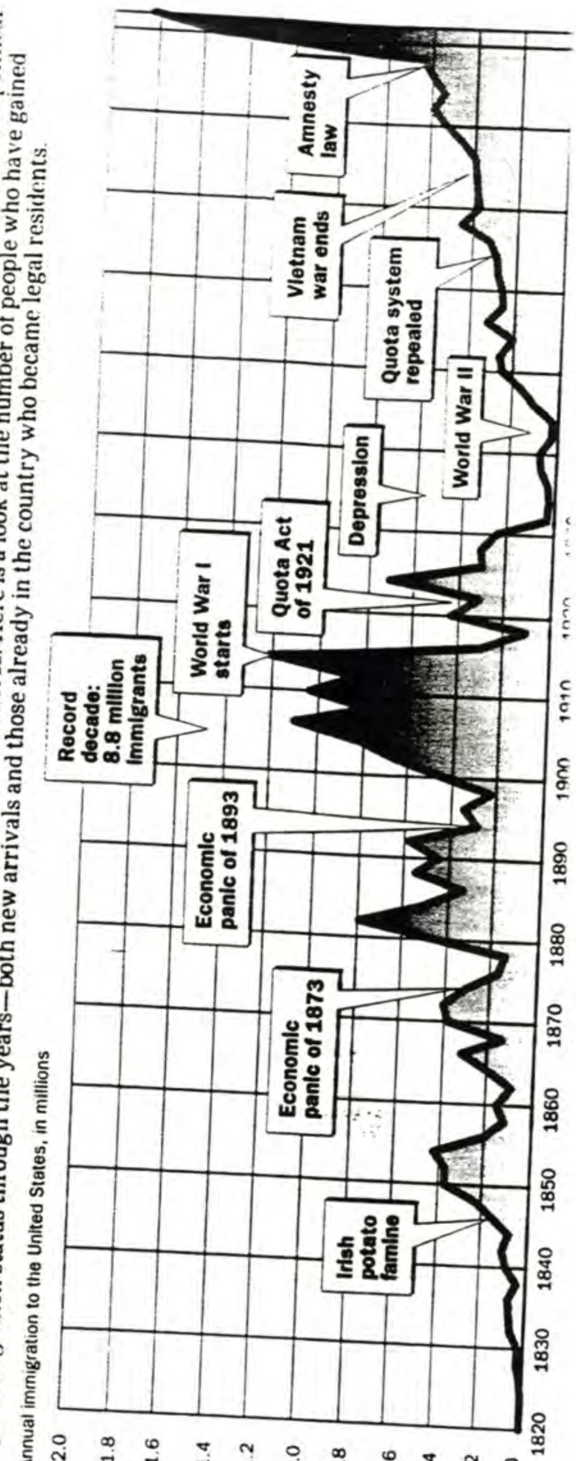
"We are now . . . at the same point that things were at in 1912 with regard to the [earlier] wave of immigration," Higham said. "If Congress had acted early in the 20th Century it would have defused the pressure. But instead of getting a rational and equitable policy of regulation, what we finally got was a racist and demeaning policy."

Times researcher Julia Franco contributed to this article.

Tuesday: Immigration and Jobs.

Waves of Newcomers

The tide of immigrants throughout American history has risen and fallen with world events. Most recently, global economic and political instability has sent hundreds of thousands of legal immigrants to U.S. shores. Here is a look at the number of people who have gained legal immigration status through the years—both new arrivals and those already in the country who became legal residents.



Population of the Foreign Born

The percentage of California residents who were born in other countries has fluctuated dramatically since the turn of the century. The percentage for the United States as a whole, meanwhile, declined but has been turning up since the 1970s.

Percent foreign born

	California	United States	Los Angeles County
1900	22.6		
1910	22.9		
1920	20.9	13.2	
1930	18.5	11.6	
1940	13.2	8.8	
1950	10.0	6.9	
1960	8.5	5.4	9.1
1970	8.8	4.7	11.3
1980	15.1	6.2	22.3
1990	21.7	7.9	32.7

Sources: California Research Bureau, 1950-90 U.S. censuses

3/3/116

Coming to America

California and the United States have a long and sometimes schizophrenic history of immigration politics.

1840s: Large-scale immigration to the U.S. begins, spurred by revolutions and upheavals in Europe, such as the potato famine in Ireland. Immigration is unrestricted.

1850: Soon after California statehood, Chinese begin arriving, drawn by the demand for cheap labor by the railroads and mines. California levies a tax on foreign miners.

1854: Chinese are prohibited from testifying in court against whites.

1855: State Legislature imposes a $50 "head tax" per Chinese immigrant. San Francisco passes "pigtail ordinance" requiring Chinese lawbreakers to cut their hair within one inch of the scalp.

1871: A Los Angeles mob, which includes prominent citizens, tortures and hangs 17 Chinese men.

1879: New state Constitution bars corporations from hiring Chinese and prohibits the employment of Chinese in any public works "except for punishment for crime."

1882: Congress enacts Chinese Exclusion Act prohibiting Chinese laborers from entering the country. The law also prohibits Chinese immigrants from becoming U.S. citizens. It is repealed in 1943.

1892: The Office of Immigration opens an inspection station at Ellis Island in New York Harbor.

1900s: In the first great wave of immigration, the U.S. receives 8.8 million immigrants, including large numbers from Italy, Russia and Austria-Hungary. Japanese begin arriving, recruited by the agricultural industry to make up for the loss of Chinese labor.

1906: California bars marriage between whites and "Mongolians." San Francisco school board sets off an international incident by segregating Japanese school-children. Outcome is the 1907 Gentlemen's Agreement barring Japanese laborers.

1913: President Woodrow Wilson dispatches Secretary of State William Jennings Bryan to beg California Legislature not to pass anti-immigrant legislation. Non-citizen Japanese are barred from owning property or leasing farmland. Mexican immigrants begin pouring into state to meet demand for labor.

1840 1850 1860 1870 1880 1890 1900 1910

LOS ANGELES TIMES / WASHINGTON EDITION MONDAY, NOVEMBER 15, 19…

1921: Congress' Quota Act limits immigrants of given nationality to 3% of their numbers already in the United States. The law does not restrict immigration from the Western Hemisphere.

1924: Japanese immigration is effectively cut off. Quota is lowered to 2% of residents of each nationality. Border Patrol is created.

1929: Race riots flare in Northern California against Filipino laborers.

1930: In height of Depression, deportation of Mexican laborers is widespread. Approximately half a million Mexicans exit—many of them U.S.-born children.

1942: California agricultural industry persuades Congress to establish the bracero program, bringing in Mexican workers to offset labor shortages.

1954: Launching "Operation Wetback," INS agents arrest Latinos at their workplaces. More than 1 million Mexican immigrants, together with some U.S. citizens, are deported.

1964: Bracero program is terminated.

1965: Congress repeals national origins quota system. Preferences established for close relatives and refugees and certain job classifications.

1970s: After the end of the Vietnam war, refugees from Vietnam, Cambodia and Laos begin arriving in the United States, particularly in California.

1980s: Los Angeles becomes "new Ellis Island" with waves of Central Americans, Iranians, Armenians and others from around the world fleeing revolution, violence and poverty.

1980: Congress approves Refugee Act to permit immigration by persons who fear "persecution on account of race, religion, nationality, membership in a particular social group or political opinion."

1982: The U.S. Supreme Court guarantees all children, including those of illegal immigrants, free public education.

1986: President Ronald Reagan signs Immigration Reform and Control Act, granting amnesty to 3 million illegal immigrants in U.S. since 1982. The law also establishes sanctions against employers who hire illegal immigrants.

1990: National quota for legal immigrants is raised to roughly 700,000 per year.

1993: President Clinton urges tightening of asylum provisions. California Gov. Pete Wilson proposes measures to curb illegal immigration, including denying citizenship to children of illegal immigrants.

1920 1930 1940 1950 1960 1970 1980 1990

ROB HERNANDEZ / Los Angeles Times

LOS ANGELES TIMES / WASHINGTON EDITION MONDAY, NOVEMBER 15, 19

3/6

118

THE WHITE HOUSE
WASHINGTON

DATE: 11/16/93

TO: THE VICE PRESIDENT
MACK McLARTY
GEORGE S.

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

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

?16 P3:47

November 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: MISCELLANEOUS NON-NAFTA HILL CALLS

1. Senator Robert Kerrey called to express the hope the Administration would reconsider its opposition to the Penny-Kasich deficit reduction plan. Senator Kerrey is now sponsoring that proposal in the Senate. We discussed the issue, and I sought to explain the macro-economic issues that Laura had raised and the impact on health care. I did not convince the Senator of the validity of your position, and he asked me to urge that this be reconsidered in the White House. The Senator also reported that he and Senator Danforth have been meeting with Congressional leadership on the entitlement commission. Most meetings have gone well, although Bob Michel and Newt Gingrich did ask the Senators if the GOP could approve five of your ten appointments. The obvious answer is that we will be happy to talk to them, but they may not have approval rights. We may be heading toward some tension on that issue after NAFTA.

2. Representative Charlie Stenholm called to say he feared the combination of our opposition to the balanced budget constitutional amendment and Penny-Kasich would further isolate fiscal conservative allies of the Administration. I suggested to Charlie the NPR, entitlement commission, line-item veto and other counters on which we have worked were intended to give him and others in similar positions sufficient cover. His simple answer was that it was not working, and he wanted you to be aware of the problem.

3. Senator Don Riegle called to advise you he is going to pursue vigorously the issue of Desert Storm syndrome, i.e. the theory that our troops in the Gulf War were exposed to chemical and/or biological warfare and are beginning to realize the health consequences. The Senator specifically wanted you to be aware of the risk of having the Clinton Administration perpetuate a cover-up begun in the Pentagon during the Bush Administration. His point is simple -- if he is right why should this Administration bear the responsibility for hiding the lies of the last Administration.

4. Senator Harry Reid is hurt and angry about how the grazing fee issue was handled. He believes, unfairly I think, the White House did not back him when he aligned himself with Secretary Babbitt and the legislative compromise that failed. To the extent his anger is aimed at me, as unjust as that is, it is better than having him upset with you. Before Thanksgiving you need to chat with the Senator who has been too good an ally to offend or to lose.

C.C. The Vice President
MACK
George

THE WHITE HOUSE
WASHINGTON

DATE: 11/16/93

TO: THE VICE PRESIDENT
THE CHIEF OF STAFF

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

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

'16 P3:47

November 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: SENATOR MIKULSKI

As you instructed, I met with Senator Mikulski to follow-up on her conversation with the First Lady regarding the Senator's unhappiness with Administration cooperation and support for her in her capacity as chair of the VA-HUD Appropriations subcommittee. Certainly the Senator has encountered more problems than can be justified in working with the Administration.

We had a long and candid conversation during which Senator Mikulski raised a number of valid points. Clearly during my conversation with the Senator, and now as we seek to avoid future problems, it is neither productive nor necessary to go into great detail on each issue brought to my attention by the Senator. For example, while I do not agree with the Senator's analysis of how we ran into trouble on the economic stimulus bill, the overwhelming majority of the issues she raised are valid.

The commitment I made to the Senator was to prevent a recurrence of the problems she encountered during 1993. In that regard, Senator Mikulski gave me a set of the notes she had for our meeting so that the Administration could see the full magnitude of the problem from her perspective. It is my intention to share those notes only with Leon Panetta, who is in the best position to make sure we do a better job of working with Senator Mikulski and her staff in 1994. My simple, specific suggestion is that a single person -- presumably from OMB -- be designated as the Administration's lead person in dealing with the Senator on Appropriations matters. Having such a designated liaison is essential because the VA-HUD bill covers many agencies and departments, some of which have done a very poor job working with the Senator.

In my view, to bring this to a close, we can and we should do better in cooperating with Senator Mikulski from this point forward.

cc: Senator Mikulski
Leon Panetta
The Vice President
MACK

THE PRESIDENT HAS SEEN 11/16

CHINESE MILITARY SEES U.S. AS A FOE

Disaffection in Army Seen in Book Recalled by Beijing

By PATRICK E. TYLER
Special to The New York Times

BEIJING, Nov. 15 — A Russian diplomat browsing through a bookstall here recently came across this title: "Can the Chinese Army Win the Next War?"

On the cover, President Jiang Zemin was quoted as saying, "We must win high-tech small-scale wars under modern conditions." Inside, it identified the United States as China's principal military adversary in the future and sketched out eight war scenarios, including the retaking of Taiwan, war on the Korean Peninsula and China's seizing of oilfields in the South China Sea.

It was extraordinary that such a document could be published in China, which treats any discussion of military strategy, doctrine and planning as the most treasured of state secrets.

But this thin book, which was later banned and recalled by the Communist Party authorities, is now a widely circulated attraction in Beijing's diplomatic quarter.

Trying to Shape Opinion

Western officials have linked it to a general effort by some hard-line officers of the Chinese Army and their allies in retirement and in academia to mobilize public opinion against China's potential enemies.

The appearance of the book and others like it, as well as recent leaks to Hong Kong newspapers indicating major disaffection in the army over China's recent disputes with the United States, underscores the damage to Chinese-American military relations that the Clinton Administration is trying to address.

It also underscores the extent to which China's military leaders have begun to challenge the civilian authorities over the future military policy of the world's most populous country.

From interviews with diplomats here who have contact with Chinese military officials, one thing seems clear: Tempers have been flaring.

First there was the American sale of F-16 fighters to Taiwan last year, and then in August the United States imposed sanctions on China over the transfer by China of missile equipment to Pakistan. These sanctions were announced in the midst of the Yinhe episode, which turned out to be a case of mistaken intelligence in which Washington said the Chinese cargo ship Yinhe was carrying chemical-weapon ingredients to Iran. An inspection proved that it was not.

"The military was one of the institutions in China that was particularly offended by the sale of F-16's to Taiwan last year," a Western diplomat here said. He added that there were "elements" in the Chinese military who would like their civilian leaders "to show more gumption in standing up to the United States."

General Confront President

A Hong Kong journal with close ties to Beijing recently carried an account of a confrontational meeting between President Jiang and his generals on Sept. 8, and this account has been taken as credible by some analysts here. Eight senior generals led by Defense Minister Chi Haotian were said to have met with Mr. Jiang to express their frustration over the "soft stance" Beijing was taking toward American "hegemonism" and "power politics."

An Emotional Meeting

The generals were said to have become "very excited during the meeting" and presented the President with a petition signed by 180 high-ranking officers demanding that China "take a solemn and just stand" against the United States.

Mr. Jiang was said to have calmed the generals by reminding them that since China had developed nuclear weapons in the 1960's, "we are no longer afraid of the threats and bullying of the two hegemonists," meaning Russia and the United States. But the intensity of the encounter reflected the depth of convictions in the military.

Strong mistrust toward American intentions was also apparent from the 80-page book of military analysis that caught the eye of the Russian diplomat this fall. Though the book was written under a pen name and published by Southwest Normal University Press in Sichuan Province in June, it betrayed the knowledge and experience of a seasoned member of the Chinese military establishment, diplomats here say.

"Although at present, China does not pose a real threat strategically to the United States, the United States still considers China a hypothetical target in its regional defense strategy," the banned analysis says. "Because of serious opposition and differences in ideology, social system and foreign policies between China and the United States during a fairly long period of time, it would be impossible to improve fundamentally Sino-U.S. relations."

Tony —
How seriously do we take this? Do I need a brief? —

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
11.12.93

November 12, 1993

MR. PRESIDENT:

Attached are three memos from Counsel's office listing persons whose commutation requests the Justice Department has recommended denying. Counsel's office concurs in Justice's recommendation.

In two weeks, Counsel will transmit to Justice your denial of commutation in all these cases unless you have any objection.

Concur in [✓] denials   Discuss [ ]

DS
Todd Stern

[redacted]

[redacted]

THE PRESIDENT HAS SEEN

11-12-93

THE WHITE HOUSE

WASHINGTON

November 11, 1993 P5:02

MEMORANDUM FOR THE PRESIDENT

FROM: BERNARD NUSSBAUM
CHERYL MILLS

SUBJECT: Denial of Request for Commutation of Sentence

We have received the Deputy Attorney General's recommendation against commuting the sentences, and in some instances also against remitting the fines, of the petitioners identified below. After a review of the memorandum summarizing the circumstances in each case, we have concluded that denial of commutation and remission of fine is appropriate.

We will transmit your denial of petitioners' requests for commutation of sentence in the following 23 cases on November 30, 1993, unless you reach an earlier decision or indicate that you would like further information on the cases of any of the following individuals:

Emmanuel Okechukwu Anike	New York
Luis Francisco Ardila-Romero	Florida
Orion Earl Barnes (aka Joe Barnes)	District of Columbia
James Michael Beall	Washington
Giuseppe Bruno	New Jersey
Edgar Buezo (aka Edgar Buezo-Encinas)	New Mexico
Lawrence Raymond Burns	Minnesota
Eduardo Augusto Cardounel	New Jersey
James Gilbert Cavazos	Texas
John William Chlumsky	Wyoming
Rafael Buelvas Cohen	Florida
Manuel Salvador De Nobrega	Vermont
Donald Wayne Hyatt	North Carolina
Gary Lee Kirkpatrick	Georgia/Florida
Gary John Lloyd	Connecticut
Jorge Mejia-Brito	Texas
Frank Moreno Morales	California
Raoul Romero St. Pierre	Maine
Julian Gary Taylor	District of Columbia
Manuel Ramon Villa	New York

Beatriz Villalon	Florida
James Williams	Maryland
Joseph Rivera	New Jersey

DECISION:

[√] Approve [ ] Disapprove [ ] More Information

THE WHITE HOUSE

WASHINGTON

November 9, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BERNARD NUSSBAUM
CHERYL MILLS

SUBJECT: Denial of Request for Commutation of Sentence

We have received the Deputy Attorney General's recommendation against commuting the sentences of the petitioners identified below. After a review of the Pardon Attorney's memorandum, we have concluded that denial of commutation in each case is appropriate.

We will transmit your denial of petitioners' requests for commutation of sentence in the following 27 cases on November 26, 1993, unless you reach a decision earlier or indicate that you would like further information on the cases of any of the following individuals:

Brian Keith Allman	(West Virginia)
Warren Keith Bennett	(Colorado)
Mario Beovides	(Florida)
William Morningstar Birdsong	(Connecticut)
Linda Louise Boyington	(Maine)
Robert Hale Buck, II	(West Virginia)
Royce Glen Caskey	(Oklahoma)
Shirley Clark	(Florida)
Marc Gorden Crosby	(Ohio)
Carlos Bienueni Cruz	(Georgia)
Ernesto F. Delgado-Salazar	(Florida)
Robert Ronald Dice	(Florida)
Ralph Junior Gilpin	(Vermont/Florida)
Jimmy Ray Hill (aka Gregory Bolling)	(Texas)
Bruce With Horn	(South Dakota)
Morna Diane Johnson	(Florida)
David James Lindsay	(New York)
Phillip Luschen	(Idaho)
John Benjamin McCollough	(Connecticut)
Darwin Rusty Siers	(West Virginia)
Frederick Arthur Stevens	(Michigan)
Frank Patrick Swanson	(Minnesota)
Frederick Randolph Summey	(New Jersey)
David Sushansky	(New York)

Tyrone Thompson	(Ohio)
Jackie Lyn Warren	(Kentucky)
Thomas Charles York	(Illinois)
(fka Thomas Charles Jurkiewicz)	

DECISION:

[ ] Approve [ ] Disapprove [ ] More Information

THE WHITE HOUSE

WASHINGTON

November 10, 1993

'93 NOV 10 AM 11:09

MEMORANDUM FOR THE PRESIDENT

FROM: BERNARD NUSSBAUM
CHERYL MILLS CDM

SUBJECT: Denial of Request for Commutation of Sentence

We have received the Deputy Attorney General's recommendation against commuting the sentences, and in some instances also against remitting the fines, of the petitioners identified below. After a review of the memorandum summarizing the circumstances in each case, we have concluded that denial of commutation is appropriate.

We will transmit your denial of petitioners' requests for commutation of sentence in the following 36 cases on November 29, 1993, unless you reach a decision earlier or indicate that you would like further information on the cases of any of the following individuals:

Mohamed Akbar	(California)
Leonard William Armstrong	(Tennessee)
Ronald Dale Baughman	(Kansas)
Marlin LeVaughn Binkley	(Ohio)
Edwin Wayne Brown, II	(Texas)
Enrinque Garza Bustamante	(Oregon)
Roberto Calderon	(Texas)
William Eldridge Caldwell	(Kentucky)
William Joseph Calise	(Hawaii)
David Davila	(Texas)
Orlando Maurice Dorantes	(Virginia)
James Lonnie Grubbs	(Missouri)
Edith Guiterrez	(Pennsylvania)
Miguel Angel Hernandez	(New York)
Bobby Joe Hon	(Missouri)
Leonard C. Hyater, Jr.	(District of Columbia)
Jeffrey Jay Johnson	(Minnesota)
Paul Jorgenson	(New Mexico)
Robert O. Klein	(Louisiana)
Thomas Levi Knight	(Maryland/Virginia)
Ida Patrice McCray-Robinson	(California)
Joseph James McDermott (aka Charles F. Gebhardt)	(Virginia)
Mildred Louise Miller	(Nevada)

Emmanuel Obiora Nwolise	(Maryland)
James E. Richitelli	(Connecticutt)
Joseph Patrick Shay	(Virginia)
Thomas Eugene Spinks	(Maryland)
Harrison A. Stephens	(South Carolina)
Juan Tarango	(Colorado)
Robert James Theno	(Kentucky)
Donald Ray Turner	(Georgia)
Homer Lucio Ureste	(Louisiana)
Noah A.J. Vance	(Ohio/Pennsylvania/Kentucky)
Julian Salinas Vera	(Texas)
Allen Keith Warner	(Illinios)
Effie Kate Wilson	(Georgia)

DECISION:

[ ] Approve [ ] Disapprove [ ] More Information

THE WHITE HOUSE

WASHINGTON

November 15, 1993

Dear Mr. Leader:

On more than one occasion I have been asked whether the North American Free Trade Agreement (NAFTA) might become a divisive issue in the 1994 Congressional elections. Each time I have been asked this question I have expressed the hope that this issue would continue to be viewed in a spirit of bipartisan cooperation befitting an issue of such historical importance.

Since I have sought the support of all members of the House of Representatives for the NAFTA implementing legislation as a matter of compelling national interest, I hope to discourage NAFTA opponents from using this issue against pro-NAFTA members, regardless of party, in the coming election.

After our shared success later this week, when I will have the pleasure of sending thank you letters to at least 218 House members, I will reaffirm my position on the inappropriateness of fighting NAFTA again in the 1994 election.

As always, you have my respect and appreciation.

Sincerely,

Bill Clinton

The Honorable Robert H. Michel
Republican Leader
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

November 15, 1993

Dear Mr. Speaker:

As we approach the end of an intense debate over the North American Free Trade Agreement (NAFTA), I want to share with you my reasons for believing Congressional approval of NAFTA is essential to our national interest.

We share a commitment to ensuring that our country has the world's strongest and most competitive economy, to maintaining and creating jobs for our workers, and to making sure that opportunities are there for our children as they join the workforce of the future. That is why I am fighting for the approval of NAFTA. I am convinced that it will help strengthen our economy -- in the near term and in the long run.

Our nation's prosperity depends on our ability to compete and win in the global economy. It is an illusion to believe that we can prosper by retreating behind protectionist walls. We will succeed only by ensuring that we have the world's most competitive companies, productive workers, and open markets in which to sell our manufactured goods, services, and agricultural products.

I understand that NAFTA is, for many, a reminder of the economic hardships and insecurities that have grown over the past 20 years. Obviously, NAFTA did not cause those problems. In fact, it is part of the solution. We are world-class producers of everything from computers and automobiles to financial services and soybeans. We can compete anywhere, but we need to ensure that markets around the world are open to our products.

Mexico represents an enormous opportunity for our businesses, our workers, and our farmers. Exports there have already soared since 1986, when Mexico began to open its market and lower trade barriers. But the status quo in the trading relationship -- in which Mexico's trade barriers are far higher than ours -- is still unacceptable. NAFTA represents both free and fair trade. It changes the status quo by wiping away the Mexican barriers.

NAFTA provides us preferential access to the Mexican market: 90 million people, in one of the most dynamic growing economies in the world, who look to us for consumer goods, agricultural products and the infrastructure needed to build a modern economy. It is the gateway to the fast growing markets of Latin America, which are also opening, where we have a natural advantage over Japan and the European Community. Turning away from this opportunity would be a serious self-inflicted wound to our economy. It would cost us jobs--in the short and long term.

Many opponents of NAFTA say that they don't oppose a trade agreement with Mexico. They say they just oppose this NAFTA, and suggest that it be renegotiated. We should be under no illusions. This is a far-reaching and fair agreement. It was negotiated painstakingly over three years with input from a broad array of groups, and it is in the best interest of the United States, Mexico and Canada. It represents an unprecedented effort to include in a trade agreement provisions to enhance environmental protection and workers rights. It was negotiated by a Republican President, and endorsed and strengthened by a Democratic President. If it were defeated, no government of Mexico could return, or would return, to the negotiating table for years to come. Mexico would turn to others, like Japan and the European Community, for help in building a modern state--and American workers, farmers, and businesses would be the losers.

Of course, NAFTA is not a magic bullet for all our economic problems. But there is no question that NAFTA will benefit every region of our country. It is no accident that NAFTA has the support of more than two-thirds of the nation's governors and Members of Congress from every part of the nation. They understand the benefits that will flow to their states, regardless of region.

My main reason for supporting NAFTA is that it will be good for the competitive U.S. economy that we are trying to build. But there is another critical issue that I ask you to consider. After World War I, the United States chose the path of isolation and protectionism. That path led directly to the Depression, and helped set the world on the path to World War II. After World War II, we chose to engage with the world, through collective security and expanded trade. We helped our allies rebuild, ushered in a period of unprecedented global economic growth, and prevailed over communism.

Now we face another defining moment. The rejection of NAFTA would set back our relationship with Mexico, and Latin America beyond, for years to come. It would send a signal that the world's leading power has chosen the path of pessimism and protectionism. It would gravely undermine our ability to convince other countries to join us in completing the Uruguay Round, which is essential to expand trade and enhance global growth.

Rejecting NAFTA would, quite simply, put us on the wrong side of history. That is not our destiny. I ask the House of Representatives to join me in choosing the path of expanded trade, to make the decision to compete in the world, rather than to retreat behind our borders. We are a great country, and we cannot shrink from this test.

Sincerely,

Bill Clinton

The Honorable Thomas S. Foley
Speaker of the
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

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Sincerely,

Bill Clinton

The Honorable Robert H. Michel
Republican Leader
House of Representatives
Washington, D.C. 20515

5

THE PRESIDENT HAS SEEN 11/16

November 8, 1993

TO: THE PRESIDENT

From: Dick Morris

Re: Amtrak

At our meeting on Saturday, October 30, you asked that I send you a memo on reform of Amtrak for you to forward to Vice President Gore.

AMTRAK'S PROBLEMS

* Amtrak continues to need huge federal subsidy. Last year, it cost $711 million in federal funds, about $25 per ticket in operating subsidies.

* But Amtrak sells out most of its seats on long hauls and is the largest common carrier between New York and Washington. If it sells out its product, and still loses money, something is very wrong.

* A study for the restructuring of the Canadian Rail system suggests that a fifth of the non-operating jobs in Amtrak could be cut without violence to the system or to union jobs.

* Major new revenues and constructive use of assets could come from from sale of air rights and other real estate, as well as from exploitation of the full potential of package express service.

* Much equipment is very old, some dating to the 40s and 50s. Some equipment is of more modern vintage, but is worn out since it has often been in continuous use with deferred maintenance cycles.

* Routes have largely not been redesigned since before the energy crisis

* Amtrak must be comprehensively rebuilt into a profit-oriented, business-like entity.

PROPOSAL

I am working with a group called Consortium for Passenger Rail Transportation, Inc. (CPRT) whose principals have conducted a study of VIA Rail Canada, Inc., the Canadian Amtrak. They found that with a well developed plan a nationwide system can be self-sufficient and profitable.

They want to study Amtrak, as outsiders, to recommend how to use high density equipment, first class travel, customer service reforms, cuts in non operating jobs, redesign of routes, hub and spoke operations, and sales of assets to make Amtrak profitable and self-sufficient after twenty years of subsidy.

THE PRESIDENT HAS SEEN 11/16

Madeleine

Good news! Bravo

B

THE PRESIDENT HAS SEEN 11/15

THE WHITE HOUSE

WASHINGTON

November 12, 1993

OK — Do we need any GOP? If not look harder

MEMORANDUM FOR THE PRESIDENT

THROUGH: BRUCE LINDSEY, Director of Presidential Personnel

FROM: THOMAS SHEA, Deputy Associate Director

RE: **CIVIL LIBERTIES PUBLIC EDUCATION FUND: BOARD OF DIRECTORS**

I. BACKGROUND

The Board is responsible for administering the Civil Liberties Public Education Fund. The Fund was established in 1988 for the purpose of redressing the civil liberties violations committed during World War II with the evacuation, internment and relocation of over 120,000 United States citizens and permanent resident aliens of Japanese ancestry. The Board shall sponsor research and public education activities aimed at ensuring that the events surrounding the internment of Japanese-Americans will be remembered, and so that the causes and circumstances of this and similar events may be illuminated and understood.

II. DISCUSSION

Although established in 1988, there have not yet been any appointments to this Board. The Board is composed of nine members who are appointed by the President with the advice and consent of the Senate. Of the new members, five shall serve for terms of three years and four shall serve for terms of two years.

III. RECOMMENDATION

We recommend that you approve the nomination of the following individuals:

PEGGY NAGAE LUM, Democrat of Washington, to be a member of the Board of Directors of the Civil Liberties Public Education Fund Board of Directors, for a term of three years. Ms. Lum is an attorney and a Principal in the management consulting firm of PNL Consultants. She is also active in numerous Asian civic and professional groups and served as a member of "Asian-Pacific Americans for Clinton/Gore." **Sponsor(s):** Rep. Mineta (D-CA); Rep. Matsui (D-CA); Japanese American Citizens League.

Approve: ✓ Disapprove ____________

DALE MINAMI, Democrat of California, to be a member of the Board of Directors of the Civil Liberties Public Education Fund, for a term of three years. Mr. Minami is a Partner in the law firm of Minami, Lew, Tamaki and Lee. He has published book excerpts and articles on the internment of Japanese-Americans and served as Co-Chair of "Northern California Asian Pacific Americans for Clinton/Gore."
Sponsor(s): Rep. Mineta (D-CA); Rep. Matsui (D-CA); Japanese American Citizens League.

Approve: ✓ Disapprove: ______

FRED T. KOREMATSU, Democrat of California, to be a member of the Board of Directors of the Civil Liberties Public Education Fund Board, for a term of three years. Mr. Korematsu was the person who in 1944 challenged the U.S. government's orders forcing the relocation and internment of 112,000 Asian-Americans. He is now a draftsman who serves as a deacon of the First Presbyterian Church of Oakland. Mr. Korematsu has been recognized and honored by numerous national organizations.
Sponsor(s): Rep. Mineta (D-CA); Rep. Matsui (D-CA); Japanese American Citizens League.

Approve: ✓ Disapprove: ______

ROBERT F. DRINAN, S.J., Democrat of the District of Columbia, to be a member of the Board of Directors of the Civil Liberties Public Education Fund, for a term of three years. Father Drinan is a Professor of Law at Georgetown and a former U.S. Representative with expertise in the fields of human rights and civil liberties.
Sponsor(s): Rep. Mineta (D-CA); Rep. Matsui (D-CA); Japanese American Citizens League.

Approve: ✓ Disapprove: ______

YEIICHI KUWAYAMA, Democrat of District of Columbia, to be a member of the Board of Directors of the Civil Liberties Public Education Fund, for a term of three years. Mr. Kuwayama is a decorated World War II veteran who is now retired from a long and distinguished career in both public and private sectors, which included a 10 years with the Securities and Exchange Commission.
Sponsor(s): Sen. Inouye (D-HI).

Approve: ✓ Disapprove: ______

ELSA H. KUDO, Democrat of Hawaii, to be a member of the Board of Directors of the Civil Liberties Public Education Fund, for a term of two years. Ms. Kudo is a Realtor and former internee who has served as a leading spokesperson for Japanese-Peruvian internees.
Sponsor(s): Sen. Inouye (D-HI) and Rep. Mineta (D-CA).

Approve: ______________________ Disapprove: ______________________

LAWRENCE GOLDBERG, Republican of Rhode Island, to be a member of the Board of Directors of the Civil Liberties Public Education Fund, for a term of two years. Mr. Goldberg is a Real Estate investor who previously served as Assistant Director of the federal Community Services Administration and as Vice President of Brandeis University. He is active in the American Israel Public Affairs Committee and served as a national Co-Chair of Republicans for Clinton/Gore.
Sponsor(s): Bob Nelson.

Approve: ______________________ Disapprove: ______________________

DON TOSHIAKI NAKANISHI, Democrat of California, to be a member of the Board of Directors of the Civil Liberties Public Education Fund, for a term of two years. Mr. Nakanishi is Director of the Asian American Studies Center at UCLA.
Sponsor(s): Rep. Matsui (D-CA).

Approve: ______________________ Disapprove: ______________________

CHERRY TANAKA KINOSHITA, Democrat of Washington, to be a member of the Board of Directors of the Civil Liberties Public Education Fund Board, for a term of two years. Ms. Kinoshita is retired from the Firstbank Mortgage Corporation where she served as an Officer in the Commercial Loan Division. She was an internee and is very active in the Japanese American Citizens League. Ms. Kinoshita has received national recognition, as well as numerous awards for her efforts on behalf of the Japanese American redress effort.
Sponsor(s): Rep. Mineta (D-CA); Rep. Matsui (D-CA); Japanese American Citizens League.

Approve: ______________________ Disapprove: ______________________

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Thomas Shea to POTUS re: Civil Liberties Public Education Fund [partial] (1 page)	11/12/1993	b(6)

COLLECTION:
Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 2242

FOLDER TITLE:
November 14-20, 1993

2018-0662-S
rs3076

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

IV. OTHERS CONSIDERED

(b)(6)

THE PRESIDENT HAS SEEN 11/15

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE LINDSEY, Director of Presidential Personnel

DATE: NOVEMBER 15, 1993

RE: MARSHALL APPOINTMENTS
DEPARTMENT OF JUSTICE (PAS)

I. BACKGROUND

The position of United States Marshall was created in 28 U.S.C. §561 which provides "(a) the President shall appoint, by and with the advice and consent of the Senate, a United States Marshall for each judicial district." The appointment of a United States Attorney is for a term of four (4) years but a United States Marshall is subject to removal by the President. The duties of a Marshall include the following: 1) taking into custody persons detained before trial and transports them between jail and the courthouse; 2) providing court security and protection for federal judges; 3) administration of witness security and protection programs; 4) investigation and pursuit of escaped prisoners and persons who violate the conditions of their bail, probation, and parole; 5) execution of federal court orders, and 6) seizure, management, and disposition of assets obtained by the government in forfeiture actions.

II. DISCUSSION

The Attorney General has recommended the nomination of the following candidates as United States Marshall. Each of the candidates was recommended by the Senior Democratic Senator. The candidates have been interviewed by White House Counsel and the Attorney General. A background review by the F.B.I. and a tax check by the I.R.S. have been completed. The Office of White House Counsel and the Presidential Personnel Office concur in the recommendation of the Attorney General.

STATE	DISTRICT	CANDIDATE
Arkansas	**Eastern**	**Conrad S. Patillo**
California	**Southern**	**Stephen Simpson Gregg**

III. RECOMMENDATION

"We recommend that you appoint the preceding candidates for the positions of United States Marshal as recommended by the Attorney General.

Approve ____________ Disapprove ____________ Discuss Further ____________

THE PRESIDENT HAS SEEN 11/15

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE LINDSEY, Director of Presidential Personnel

DATE: NOVEMBER 12, 1993

RE: PHILIP N. DIEHL
U.S. MINT
DIRECTOR (PAS)

I. BACKGROUND

The chief official of the Bureau of the Mint is the Director of the Mint, who is under the general direction of the Under Secretary of the Treasury. The Director is appointed by the President and holds office for five years.

The Director of the Mint is responsible for establishing policies and managing the Mint and its programs. The major activities of the Mint are the production of coins, both domestic and foreign; the manufacture and sale of proof coins and uncirculated sets; the custody, processing, refining and movement of bullion; the disbursing of gold and silver for authorized monetary purposes; the distribution of coins for general circulation through the facilities of the Federal Reserve Bank and Branches; the receipt of uncurrent coins; and compilation of general data of world-wide scope relative to gold, silver and coins. These activities are carried out through the Office of the Director in Washington D.C., and seven field installations.

The Director of the Mint appears before high level conferences, committees and meetings in the Treasury Department, Congress and elsewhere. The Director confers with representatives of foreign governments on coinage and other matters including the use of alloy and the manufacture of foreign coins. In addition to internal policy matters affecting operations, the Director is responsible for all administrative, management and personnel policies and other matters in the Mint which employs 2,500 people.

II. DISCUSSION

Philip Diehl is currently serving as the Deputy Executive Director of the Mint. For seven months, beginning with Inauguration Day 1993, Mr. Diehl was Chief of Staff for the U.S. Department of Treasury. Prior to that Mr. Diehl was Staff Director for the U.S. Committee on Finance.

Mr. Diehl's home state is Texas. He graduated from Austin College in 1973 and earned an M.A. in Government from the University of Texas in 1976. Mr. Diehl started his career as a Senior Policy Analyst and Manager of Fiscal Policy Research for the Texas State Comptroller's Office. From 1985 to 1988, he was the Director of Telephone Regulation for the Texas Public Utility Commission. From 1988 to 1990, Mr. Diehl was Vice President, Regulatory Affairs for International Telecharge, Inc. - a long distance telecommunications firm.

III. RECOMMENDATION

We ask that you approve the nomination of PHILIP N. DIEHL to be the DIRECTOR OF THE U.S. MINT.

PHILIP N. DIEHL, Democrat, Texas

Approve ✓ __________ Disapprove ____________________

[redacted]

Governor's Island Watch
652 Broadway, Nº 8F
New York, NY 10012

THE PRESIDENT HAS SEEN 11/15

President Bill Clinton
The White House

[redacted] [redacted]

THE PRESIDENT HAS SEEN 11/15

Governor's Island Watch

652 Broadway #8F
New York, NY 10012
tel/ 212-533-6800
fax/ 212-533-6893

November 13, 1993

BY HAND

President Bill Clinton
The White House

Dear President Clinton,

While we commend your continued stance in support of the restoration of democracy in Haiti through the return of President Jean-Bertrand Aristide to power, we are nevertheless deeply concerned at the recent lack of decisive action on the part of your administration.

To quote an old Italian proverb, "He who does not advance, recedes."

Each day that passes without positive action on our part simply serves to empower Francois, Cedras and their cohorts who are currently laughing in our face even as they continue their unabated reign of terror in Haiti.

President Clinton, we urge you to:

> 1. Fire Brian Latell and place his immediate supervisors on flashing red alert as an indication that they will be next unless the Latin American branch of the CIA begins cooperating with your stated foreign policy goals.
> Latell is the CIA employee most responsible for the Aristide disinformation campaign that Helms, Dole and the rest of your Republican opponents have been dining out on at your personal expense for the past several weeks.
>
> 2. Have a candid discussion with CIA Director R. James Woosley to ensure that he understands in no uncertain terms that it is the CIA who must serve the President of the United States, not vice versa. Sir, it is sobering indeed for the American public to become as aware as we are today of the frightening independence with which the CIA pursues the agenda established by your predecessor, George Bush.
> Further, the CIA should make public the details of alleged CIA covert involvement in Haitian elections and presidential coups--including reported payments to the coup leaders up until the time of the coup itself.

3. Provide U.S. military observer guards to be stationed at the Dominican border to enforce that critical and currently compromised aspect of the embargo. By now we have all read in the major newspapers about the "super highway" that the Haitian military has almost completed to the Dominican border. This knowledge makes a laughing stock of the pumped-up and expensive naval blockade presently in position.
The U.S. should consider imposing sanctions against the Dominican Republic if it fails to enforce the embargo.

4. There seems to be ample evidence that many of the very military and police leaders who we all wish to see come down, are intimately involved in the traffic of illegal drugs into the United States. The Justice Department should swiftly issue arrest warrants for these individuals.
In the meantime, you should instruct the Drug Enforcement Agency to cease and desist providing these very same military and police leaders with intelligence data on the arrivals of drugs into Haiti that they may not already be aware of (!), as recently reported in the *Washington Post* and other major media outlets.

5. Strengthen the United Nations sanctions on Haiti -- calling for an immediate economic embargo. Impose a complete U.S. trade embargo, except for food and medicine, and institute "strong punitive sanctions" against any nation that violates it.
A much stronger embargo is essential to isolate the coup leaders quickly from their supporters in the elite and <u>minimize</u> the suffering of the Haitian people. While the embargo causes suffering, we must emphasize that the fundamental cause of the suffering is the coup d'etat.
Further, a ban on commercial flights to and from Haiti would adversely impact that small minority in Haiti which continues to profit from the coup.

6. Insist on the resignation of Cedras, Francois and the entire military high command as was understood during the discussions at Governor's Island. These criminals and their acknowledged colleagues must clearly understand that they are the ones who plunged their country into this terrible nightmare and then violated the Governor's Island agreement and will therefore no longer have a say in the future of Haiti.

7. Revitalize the U.S. Haiti mission team with fresh members more in tune with your goals and more sensitive to and respectful of the Haitian people and their legitimately elected government. We must recognize that Lawrence Pezzullo and the other architects of the Governor's Island Accord have functioned, in the long run, far more as part of the problem than of the solution.

8. The U.S. should lead the call for the return of the UN/OAS civilian mission to Haiti. In their absence the killings, beatings and disappearances perpetrated by the military go unreported.

9. President Clinton, it is infamous of the United States of America to be capturing Haitians attempting to flee the widespread terror of the military "attaches," and delivering these human beings right back to the hands of the very same "attaches," where they are being promptly arrested and then disappear.
We are completely sympathetic to the political implications of reversing your policy but, Sir, the policy must be called for what it is...virtual homicide.
We should immediately suspend the return of Haitian refugees until the military leaders give up power, at which time, the flow of refugees will of course cease because peace will have [redacted] been restored.

10. At all cost the Governor's Island agreement must not be renegotiated. As you have stated repeatedly, President Aristide has satisfied each obligation required of him in that agreement. He should not be asked to make any concessions which would compromise his mandate by the people of Haiti to pursue a plan of government founded on principles of justice and reform.

Above all else, we encourage you to be guided by President Aristide regarding further action. During the Governor's Island talks in July, President Aristide suggested a different sequencing for action and predicted that the agreement would collapse. Had we followed his mandate for sequencing in July, perhaps this matter would have been resolved by now. His government has the clearest picture of what it will take to restore democracy in Haiti. They have the best interests of all Haitians as their guiding principle.

Again, we reiterate our willingness and desire to assist you in any way possible in achieving your goal of restoring peace, justice, and democracy to Haiti. Please do not hesitate to contact us with any request.

Sincerely yours,

Jonathan Demme　　Edward Saxon

THE PRESIDENT HAS SEEN 11/15

THE WHITE HOUSE

WASHINGTON

NOVEMBER 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: REPRESENTATIVE IKE SKELTON

Mr. Skelton will be at Sunday's dinner and needs special attention. He is fearful that you have not gotten his message on the impact of defense cutbacks on the Army, especially on manpower. On Friday, I discussed with him a meeting after adjournment for several of your allies who share his view --- McCurdy, Murtha, etc. --- to come in with Skelton to talk to you quietly about their concerns apart from the pressure of Congressional activity.

In addition, when the Vice President spoke with Skelton, the Congressman asked him to look at the attached article.

It would be helpful if you would take a moment to look at the article prior to dinner Sunday and reference it when you greet Skelton.

I had a good talk w/ Skelton about see him w/ some others after NAFTA/ADSC -

■ WORLD REPORT

Another hollow Army?

As the U.S. military shrinks, it finds its responsibilities growing

A stately congressional hearing room in the Rayburn House Office Building is an unlikely place for a remedial arithmetic class. But one after another, members of Missouri Rep. Ike Skelton's Armed Services subcommittee took turns explaining to Assistant Secretary of Defense Edward Warner that the Pentagon's war-fighting numbers don't add up.

The congressional math, while sloppy, contains some truth. The Army and the Air Force are now arguing that they cannot conduct peacekeeping operations in Bosnia, Somalia and Haiti and also fight and win two Desert Storm-size regional wars at about the same time. The Army, the worse for wear after last summer's Pentagon budget review, is trying to reopen the battle for defense dollars.

Something has to give. Unless it gets a larger share of the federal budget, which is unlikely at best, the Pentagon will have to disavow its two-war strategy, scale back or abandon peacekeeping missions or continue to cut back on training and readiness.

Shrinking reservoir. This year the Army has stationed some 22,000 soldiers abroad on peacekeeping and humanitarian missions. As the force is cut from 12 divisions to 10 by 1999, the reservoir of soldiers available to fight two major wars, each of which requires about five divisions, will shrink. Moreover, even small commitments, such as the Army force in Somalia, can paralyze an entire 16,500-person division. The 10th Mountain Division, for instance, has just one of its two 2,500-person brigades in Somalia – but it also has sent a good portion of its command, intelligence and aviation troops. That means the rest of the division, stationed at Fort Drum, N.Y., is essentially unavailable to fight elsewhere. And the Army has smaller elements of three other divisions tied down in Somalia.

What's more, peacekeeping operations such as the one in Somalia are paid for directly out of operations accounts, taking hundreds of millions of dollars budgeted for routine maintenance and training. Readiness already is suffering. The Army is maintaining only a handful of units at peak levels. The force is undermanned by 15,000 troops; for the first time, divisions in Europe are third in line for fresh troops. Fully one fourth of the units in the Army are reporting that they are "Category 2," meaning they have only about nine men where they need 10.

MIKE OKONIEWSKI – AP

Peacekeepers. *U.S. troops head for Somalia. If peacekeeping duties grow, readiness will suffer.*

The Army's plan to upgrade its weapons has been gutted. Its program to install digital communications linking its tanks and helicopters to commanders on the battlefield won't be ready until the year 2006. And only top-priority units will have been modernized by then; the Army units earmarked to fight if a second war breaks out are last in line for the most modern equipment.

Two armies may emerge, one ready to fight, the other less so. Although the Pentagon's own strategy envisions a two-war crisis, the units Pentagon planners would send to fight the second war, perhaps in Korea or in the Persian Gulf, will be undermanned and ill-equipped.

As it prepares next year's budget, the Army will try to preserve its 12-division force. But last summer, when its budgets were being decided, the Army failed to make the case that peacekeeping could strain the force beyond the breaking point: Army Chief of Staff Gen. Gordon Sullivan agreed to Defense Secretary Les Aspin's plan for 10 Army divisions, which was also blessed by former chairman of the Joint Chiefs of Staff Colin Powell.

The rear-guard effort to stave off more cuts probably will fail. Aspin's bottom-up review of the nation's military force and strategy, which allocated resources to all the armed services, fell $13 billion short of reaching President Clinton's five-year target for cutting the defense budget. On top of that, Congress has rejected the Pentagon's plan to limit pay raises for the military, which budget planners had counted on to provide about $11 billion in savings. Defense officials now say the raises will cost even more. The expected savings from closing military bases and streamlining weapons procurement also will not materialize, Pentagon officials admit. As a result, the Defense Department will need to make at least $25 billion, and probably much more, in additional cuts. ■

BY BRUCE B. AUSTER