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THE WHITE HOUSE
WASHINGTON

July 2, 1998

MR. PRESIDENT:

Attached are the following weekly reports for the week of
June 29 - July 3:

- (A) CEA Weekly Economic Briefing
- (B) Interest Rates and the Stock Market
- (C) DPC Report
- (D) NEC Report
- (E) CEQ Report
- (F) OSTP Report
- (G) Emanuel Report
- (H) Communications Report
- (I) Legislative Report
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- (K) Intergovernmental Report
- (L) Race Initiative Report
- (M) Cabinet Affairs Report
- (N) Political Report

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Phil Caplan

Phil

THE PRESIDENT'S COUNCIL ON
7-7-98

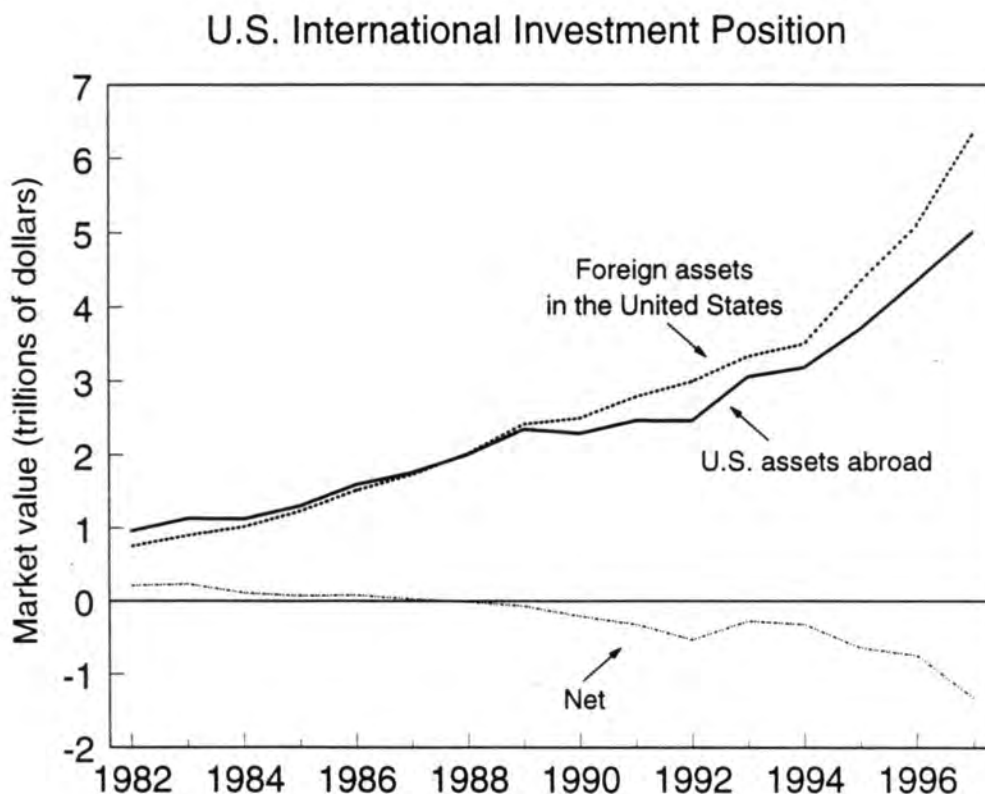
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

July 3, 1998

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Yellen
COS
page 7
Winston
Eichengreen
Emanuel
COS
page 1
Cockrell
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CHART OF THE WEEK



Persistent balance of payments deficits since the early 1980s have moved the United States from net creditor to net debtor status. Net inflows of foreign capital have helped finance domestic investment, but they have also increased our foreign debt. In 1997, the value of foreign investments in the United States exceeded the value of U.S. investments abroad by more than \$1.3 trillion. The widening of the gap from \$744 billion in 1996 reflected continuing large net capital inflows and foreign exchange rate depreciation in U.S. assets held abroad.

4-7-98

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Cockrell (PPD)
Menchetti (PPD)
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Find
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"The Bluebird of Happiness is on his way. We're security."

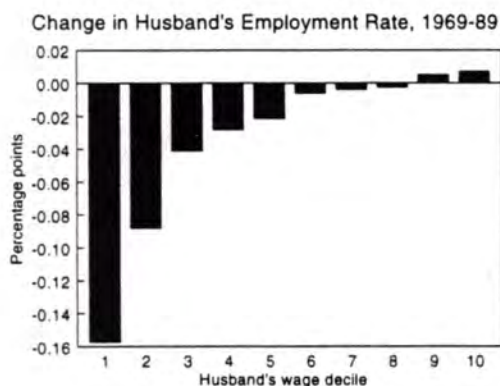
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TREND

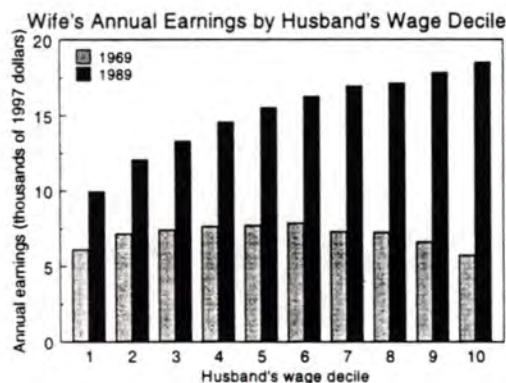
Wives' Earnings and Family Income Inequality

While husbands' earnings remained relatively constant between 1969 and 1994, wives' earnings more than doubled, growing to account for about a quarter of family income. Although wives' earnings have also become more highly correlated with husbands' earnings, recent research suggests that the increase in wives' earnings has, on balance, had a moderating effect on family income inequality.

Reasons for the increase in wives' earnings. If women were working more in order to offset declines in their husbands' earnings, the increase in wives' earnings



would have been highest for women married to low-wage men—the group with the largest decline in husbands' employment from 1969 to 1989 (see upper chart). However, the increase in wives' earnings has been concentrated among women married to men in the top of the husbands' wage distribution, and has contributed to an increase in the correlation between husbands' and wives' earnings (see lower chart).



A different explanation for the increase in wives' earnings is a rise in women's hourly wage rates, which has made work more attractive and may have increased wives' work hours. Research suggests that wives' work has increased more for the college-educated and for women married to high-wage men—groups that have experienced disproportionate increases in wage rates.

Effect of wives' earnings on family income inequality. The impact of wives' earnings on family income inequality depends on both the dispersion of wives' earnings and the correlation between wives' and husbands' earnings. A recent study has found that the dispersion of wives' earnings has declined sharply, largely because fewer women have zero earnings. This effect contributes to reducing family income inequality, and its magnitude swamps the inequality-increasing effect of the higher correlation between husbands' and wives' earnings. Thus, the study concludes that, on net, changes in wives' earnings have had an equalizing effect.

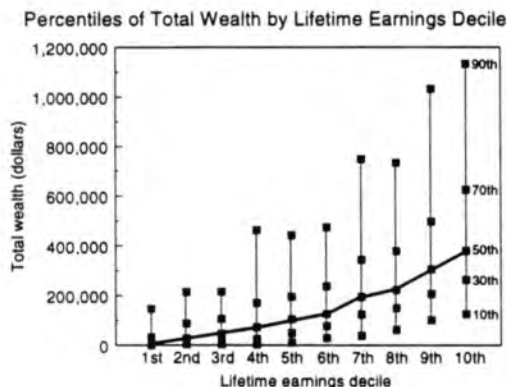
SPECIAL ANALYSIS

Wealth at Retirement: Choice or Chance?

It is generally known that U.S. household wealth is very unequally distributed. But a new study finds that wealth is very unequally distributed even among households approaching retirement that have similar earnings histories. This suggests that lifetime saving behavior varies widely among households.

The data. The Health and Retirement Survey provides information about the assets of households with a person aged 51 to 61 in 1992. These data are matched with earnings histories provided by the Social Security Administration that allow the creation of a measure of lifetime earned income. The study was able to examine the wealth and earnings histories of almost 4,000 households. Assets included in wealth were personal retirement assets such as IRAs and 401(k) balances, other personal financial assets, home equity, and assets such as real estate and business equity. Employer-provided pension wealth was calculated by the authors based on respondents' descriptions of provisions of their pension plans.

Findings. On average, households in the survey that had greater lifetime earned income also had greater wealth (the solid line in the chart shows median wealth in



each decile of lifetime earnings). This is not surprising. But the chart also shows the extent of dispersion of wealth holdings in each decile of earnings. For example, among households in the fifth decile of earnings, the wealthiest 10 percent had at least 35 times the wealth of the least wealthy 10 percent. About 10 percent of the households in the second and third deciles of earnings had more wealth than about 30 percent of the households in the top earnings decile.

Analysis. The authors attempt to determine how much of the dispersion in wealth is attributable to events such as inheritance, poor health, or divorce. Although their results are far from definitive, they suggest that very little of the dispersion of wealth within income deciles can be explained by household attributes that may have limited the resources available for saving.

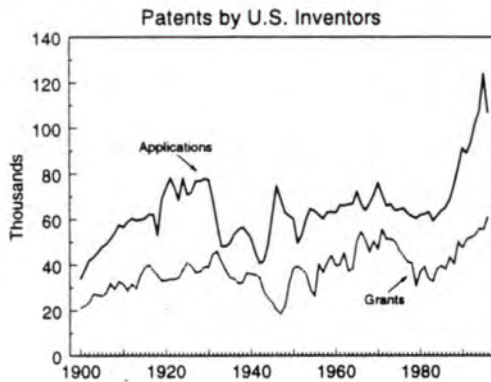
Conclusion. At all levels of lifetime earnings, there is an enormous dispersion in accumulated wealth. It is not just low-income families that save little. A significant portion of high-income households appear to save very little, whereas many low-income households appear to save a relatively large amount. It appears that, even after controlling for available resources, some people are savers and some are not.

7-7-98

SPECIAL ANALYSIS

Patents and Innovation

Goal! Last week the Administration announced that it would make over 20 million pages of patent and trademark information available free to the public on the Internet. This decision comes at a time when patenting activity is running at an all-time high pace.



Trends. From 1900 through 1980, patent applications by U.S. inventors to the U.S. Patent and Trademark Office ranged roughly between 40,000 and 80,000 per year. In the past decade patent applications by American inventors have surged (see chart). Patent grants have risen more slowly, but are also at the high end of their historical range.

Why the increase? Two explanations have been offered for the increase:

- **Changes in patent policy.** Between 1980 and 1982 Congress enacted a number of laws to enhance the patent system. In addition to legislation that reduced the costs of patent suits and extended the duration of certain patents, Congress also established the Court of Appeals of the Federal Circuit, which was assigned jurisdiction over appeals of patent cases in all the Federal Circuits. This court is widely seen as having a "pro-patent" orientation, and it has tended to find in favor of patent holders more often than previous courts. Thus, inventors who might not have chosen to patent in the past may now choose to patent, even if there has been no increase in inventive activity (see box on next page).
- **Changes in technology and management.** An alternative explanation for the surge in patenting is that changes in technology and the management of research have led to increased innovation. The growth of high-technology industries (such as biotechnology and software) may be responsible for some of the increase in patenting. Changes in research management, such as the shift toward applied research, may have also raised the yield of patentable discoveries.

Some evidence. International patent data suggest that increases in innovation, not increases in the desirability of patent protection, are behind the growth in patent applications. A single invention must be patented in each country in which patent protection is desired. If policy changes of the early 1980s had encouraged U.S. patenting without increasing innovation, then U.S. patent applications by foreign inventors should have increased relative to foreign patent applications by U.S. inventors. Instead, applications by U.S. inventors for patents at home and abroad both show large jumps.

The evidence also suggests that innovation has been driven by changes in research management rather than advances in particular technologies. Patent increases have been relatively uniform across a broad spectrum of industries, with the growth of biotechnology and software patenting explaining only a small part of the overall increase in patenting.

Implications. The jump in U.S. patenting appears to be the result of increases in innovation. However, it is not yet clear whether recent increases in patenting will translate into future gains in productivity growth.

The Simple Economics of Patents

Patents grant inventors exclusive use of their invention for a limited period of time (20 years). In return, inventors are required to disclose the details of their inventions. Patents address an incentive problem: Without protection from immediate imitation, inventors may not be able to recover their R&D investments, which is likely to lead to an underinvestment in inventive activity. But the patent system makes a deliberate trade-off, accepting the inefficiencies associated with monopoly over the life of the patent in order to encourage more innovation. (In principle, there exists an optimal period of patent protection that just balances the costs of one more year of patent protection against the benefits of the additional innovation such protection would encourage.) Because patent protection is imperfect (and the disclosure requirement may help others "invent around" the patent), inventors may eschew patent protection and rely on secrecy. (The legendary Coca-Cola formula is such an example.)

ARTICLE

Intervention in the Foreign Exchange Market: Does It Work?

The conventional wisdom is that government purchases or sales in the foreign exchange market cannot be an effective independent tool for influencing the exchange rate, because government intervention that is not consistent with private market expectations will be overwhelmed by private transactions. What then accounts for perceptions that some past interventions have been successful? And what do these experiences suggest about the recent intervention by U.S. and Japanese authorities to push down the yen/dollar exchange rate?

Intervention and macroeconomic fundamentals. The standard view about intervention and the exchange rate—enshrined in a report of central banks to the G-7 leaders at the Williamsburg summit of 1983—is that intervention cannot have an effect that is major or long-lasting unless it is backed up by changes in macroeconomic fundamentals. For example, a country that is experiencing a currency depreciation because it is pursuing an overly expansionary monetary policy can only stabilize its exchange rate by pursuing a less expansionary monetary policy. Without a change in policy, private investors will expect the depreciation to continue and will sell enough currency to offset government purchases intended to stabilize the exchange rate.

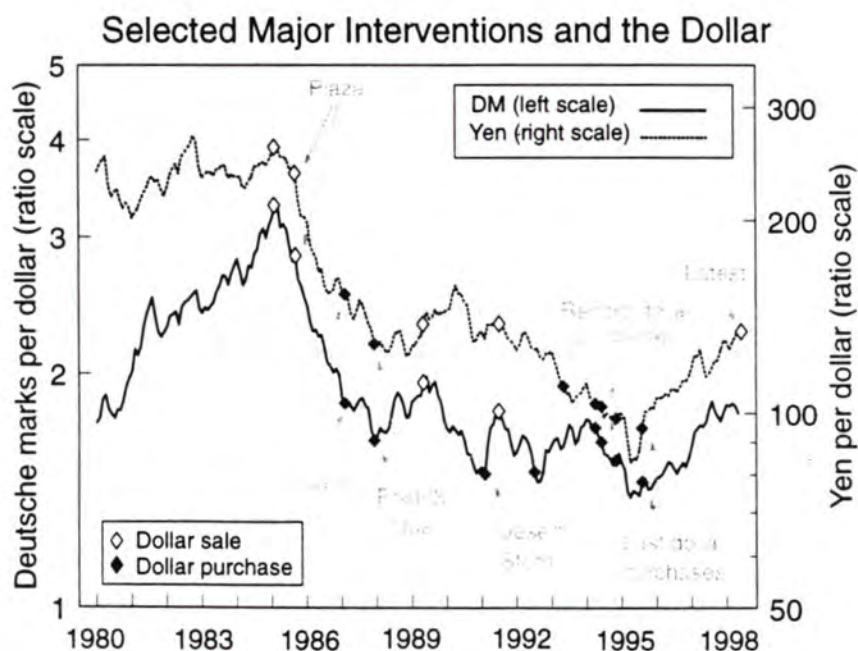
Expectations. This characterization leaves open the possibility that intervention can have an independent effect—at least in the short run—by changing investors' expectations regarding the likely future value of the currency. According to the "signaling hypothesis," for example, investors infer the likely course of future macroeconomic policy from intervention. However, any effect that works through expectations will be short-lived if those expectations are not validated by fundamentals in the longer run.

Temporary effects? In certain circumstances a short-run effect may be sufficient justification for intervention. If the authorities think that currency movements reflect a speculative bubble, they may intervene with the intention of pricking the bubble. This was the case, for example, when the dollar was sold to purchase marks and yen in February 1985 (see chart on next page). A more recent example may have been the yen in mid-1995, when U.S. intervention helped reverse a long slide in the dollar against the yen. Intervention may also aim to provide a bridge of support until some expected improvement in fundamentals arrives. For example, G-7 dollar purchases in January 1988 successfully suspended a dollar slide (which had followed the stock market crash of October 1987) long enough for a hoped-for improvement in the U.S. trade balance to materialize. Finally, if policymakers fear that market participants may have misread their beliefs or intentions—as was arguably the case in 1995 and again with the yen this June—intervention may be used to send the correct signal.

When is intervention most likely to work? Empirical evidence suggests that intervention may be more likely to work in some circumstances than in others.

- **Coordination.** Coordinated intervention among a number of major central banks, particularly if one of them is the United States, is, on average, more effective than the sum of the individual country interventions would be if undertaken alone. When the Bank of Japan has intervened on its own, for example, it has often had little or no effect on the exchange rate, even when very large quantities are involved (as seems to have happened this April).
- **Surprise.** It appears that when an intervention has been the first in a while, and hence catches the market by surprise, it is more likely to be effective. Follow-ups may be less effective.
- **Openness.** Intervention that is made public often works better than intervention that is kept secret, presumably because open intervention can then affect expectations—though those who undertake intervention operations sometimes claim to be able to have an effect through secret intervention.

Implications. The June 17 intervention by U.S. and Japanese authorities was not only the first intervention since August 1995 but also the first instance of dollar *sales* in over 6 years. It came as a surprise and was widely noted in the markets. The yen appreciated that day, though it has since drifted down some. Arguably, the intervention had the desired effect of signaling that policymakers expected an improvement in Japanese macroeconomic fundamentals that would result in a firming up of the yen against the dollar.



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BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Affirmative Action in Recruiting and Hiring Has Few Negative Effects. A new study has found that employers' affirmative action policies increase the number of minority and female job applicants and employees, with few negative effects on worker quality. When affirmative action was used in recruiting, it did not lead to lower credentials or performance (as measured by supervisor ratings) of women and minorities hired. When affirmative action was also used in hiring, it yielded female and minority employees whose credentials were somewhat weaker, although their performance was generally not. The study analyzed data from a survey of over 3,200 employers. Firms with affirmative action policies were found to use more formal screening and recruitment practices than other firms and were more willing to hire stigmatized applicants (such as persons with criminal records or long periods of unemployment). Such practices may have allowed firms to gather more detailed information about individual applicants, so they would not have to rely on more obvious, but potentially less accurate, signals of quality. These firms were also more likely to provide training to their new hires. The authors conclude that the more intensive search, evaluation, and training that accompany affirmative action programs appear to offset any effects from hiring less-qualified or less-productive women and minorities.

CG: J. Winston
Relum
Norris

Report Details Employment Experiences of Young Workers. The average worker holds about nine different jobs between the ages of 18 and 32, with the majority of job changes occurring before age 28, according to a new report from the Bureau of Labor Statistics. The report is based on the National Longitudinal Survey of Youth (NLSY), which has followed almost 10,000 young men and women, who were 14 to 22 years old when first interviewed in 1979 and in their thirties in the latest interview in 1996. Besides number of jobs, the report also looked at labor force participation and earnings growth among these young workers. It found that in 1991-95, the men were employed 87 percent of the time, unemployed 4 percent of the time, and out of the labor force 8 percent of the time. The comparable percentages for the women were: employed 71 percent, unemployed 3 percent, and out of the labor force 25 percent of the time. Generally, the men worked more weeks than the women, but they also spent more time unemployed. On average, whites in their thirties worked more weeks than blacks or Hispanics. Blacks spent more time unemployed and out of the labor force than either whites or Hispanics. Among college graduates, however, racial differences were narrower and in the opposite direction: Blacks spent more time employed and less time out of the labor force than either whites or Hispanics. Finally, the study found that workers who were in their thirties in 1995 experienced more rapid increases in real wages when they were between 18 and 22 years old (7.4 percent per year) than when they were older (average annual real wage gains were 5.5 percent between the ages of 23 and 27 and 2.6 percent between the ages of 28 and 32).

College may
union important
to minorities

INTERNATIONAL ROUNDUP

Russians Reach Loan Agreement with IMF. On June 25, the International Monetary Fund approved the Russian 1998 Extended Fund Facility (EFF) program and released a delayed \$670 million loan tranche. Since the onset of Asian contagion last fall, Russian foreign exchange and gold reserves have fallen from more than \$20 billion to about \$16 billion. Low world oil prices are also hurting Russian export receipts. The Russian government and the IMF are now in discussions over a possible supplementary package beyond the current EFF. The IMF is looking for Russia to agree to additional fiscal and structural reform measures that can produce meaningful improvements in the coming months.

Pakistan Currency Becomes Latest Asian Casualty. This weekend Pakistan devalued the official rupee rate (against the dollar) by 4.3 percent, in order to bring the official rate closer in line with the parallel "kerb" market, where the exchange rate is determined by market forces. However, the government move raised fears of a further devaluation, leading to a 7.5 percent rupee depreciation on the kerb. Since May 11, when India conducted its initial nuclear tests, the Pakistani kerb value of the rupee has declined about 17 percent against the dollar. Meanwhile, over the same period, the Pakistani stock market has declined 44 percent.

IMF Returns to Jakarta. Last week, the IMF reached agreement with Indonesian officials on a revised economic program designed to address the severe deterioration of the Indonesian economy, which is expected to contract by 10 percent this year, with inflation reaching 80 percent. The new program will focus on the poorest and the most vulnerable people, providing food subsidies and public works projects. Indonesia's \$41 billion rescue package will be reinstated following a brief suspension on June 4, when IMF officials were forced to leave the country during rioting and political turmoil. Despite the aid, the Indonesian budget deficit is expected to be 8.5 percent of GDP—worse than projected at the time of the original package—and Indonesia is likely to require a further \$4 to \$6 billion in external financing for balance of payments support.

OECD Financial Flows to Developing Countries Fell Sharply in 1997. Total financial flows to developing and transitional countries fell by a quarter, from \$368 billion in 1996 to \$272 billion last year, according to an Organization for Economic Cooperation and Development report released last week. Official Development Assistance (ODA), which had already been falling, declined an additional 7 percent in real terms. U.S. ODA, which is the lowest as a share of GNP among G-7 countries, fell more than 35 percent. Prior to 1996, the decline in ODA was more than offset by rapidly increasing private direct investment flows, international bank lending, and bond lending. But net private flows to countries receiving aid peaked in 1996 and then declined sharply in 1997 as international bank lending contracted from \$86 billion in 1996 to just \$12 billion in 1997. Thus, ODA and direct investment have helped to stabilize total financial flows to developing countries against the more volatile flows of portfolio investment.

RELEASES THIS WEEK

Employment and Unemployment

In June, the unemployment rate was 4.5 percent; it was 4.3 percent in May. Nonfarm payroll employment rose by 205,000.

Leading Indicators

In May, the composite index of leading indicators was unchanged for the second consecutive month.

NAPM Report on Business

The Purchasing Managers' Index decreased to 49.6 percent in June from 51.4 percent in May.

Consumer Confidence

Consumer confidence, as measured by The Conference Board, rose 1.3 index points in June, to 137.6 (1985=100).

MAJOR RELEASES NEXT WEEK

Producer Prices (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1997	1997:3	1997:4	1998:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.7	3.1	3.7	5.4
GDP chain-type price index	5.4	1.8	1.4	1.4	1.2
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	2.1	3.6	1.4	1.1
Real compensation per hour:					
Using CPI	0.6	2.2	1.8	3.1	3.7
Using NFB deflator	1.3	2.5	2.7	3.9	3.5
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.5	10.7	10.6	10.7
Residential investment	4.5	4.1	4.1	4.1	4.2
Exports	8.2	11.8	11.9	11.9	11.5
Imports	9.2	13.1	13.3	13.2	13.1
Personal saving	5.3	2.8	2.6	2.9	2.6
Federal surplus	-2.7	-0.4	-0.1	-0.1	0.6
	1970- 1993	1997	April 1998	May 1998	June 1998
Unemployment Rate (percent)	6.7**	4.9**	4.3	4.3	4.5
Payroll employment (thousands)					
increase per month			320	309	205
increase since Jan. 1993					16246
Inflation (percent per period)					
CPI	5.8	1.7	0.2	0.3	N.A.
PPI-Finished goods	5.0	-1.2	0.2	0.2	N.A.

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1996	1997	May 1998	June 1998	July 1, 1998
Dow-Jones Industrial Average	5743	7441	9080	8873	9049
Interest Rates (percent per annum)					
3-month T-bill	5.01	5.06	5.00	4.98	4.96
10-year T-bond	6.44	6.35	5.65	5.50	5.44
Mortgage rate, 30-year fixed	7.80	7.60	7.14	7.00	6.96
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level July 1, 1998	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.817	0.9	4.3
Yen-Dollar	138.7	-1.5	20.6
Multilateral \$ (Mar. 1973=100)	101.6	0.5	6.1

International Comparisons ^{1/}	Real GDP growth (percent change last 4 quarters)	Unemployment rate (percent)	CPI inflation (percent change in index last 12 months)
United States	3.9 (Q1)	4.5 (Jun)	1.7 (May)
Canada	3.8 (Q1)	8.4 (May)	1.3 (May)
Japan	-3.7 (Q1)	4.2 (Apr)	0.5 (May)
France	3.4 (Q1)	12.0 (Apr)	1.0 (May)
Germany	3.0 (Q1)	^{2/} 7.6 (Apr)	1.3 (May)
Italy	2.5 (Q1)	12.4 (Apr)	1.7 (May)
United Kingdom	2.9 (Q1)	6.4 (Mar)	4.2 (May)

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

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for April 1998 is 10.0 percent.

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"The Bluebird of Happiness is on his way. We're security."

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7-7-98

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

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CG: J. Winston
Relius
Morris

College graduate
union supporters
to minorities

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

7-7-98

July 2, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Tobacco -- Legislative Strategy Update:** We and Larry Stein believe that we should proceed along two fronts in our effort to get tobacco legislation back on track. On the first track, we must try to bring increased pressure to bear on Senator Lott to pass a comprehensive bill. To this end, we have worked with the public health community (which is generally demoralized and weak) on various grassroots activities over the congressional recess. We also have worked with Senator Daschle's office on a strategy for continuing to force votes on tobacco legislation on the Senate floor. Our preferred approach (which we think we can persuade Sen. Daschle to adopt) is to offer a tobacco amendment that makes no spending decisions (and so refutes somewhat the "tax-and-spend" argument) and therefore is not subject to a point of order (and so requires only 50 votes). Democrats could offer this amendment on either the VA-HUD appropriations bill or the product liability bill this week. We do not expect this amendment to win, but hope that it will make Lott recalculate the costs of killing comprehensive legislation. On the second track, we should explore with Lott and other Republicans what they need to support comprehensive legislation and whether a new deal is in reach. We will discuss with Erskine as soon as he comes back how to proceed with this part of our strategy.

2. **Tobacco -- Executive Orders:** We are also working on additional executive actions on tobacco to keep the pressure on Congress over the coming weeks. As you know, your announcement of a new HHS survey of youth tobacco use received a very favorable response. We are now completing a directive to HHS and DOJ to make the recently released tobacco documents more accessible to the public health community, the scientific community, litigants, and the general public. Although these documents are currently available on the Internet, no one can make effective use of them because they have not been organized in any comprehensible manner. The directive will require the departments to (1) create a user-friendly database and/or index of the documents and make this database and/or index widely available, and (2) require scientific analysis of the documents for information advancing public health goals. We are also exploring directives to (1) produce counteradvertisements on youth smoking for use by states and serve as a clearinghouse for state-produced counteradvertisements; (2) ban underage smoking on federal property and deny filming privileges on federal property for movies that portray youth smoking; (3) require strict enforcement of a Goals 2000 provision to ban smoking in facilities receiving federal funds to

provide children's health care, day care, education, or library services; and/or (4) require OSHA to issue within a year a standard protecting workers from environmental tobacco smoke.

3. Health Care -- HIPAA Enforcement: You are scheduled to announce on Tuesday that the federal government will take additional action against insurers who are circumventing the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Earlier this year, we received a number of troubling reports that insurers were giving financial incentives to agents to avoid or delay enrolling Americans with pre-existing conditions, in contravention of the intent of HIPAA. Although the number of reports has declined since you directed HCFA to send guidance to insurers in March, insurer misconduct of this kind may still be a problem. To help ensure full compliance with HIPAA, you will direct the Office of Personnel Management (OPM) to take all appropriate action -- up to and including termination of a participating health plan from the Federal Employees' Health Benefit Plan (FEHBP) -- if the agency determines that a plan is engaging in insurance practices that are inconsistent with the letter or spirit of HIPAA. FEHBP, which contracts with 350 carriers and has 9 million enrollees, also will require health plans to certify that they are abiding by HIPAA before they can participate in the program. You also will direct HCFA to report any abuses they discover to OPM, and you will announce that the National Association of Insurance Commissioners has agreed to report any violations of HIPAA to OPM.

4. Health Care -- CBO Cost Estimates of Patients' Bill of Rights: The Congressional Budget Office (CBO) is expected to release on Thursday estimates of the cost of the Dingell/Ganske/Kennedy patients' bill of rights legislation. We anticipate that the CBO will project that this legislation will increase premiums by about 4 percent for the average employee, which amounts to about \$7 a month (a cost that will be split between employers and employees). We are working on a positive roll-out strategy for this estimate to buttress our claim that the benefits of such legislation are more than worth the modest costs. Opponents of this legislation will try and use the estimates to argue that the patients' bill of rights will increase health care costs and the number of uninsured. Assuming we are successful at portraying these costs as moderate, the primary outstanding issue on patients' bill of rights legislation will concern the appropriate enforcement mechanism. We will send you an options memo soon on how best to position the Administration on this issue.

5. Health Care -- Report on Low-Income Medicare Beneficiaries: Families USA will release a report early this week showing that over 3 million low-income Medicare beneficiaries are eligible for but not enrolled in the Qualified Medicare Beneficiary (QMB) program. The QMB program pays Medicare copayments and deductibles for beneficiaries below 100 percent of poverty and pays premiums for beneficiaries below 135 percent of poverty. (Prior to last year's Balanced Budget Act, premium assistance went to beneficiaries below 120 percent of poverty). Many beneficiaries, however, are not aware of this assistance or have difficulty applying for it. To respond to this problem, we are preparing a multi-faceted effort by SSA and HCFA to enroll eligible beneficiaries in QMB by: (1) encouraging simple

mail-in applications; (2) posting information about QMB in SSA offices; (3) including information about QMB in the pamphlets going to all Medicare beneficiaries this fall, and in annual cost-of-living-adjustment (COLA) notices received by Social Security beneficiaries; and (4) creating a new task force to find other ways to enroll eligible beneficiaries. We are preparing to announce these measures just around the time the Families USA report is issued.

6. Health Care -- Medicare Handbook: Secretary Shalala decided recently not to release this year's version of the Medicare handbook, which was supposed to inform beneficiaries of their new program options. The draft of the handbook that the Secretary received was unintelligible, and the Secretary decided that it would confuse beneficiaries. The Secretary instead instructed HCFA to send beneficiaries a short pamphlet providing basic information on the new choices and making clear that beneficiaries can remain in fee-for-service plans. Senator Breaux and Congressman Thomas sharply criticized the Secretary's decision, but advocates generally supported it on the ground that the handbook as written would have misled beneficiaries.

7. Health Care -- Catholic Health Plans and Medicare: We have reached agreement with the Catholic Health Association (CHA) on a way to allow Catholic health plans to become Medicare contractees even though they will not provide abortion services. Under this approach, Catholic health plans will disclose that they do not cover abortion services and Medicare will reduce payment to the plans by a small amount. (Beneficiaries of Catholic plans needing an abortion can go to fee-for-service providers.) We are meeting with HHS to determine whether to implement this plan through new legislation or administrative action; we should conclude this matter in a few weeks.

8. Health Care -- FDA Commissioner Nomination: We are working with Senator Domenici to introduce Jane Henney as as many Senators as possible. In meetings last week, most Senators appeared open to her candidacy. Senator Coats, who is expected to be the lead Republican on the Labor committee for this confirmation, expressed discomfort with Henney's link to Senator Kennedy and David Kessler, but also acknowledged that Doc Bowen, President Reagan's HHS Secretary, strongly supports the nomination. We will continue to work with Domenici on this nomination, and to try to secure a hearing date before the August recess; right now, we are cautiously optimistic about Henney's prospects.

9. Crime -- Youth Handgun Safety: You are scheduled to participate in an event on Wednesday that will focus on keeping firearms out of the hands of children. You will announce a final Treasury Department regulation requiring all federally licensed gun dealers to display signs (17" by 22" in size) warning prospective gun purchasers that: (1) misuse of handguns is a leading contributor to juvenile violence and fatalities; (2) safely storing and securing firearms will help prevent the unlawful possession of handguns by juveniles, stop accidents, and save lives; (3) federal law prohibits, except in certain limited circumstances, anyone under 18 from knowingly possessing a handgun, or anyone from transferring a handgun to persons under 18; and (4) a knowing violation of the prohibition against

transferring a handgun to a juvenile is, under certain circumstances, punishable by up to 10 years in prison. You also will endorse in principle Child Access Prevention (CAP) legislation introduced by Senators Durbin and Chafee to impose legal liability on adults who allow juveniles access to firearms. We are working with the Justice Department and staff from Durbin's and Chafee's offices to improve this legislation by carefully defining the standard of liability and toughening the penalties for violating it.

10. Drugs -- National Anti-Drug Media Campaign: You are scheduled to announce on Thursday that the national anti-drug youth media campaign -- currently a pilot project in 12 cities -- is now going nationwide. New television ads will appear during prime time on all the major networks that night; new radio ads will begin to air in the top 100 markets; full-page print ads will run in 25 major newspapers; specialized spots with targeted anti-drug messages will appear in 75 media markets reaching approximately 80 percent of the population; a new web site will open on the internet; and a national 800-number, featured in all of the new ads, will become operational. Your comments at the announcement will be linked by satellite to five regional events and 200 community watch parties.

11. Drugs -- Drug Courts and Arrestee Data: You are currently scheduled to make two drug-related announcements in your radio address next week. First, you will release new Drug Use Forecasting (DUF) data from the Justice Department showing that the number of arrestees testing positive for most drugs -- and especially for cocaine and crack -- is down in most cities, but that the number testing positive for methamphetamines is climbing (after falling substantially last year) in key Western and Midwestern cities. Second, you will announce \$27 million in Justice Department grants to implement and enhance drug court initiatives in 150 cities across the nation. We also are exploring a new policy announcement to promote coerced abstinence programs.

12. Civil Rights -- EEOC and Fair Housing Initiatives: We have been working with the EEOC, Congressional staff, and civil rights leaders to try to maximize funding for the Commission while avoiding a rider prohibiting the EEOC from using its funds to hire employment testers. Some months ago, Speaker Gingrich testified that he would support your proposed increase in funding for the EEOC conditioned on a number of "reforms," the most controversial of which relates to the use of testers. The EEOC in fact has no plans to hire testers with FY99 money, but wants to avoid a rider, which will be difficult to remove in future years. We are exploring whether a letter from the EEOC committing not to use FY99 money to employ testers would enable us to avoid a rider and secure a significant funding increase. The civil rights community supports this strategy so long as we do nothing to signal that testing is an illegitimate tool for civil rights enforcement. Ironically, the House VA-HUD appropriations subcommittee mark-up includes \$7.5 million (we requested \$10 million) to fund your proposal for a nationwide program using testing to measure housing discrimination and facilitate enforcement actions against those who violate fair housing laws.

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13. Welfare Reform/Housing -- Welfare-to-Work Housing Vouchers: The House Appropriations Committee included \$100 million in the VA/HUD appropriations bill for 17,700 welfare-to-work housing vouchers. Although this appropriation is only one-third of our request, it is more than double the Senate committee level of \$40 million for 7,000 vouchers, and represents significant progress for this new Administration initiative. The House language on how to distribute and use the funds is virtually identical to our proposal, whereas the Senate establishes a narrower demonstration program. We are continuing to push for our full request.

14. Welfare Reform/Community Empowerment -- Individual Development Accounts: The Coats/Harkin IDA demonstration program was included in the Human Services Reauthorization bill passed unanimously out of the Senate Labor and Human Resources Committee last week. The bill authorizes \$100 million over four years to provide matching funds for low-income individuals who save to buy a home, pursue higher education, or start a small business. It is not clear whether the House will include a similar program in its Human Services Reauthorization bill, which will be marked up after the recess. The DPC and NEC have worked with staff for Senators Coats and Harkin to improve their legislation, and we are exploring an appropriate time and place to announce your support for the IDA program.

15. Abortion -- RU-486: Just prior to recess, the House passed an amendment to the agriculture appropriations bill that would prohibit the use of FDA funds for the testing or approval of RU-486. The amendment, which passed by a vote of 223-202, represents the first time that Congress has interfered with the drug approval process at the FDA. In response to press inquiries about this vote, we criticized Congress for restricting scientific research that can offer women the safest possible medical choices. We are reaching out to the pharmaceutical industry and scientific community during this recess to minimize chances that the Senate will pass a similar amendment.

16. Education -- Ed-Flex: Just prior to Congressional recess, Senators Frist and Wyden introduced a new bill, strongly supported by the NGA, to extend Ed-Flex to all fifty states. The bill is generally constructive, but it does not incorporate all the accountability measures of the current Ed-Flex program -- e.g., a requirement that states have standards and assessments in place and that they submit a statewide reform plan to the Secretary. We will work with Frist, Wyden, and the NGA to improve the bill's accountability provisions. In the worst-case scenario, the Education Department can send up an alternative Ed-Flex bill.

17. Education -- Education Block Grant: Also just prior to the Congressional recess, the House Education and the Workforce Committee passed a block grant bill by a straight party-line vote to consolidate 31 federal education programs, including Goals 2000, Eisenhower grants, technology literacy grants, afterschool grants, and school-to-work grants. The bill also would expand Ed-Flex to all fifty states, but in a way that fails to link increased

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flexibility to real accountability for high standards. Secretary Riley sent a letter to Rep. Goodling indicating that he would recommend a veto.

18. Children and Families -- Head Start Reauthorization: The Senate Labor and Human Resources Committee unanimously approved the Human Services Reauthorization bill, which would reauthorize Head Start, the Low-Income Home Energy Assistance Program, and the Community Services Block Grant programs, while establishing a new demonstration program for Individual Development Accounts (see above). Sponsored by Chairman Jeffords and Senators Kennedy, Coats, and Dodd, the bill included most of the Administration's priorities, including an increase in the new Early Head Start program over the next five years. The bill will be named after Senator Coats, who is retiring this year. We will be working with the bipartisan sponsors of the bill to secure full Senate approval as quickly as possible. In the House, there are danger signals: the Education and the Workforce Committee may schedule a mark-up on the legislation in July, but Subcommittee Chairman Riggs has indicated an interest in attaching several highly controversial measures to the bill, such as Head Start vouchers.

7-7-98

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THE WHITE HOUSE

WASHINGTON

July 2, 1998

THE PRESIDENT
7-7-98

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: ERSKINE BOWLES

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GMO Corn: Secretary Glickman reports that agriculture groups are pleased that you firmly raised the issue of genetically modified corn with Prime Minister Jospin. Separately, Ambassador Rohatyn reports that the French may move forward on the issue in mid-July; however, he has not received a final word from the French. Rohatyn also reports that because of your discussion, the French want to pursue a U.S.-French experts group on biotechnology products in an effort to avoid similar problems in the future. We are awaiting details which we will review with the appropriate agencies.

EU Challenge of U.S. Tax Law: On Wednesday (7/1), the EU formally requested a dispute settlement panel to rule on the "Foreign Sales Corporation" tax provision. The provision exempts from certain taxes income generated outside the U.S. The law, which has been in effect since the early 1980's, is heavily utilized by major U.S. corporations, especially companies with significant exports and overseas operations. Ironically, a number of European companies with operations in the U.S. also benefit from the law. Because there is some risk of a WTO panel determining that the law violates the subsidies provisions of the WTO, we would like to press the EU not to bring the case forward. We will have an NEC deputies committee meeting next week to determine our options. As you know, we have a strong win-loss record in the WTO, but every loss causes some problems domestically.

Individual Development Accounts: On Wednesday (6/24), the Senate Labor Committee passed the Human Services reauthorization bill unanimously. This bill included the Coats-Harkin Individual Development Account (IDA) demonstration proposal, which would authorize \$100 million over four years to help lower-income Americans save for a first home, post-secondary education, or a new small business. Jon Orszag, on my staff, and Paul Weinstein (DPC) worked with Coats' and Harkin's staffs to modify and strengthen the IDA proposal to reflect the concerns raised by your advisors. It is unclear, though, whether the House version will include the IDA initiative, but we are working with the DPC and Leg. Affairs to get this proposal attached to the House bill. We are also continuing to work with the DPC to find an appropriate time and place for you to announce your support of the Coats-Harkin IDA demonstration.

Low-Income Housing Tax Credit: As you know, your budget included a 40-percent expansion in the Low-Income Housing Tax Credit. Jon Orszag and Paul Weinstein (DPC) have been working very hard to build bi-partisan support for your proposal. So far, their efforts -- along with groups such as LISC and Enterprise Foundation -- have been very successful: 59 Senators have now signed onto the bill, including a majority of the Senate Finance Committee's Republicans and Democrats. On the House side, there are more than 250 co-sponsors for this proposal, including a majority of the members on the Ways and Means Committee. With such strong bi-partisan support, we are now working to find an appropriate vehicle for this proposal. You should know that Senator Moynihan's staff has indicated that the Senator may be interested in including this proposal on a bill to extend expiring tax provisions, if the bill comes up later this summer.

Product Liability: Democratic Leader Gephardt sent a letter to you on June 24th expressing "deep concern" about the Administration's agreement with Rockefeller on product liability legislation, calling it a "grave mistake" and urging you to oppose the bill. When the Senate returns next week (7/6-7/10), Majority Leader Lott is expected to bring the bill to a vote. The Leadership believe they have the votes to defeat a filibuster. Sen. Gorton described the bill as disappointing but the best he could get, as the White House was "unmovable." Prospects for the bill in the House are unclear. Chairman Hyde told his colleagues that you would veto any bill not identical to the agreement with Rockefeller, so most expect the House to take up the Senate bill later this year.

Class Action Legislation: The House Judiciary Subcommittee marked up a bill that effectively would move most class action litigation from state to federal court. DoJ opposed the bill before mark-up and is preparing an analysis of the revised bill now. An NEC working group with DPC and WH Counsel is considering both the substance and strategy. This bill must be viewed in the context of other proposed legal reforms like product liability and securities class action litigation legislation. In addition, it appears that state tobacco class action suits would be covered by the proposal, so the impact on tobacco legislation must be assessed.

Financial Modernization: Before the recess, the Senate Banking Committee held two weeks of hearings on Financial Modernization legislation. While many doubt there is sufficient time to complete a bill, most Senators said they see no benefit to waiting until next year and urged the Administration, the banking industry, and other opponents of the bill to reach a compromise. Senator D'Amato expressed frustration that a dispute between Treasury and the Fed on what he perceives as "turf" is delaying reform important to keeping American firms competitive. The Senate Banking Committee has no proponents of Treasury's position on the key issue -- whether new affiliations between banking, securities and insurance firms should be given the choice of using a Bank Holding Company Structure (regulated by the Federal Reserve) or a Bank Operating Subsidiary Structure (regulated by the OCC), as Treasury proposes, or should be required to use the Bank Holding Company Structure, as the Federal Reserve proposes and the House bill required. Treasury is hopeful that the Senate will not act this year.

Bankruptcy: Pursuant to your guidance, we began discussions with the Senate on the Administration's bankruptcy reform proposal for a more balanced bill. Staff for Senator Durbin and Grassley were receptive, although they expect Senator Hatch and the industry to oppose parts of our package. They urged us to say that we would recommend a veto of the House bill to increase our relevance in the Conference deliberations. We are preparing a letter to deliver next week after the Senate returns. The bill is expected to go to the Senate floor the week of July 20th.

Credit Unions: Majority Leader Lott promised the credit unions that their bill will go to the Senate floor on July 17 and 20th. Secretary Rubin will send a letter, when the Senate returns next week, urging the Senate to pass a "clean" bill quickly. We are consulting with Senate bill supporters on whether it would be beneficial if there was a WH event before the bill comes up, urging passage of the bill without poison pill amendments. (An amendment to exempt 80% of banks from CRA is expected to be considered.) Senator D'Amato has expressed concern that we not threaten veto now and invite a partisan debate, but he wants our support for a clean bill.

Consumer Financial Services: The NEC and DPC are leading a working group to develop possible proposals for a "Consumer Financial Services Bill of Rights." We are considering proposals to: (1) improve credit card disclosures; (2) limit the impact of certain bank fees on lower income consumers; (3) start a campaign to enhance consumer education and credit counseling; (4) protect consumers from sham credit repair agencies and credit counselors with conflicts of interest; and (5) enhance enforcement authority of existing protections. You need to know that while we were fully exploring this issue the Treasury department has significant concerns and we will have to work through to figure out which of these ideas viable. We will prepare an options memo for you shortly.

HI-B: As you know, the Senate passed legislation to increase the number of visas for highly skilled workers that the Administration opposed because it contained no meaningful protection for U.S. workers. In contrast, the House Judiciary Committee passed a bill that contained meaningful protection for U.S. workers but no training. The House leadership has said they will not bring the bill to the floor until it is either pre-conferenced with the Senate or the House (that is, Rep. Lamar Smith) reaches a compromise with business. House and Senate Republican members met several times last week; however, no agreements were reached. As a result, Rep. Lamar Smith has been meeting with business groups to try to reach an agreement with them. If he succeeds, then the House leadership may bring the bill to the floor in mid-July. We are working behind the scenes to shape a reasonable bill.

G.I. Bill/School-to-Work: NEC and WHLA staff worked out a possible compromise with bipartisan conferee staff Thursday night (6/25) on the problematic anti-School-to-Work amendment that Sen. Ashcroft added to the Senate version of the G.I. Bill for American Workers. Sen. Ashcroft was not represented (he is not a conferee), but Sen. DeWine's staff had gotten some clarification of his needs. Education and Labor have signed-off on the language, and on Monday (7/6) it is to be shared with Ashcroft's staff. On other elements of the conference, the staff continue to make progress in narrowing their differences, and are optimistic that they can reach agreement in July.

However, Senator Abraham has threatened to prevent the GI Bill conference report from coming to your the floor. He is doing so at the request of Governor Engler who is fighting a federal district court decision that DoL had the right to withhold funds for Michigan's employment service because the Governor privatized the employment services without consulting DOL first (the court ruled that the Secretary has discretion over the employment service funds and the Michigan pln did not meet DoLs' criteria for privatization). We have been meeting to discuss strategies for getting out of this box.

Handwritten note:
 As in 1998
 10/10/98
 10/10/98

Education Appropriations: The House subcommittee froze, eliminated virtually every one of your initiatives, then went further by adding riders against national testing and bilingual education. The reductions, along with the elimination of LIHEAP and Summer Jobs (see below), were used to fund a major increase in NIH, large increases in Special Education and the Title VI education block grant, a \$150 increase in the Pell Grant maximum (\$50 more than our budget), and a \$70 million increase in the TRIO programs. Overall, they are \$627 million below your budget for the Education Department (though Education is citing the \$2 billion that they have cut from the Administration's priorities), and \$813 million above the FY 98 figure. We have worked with OMB and Education to prepare the education groups to fight for the Administration's investments.

We also worked on a statement issued by the Vice President for the Hispanic press critical of Congress's failure to fund the Hispanic Education Action Plan that he announced in February. Interestingly, a number of the programs did receive increases (TRIO pre-college programs, migrant programs, adult education, and Hispanic-serving colleges), but the total is still \$474 million short of the \$617 million increase that your budget proposed.

Low-Income Home Energy Assistance Program and Summer Jobs: The House Appropriations subcommittee voted on Tuesday (6/23) to eliminate funding for the Low-Income Home Energy Assistance Program (LIHEAP) and Summer Jobs program. Working with OMB, we calculated the state-by-state number of families who would lose heating assistance this winter and the number of disadvantaged teenagers who would be denied summer job opportunities next summer under the Republicans' proposed cuts. On Wednesday (6/24), the Vice President called New Hampshire Gov. Shaheen to tell her that we would fight the Republican's efforts to end LIHEAP. You should know that the proposed elimination of LIHEAP has drawn bi-partisan fire from Northeastern and Midwestern Congressmen and as many as 15 House Republicans have indicated that they will not support the Labor-HHS Appropriations bill if LIHEAP funding is not restored. The Department of Labor is also working with interested groups -- such as the U.S. Conference of Mayors -- to get the message out about the Republicans proposed elimination of the Summer Jobs program, which will provide 530,000 disadvantaged teenagers summer employment this summer.

Congressional Democratic Pension Event: The Hill Democrats on Wednesday (6/24) introduced a comprehensive pension bill, including all of the Administration pension proposals announced in January, as well as other provisions we support and a handful of items about which we have relatively modest concerns. Secretary Herman appeared at the event and expressed support for the effort without explicitly endorsing the entire bill. Secretary Herman took the

opportunity to press for several Administration proposals -- the tax credit for small businesses that start pension plans, the simplified defined benefit plan for small businesses (based on Rep. Pomeroy's proposal), and faster vesting of employer 401(k) and other matching contributions.

Privacy: NEC and DPC are developing policy options to enhance protection of personal privacy. In addition to encouraging industry self-regulation, we are examining options in areas such as financial records, children's privacy, "profilers" (companies that collect vast amounts of personal information), and private sector use of Social Security numbers. This issue continues to attract significant press attention.

America Reads: NEC, DPC, WHLA and Education met yesterday to devise a strategy in the wake of the failure to move the bill in the Senate before recess (our last chance before the \$210 million advance appropriation reverted to special education). We are taking a two-pronged approach: prod the education groups at the highest level, and continue to press Sen. Lott. It is critical that Sen. Kennedy and the leadership of the NEA, AFT, and the Council of Chief State School Officers understand not only the policy imperative for a reading initiative, but its importance in providing momentum to the Administration's education investments in general. While we can join the groups in supporting the version of the bill developed by Sens. Jeffords and Kennedy, we need to get them comfortable with the possibility that we may have to accept the House-passed version. I will be meeting next week with Secretary Riley to plot out our discussions with those key groups. At the same time, we have sent the message to Sen. Lott that we do not consider our deal with him to be satisfied until he allows an up-or-down vote on the Jeffords-Kennedy version of the bill.

Direct Loan Consolidation (Refinancing): As you know, the rate on direct loan consolidation has been lowered. After a great deal of consultation with the Hill and higher education groups over the past 10 days, Secretary Riley made the final decision Wednesday (7/1), with NEC and OMB support, to go forward with the rate reduction on consolidated direct loans. Bob Shireman on my staff and the Secretary spoke to all of the groups that evening to inform them of the decision, and to underscore the importance of defending the decision against possible attempts by Congress to reverse it or to seek retribution. Last week, after rocky meetings with House and Senate Republicans, we offered to delay the rate reduction if they could commit to a longer-term effort to lower the rate in both the guaranteed and direct loan programs. The House and Senate Republicans were not able to reach agreement on a counter-offer, but the good faith discussions mended our relations somewhat. We did make one concession -- to promise not to advertise or promote the low rate (though we do expect that the word will get out).

Sen. Kennedy is very supportive of the rate reduction, and Sen. Daschle's staff indicated that he had not been lobbied to oppose the plan (he often is under pressure to oppose direct loans). Rep. Kildee, ranking member on the Postsecondary Subcommittee, was supportive, though he had hoped for a negotiated agreement. Secretary Riley received a letter from long-time Democratic opponents of direct lending (Reps. Gordon, Kanjorski, Stenholm, and Pomeroy) regarding the backlogs that the consolidation system experienced last year. The Department of Education is confident that the problems have been cleared up, and that there is capacity for a substantial increase in applications; furthermore, the letters from the groups make it clear that the risk of a

backlog should not prevent this benefit from being made available to students. (The average consolidation borrower, with a debt of \$18,550, will save nearly \$1000 over the life of the loan). We will be watching the situation closely to make sure that we are on top of any possible problems, whether political or administrative.

Higher Education Act reauthorization: An agreement has been reached that will likely bring the bill to the Senate floor in the next couple of weeks, thus increasing the chances that a bill will reach your desk this year. The bill includes significant movement toward our High Hopes proposal -- enough so that we expect a good result in conference; authorization of the government's first PBO (performance-based organization) for the delivery of student aid; improvements in the way that distance learning is treated in financial aid; improved accountability for the quality of teacher training (thanks to Sen. Bingaman's efforts); and more. There is no sign of amendments against affirmative action or Master Teachers, though the unanimous consent agreement does not rule out that possibility.

Agriculture: Secretary Glickman is increasingly concerned about the farm economy, where he anticipates significantly lower prices for farmers because of the expected large harvest here and abroad, and very hard times in selected areas (Northern Plains and West Texas) because of weather conditions and disease. Sally Katzen has convened an interagency group to review the situation, catalogue the Administration's initiatives, and consider possible additional Administration proposals.

Regulatory Reform: We continued our discussion with Senator Levin's staff and resolved satisfactorily all of the substantive issues we had previously identified. We also met with a number of public interest groups to hear their concerns. After meeting with the Vice President, we are drafting a letter to Senator Levin that says the bill is acceptable if it emerges from the legislative process exactly as is.

DOT Competition Guidelines: In March, DOT announced proposed guidelines designed to discourage major airline carriers from engaging in "exclusionary conduct" (in effect, predatory pricing) toward new entrants in their dominant hubs. The majors mounted an effective campaign to persuade Congress that this amounted to "reregulation," and as a result the House Transportation & Infrastructure Committee voted on Thursday (6/25) to delay the guidelines until DOT has done further study. My staff thinks this hiatus is a valuable opportunity to get some leading academic economists to study this issue for the Administration, even if they do not support the DOT proposal. The narrow question (and DOT's sole focus to date) is whether predation is occurring. The bigger question is whether, as a "cure," DOT's guidelines could be worse than the "disease," by inhibiting non-predatory price competition. Brookings' transportation expert, among others, has made that charge, and we need to either refute it, based on our own expert analysis, or modify our proposal. My staff is coordinating with DOT, OMB, and CEA economists to develop the necessary analysis.

Mergers, Concentration and Competition: As part of the NEC's review of the impact of mergers and competition, Sally Katzen has chaired two deputies meetings in the last two weeks. The first meeting focused on several international issues identified in an NEC staff paper,

including the increasing importance of multi-jurisdictional merger reviews (e.g., the Boeing/McDonnell Douglas and MCI/WorldCom mergers were reviewed by EU as well as U.S. authorities); and EU efforts to have the WTO become an international competition authority. The second meeting focused on issues raised earlier by the principals, including evaluating the effects of mergers on communities, workers and other stakeholders; considering whether merger review standards should be different in rapidly deregulating industries (telecom, utilities), where competition authorities lack much experience; and whether there are policy options for enhancing competition outside the merger review process. We have set up working groups to examine these and other issues in more detail.

Generalized System of Preferences: As you know, the NEC, working with White House agencies, obtained clearance on the annual GSP proclamation, which you signed on Tuesday (6/30), which modifies the list of products and countries eligible to receive duty-free treatment. One decision -- whether to grant GSP status for unwrought Russian titanium -- was delayed, pending completion of a ongoing review by the International Trade Commission. Although a USTR-led interagency staff group had recommended denial of the benefits, the NEC, OVP and CEA believe GSP treatment is warranted, because the benefits to Russia and the U.S. aerospace industry (Boeing cannot meet its needs for titanium from domestic sources) are significant and the harm to U.S. domestic producers would be negligible. We will convene a deputies meeting on this issue later this month. We will continue to work with USTR to improve the GSP interagency process, so that controversial recommendations are not finalized and sent to the White House for clearance until they have received higher level attention in the agencies and NEC/NSC.

Electricity Restructuring: As you know, Secretary Pena transmitted the Administration's electricity restructuring bill, "The Comprehensive Electricity Competition Act," to Congress on Friday (6/26). NEC staff helped to resolve a number of interagency differences, the most difficult involving a "rural safety net." As you know, the compromise was to create, in effect, an insurance policy. Rural areas will be eligible for the multi-billion dollar Public Benefit Fund, but rural assistance programs would be funded by an additional PBF fee (.17 mills) on electricity use that will not be imposed unless rural areas are harmed by deregulation (economist do not expect such harm to occur).



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

THE PRESIDENT
7-7-98

July 2, 1998

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MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
FROM: KATHLEEN A. MCGINTY
SUBJECT: CEQ WEEKLY REPORT

RESOURCE STEWARDSHIP

Endangered Species Act

Majority Leader Lott has resurrected Endangered Species Act (ESA) reauthorization discussions by putting a new proposal on the table. Senate Democrats and Administration officials met twice this week with Republicans from the Senate Environment and Public Works Committee to discuss the proposal and to make a counter proposal.

The Republican's latest language is closer to what we would like. However, two serious problems remain: (1) establishing a source of dedicated funding for private landowner incentives; and (2) clarifying the responsibility of federal agencies to assist in the recovery of species.

Maui Airport Extension

Earlier this year, the FAA completed a draft Environmental Impact Statement (EIS) on the proposed expansion of the Maui Airport. This expansion would permit international flights directly to and from Maui without first stopping in Honolulu as is currently the practice. The National Park Service has raised concerns that such direct flights would greatly increase the risk to national parks on Maui from invasive species and believes that the FAA environmental documentation did not sufficiently address this important concern. As a result, the Maui Airport Expansion Project has been informally referred to CEQ for resolution.

We have reviewed the FAA's EIS and have worked to include specific mitigation measures that would address invasive species concerns. We are now in the final stage of reviewing a federal agency mitigation plan. Governor Cayetano appears very pleased with the overall strategy of our plan and appreciates the efforts we have made to move this process along quickly. If all goes well, once the State of Hawaii has reviewed the plan, the FAA would be prepared to sign its

Record of Decision on the airport expansion. This project demonstrates that helping the Maui economy through an airport expansion does not conflict with the environmental concerns and goals of Maui's unique, but vulnerable, ecosystem.

Salton Sea

The Salton Sea bill is scheduled for floor action on July 15. Unfortunately, this bill is in very poor shape, and the Administration has raised several objections to it. House Democrats -- including Representative George Brown who has been a supporter of Salton Sea legislation -- do not feel like they have been included sufficiently in the process and believe many of their concerns have not been addressed. Furthermore, Senate Democrats and Republicans are united in not supporting the bill as it stands.

Anti-Environmental Riders

The Senate Interior Appropriations includes numerous anti-environmental riders that affect timber policy, wildlife management, resource use, and public lands. The environmental community is advocating a strategy by which a single amendment would be offered that would strip all anti-environmental riders from the bill. This approach has many advantages since it would focus the debate on the overall impact of the anti-environment riders in this bill, while avoiding a time-consuming, contentious debate on each individual provision.

CEQ is currently working with OMB, Legislative Affairs, and affected Federal agencies to complete the list of objectionable riders and develop an Administration strategy. If we are going to pursue an amendment to strike all riders, a sponsor of the amendment would have to be identified soon to give us the time to work with our supporters on the Hill on behalf of the amendment.

SUSTAINABLE COMMUNITIES

Electricity Restructuring

Last Friday, the DOE transmitted to the Hill bill language on electricity restructuring that reflected the resolution of all Administration issues. The environmental provisions of the bill followed the Administration's statement of principles issued in March, including support for energy efficiency and renewable energy, and authority for EPA to require a cap and trade system for control of NO_x emissions from utilities. Although the transmittal of the Administration's bill was uneventful in itself, it was well timed since the House Commerce Committee is currently considering moving legislation before the August recess.

INTERNATIONAL LEADERSHIP

Northern Right Whale

Your decision last April to adopt mandatory ship reporting requirements to protect the northern right whale continues to receive praise. One leader of an international marine conservation organization

has referred to the decision as the greatest decision in marine conservation history. Attached is a letter signed by members of various environmental groups expressing their gratitude.

OTHER

McIntosh Subpoena

On Monday, a number of Federal agencies and White House offices including DOE, USDA, OSTP, and CEQ received subpoenas from the House Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs seeking numerous documents relating to climate change, the Kyoto Protocol, and the economics of limiting greenhouse gas emissions. This request goes far beyond the list of questions that Chairman McIntosh sent to Federal agencies in March. We are currently preparing our response and are coordinating our efforts with the Office of the White House Counsel.

Travel

Next week, I will be traveling throughout the West. On Sunday, I will be in Aspen, Colorado at the Aspen Energy Forum speaking on the international aspects of the Kyoto Protocol. Monday, I will travel to Boise, Idaho and tour the Clearwater National Forest with representatives of the U.S. Forest Service and the Pulp and Paperworkers Resource Council. While in Idaho, I will also meet with environmentalists, tribal members, and the Idaho Congressional delegation and their staff. On Wednesday, I will be on the Hanford Reach in Washington where I will participate in a float tour and hold a press conference to underscore our support for protecting the Reach. Patty Murray has worked hard to develop consensus legislation to declare the Reach a Wild and Scenic River. Slade Gorton has worked equally hard to undermine the effort.

Finally, on Friday, I will tour the Baca Ranch in New Mexico then head to Albuquerque and hold a press conference with Senator Bingaman. Bingaman has been the leading proponent for acquiring the 100,000 acre ranch and we have been working with him to that end. As you know, the funds to purchase the land have been requested through the Land and Water Conservation Fund for FY 1998 and 1999 but have been held up by the Congress. This will be a large battle, but one that offers a terrific opportunity to contrast our pro-environmental values with the anti-environmental agenda of the Hill.

Attachment

[Handwritten signature]

20th May 1998
Muscat, Oman

Dear President Clinton:

The undersigned organisations in attendance at the 50th Annual Meeting of the International Whaling Commission (IWC), wish to take this opportunity to express our gratitude for the announcement of your recent decision to seek strong measures for the protection of the northern right whale (*Eubalaena glacialis*), one of the world's most endangered cetaceans.

Your proposal that the International Maritime Organization^(IMO) require large commercial vessels entering waters off Cape Cod, Florida and Georgia to signal ahead to the Coast Guard and announce their entry into right whale habitat, is a positive step forward in the attempt to bring these whales back from the brink of extinction.

We are pleased that you opted for a mandatory reporting system for vessels coming into right whale areas, rather than the voluntary scheme supported by the Pentagon. Given that there are fewer than 300 of these magnificent creatures left in the Western North Atlantic, such strong action was required.

Please know that we are available to support you in your efforts to bring this issue to a successful conclusion through the IMO.

Sincerely,

Benjamin White
Animal Welfare Institute

Kate O'Connell
Whale & Dolphin Conservation Society US

DAVID McTAGGART - HON CHAIR GREENPEACE INT'L

EARTHKIND

H Macdonald - RSPCA (UK)

Carol Ann Moore - MONITOR

International Dolphin Watch

Reseau Cetacees - France - Bouffie Sifaoui

ASMS -  (Switzerland)

W.D. Merriam The Cetacean Society

Ralf Sonntag Greenpeace Germany

KIM WOOD - BORN FREE FOUNDATION, UK. Paul Spang Pacific Area Society

Sidney Jaffe (ILPC)

Casson Am Philip WWF (International)

Alle Norton President EIA USA

Geert Drieman Werkgroep Deelhond (Netherlands)

Gerald Leape GREENPEACE US

John Frizell Greenpeace International

Yuko Furukashi Japan Whale Conservation Network

Karen Baragoue World Wildlife Fund - U.S.

Henry Shillingford Caribbean Conservation Association
Dominica Conservation Association.

Rebecca Jones

Amelise Song

Jody May

Animal Kingdom Foundation.

WHALESAVE CANADA

CAMPAIN WHALES (UK)

Center for Marine Conservation

Lou Williams

Daniel J Maack

INTERNATIONAL WILDLIFE COALITION

Patricia Forkan

Humane Society of US / Humane Soc. Int'l

Elaine Tipson

St. Lucia WHALE & DOLPHIN WATCHING ASSOC.

Les & Suey

EASTERN AFRICAN COALITION FOR ENVIRONMENTAL AWARENESS.

Carol Carlson

Cetacean Society International

Mark Simmonds

Whale & Dolphin Conservation Society

Vassili Papastavrou

International Fund for Animal Welfare



THE PRESIDENT'S REPORT
7-7-98
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

July 2, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: KERRI-ANN JONES

A. Bernstein for KAJ

CC: ERSKINE BOWLES

SUBJECT: OSTP WEEKLY REPORT

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OSTP AND NEC REACH OUT TO INNOVATORS IN INSTRUCTIONAL TECHNOLOGY

On July 1, Neal Lane announced that OSTP and NEC have opened a new web site -- www.fed-training.org -- to reach innovators in instructional technology. The site will help fulfill your charge to us to develop a strategy to ensure that all Executive Departments and Agencies make the fullest possible use of innovations in educational technology developed outside the government. We hope that universities and businesses -- even those who have never considered the government as a market -- will enlist in our new effort to accelerate the development and use of learning technologies that employ the latest innovations in modular computer software, electronic commerce, and other computer tools that can make training more productive and accessible.

BIOTERRORISM PREPAREDNESS INITIATIVE OFF TO ROCKY START

Despite an initially encouraging staff reaction, the House Appropriations/HHS subcommittee refused to fund most of the \$120 million increase you had requested for HHS in your June 9 budget amendment to bolster our response to bioterrorism. The subcommittee denied research funding to develop new vaccines and therapies against agents most likely to be used in terrorist attacks. It also refused to fund improvements in public health infrastructure/surveillance for detecting bioterrorist attacks, as well as funds that were to train hospital personnel and further train other responders. Of the proposed HHS increases, only those for procuring civilian stocks of antidotes and vaccines survived. OSTP will work with HHS and with other EXOP agencies to restore these needed funds.

PATENT TO BE AWARDED TO OTSP INTERN

I am proud to announce that one of OSTP's interns, Elizabeth Nathan, had her patent application accepted this week by the U.S. Patent Office for her 1994-1995 work in high school with a classmate in developing one-time use syringes. Once the patent is formally awarded several months from now, Elizabeth and her partner will explore commercial opportunities for their invention. Elizabeth was inducted into the National Gallery for America's Young Inventors in Akron, Ohio, in 1996 for this work.

Dan Burkhardt:
Please coordinate
the reply.

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT L42 100
7-7-98

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July 2, 1998

MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL R.E.
SUBJECT WEEKLY REPORT

CRIME/DRUGS: Over the next few weeks the President will focus on juvenile drug use and juvenile gun violence. On Wednesday the President will endorse the Durbin/Chafee legislation on gun access and announce the completion of a directive he signed last year warning gun purchasers of their responsibility when it comes to youth access. This Thursday, in Atlanta, the President will launch the national anti-drug media campaign. The radio address that Saturday will release a study on juvenile drug use and announce grants for drug courts in over 100 communities across the country. The following week, the President will announce support for faith based community efforts that help adolescents get out and stay out of gangs. This is a program the President asked the Attorney General to look into based on an article in *Newsweek* several weeks ago.

I believe it is important to put the focus of our youth agenda on drugs and guns. This concentration of activity on youth crime and drugs enables the President to demonstrate his commitment to items on his agenda and to send the message to the American people that youth crime is a top priority.

ECONOMY: I have talked to Gene about creating a "Surplus Lock Box" modeled after our Deficit Reduction Lock Box in 1993. Such an effort has many advantages. First, it is simple to understand and it helps assert our "Social Security First" pledge. Second, it prepares the foundation for the fall fight between tax cuts and social security. Gene is looking into what administrative action we can take.

Newt's statement on fast track requires a quick and clear response. I think the business community needs to hear from Secretary Rubin and you that a vote on fast track in the fall will lose. This group also needs to hear that a second straight defeat will only seal its demise and that this is bad policy and cheap politics. They need to be on the same message with the White House on an IMF first policy.

The economic team needs to create a trade enforcement entity between USTR and Commerce as we discussed a few months ago. As the trade deficit numbers worsen, we need some protection on this front. I do believe we have enough credibility on free trade to announce some enforcement effort without damaging our free trade credibility. Gene's office is working on this and other executive actions.

EXECUTIVE ACTION: I have been working all week with the different agencies following up on their policy initiatives. Chris Jennings has made real progress on the Patients Bill of Rights and fraud matters. I also think the folks at Justice are finally producing items for the President to announce. We need to really push the economic team and education shop to produce on an equal level. The schedule over the next two weeks reflects, in my view, where we are strong and where we are not up to par.

Paul Begala and I drafted a memo that outlines what we believe should be our strategy for the fall that I think you will find helpful at this point. You should receive the memo upon your return on Saturday.

THE PRESIDENT
7-7-98

THE WHITE HOUSE
WASHINGTON

Capt. ed
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July 2, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: ANN LEWIS AND STACIE SPECTOR
SUBJECT: COMMUNICATIONS WEEKLY REPORT

Event Coverage

- There was tremendous editorial board praise of your trip to China. Please see attached excerpts.

Amplification

- We worked with the Vice President's office to amplify his message events this week including his Social Security Forum and his tour of Florida areas damaged by wildfires.

Special Projects

- **Africa Trade Bill.** We are working with NSC and OPL staffs to develop a communications strategy for the Africa Trade Bill including targeting specialty press, maximizing the support of African Ambassadors, and ensuring a major emphasis on the issue at the NAACP convention July 11-16.
- **Women.** We are continuing to work towards the 150th anniversary celebration of women's rights with the First Lady's office, the National Parks Service, the Interagency Council and the Council of Presidents of Women's Organizations to ensure a successful event. National press has already begun to cover this story. We have received very positive responses to the announcement of the Women's History Commission.

Next Week's Message Events

- As detailed in an earlier memo, the message events we have planned your first week back will demonstrate a strong commitment to your core priority policies, which include health care, crime and drugs, and strengthening race relations.

On Tuesday, your Health Care Executive Order Signing will focus on your continuing pledge to ensuring equal treatment of patients by insurance companies. On Wednesday,

your crime announcement will focus on keeping guns out of the hands of children. You will also be taping a PBS Forum on Race focusing on the role of the President in matters of race. On Thursday, you will launch a massive and unprecedented anti-drug media campaign that will work to discourage kids from using drugs while encouraging parents to prevent their children from using drugs.

Web Update

- The Web Site developed for your trip to China has been accessed by over 125,000 users since it went live on June 25. The Web Site provided valuable information on the trip, including transcripts of speeches, summaries of each of the five cities visited, and a photo gallery of participants in the President's roundtable discussions.

Speaking Engagements

- This week Ann spoke at a WLF dinner meeting on the Administration's agenda for women.

EDITORIAL BOARDS PROCLAIM PRESIDENT CLINTON'S TRIP TO CHINA A SUCCESS

Editorial boards around the country have praised President Clinton's trip to China, below is a sample of what they've had to say:

New York Times Praised President Clinton's "Forthright Language" on China Trip

New York Times: "President Clinton's forthright language on individual freedom and Tibet has helped quiet American fears that China would exploit his presence to sanitize its abysmal human rights record." [New York Times, 6/29/98]

New York Times: "Mr. Clinton has repeatedly used his public appearances on this trip to point out the connection between economic and political freedom." [New York Times, 7/1/98]

Los Angeles Times: Debate With Zemin Put President Clinton's Visit "On the Right Side of History"

Los Angeles Times: "The weekend's unprecedented human rights debate between President Clinton and Chinese President Jiang Zemin put their summit on the right side of history." [Los Angeles, 6/30/98]

Christian Science Monitor: President Clinton "Said What Needed to Be Said" on Trip to China

Christian Science Monitor: "...Mr. Clinton did what the American people would expect of any president visiting China -- he spoke out on human rights...[T]he president has already said what needed to be said, where it needed to be said." [Christian Science Monitor, 6/29/98]

Wall Street Journal Said President Clinton "Has Been Doing Well in China"

Wall Street Journal: "Clinton has been doing well in China...Much has been made in the TV coverage of Mr. Clinton's pointed criticism of the Tiananmen massacre of 1989. And we were happy to hear it. The President also did well to bring up the mistreatment of Tibet...But to our mind Mr. Clinton's more important contribution was his debate with President Jiang about the utility of freedom...What the President has been showing them [the Chinese] so far on this trip is the strength of American principles." [Wall Street Journal, 6/30/98]

Boston Globe Called the President's Exchanges with Zemin "Extraordinary" and "Major Milestones"

Boston Globe: "By any standards, Saturday's debate between President Clinton and China's President Jiang Zemin was extraordinary...[T]he exchange between the two leaders and then Clinton's discussion with students at Peking University -- both carried on live television -- are major milestones." [Boston Globe, 6/30/98]

New York Daily News Declared President's Trip to China "A Success"

Daily News: "President Clinton's trip to China isn't over yet, but it's not too early to declare it a success. Against a backdrop of his clear affirmations of core American values, Clinton still has managed to pursue a realistic balance of political and commercial diplomacy. Even skeptics should be impressed...The new openness that Clinton is witnessing and spurring could be the dawn of Chinese glasnost." [Daily News (New York), 6/30/98]

Detroit News Called President Clinton's China Trip "A Success"

Detroit News: "President Bill Clinton's considerable verbal skills, matched with some solid philosophical insights, are turning a problematic China trip into a success...President Clinton also made the right points... Well done so far, Mr. President." [Detroit News, 7/1/98]

***Kansas City Star* Called President Clinton's Debate with Zemin "Unprecedented"**

Kansas City Star: "The story of the brutal butchery of pro-democracy protesters at Tiananmen Square in 1989 is routinely denied or dismissed by the Chinese leaders, but Clinton discussed and condemned the repressive acts in an unprecedented debate with Zemin on the national government television channel. It will be impossible now for the Chinese to go back to pretending that the massacre never happened." [Kansas City Star, 6/30/98]

***Baltimore Sun* Said the President Clinton "Is Doing His Countrymen Proud in China"**

Baltimore Sun: "Clinton is doing his countrymen proud in China." [Baltimore Sun, 6/30/98]

***Dallas Morning News* Said The President Was "At His Best" During China Trip**

Dallas Morning-News: Clinton "has been at his best during his nine day visit to China. ... He pulled it off superbly, leaving an imprint of American principles and firmly outlining U.S priorities..." [Dallas Morning-News, 6/30/98]

***Philadelphia Inquirer* Praised President Clinton's "Wise Diplomacy" on China Trip**

Philadelphia Inquirer: "...The President was careful to stress that he appreciated China's different traditions and values. This isn't pandering; it's wise diplomacy..." [Philadelphia Inquirer, 6/30/98]

***Chicago Tribune* Said President Clinton Navigated Between Human Rights and Insulting Chinese**

Chicago Tribune: "Some criticism is justified ... But overall, [Clinton] navigated between soft-pedaling human rights complaints and insulting Chinese who dislike their government but may resent hectoring foreigners." [Chicago Tribune, 6/30/98]

***Portland Oregonian* Called President Clinton's Trip to China a "Success"**

Portland Oregonian: "The president didn't outpoint his critics back home. He knocked them out. Clinton recognized [China's politics], and responded to it, better than his critics have. The President's trip to China isn't over yet, but it is already a success." [Portland Oregonian (Hotline), 6/30/98]

***Orlando Sentinel* Lauded President Clinton's "Strong Stand on Human Rights"**

Orlando Sentinel: "Clinton's strong stand on human rights should help propel further reforms. ... Clinton has given that ideal a much stronger nudge than he could have mustered by staying home." [Orlando Sentinel, 6/30/98]

***Milwaukee Journal-Sentinel* Called President Clinton "an Effective Voice for Progress"**

Milwaukee Journal-Sentinel: "President Clinton used the first days of his trip to China in an effective and even dramatic way, stressing to both the current and future generations of Chinese leaders the moral imperatives and practical necessity of respecting human rights...[H]e read a diplomatic version of the riot act to President Jiang Zemin...Clinton proved an effective voice for progress." [Milwaukee Journal-Sentinel, 6/30/98]

***Minneapolis Star Tribune* Praised President Clinton's "Focus, Care and Attention to Nuance"**

Minneapolis Star-Tribune: "Even the president's harshest critics, however grudgingly, saw him manage an extraordinarily delicate undertaking with focus, care and attention to nuance. The president not only found

ways to articulate American values and views, he did so with respect for protocol and historical perspective.” [Minneapolis Star-Tribune, 6/30/98]

Detroit Free Press Said the President's Trip Confirmed the "Wisdom" of the Policy of Engagement

Detroit Free Press: “That an American president was able to go to China and make the case for [democracy] to a wide audience helps confirm the wisdom of the policy of engagement.” [Detroit Free Press (Hotline), 6/30/98]

San Francisco Chronicle Said the President's Trip Provided Support for Constructive Engagement

San Francisco Chronicle: “It is not too early to start measuring the success of President Clinton's mission to China. During his first few days there he has demonstrated his mastery of diplomacy and of television and international political medium...Clinton's exercise in personal diplomacy has supported his conviction that constructive engagement is the most likely strategy to crack China's Communist monolith.” [San Francisco Chronicle, 6/30/98]

San Jose Mercury News Said President Clinton's Trip Demonstrated Wisdom of Going to China

San Jose Mercury News: “So far, President Clinton's trip to China demonstrates the wisdom of going. ... By going to China, Clinton has helped pry open the door to personal freedom a little further.” [San Jose Mercury News, 6/30/98]

Pittsburgh Post-Gazette Said the President's Trip Has “Turned into a Remarkable Two-way Dialogue”

Pittsburgh Post-Gazette: “President Clinton's trip to China has turned into a remarkable two-way dialogue that gives new meaning to that old diplomatic formulation -- ‘frank discussions’...Mr. Clinton deserves credit, not only for making tough points but also for managing to do so in a diplomatic manner.” [Pittsburgh Post-Gazette, 6/30/98]

Daily Oklahoman Said President Clinton “Deserves Positive Marks” on Trip to China

Daily Oklahoman: “So far, so good. Bill Clinton deserves positive marks for defending liberty in China during televised appearances...[H]e made the most of the opportunities.” [Daily Oklahoman, 6/30/98]

Seattle Times Said President Clinton “Planted Seeds of Change” in China

Seattle Times: “Clinton's bravura performance, a masterful representation of the stark differences between two countries, made it clear that he and Jiang are on solid enough terms to be candid with one another in public...Clinton planted the seeds of change that will be nurtured by continued contacts.” [Seattle Times, 6/30/98]

Louisville Courier Journal Praised President Clinton's “Impeccable Sense of Timing and Symbolism”

Louisville Courier-Journal: “Mr. Clinton, with his impeccable sense of timing and symbolism, has used his powers of persuasion.” [Louisville Courier-Journal (Hotline), 6/30/98]

***Denver Post* Said the President's Trip May Encourage Changes in China's Human Rights Policy**

Denver Post: "The most optimistic interpretation of the two events [live broadcasts of President Clinton's frank, unedited remarks on human rights], then, is that they may portend future, substantial changes in Chinese policy toward basic human rights, including a free exchange of ideas. If so, then Clinton can claim at least partial success for his politically risky journey." [Denver Post, 6/30/98]

***Ft. Worth Star-Telegram* Said President Clinton's Trip "Is Already Being Hailed as a Success"**

Ft. Worth Star-Telegram: "[O]nly halfway through his visit, the president's trip already is being hailed as a success...The cynics who want to see the president be even more outspoken and heavy-handed obviously have no understanding of diplomacy or statesmanship. And they fail to realize that, as with many public policy issues, symbolism comes first and substance usually follows." [Ft. Worth Star-Telegram, 6/30/98]

***Newsday* Said Not to Underestimate the Effect of "Unprecedented" Clinton/Jiang Public Debate**

Newsday: "[N]o one should underestimate the effect of Clinton's unprecedented public debate with Jiang on national television -- the first time a foreign leader was allowed to criticize Beijing's policies so openly." [Newsday (New York), 6/30/98]

***San Antonio Express-News* Said the President Is "Making a Boffo Impression"**

San Antonio Express-News: "Even those Americans who dislike President Clinton or who thought, as we did, that he should stay home, must give him his due. Clinton is making a boffo impression on his trip to China...In short, the president has struck the right note on his most important trip abroad...Clinton is showing he is practical enough to promote trade with the Communist leaders, but also brave enough to criticize their policies." [San Antonio Express-News, 6/30/98]

***Abeline Reporter News* Proclaimed The President's Trip a "Success"**

Abeline Reporter News: "Clinton came through, forcefully making the point to the students that Americans regard freedom as an inalienable right and not an accident of geography...The summit has so far been a success, both for Clinton and Jiang." [Abeline Reporter News (Hotline), 6/30/98]

***Pocono Record* Praised the President's "Persistence on Human Rights" and "Sound" Approach**

Pocono Record: "[T]he president's persistence on the human rights issues has had one measurable effect -- muting, if not silencing, his domestic critics...Clinton's approach is a sound one -- make your point, keep up your guard, keep jabbing away." [Pocono Record, 6/30/98]

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT
7-7-98

July 1, 1998

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MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT June 27 - July 1

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

- **China trip.** Chinese Americans of all backgrounds tell us that your historic trip marks a turning point in U.S.-China relations. They commend your courage in rising above your critics to engage both the Chinese people and their leaders in an honest, constructive manner.

The trip has been well received by the faith community as well, and brings hope that your private discussions with Chinese government officials will bring positive results in the near future.

The ethnic community believes the trip has been a strong validator that the policy of "engagement" is one that can work when dealing with differences with foreign governments. It has shown that there are other options besides sanctions and isolationism in our dialogue on foreign policy.

The business community has been very positive about your press conference with President Jiang as well as your speech at Peking University. Many of them feel that the trip has struck a balanced tone.

CONSTITUENT OUTREACH AND OTHER ISSUES

RELIGIOUS OUTREACH

- **Africa Trade Bill.** There continues to be division within the faith community over the bill, with those opposing it advocating a stronger role for civil society and concern about the eligibility requirements. They also report that African NGOs do not support the bill for the same reasons, but are reluctant to publicly oppose their governments.
- **Religious Liberty Protection Act.** Congress is considering several bills that have the same objective as the Religious Freedom Restoration Act but, stay within the Supreme Court's constitutional objections. Internal negotiations are continuing with the Justice Department over their concerns about the legislation.

GAY AND LESBIAN OUTREACH

- **California State Court Judge ruled "don't ask, don't tell" violates California Constitution equal protection clause.** The case involves the California National Guard and will be appealed.
- **55% of registered voters agree that "homosexuality is inherent and not a choice, and that all Americans should be treated equally and fairly by lawmakers."** The new Celinda Lake poll shows that 24% agree with Senator Lott's comments that homosexuality is a sin.

AIDS

- **NYTimes special report: African American civil rights organizations are silent as AIDS ravages the black community.** Blacks make up 57% of all new infections while they represent only 13% of the total population. Dr. Satchel blames the perception that AIDS is a gay disease and the refusal for black ministers to educate the public, among other causes.

HISPANIC OUTREACH

- **Meeting with the Hispanic Education Coalition (HEC).** OPL met with the HEC to discuss the current status of the Riggs Amendment and how they could better work with OPL. The HEC feels that the moderate democrats would oppose this bill and that democrats see the Riggs amendment as political and therefore are not willing to support the amendment.

cc: Erskine Bowles
Craig Smith
Doug Sosnik
Sylvia Mathews
Sid Blumenthal
Bruce N. Reed
Ron Klain

Rahm Emanuel
Michael McCurry
Gene Sperling
Thurgood Marshall, Jr.
John Podesta
Mickey Ibarra
Larry Stein

THE WHITE HOUSE
WASHINGTON

July 2, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *W. G. H. S.*
SUBJECT: Office of Intergovernmental Affairs Weekly Report -- June 29 - July 2, 1998

7-7-98
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Ibarra
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page 2
McGinty
HRC
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Podesta
COS

Budget

- We continue to alert organizations representing elected officials of the budget cuts in the House. In response to our outreach efforts, the U.S. Conference of Mayors, in a statement on June 29 expressed "strong opposition to the cuts in the 1999 Appropriations Bill for Labor/HHS." They also asserted that the "bill eliminates and reduces funding for vital programs that invest in the youth and the workforce of our cities." (See attached letter.)

Census

- We continue to work with our local officials to educate them about the issues surrounding the 2000 census. As part of our ongoing effort to engage a bipartisan group of mayors and county officials from across the nation on this issue, we coordinated two conference calls involving 21 mayors and other elected officials this week.

Governors

- Fred DuVal addressed the Western Governors Association (WGA) meeting last weekend in Anchorage, AK. We garnered support for our initiative on the census, our fight against the House budget cuts, the Race Initiative, the Millennium project and IMF funding. The Governors again stressed their strong opposition to the proposed Department of Interior rule on Indian Gaming and their support for opening up the National Petroleum Reserve in Alaska for oil exploration. Additionally, the Governors passed a variety of policy resolutions, including: support for a stronger state role in the administration of the Clean Water Act and in the licensing of federal hydropower projects, a more comprehensive federal policy on the transportation of nuclear fuel and high-level radioactive waste; and support for more railway and air service in the West.

7-7-98

McGinty
HRC
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- Governor Gary Johnson (R-NM) has urged our help with the Department of Energy in accelerating the opening and utilization of the Waste Isolation Pilot Plant (WIPP) for nuclear waste.
- Governor Gary Locke (R-WA) expressed his hope that the White House and the Department of State would support the agreement he has reached between Oregon, Washington, Alaska and the Canadian Government restricting commercial salmon fishing. *McGinty advise*
- *ce HRC* Governor Ed Schafer (R-ND) has invited you and the First Lady to visit the Lewis and Clark trail as part of the Millennium Initiative. The trail was partially restored recently and additional funds for its restoration are proposed in the Department of the Interior's budget.
- Governor Mike Leavitt (R-UT) has requested our help to keep the Internet Tax Freedom Act moving forward. We have assured him that we are engaged in the issue and provided him copies of recent Administration statements concerning the Act.
- Governors Cecil Underwood (R-WV), James Gilmore (R-VA), Don Sunquist (R-TN), Fob James (R-AL), John Engler (R-MI) and George Voinovich (R-OH) have sent a letter to you regarding the EPA proposal to reduce oxides of nitrogen in twenty-two states. They argue that the federal plan to remedy local ozone problems does not allow individual states to determine the steps needed to improve air quality. They propose an alternative plan that will not impose prescriptive federal solutions, but, they believe, more equitably distributes the ozone reductions where needed most. Governor Paul Patton (D-KY) has written a separate letter concerning this matter and is requesting a private meeting with you to further discuss the issue.

Dallas/New Orleans

✓ I traveled to Dallas, TX to address the League of United Latin American Citizens Conference Youth Celebration Dinner. While in Dallas, I also met with Mayor Ron Kirk and toured sites of the Trinity River Revitalization Project and Brownfields Showcase. Additionally, I attended a reception hosted by State Representative Domingo Garcia and had the opportunity to meet with a group of local elected officials. At each of these meetings, I reinforced the importance of the an accurate census count in the year 2000. On Friday, July 3, I will be accompanying the Vice President to the National Education Association Convention in New Orleans.

Indian Country

- We are making progress in planning the Economic Development in Indian Country Conference during the first week in August, which you will attend. We have a total of 10 federal agencies that will participate as sponsors for the conference. Our team is in the process of developing several new policies for you to announce.

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- Members of the Ute tribe of Colorado are very upset with the decision by the Administration to oppose the Animas-La Plata water agreement. They have been trying to resolve this issue for years.

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Roy Rowan
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JTB



NEWS

The United States Conference of Mayors

1620 Eye Street, N.W. • Washington, D.C. 20006

Phone (202) 293-7330 • Fax (202) 293-2352

E-mail: uscm@cais.com URL: www.usmayors.org/uscm

For Immediate Release

June 29, 1998

Contact: Chip Brown, 202/861-6708

RESPONSE TO HOUSE APPROPRIATIONS SUBCOMMITTEE'S APPROVAL TO ELIMINATE THE SUMMER YOUTH EMPLOYMENT PROGRAM AND YOUTH OPPORTUNITY GRANTS AND THE REDUCTION OF SCHOOL TO WORK AND GOALS 2000 PROGRAMS

Statement issued by Salt Lake City Mayor Deeder Conradini
President of the United States Conference of Mayors

On behalf of the United States Conference of Mayors, I am writing to express the organization's strong opposition to the cuts in the 1999 Appropriations Bill for Labor/HHS. This bill eliminates and reduces funding for vital programs that invest in the youth and the workforce of our cities. Specifically we are opposed to the following cuts:

- \$871 million elimination of the Summer Youth Employment Program
- \$250 million elimination of continuation funding for the new Opportunity Areas for Out-of-School Youth program
- Recision of \$250 million already appropriated for this new program
- Reduction in School-to-Work funding from \$400 million to \$150 million
- Reduction in Goals 2000 funding from \$491 million to \$245 million
- Reduction in One-Stop funding from \$163 million to \$136 million
- Elimination of the Low Income Home Energy Assistance Program

I strongly urge you to preserve funding at the levels agreed to in the 1997 Budget Agreement.

Supporting the needs of youth in our cities is a top priority of the United States Conference of Mayors.

-more-

These programs invest in the education, training and employment of lowest income and disadvantaged youth. The United States Conference of Mayors also has a strong policy supporting systemic change in our country's workforce development system. These education, training and employment programs are vital components of a new workforce development system.

At a time when we are so concerned about youth violence and need now, more than ever, to invest in the future of our youth and our workforce, it is critical to keep these programs intact without cutting funding levels.

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Roy Rowan
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**ONE AMERICA IN THE 21ST CENTURY****The President's Initiative on Race**

*The New Executive Office Building
Washington, DC 20503
202/395-1010*

MEMORANDUM TO THE PRESIDENT

FROM: JUDITH A. WINSTON

Judith A. Winston

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Winston
Schaveste
COS*

THROUGH: ERSKINE BOWLES
SYLVIA MATHEWS

DATE: JULY 2, 1998

SUBJECT: PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT
JUNE 27 - JULY 2

ADVISORY BOARD ACTIVITIES

Tribal Radio Station Interview. On July 1, Angela Oh taped a radio interview which will be broadcast July 4. The radio station is located in Reserve, Wisconsin and is owned by the Lac Courte Oreilles Ojibwe tribe. Ms. Oh discussed several issues, including the participation of Tribal leaders in the Initiative.

Race and Immigration Meeting. On July 13, Dr. John Hope Franklin, Angela Oh, Governor William Winter and Linda Chavez-Thompson will attend a conference on race and immigration sponsored by the Carnegie Endowment for International Peace and the Georgetown University Law Center. The meeting will include a discussion of immigration issues and examine promising practices.

OFFICE OF THE EXECUTIVE DIRECTOR

United States Virgin Islands Emancipation Day. On July 3, 1998, I delivered remarks at the Virgin Islands Emancipation Day Program. This year marks the 150th anniversary of the Proclamation freeing the slaves on the Virgin Islands.

Race and Health Meeting. On July 10, the United States Department of Health and Human Services will sponsor a meeting on issues relating to race and health. The

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meeting will take place at Faneuil Hall in Boston, Massachusetts. Dr. David Satcher, Assistant Secretary for Health and Surgeon General of the United States, will be the keynote speaker.

Corporate Leaders Forum. On July 23, Bob Thomas and Secretary of Transportation Rodney Slater will serve as the hosts for the next Corporate Leaders Forum which will be held in St. Louis, Missouri.

FEDERAL AGENCY ACTIVITIES

DEPARTMENT OF JUSTICE

Human Diversity for Community Policing. The United States Attorneys for the Eastern, Middle, and Western Districts of North Carolina will jointly sponsor a "Train the Trainer" seminar on human diversity for community policing officers. Co-sponsors of this event are the North Carolina Justice Academy, the Carolina Institute for Community Policing, and the National Organization for Black Law Enforcement Executives.

DEPARTMENT OF AGRICULTURE



Minority and Women Farmers. The United States Department of Agriculture has increased the number of direct operating loans to minority and women farmers over the last year by 33 percent. In the direct farm ownership program, loans to minority and women farmers have increased 180 percent over the last year. Direct operating loans to beginning farmers have increased by 31 percent, while direct farm ownership loans to beginning farmers have risen 29 percent compared to a year ago.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Fair Housing. On July 1, Assistant Secretary for Fair Housing and Equal Opportunity Eva Plaza, participated in a League of United Latin American Citizens panel on fair housing in Dallas, Texas.

Hispanic Leadership. On July 10, Secretary Cuomo will participate in a meeting with the National Hispanic Leadership Agenda.

DEPARTMENT OF TRANSPORTATION

Hispanic Coalition. On August 4, Federal Aviation Administration Administrator Jane F. Garvey will speak at the FAA Hispanic Coalition Conference in Dallas, Texas.

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DEPARTMENT OF EDUCATION

Higher Education Desegregation. The State of Florida has submitted a plan to the Department of Education's Office for Civil Rights to increase the participation of minority students in its higher education system.

SMALL BUSINESS ADMINISTRATION

Indian Communities. On August 5 - 6, the Small Business Administration will help sponsor an interagency conference entitled "Building Economic Self-Determination in Indian Communities" to be held in Washington D.C.

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THE WHITE HOUSE
WASHINGTON

July 2, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. T.M.

SUBJECT: Summary of Cabinet Weekly Reports
June 27 - July 3, 1998

DEPARTMENT OF TREASURY

- **Asia:** After meetings in Beijing, Secretary Rubin traveled to Malaysia, Thailand, and Korea to assess the impact of the Asian economic crisis and highlight recovery efforts. In Malaysia, the Secretary met with Deputy Prime Minister Anwar and Prime Minister Mahathir, American and Malaysian business leaders, and held a press conference. In Thailand, Secretary Rubin met with Prime Minister Chuan, met with Finance Minister Tarrin, addressed the Chulalongkorn University, and met with the American Chamber of Commerce. In Korea, the Secretary met with President Kim, Korean labor leaders, representatives of small and medium sized enterprises, Finance Minister Lee, and members of the American Chamber of Commerce
- **IRS Citizens Advocacy Panel:** On June 23, IRS Commissioner Rossotti traveled to Fort Lauderdale, FL to announce the selection of the eleven panelists for the first Citizens Advocacy Panel.
- **United States Enrichment Corporation (USEC):** On June 29, Treasury and DOE announced their concurrence with the decision by the USEC Board of Directors to privatize the company through an initial public offering (IPO). The IPO is expected to be one of the largest of the year, returning between \$1.85 and \$2.15 billion to the U.S. Government. It will be the first privatization through an IPO of a formerly government-run entity since Conrail's railroad operations were spun off in 1987.
- **New Savings Bond:** On July 8, Secretary Rubin will host an event in Treasury's Cash Room announcing the new inflation-indexed savings bonds. Representatives of the eight Americans depicted on the bonds will participate. The bonds honor Dr. Martin Luther King, Chief Joseph of the Nez Perce tribe, Helen Keller, and Albert Einstein, among others.

DEPARTMENT OF JUSTICE

- **COPS Grants:** On July 9, the COPS office will announce the next round of grants for community police officers. The grants will fund approximately 381 full-time and 53 part-time officers for a total of \$27,931,700.00. There will be 115 jurisdictions affected by the announcement.
- **Environmental Problems at Lorton:** EPA has informed DOJ that it may take administrative action, presumably issuance of an Administrative Order under the Superfund statute, against the DC government regarding the failure to remediate a sludge pit at the Lorton facility, in Lorton, VA. EPA also indicated that it is considering issuing the Administrative Order to one or more Federal entities, but is having difficulty determining which is the appropriate Federal agency. DOJ will convene a meeting to discuss this matter with EPA and several Federal entities that may be affected. DOJ intends to notify EPA that money already has been appropriated for the cleanup of the environmental problems at Lorton.
- **Black Farmers:** Legislation granting relief from the statute of limitations for claims of discrimination by black farmers was included in the House Agriculture Appropriations measure which was approved by the House on June 23.
- **Endangered Species Act:** The House Resources Committee has scheduled a hearing on implementation of the Endangered Species Act (ESA) for July 15. The hearing will focus on litigation brought against the U.S. pursuant to the citizen suit provisions of the ESA. DOJ has been asked to provide a witness.

DEPARTMENT OF INTERIOR

- **Presidio Transition:** On July 1, a portion of the Presidio was transferred from NPS to the Presidio Trust, a Federal Government corporation overseen by a board of directors appointed by you.
- **Appropriations:** On June 23, the Senate Appropriations Subcommittee marked up the Interior and Related Agencies Appropriations Bill. The overall bill is \$696 million less than FY98 and \$896 million less than your request. There are several major language items of great concern to DOI, including a prohibition on reintroduction of the grizzly bear into the Selway Bitterroot, a prohibition on land purchases in AK, and a prohibition on the use of any funds to promulgate regulations affecting commercial or subsistence fishing in Glacier Bay National Park. DOI also strongly objects to language that prohibits removal of dams on the Columbia and Snake rivers, unless specifically authorized by Congress.

- **Free Water to Ease Flood Danger:** Snow-melt runoff into CA's San Joaquin River is being offered free of charge to farmers in the Friant Water Unit to help alleviate potential flooding. Farmers are being asked to use the free water to irrigate their lands in order to make room for additional water in the reservoirs. BOR wants to avoid additional releases from Friant Dam that would exceed the San Joaquin River's downstream channel capacity and cause flooding.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Forest Fires:** As of June 29, 32,588 forest fires have burned 734,870 acres in the U.S. – 77 percent of the 10 year average number of fires and just 79 percent of the 10 year average acreage. In FL, fires have consumed 147,125 acres; 5,980 acres are burning in TX; 2813 acres in NM; 6000 acres in UT; and one fire in AK has burned 60,520 acres.
- **Food Stamps:** On June 30, USDA notified states of their FY97 food stamp error rates. Nationally, the average combined payment error rate was 9.88 percent, a slight increase over FY96. Five states with error rates under six percent will receive enhanced funding totaling over \$9 million, and 22 states with combined payment error rates exceeding 10 percent face potential sanctions totaling more than \$56 million.
- **Storm Related Farm Losses:** CA agriculture-related damage estimates for 1998 rose to nearly \$235 million following a June 6 storm. USDA has stepped up emergency outreach efforts to reach more farmers in need of assistance, including mailing newsletters highlighting USDA disaster programs, guaranteed loan programs, and outreach programs to 300 legislators, farmer groups, and federal and state agencies.
- **GM Strike:** Forced cancellations of orders for leather upholstery, resulting from General Motors's auto strike, have pushed hide prices down by about nine percent since early May to \$64 per hundredweight, exacerbating seasonally-low prices from traditional summer vacation closings of tanneries.
- **China Dairy Market Development Efforts:** U.S. dairy exports to China, at over \$56 million in 1997, were more than double those in 1994, and first quarter 1998 trade figures indicate a 14 percent increase over 1997.
- **E. coli Contamination:** On June 29, USDA announced a nationwide recall of about 172,000 pounds of frozen ground beef and ground sirloin patties produced by a Tracy, CA Costco plant and sold only to Price Club warehouse stores. One illness in NY is associated with the recalled product. Last week, on the basis of a NY Department of Health investigation, Costco withdrew from all Price Club stores ground beef produced on April 7. The recall affects products that may be stored in consumers' freezers.

DEPARTMENT OF COMMERCE

- **Global Auto Standards:** For the first time, international standards have been developed for the global automotive industry. On June 25, in Geneva, the U.S. signed the new Agreement Concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment, and Parts. The EU, Japan, Canada, South Africa, and Australia all committed to seek power to sign the agreement in the next months, enough to assure its entry into force. This will preempt the proliferation of regulations in new auto-producing countries, such as Brazil, Indonesia, Israel, and South Africa.
- **Fastener Quality Act (FQA):** On June 24, the National Institute of Standards and Technology (NIST) announced that it is delaying implementation of FQA an additional 90 days, until October 25. NIST projects that there will be an insufficient number of laboratories accredited in time to perform the volume of inspection and testing required by the Act. The FQA requires NIST to protect public health and safety by ensuring that certain nuts, bolts, and other fasteners conform to specifications.
- **Forest Products:** On June 22, Secretary Daley met with American Forest and Paper Association CEO Henson Moore. The meeting focused primarily on Asian Pacific Economic Cooperation (APEC) forum and the Early Voluntary Sectoral Liberalization (EVSL) plan for forest products, particularly paper.
- **U.S.-Japan Construction Review:** On June 24-25, the Fourth Annual Review of the U.S.-Japan Public Works Construction Arrangements was held in Tokyo. Acting Director General Searing led the Review, and asked the government of Japan to relax rules that limit the number of joint venture partners because they restrict the activities of U.S. companies. The Director General also recommended that the two governments meet in six months to conduct a follow-up review to address outstanding issues.
- **ESA Economic Indicators:** ESA will release the following indicators:
 - ▶ July 6 - Housing Completions (May).
 - ▶ July 8 - Wholesale Trade (May).
- **Economic Development Administration (EDA) Projects:** Due to severe weather across central OH and WV, numerous roads and bridges were washed out over the weekend of June 27. During the week of June 22-26, EDA approved 10 projects at a total DOC share of \$3.6 million.
- **Sanctions on Serbia:** A rule implementing sanctions on Serbia will be published in the *Federal Register* as soon as Congress receives the accompanying foreign policy report. These sanctions primarily involve exports and reexports of crime control items and are being imposed as a result of recent actions in the Kosovo region.

- **India-Pakistan Sanctions:** On June 18, the sanctions to be placed on India and Pakistan were announced. It was emphasized that only nuclear-related items will be embargoed; other U.S. origin commercial use items will not be cut off entirely.

DEPARTMENT OF LABOR

- **GM Strike:** As of June 29, over 50 percent of General Motors' U.S. hourly workforce was either on strike or laid off due to the strike: 117,788 U.S. workers (and 163,006 North American wide) have been idled, including 9,400 MI workers in the two plants on strike. Local UAW and GM negotiators continue to meet at the two striking GM facilities and talks resumed at the national level. All current GM workers have received payment for the second week of the shutdown, as mandatory vacation under the contract. On June 26, GM announced that starting July 1, it will drop health care payments for the 9,200 striking Flint workers. This has been routinely done during past strikes, with the UAW picking up the payments during the strike. GM will continue to pay the health insurance premiums for the remaining "strike-idled" laid off workers. The company has, however, ceased payments for dental coverage for striking and strike-impacted workers. GM also announced at the end of last week its intent to contest the payment of unemployment compensation to UAW members laid off due to the Flint strikes.
- **Farmworker Housing Assistance:** On July 7, ETA's Office of National Programs will award seven grants totaling \$2,585,383 for the provision of housing assistance to migrant and seasonal farmworkers across the U.S.
- **Welfare-to-Work:** DOL has approved and announced 27 state formula plans worth approximately \$472,532,051. Next week, Secretary Herman plans to move forward with OR (\$8,636,930), AK (\$2,926,500), CT (\$12,005,943), and NH (\$2,761,875).
- **Metrotech:** Next week, DOL will announce a \$1.2 million multi-state Information Technology Planning Grant being awarded to the DC Metropolitan Area Technology Initiative. This Level One Planning grant is being awarded through the JTPA Title III program to the State of VA as part of the collaborative effort between DOL, the Commonwealth of VA, the State of MD, and DC.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Town Meeting on Race:** On July 10, HRSA is hosting the President's Initiative on Race Town Meeting in Boston, MA. A panel of consumers will share their perspectives on roadblocks to quality care and a panel of health care experts and community leaders will showcase programs that improve access. Recommendations will be used in your upcoming Report to the American People on improving race relations in the 21st century.

- **Substance Use:** On July 6, SAMHSA will release the first comprehensive analysis of substance abuse among racial/ethnic minority subgroups in a report based on 1991-93 data from SAMHSA's National Household Survey on Drug Abuse. The analysis estimates the prevalence of substance use, alcohol dependence, and the need for illicit drug abuse treatment within eleven racial/ethnic subgroups.
- **CA Home and Community Based Waiver (HCBW) Program:** On July 1 or 2, HCFA granted a multi-phase approval of the CA HCBW application. HCFA reviewed CA's HCBW program last year and found it severely deficient in areas of health and welfare as well as financial integrity. Due to the nature and severity of these deficiencies, HCFA did not accept a request for renewal. After intensive technical assistance by both Central and Regional Office staff, CA submitted a new HCBW application. The waiver will be made effective when particular requirements are met and the state can demonstrate that it has regained control of its program. At that time, HCFA will be able to pull back on the current expanded degree and scope of monitoring.
- **Organ Procurement and Transplantation Network (OPTN):** On July 1, HRSA published a *Federal Register* notice extending the comment period through August 31, and delaying effective date for the OPTN regulation until October 1.
- **FDAMA Guidance on Pediatric Exclusivity:** During the week of July 6, FDA will publish a guidance for industry describing procedures for obtaining an additional six months of marketing exclusivity under provisions of the FDA Modernization Act of 1997 (FDAMA). FDAMA permits certain drugs to obtain an additional six months of marketing exclusivity if, in accordance with the requirements of the statute, the sponsor submits information relating to the use of the drug in the pediatric population.
- **Mammography Screening Aid:** On June 29, FDA approved R2 Technology's M1000 ImageChecker, a new computer system to aid radiologists in reviewing mammograms by calling attention to parts of a mammogram image that are suspicious. The device has the potential to reduce the number of women who have delayed diagnosis of breast cancer to missed abnormalities in screening mammograms.
- **FDA-State Partnerships Against Tobacco:** During the week of June 22, FDA awarded contracts to AK and CO to enforce FDA's regulation that prohibits retailers from selling cigarettes and smokeless tobacco products to children under 18. This brings the number of states to partner with FDA in the tobacco initiative this year to 16.

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*Supra*DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **"Officer Next Door":** For the week ending June 26, HUD accepted 24 sales contracts and closed 40 deals on HUD-held properties to police officers under the "Officer Next Door" program. These additions bring the total number of contracts to 1,624 and closings to 1,025, breaking the goal of 1,000 participants set last year.

DEPARTMENT OF TRANSPORTATION

- **Federal Transit Funds:** On July 2, Secretary Slater announced the upcoming release of a \$199 million grant in federal transit funds to the Washington Metropolitan Area Transit Authority (WMATA) for the purchase of additional railcars and continued construction of the final 13.5 miles of the 103-mile Metrorail System.
- **Safe Skies for Africa Initiative:** On July 7-15, Secretary Slater will be in Africa to discuss a range of critical transportation issues, specifically on aviation and the recently-launched Safe Skies for Africa Initiative. The Initiative is intended to improve the safety, security, and overflight standards of many African nations which are currently under minimal international standards.
- **Motor Fuel Tax Fraud:** On June 26, the OIG announced the conviction of four defendants in the largest motor-fuel tax fraud case in U.S. history. The defendants evaded more than \$140 million in state and federal taxes. The overall case was brought by a multi-agency task force including OIG, the IRS, the FBI, and prosecutors from DOJ. The cases involved tax-evasion schemes operating in NJ, NY, PA, DE, GA and FL.
- **International Safety Management Code (ISM):** On July 1, the Coast Guard began enforcing the new international safety management code for ships. This final rule will improve marine safety by establishing standards for safety management systems for certain U.S. vessels, requiring them to comply with the ISM for the Safety of Life at Sea. Beginning July 1, ships attempting to enter the U.S. without ISM Code certification will be denied entry and must prove that they have achieved certification of their ISM Code before the Coast Guard will permit them to enter a U.S. port.
- **Dig Safe Event Kickoff:** On July 10, RSPA will participate in the kickoff of the pilot Damage Prevention Campaign in Nashville, TN. The kickoff is being hosted by the TN One-Call Systems, Inc. and its member facility operators. This campaign is the product of the DAMQAT, a government industry collaboration to reduce excavation damage to underground facilities, which is the single greatest cause of pipeline failure. In addition to TN, GA and VA are participating in the pilot campaign.
- **Cuban Migrants:** From June 20-28, the Coast Guard interdicted 154 Cuban migrants in several cases off the Bahamas and southeastern FL.

- **Russia Aviation:** On June 30-July 2, Russia aviation negotiations took place in Moscow. The main topics included overflights, code-share services and Russia's desire to remove the mandatory stop at Anchorage for Russian carrier services from the Russian Far East.

DEPARTMENT OF ENERGY

- **Electricity Legislation:** On June 29, Secretary Peña submitted legislation to Congress to implement the Administration's Comprehensive Electricity Competition Plan. The plan will save customers an estimated \$20 billion per year -- resulting in about \$232 in savings per year for a family of four -- and will improve the environment, promote new products and services, provide consumer protection, and strengthen service reliability.
- **Project to Mass-Produce 'Biochips':** DOE's Argonne laboratory, with Motorola Inc. and Packard Instruments Co., announced a joint research project aimed at commercializing and marketing biological microchips, also known as 'biochips.' This project is expected to make the process of decoding genes, human or otherwise, a thousand times faster than current technologies. Motorola and Packard will contribute \$19 million over five years to support the joint research agreement with Argonne lab, which is operated for DOE by the University of Chicago.
- **United States Enrichment Corporation (USEC) Privatization:** On June 29, DOE with the support of Treasury announced plans to privatize USEC. The planned stock offering is expected to raise as much as \$1.65 billion. USEC, a Bethesda, MD-based company that refines uranium for nuclear power plants, controls about 40 percent of the market for enriched uranium and provides the fuel to 176 nuclear power plants worldwide.

DEPARTMENT OF EDUCATION

- **Student Achievement and School Poverty:** Next week, DOEd will release its "Special Evaluation Report for the National Assessment of Title I: NAEP Achievement and School Poverty." The report addresses recent trends in 4th-grade student achievement on the National Assessment of Educational Progress in reading and math in high-poverty schools. The data show significant improvement in math, while reading scores remained flat. In general, the achievement gap in reading and math between students in high-poverty schools and other schools is significant.
- **Even Start Evaluation:** In July, DOEd will release a national evaluation of the Even Start family literacy program. The Even Start program provides financial assistance to support programs that integrate early childhood education, adult literacy or adult basic education, and parenting education into a unified family literacy program. The evaluation report updates data included in a 1996 interim evaluation and pulls together findings from the first eight years of the program.

- **Children's Well-Being:** On July 15, the Federal Interagency Forum on Child and Family Statistics, which is chaired by DOEd's National Center for Education Statistics, will release "America's Children: Key National Indicators of Well-Being, 1998." The report presents data on 23 key indicators of important aspects of children's lives, including their economic security, health, behavior and social environment, and education. It also presents data on six key demographic measures of children's well-being. This is the second annual effort to monitor the overall status of the nation's children.
- **Comprehensive School Reform:** On July 3, DOEd announced a second round of awards under the Comprehensive School Reform program. The Improving America's Schools Summer Institute on Comprehensive School Reform and Schoolwide Programs took place July 1-2 in Washington, DC.
- **Stop the Violence:** On July 14, Secretary Riley will address the Stop the Violence Recognition Ceremony.

VETERANS AFFAIRS

- **Community Based Outpatient Clinics:** Plans have been announced to open 30 additional Community Based Outpatient Clinics across the nation. These popular clinics reflect an ongoing reengineering of the delivery of VA health care by converting inpatient service to meet the booming demand for outpatient care.
- **End-of-Life Care:** The Robert Wood Johnson Foundation will award the Veterans Health Administration a \$1 million grant to organize a faculty development program for training resident physicians to provide better care for dying patients.
- **Post-Traumatic Stress Disorder (PTSD):** Two drugs already on the market, Serzone (nefazodone) and Zyprexa (olanzapine), seem to relieve the major symptoms of combat-induced PTSD in veterans. The findings were reported at the June New Clinical Drug Evaluation Unit Meeting, sponsored by the National Institute of Mental Health. No drugs are currently designated for the treatment of PTSD.
- **Welfare-to-Work:** On June 28, VA hired 722 former welfare recipients, very near VA's goal of reaching 800 hires by September 30.

ENVIRONMENTAL PROTECTION AGENCY

- **Emergency Pesticide Request for Canola Growers:** Canola growers in ND and MN have requested emergency use of the fungicide benomyl to combat a severe fungal infestation, known as white mold, which could have substantial economic impact if untreated. After reviewing the data, it does not appear this use of benomyl meets the

Food Quality Protection Act's safety standard, so EPA has been working with the canola growers and the states to find an alternative pesticide as quickly as possible. This past weekend, EPA approved the use of a newly registered reduced-risk alternative, azoxystrobin, which has been made available to growers in MN and ND. The growers are concerned that this pesticide may not prove effective at this stage of the growing season. EPA is working to review another alternative, vinclozolin, that growers believe may be more effective. EPA expects to make a decision within the next few days.

- **Napalm Disposal:** EPA is working with the Navy, CEQ, and affected states to plan for the safe and well-executed recycling or disposal of napalm that the Navy is storing at China Lake, CA. On July 16, the emergency storage permit for the China Lake facility expires. Activities underway include conducting targeted EPA/State inspections at candidate facilities in TX, providing the inspection results to the Navy as soon as possible, and working through issues of public involvement with the Navy.

UNITED STATES TRADE REPRESENTATIVE

- **WTO Panel Victory:** In a preliminary report released this week, the U.S. and EU prevailed in their joint challenge to Korean taxes that discriminate against U.S.-EU exporters of distilled spirits. Korea will have one more opportunity to appeal the decision.
- **International Financial Institutions' (IFI) Stabilization:** USTR continued monitoring the implementation of the IFI stabilization packages in Indonesia, Korea, and Thailand and other trade aspects of the Asian financial crisis. On July 1, USTR participated in an interagency meeting to review Indonesia's implementation of the IMF conditionality in anticipation of an IMF Board of Directors vote in mid-July on the latest supplemental to Indonesia's stabilization plan.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Europe Trip:** On July 11-18, Director McCaffrey will visit Stockholm, Vienna, Zurich, Amsterdam, and Lisbon. The primary objective of the trip is to learn more about European drug control efforts, specifically demand reduction programs for prevention and treatment. The Director will meet with drug policy, health care, drug treatment, and law enforcement officials; visit drug treatment facilities and attend a first-ever multilateral U.S.-EU drug forum with senior-level drug policy officials in Lisbon.

SMALL BUSINESS ADMINISTRATION

- **Welfare-to-Work:** SBA has set goals for each district office to match small businesses looking for employees with intermediaries training people off the welfare rolls. As of the close of this reporting period, eight SBA offices have reached their welfare-to-work goals

for this fiscal year -- four more since last week. On July 10, SBA will conduct a welfare-to-work Professional Clothing Drive aimed at helping former welfare recipients look and feel their best as they enter into the workforce.

- **Trade Leads Initiative:** On July 7, SBA will sign an MOU with USAID Director Atwood outlining SBA's participation in the trade leads initiative.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **Florida Wildfires:** Additional federal assistance has been made available to help FL battle the outbreak of wildfires that have raged around the state since late last month. On June 29, the Vice President toured the fire zones with Administrator Browner and Governor Chiles and announced expanded direct federal assistance ordered by you on June 18 to include the deployment and use of federal firefighting resources in all other state counties not currently designated for federal fire suppression aid so that fire outbreaks can be controlled before posing a threat to populated areas. Funding also was made available to FL on a cost-shared basis for approved projects that reduce future disaster risks.

OFFICE OF PERSONNEL MANAGEMENT

- **Federal Personnel Law:** On June 24, Director Lachance testified at a House Subcommittee on Civil Service hearing on a proposal to make many changes to federal personnel law.

UNITED STATES INFORMATION AGENCY

- **China:** While the American media have extensively covered your visit to China and, in particular, have favorably noted the decision by Chinese authorities to permit its citizens to see, hear, and read your statements about human rights, the role played by USIS China in making some of the headlines possible has understandably received less attention. Long weeks of negotiation between USIS and Chinese authorities were required to ensure that your remarks were presented faithfully, in their entirety, and in real time. Many USIA employees contributed to several other summit achievements, including Fulbright enhancements, your presentation of books at Peking University, and the high school exchange initiative.
- **VOA Coverage China:** A team of seven VOA correspondents is covering your visit to China. As part of VOA's enhanced coverage, the Mandarin Service expanded its regular coverage by one hour to broadcast your news conference with Chinese President Jiang Zemin. On June 28, the Mandarin Service added another two hours to its transmissions by broadcasting live your remarks at Beijing University. "News Now," the 24-hour English-language news service, broadcast all of your public events, beginning with the

arrival in China. Lodi Gyari, special envoy of the Dalai Lama, told the VOA Tibetan Service in an exclusive interview that he was "very pleased that President Clinton raised the Tibetan issue with Chinese leaders." Gyari told the Tibetan Service that the Dalai Lama has said he "is ready to talk with Beijing at any time ... without preconditions."

GENERAL SERVICES ADMINISTRATION

- **National Antenna Program:** GSA has signed leases for the placement of private sector telecommunications antennas on 67 government-owned buildings, generating over \$1 million a year. The GSA program offers industry a huge inventory of government-owned facilities, great locations, secure sites, and a streamlined leasing process. Telecommunications experts predict a demand for more than 100,000 new antenna sites by the year 2000.

SOCIAL SECURITY ADMINISTRATION

- **Puerto Rico Telephone Company Strike:** The Puerto Rico Telephone Company strike, which began on June 18 and has included acts of sabotage and bombings, has had limited impact on SSA facilities and services thus far, including scattered telephone outages, inability to take claims by telephone and increased traffic and congestion around some of the Social Security field offices. Next week, the strike is expected to expand to include workers in electrical, public transportation, water and sewer, and other industries. Because SSA is one of the largest and most visible Federal agencies in Puerto Rico, Federal Protective Services has begun an assessment of the vulnerability of SSA facilities, particularly those at street level and/or near telephone company offices, to determine what steps, if any, are needed to protect employees and facilities and maintain service to the public.
- **Qualified Medicare Beneficiary (QMB) Program:** On July 7, Families USA, a non-profit advocacy organization involved in health care matters will hold a press conference calling on SSA to increase public affairs activities to educate the public about the QMB program and to process applications for it. The program, which is administered by State Medicaid agencies, pays the Part B Medicare premium for low income beneficiaries who meet income guidelines established by Federal statute. SSA field offices have public information materials about this program and refer potentially eligible individuals to State public assistance offices to apply for these benefits. In addition, SSA provides information about this program in the cost-of-living adjustment notices each year. Families USA is advocating that SSA field offices process these applications rather than the States.

cc:

The Vice President
Erskine Bowles
Paul Begala
Sandy Berger
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Mickey Ibarra
Janis Kearney
Ron Klain
Neal Lane
Jack Lew
Ann Lewis
Sylvia Mathews
Michael McCurry
Katie McGinty
Minyon Moore
John Podesta
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Larry Stein
Melanne Verveer

DEPARTMENT OF DEFENSE

Exercise RIMPAC '98: On July 6, exercise RIMPAC '98, the 16th in a series of Pacific naval operations, will begin in Hawaiian waters. More than 50 ships, 200 aircraft and 25,000 US Navy, Air Force, marine, Army, and Coast Guard personnel will participate along with naval forces from Australia, Canada, Japan and the Republic of Korea.

Old Brooklyn Navy Yard: According to its builders, the largest film and television studio will be developed on the site of the historic Brooklyn Navy Yard. On June 22, New York Studios announced plans to develop a 15-acre site at the Navy yard after signing a 70-year lease.

Homestead Air Force Base, FL: On June 27, the NPS with Dade County parks and Recreation took possession of the 213-acre park which was formerly Homestead Air Force Base.

America's Promise: In support of DoD's commitment made at the President's Summit, the Navy's community service efforts have established two new initiatives to meet the goal of reaching out to 600,000 youths by the year 2000.

UNITED NATIONS

Palestinian Enhancement: A resolution enhancing Palestinian status in the General Assembly will be introduced July 6 and almost certainly approved July 7. The measure will allow the Palestinians special seating and speaking privileges and the rights to co-sponsor resolutions presented by member states. The U.S. delegation will vote against the resolution.

Iraq: On June 24, the Council heard two briefings on Iraq, and conducted a periodic sanctions review. The first briefing, a review of the UNSCOM inspection team's findings presented by Richard Butler, highlighted the recent confirmation of Iraqi VX production and weaponization.

Jerusalem: In spite of strong U.S. opposition, the Council held an open formal debate on Jerusalem in a June 30 session. In his statement, Ambassador Richardson called for all parties involved to recommit themselves to the negotiation process and "not to take action that would make these negotiations harder." Ambassador Richardson appealed to the Council not to interject itself into the situation and endorsed the idea that the Council should continue to "offer the parties our unqualified support and encouragement as they seek to bring an end to the bitterness and pain that has divided them for so long."

THE WHITE HOUSE
WASHINGTON

7-7-98
July 2, 1998

MR. PRESIDENT:

Attached are the following weekly reports for the week of June 21-27:

- (A) Interest Rates and the Stock Market and Update on Emerging Markets (Treasury)
- (B) CEQ Report
- (C) Climate Change Report
- (D) OSTP Report
- (E) Legislative Report
- (F) Public Liaison Report
- (G) Intergovernmental Report
- (H) Race Initiative Report
- (I) Cabinet Affairs Report
- (J) Political Report

Phil Caplan *Phil*

TAB B: McGinty / COS
TAB C: STERN / COS / Podesta / Lew / McGinty / Stein / Sperling
TAB D: Jones / Bowles / COS / HRC - pg. 2 Foley / Podesta
TAB F: Echaveste / COS
TAB G: Albarrá / COS
TAB I: Marshall / COS
TAB J: Smith / COS



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

June 26, 1998

7-7-98

Copied:
McGinty
COS

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES

FROM: KATHLEEN A. MCGINTY

MVT for KAM

SUBJECT: CEQ WEEKLY REPORT

PROTECTING COMMUNITIES FROM TOXICS

Napalm Shipments

The Navy continues to explore the possibility of transporting napalm from California to processing facilities in Texas and would like to award a contract as soon as possible. At a minimum, the Navy will have to arrange for the movement of two trainloads of napalm currently in California that face a July 16 deadline for shipment.

CEQ has impressed upon the Navy the importance of engaging in a credible public education effort and seeking the full support of the state of Texas and local elected officials before transporting the napalm. However, initial reactions from the Governor's Office and Members of Congress, including Representatives Bentsen and Lampson, have been less than positive. Furthermore, EPA is recommending a public education effort of six to eight weeks. As a consequence of these hurdles facing the Navy, it may be necessary for Navy to develop a contingency plan for temporary storage outside of California.

RESOURCE STEWARDSHIP

Animas-La Plata

Animas-La Plata, a dam construction project in southwestern Colorado, has been mired in controversy for decades. In 1986, the Federal government agreed to consider construction of the project as part of a settlement with two Ute tribes over tribal water rights. Senator Campbell recently proposed legislation to begin construction of the water project immediately.

The Administration testified in opposition to the Campbell bill at a hearing Wednesday because it would override all environmental laws, including environmental reviews under the National Environmental Policy Act. Although the Administration strongly supports protection of tribal water

7-7-98

INTERNATIONAL LEADERSHIP

Persistent Organic Pollutants

✓ Next week, the U.S. and other nations will meet in Montreal to begin negotiating a phaseout of twelve persistent organic pollutants (POPs). These chemicals, most of which are banned in the U.S., are highly toxic and persist in the environment for long periods of time. They can travel long distances and some (including DDT and dioxin) have been found in remote locations such as the Arctic. The negotiations, which are expected to take several years, offer an important opportunity to address a significant environmental problem.

OTHER

Anti-Environmental Riders

✓ As expected, Congress has pursued its anti-environmental agenda through the appropriations process by underfunding key Administration priorities and including objectionable riders in appropriations bills. In part as a result of these actions, veto threats have been issued on the House appropriations bills for Interior and VA-HUD (senior advisors recommendation) and the Senate Interior bill (Secretaries of Agriculture, Energy, and Interior recommendation). The Administration's strong stand on these bills has encouraged our supporters and will put us in good shape on the floor and in conference as long as we stick with these positions.

7-7-98

rights, it has taken no position endorsing or opposing the project specifically. Instead, the Administration wants to complete a review of the project that will consider whether alternative approaches could also satisfy water needs while complying fully with the requirements of laws such as the Clean Water Act and the Endangered Species Act.

Governor Romer supports the project and is not happy with our opposition to the Campbell bill. However, we have pledged to work with the proponents of the project and the tribes to review the outstanding issues expeditiously. Environmental groups, on the other hand, will only be satisfied in the end if the project dies.

New World Mine

On Thursday, the Department of Justice reached a consent decree agreement with Crown Butte clearing the final hurdle to the New World Mine agreement. The agreement commits \$22.5 million for cleanup of the mine and returns the property to federal ownership. This is the last stage to ensure the Administration keeps its promise to protect Yellowstone. The public now has 30 days to comment on the consent decree. ~~We hope to be ready to announce the issue closed by August 12 --~~ the two-year anniversary of your announcement.

Yesterday's Supreme Court decision striking down the line-item veto may complicate the remaining loose ends. The FY 1998 Interior Appropriations bill, which authorized the purchase of the property, also required the Secretary of Interior to convey to the State of Montana \$10 million of federal mineral rights by the year 2001. This mineral rights provision was struck from the bill through your use of the line-item veto.

In anticipation of this court ruling, environmental groups who signed on to the consent decree inserted a provision that expressly reserves their legal right to oppose conveyance of coal to the State of Montana. As a result, the mineral rights issue is going to come back at us, and we will need to continue to take a strong position against letting this turn into an environmentally damaging, taxpayer giveaway.

Idaho Bombing Range

The Senate passed on a voice vote, without opposition, Senator Kempthorne's amendment to withdraw 12,000 acres of BLM land for an Air Force bombing range. The Air Force and Department of Interior had redrafted the amendment to make it much more protective of Native American lands and sacred sites, big horn sheep, and critical habitat.

We are likely to get heavily criticized by the environmental community as well as editorial writers in Idaho who feel that the Administration cut a bad deal with Kempthorne. In reality, the Administration made a very bad bill into something we believe will bring together national security concerns and environmental protection.

THE WHITE HOUSE
WASHINGTON

June 27, 1998

7-7-98

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ¹⁰⁰⁵

SUBJECT: Climate Change Weekly Report

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It was another busy, difficult week on the appropriations front. The most contentious development was language proposed by Rep. Knollenberg (R-Mich.) as a rider to the VA-HUD bill and in the VA-HUD Committee Report. The rider would, in essence, bar EPA, CEQ and OSTP from developing, proposing or taking any executive action "for the purpose of implementation of or in contemplation of implementation" of the Kyoto Protocol. That is bad enough, but the report language is worse. It would bar EPA and CEQ from engaging in "educational outreach or informational seminars" on issues underlying the Kyoto Protocol -- which would seem to cover most anything related to global warming. Rep. Fazio offered an amendment to modify the bill language and strike the report language, but it failed despite an active effort to push it. While this was disappointing, the language is such an obvious overreach that we should be able to take advantage of it. We will try to do that during the next two weeks.

Wrap up on the three appropriations bills:

Energy and Water: Bill passed by House on June 22. Cuts the total increase (about \$100M) requested in our budget for solar and renewable energy. Reps. Fazio, Cook, and McDade expressed support for working with Senate to find additional R&D funding for renewables. Recall that Senate bill includes \$70 million of your request.

Interior: House and Senate Appropriations Committees reported out bills, which are now ready for floor action after recess. House bill cut our entire requested increase (about \$193M) for DOE's energy efficiency portfolio, and could be read to cut \$25M more. Senate bill cut program by \$160M (\$30M increase from FY98 levels). Both bills contain report language stating that none of funds are to be used to implement Kyoto, but we worked successfully with Senator Byrd's staff to make the language harmless.

VA-HUD: House bill cuts your energy efficiency request for EPA by about \$106M (a \$10M increase from FY98 levels), and includes Knollenberg language discussed above. Both House and Senate bills are now ready for floor action.

Hearing. Rep. McIntosh held another hearing focussed on the coal and utility industries. The witnesses consisted of Senator Enzi (R-WY), a panel of coal and utility industry and labor folks, and DOE Undersecretary Ernie Moniz. The Chairman questioned DOE about their performance measures for climate change programs and about baselines for evaluating the performance of these programs. Senator Enzi and the industry panel were all adamantly opposed to the Kyoto Treaty. Representatives Tierney (D-MA) and Kucinich (D-OH) once again defended the Administration's climate change budget request as well as the Administration's efforts to respond to the voluminous McIntosh oversight requests.

Press Coverage

On Thursday, *The Washington Post* ran a story in the business section about GMAC's agreement to provide more favorable financing of solar energy systems in new and existing homes. On Friday, *The New York Times* ran a piece on the Knollenberg rider and report language.

cc: Vice President
Erskine Bowles
John Podesta
Ron Klain
Jack Lew
Katie McGinty
Gene Sperling
Jim Steinberg
Janet Yellen



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

7-7-98

June 26, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: KERRI-ANN JONES

A. Bernstein for KAJ

CC: ERSKINE BOWLES

SUBJECT: OSTP WEEKLY REPORT

Copied:

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Jones*

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SENATE STALLS ON LANE AND BIERBAUM NOMINATIONS

The Senate Commerce Committee failed to act on your nominations of Neal Lane for Director, OSTP, and Rosina Bierbaum for Associate Director, OSTP, before the July 4 recess. Senator McCain has scheduled a markup for July 9 when these nominations may be considered, but the continued delay is causing serious problems for OSTP and NSF (whose new Director, Rita Colwell, has already been confirmed).

NEXT GENERATION INTERNET (NGI)

*Could make
this
even
worse*

Funding for NGI in the Senate Defense Appropriations bill was \$10 million under your request of \$40 million, and the House Energy & Water Appropriations bill provided none of your request for \$22 million for NGI from the Department of Energy. These cuts would severely hamper efforts to connect more than 100 universities and national laboratories at speeds 100 to 1,000 times faster than today's Internet to support networking research, and new multimedia applications such as telemedicine and distance learning. OSTP will continue to push for the full request -- and attempt to make it clear that cuts in one area affect other seemingly disparate accounts.

CONGRESS TARGETS CLIMATE CHANGE TECHNOLOGY INITIATIVE

WJ

The central elements of your climate change technology initiative are being decimated on the Hill. If we fail to get funding for environmental R&D, the Nation will be poorly positioned to respond to the threat of climate change.

The Senate Interior Appropriations Subcommittee reduced your request for Energy Conservation by \$161 million. The Subcommittee mark would be particularly damaging to the Partnership for a New Generation of Vehicles and to new efforts to develop clean diesel engines for light trucks. During Senate consideration of the Energy and Water Appropriations bill, Senator Jeffords and Senator Roth successfully offered an amendment to restore approximately \$58 million in funding for solar and renewables -- bringing the solar and renewable account closer to your requested level, but still \$34 million short. Unfortunately, the amendment had the effect of lowering the levels of other areas in DOE's budget -- as Senator Domenici had made sure that no cuts could come from water projects. OSTP will continue to push for the totality of your R&D request.

7-7-98

The House Appropriations Committee approved language in the VA/HUD bill that would prohibit the Administration from using any appropriated funds to "develop, propose or issue rules, regulations, decrees or orders" designed to implement the Kyoto protocol. The provision and accompanying report language would further prevent the administration from "conducting educational outreach or informational seminars on policies underlying the Kyoto Protocol." Democratic Whip Vic Fazio, who called Joe Knollenberg's (R-MI) provision "essentially a gag rule on those people who differ from him," offered an amendment to tone down the language, but it failed by an 18 - 27 vote.

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COS

NSF APPROPRIATIONS PROSPECTS IMPROVING

During the full House Appropriations Committee markup, Rep. Rodney Frelinghuysen (R-NJ) and Rep. Mark Neumann (R-WI) successfully offered an amendment to add \$70 million to NSF research and related activities. The effect of this successful amendment is a House bill that provides NSF with a total FY99 appropriation of \$3.697 billion. This is \$268 million (8%) more than the FY98 level, and \$53 million more than the Senate's recommendation, but still \$76 million less than your request.

KENNEWICK MAN MEDIATION BEGINS

Mediation among all parties to the *Bonichsen v. U.S.* case began in Oregon last week, but left two important issues unresolved. Disagreement remains over the type of testing that may be undertaken on the Kennewick Man bones. The government and the tribes are proposing an incremental approach to testing (from measurement to radiocarbon dating to DNA testing) to see how much is actually necessary in order to ascertain the Kennewick Man's origin. However, the plaintiff scientists want assurances that all the tests they desire to do will be done. The plaintiff scientists also want assurances that they will be the individuals doing the tests -- claiming constitutional rights (under the First Amendment) in this regard. Disagreement also remains about the site to which the Kennewick Man remains will be moved, with plaintiff scientists objecting to the government's choice. We expect these issues to be resolved by the Court in early July.

OSTP STUDYING HIGH-TECH "RAIDS" ON COMPUTER SCIENCE SCHOOLS

The *New York Times* reported June 25 that the high-tech field, the fastest growing of the United States' economy, has become so voracious in its hiring that computer science departments across the country are losing graduate students and, in growing numbers, undergraduates to an industry fueled by vast sums of money. Current support for this assertion is mostly anecdotal. Most of the "dropout" apparently occurs immediately after receipt of the bachelor's degree, i.e. fewer people go on for advanced degrees. We have encountered only a few software development shops that occasionally say that they do not care what degree the new hire has, or that they think that degrees are irrelevant, etc. OSTP has been working with Computer Research Associates and your High Performance Computing and Communications (HPCC) Advisory Committee to put some facts and figures behind the whole phenomenon. The Advisory Committee will likely make some recommendations in the Interim Report they will deliver on July 3.

6/25/98

THE WHITE HOUSE
WASHINGTON

7-7-98

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June 26, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT June 20 - June 26

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

- **Immigration and Agricultural Advocates Pleased with the Food Stamp Provision in the Agriculture Bill.** The immigration advocates who worked with us on the food stamp provisions in the Ag Bill were very pleased with the bill signing ceremony this week. They see the restoration of benefits for legal immigrants as a big win for the Administration and for themselves. This was the first bill signing in the Rose Garden for the agriculture community. Your strong emphasis on "wheat sanctions" was well received. This community had been hitting the Administration hard on this issue.
- **Prostrate Cancer.** The reaction from the prostrate cancer coalition over your Radio Address was quote "a terrific boost to the survivor community and will help the NPCC immeasurable as we try to increase appropriations." They are working to continue to amplify the press attention over the next weeks on television, radio, and letters to the editors. They are talking to Nightline about a possible upcoming piece. Hearst newspapers is preparing a three day series for publication in the upcoming months.
- **Patients Bill of Rights.** Health and consumer groups rallied this week with the Democratic leadership to say the Republicans Patients Bill of Rights plan is a sham.
- **Africa Trade Bill.** COS and OPL hosted an Africa Trade Bill Briefing with the business community and key supporters to coordinate support for passage of the Bill. William Buckman of MWI, Percy Wilson of the Corporate Council on Africa and Coca - Cola Company, Emma Chappell of United Bank of Philadelphia, Bob Haines of Mobil Oil, Elliot Hall of Ford Motor Company, Lottie Shackleford of OPIC, Ernie Green of ADF, C. Payne Lucas of Africare, Special Envoy Jesse Jackson, and Salih Booker of Council on Foreign Relations, among others, attended the briefing and are working together to galvanize additional support. The NAACP will indicate its support for the Bill during a Africa Town Hall Meeting at its National Convention in Atlanta, Georgia on Tuesday,

7-7-98

July 14, 1998. Additionally, at a forum hosted by Africare, we met with 25 African Ambassadors; they voiced a desire to have the Vice President or a senior Administration figure named as point person for the campaign to pass the Bill.

- ✓ **Black Farmers.** John Boyd, president of the Black Farmers Association praised the administration for breaking the logjam in the Congress over the Statute of Limitations legislation. While its not a done deal, the legislation is proceeding through the Congress. We made Boyd aware of your personal involvement in this effort as well as the COS.
- ✓ **Procurement Reform.** OPL and SBA conducted a series of briefings with minority caucuses and interested groups on the implementation of the federal government's new procurement programs for small disadvantaged businesses. The briefings and the press announcement have received some positive press with only minor criticism.

CONSTITUENT OUTREACH AND OTHER ISSUES

RELIGIOUS OUTREACH

- ✓ **Religious Freedom Abroad.** Pro-business Republican Senators who strongly oppose any sanctions legislation, such as Gramm, forced Chairman Helms to delay action on the Nickles bill. However, some observers are fearful that if it is stalled too long, Lott, who is holding Wolf/Specter at his desk, may simply move that directly to the floor.
- **Race Initiative.** Christopher Edley led a meeting on Monday of religious and civil rights leaders, including the Southern Baptist Convention, to discuss possibilities for how the religious community might continue the work of the PIR. Based on that discussion, we are working with PIR staff to draft a plan. The June 14 weekend of sermons/prayers for racial reconciliation engaged a broad spectrum of faiths including Christians, Jews, Muslims, and Baha'is. We received letters of support and encouragement from a diverse group including the Seventh-day Adventist, National Council of Churches, the Universal Fellowship of Metropolitan Community Church (community of gay churches nationwide), the Iowa United Methodist Church, and the Coalition for Christian Colleges and Universities, as well as from a large number of African-American pastors.

JEWISH OUTREACH

- **Missile Proliferation.** Most Jewish organizations called on the President to reconsider his veto of the Iran Missile Proliferation Act. They worry that if transfer of missile technology goes unpunished, Iran, and other rogue states, will soon have the capacity to threaten their neighbors.

- **Holocaust.** Both houses of Congress passed and submitted to the President the Holocaust Victims Redress Act to authorize up to \$25 million for groups that assist Holocaust survivors and \$5 million to pay for archival research to assist in the restitution of assets looted from Holocaust victims.

HISPANIC OUTREACH

- **Federal Advertising Contracts and Census 2000.** OPL meet with Sanchez Healy, Inc, a predominately Hispanic owned advertising agency based out of Chicago, IL to discuss the possibility of the federal government contracting out a portion of the advertising of the Census 2000 to a Hispanic owned advertising agency. Sanchez Healy claims that for the 1990 Census, the Commerce Department and Census Bureau gave the entire advertising contract to Young and Rubicam (Y&R) without making a provision that Y&R sub-contract a Hispanic advertising agency to reach out to the Hispanic community. Sanchez Healy claims that Y&R sub-contracted an African American and a Native American advertising company to reach those segments of the population and gave no such sub-contract to a Hispanic American agency. They are concerned that the same thing will recur with the upcoming Census.

WOMEN'S OFFICE OUTREACH

- **Discussion on Women and HIV/AIDS.** The Women's Office in coordination with Office of National AIDS Policy sponsored a meeting in the White House with women leaders to discuss how HIV/AIDS could be integrated in the broader women's agenda. HIV/AIDS are growing rapidly in the women's community, particularly in women of color.

BUSINESS OUTREACH

- **BRT Speech.** On Wednesday, the Vice President addressed the Business Roundtable's Summer Meeting. His remarks were well received; they focused on keeping the recovery going, international engagement and investing in our future.

GAY AND LESBIAN OUTREACH

- **Congressional republicans continue their assault on gay Americans.** Delay and Hefley say they will offer an amendment to Treasury-Postal Appropriations which would bar the expenditure of funds to implement, administer or enforce your Non Discrimination Executive Order of May 28th. The DC Appropriations bill will likely see an effort to bar unmarried couples from adopting or serving as foster parents. Senator Nickels amplifies Lott's remarks and accuses Jim Hormel of promoting "immoral behavior."

- **DOEd enters into historic consent agreement with Fayetteville school district requiring it to protect gay youth from harassment.** The agreement arises out of complaints from Bill and Carolyn Wager, whose complaints that their son William was being harassed at school went unaddressed. The agreement holds -- for the first time -- that Title IX applies to anti-gay sexual harassment in the public schools under certain circumstances. The Wagners had written you last year about their son.

cc: Erskine Bowles Rahm Emanuel
 Craig Smith Michael McCurry
 Doug Sosnik Gene Sperling
 Sylvia Mathews Thurgood Marshall, Jr.
 Sid Blumenthal John Podesta
 Bruce N. Reed Mickey Ibarra
 Ron Klain Larry Stein

THE WHITE HOUSE
WASHINGTON

June 26, 1998

7-7-98

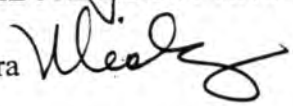
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Ibarra

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MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: Mickey Ibarra



SUBJECT: Office of Intergovernmental Affairs Weekly Report -- June 22 - 2

Budget

- In response to this week's House budget proposal, we have been circulating material to the organizations representing elected officials to alert them about the negative impact such cuts would have on their constituents. The National Governors' Association (NGA) stated in a letter to the House that they would, "adamantly oppose any attempt to cut Medicaid or the state children's health insurance program." NGA also stated its support for low-income heating assistance, which the House has proposed to cut. The National Conference of State Legislatures has also written to the Congress on the importance of, "preserving the funding levels for the Medicaid program agreed to in the Balanced Budget Act of 1997." We will continue to urge our partners in government to speak out against the Congressional budget proposals during the recess.

Census

- We continue to vigorously engage our elected officials on the census at every opportunity. In addition to including census in your remarks at the Mayor's conference last week in Reno, NV (see full report attached), we arranged for Secretary Slater to address it in his remarks and we had a series of smaller discussions with mayors from across the country on the stakes involved in insuring a fair and accurate census. Following Secretary Daley's address to the National Association of Latino Elected Officials, the organization presented the secretary with a strongly worded resolution supporting the use of statistical sampling to complete the 2000 Census. We are also circulating draft op-eds to elected officials in key states.

Internet Tax

- Organizations representing the governors, mayors, and other state and local elected officials issued a statement in support of the Internet Tax Freedom Act (H.R. 4105) that was passed in the House. The bill establishes a three year moratorium on specific,

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defined taxes, and includes a commission to study electronic commerce and direct-mail sales tax issues.

Governors

- Governor Paul Cellucci (R-MA), Governor John Engler (R-MI), Governor Arne Carlson (R-MN) and Governor George W. Bush (R-TX) each expressed their gratitude for the disaster assistance you approved for their respective states.
- ✓ Governor Tony Knowles (D-AK) was delighted with your stop at Elmendorf Air Force Base on Wednesday, June 24. Additionally, the Governor appreciated that you agreed to raise the drift-net fishing issue with the Chinese Government.
- ✓ Governor Jeanne Shaheen (D-NH) spoke with the Vice President earlier this week and thanked him for all he was doing to keep Congress from reducing the funding level for LIHEAP. The Vice President shared with Governor Shaheen how important he believes this program is for the children of New Hampshire.
- Fred DuVal is attending the Western Governors Association (WGA) Annual Meeting in Anchorage, AK. He will speak at the opening plenary session of the conference and urge the Governors support for the Administration's Congressional priorities.

Mayors

- The U.S. Conference of Mayors and the National Conference of Black Mayors issued statements commending Congressman Jerry Lewis (R-CA) for taking action to stop the HUD Inspector General's fraud investigations of the cities of San Francisco, New Orleans and Baltimore. The investigation was pulled until legal criteria can be established for targeting a city for an investigation.

State Legislators

- We hosted a group of 28 state legislators from across the country who were in town as part of the Arthur Flemming Fellows Leadership Program, sponsored by the Center for Policy Alternatives, headed by Ambassador Linda Tarr-Whelan. We engaged the legislators in a lively discussion of four key priorities including: education, tobacco, the Patient's Bill of Rights, and the census.

Insular Affairs

- The Senate Energy and Natural Resources Committee scheduled a hearing on the Puerto Rico status choice legislation for July 14. The Committee held a hearing this week on issues raised by making Puerto Rico a sovereign nation.

- Senator Al D'Amato (R-NY) called for Puerto Rico status choice legislation after a poll showed New York Puerto Rican support for a Puerto Rico status choice.
- Guam Governor Carl Gutierrez (D) and Congressman Robert Underwood (D) expressed deep appreciation for your video statements on the Centennial of the raising of the U.S. flag on the Island. The message was broadcast on all radio and TV stations and reprinted in the newspapers.
- Jeff Farrow chaired a meeting with relatives of prisoners convicted of crimes committed in the name of Puerto Rican independence. You have been petitioned by many U.S. Puerto Ricans, religious leaders, and others to release the prisoners. The Justice Department is completing its review of the matter.

Food Stamp Restoration

- We secured the attendance of Los Angeles County Supervisor Gloria Molina, Chicago City Treasurer Miriam Santos and Virginia State Delegate Karen Darner for the Agriculture Bill signing ceremony on June 23. The officials helped us amplify the restoration of food stamp benefits to legal immigrants, seniors, persons with disabilities, and children. Supervisor Molina and Treasurer Santos completed numerous general and Spanish radio and press interviews following the event. In addition, we distributed talking points to key Latino elected officials.

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June 26, 1998

REPORT TO THE PRESIDENT, THE VICE-PRESIDENT AND THE FIRST LADY

SUBJECT: 66TH ANNUAL U.S. CONFERENCE OF MAYORS MEETING
FROM: LYNN CUTLER
THROUGH: MICKEY IBARRA ✓
CC: ERSKINE BOWLES
SYLVIA MATHEWS
MARIA ECHAVESTE

The 66th Annual Mayors Meeting was held June 19-June 23, 1998 in Reno, Nevada. The meeting opened with a live satellite by the President which was very well received. Although I was not present for the satellite due to flight delays, several mayors went out of their way to tell me when I arrived that they thought the remarks were terrific and hit the key areas of their concerns. Mayor Abramson was particularly touched by the President's comments about his contributions.

The entire meeting was a success. We had more than twenty agencies at the Federal Resource Center, which was well situated. Many of the mayors and their staffs came by to gather information, share concerns and also used the center to hold meetings with agency representatives. This concept, which the President developed at last year's Mayors meeting in San Francisco, has worked well at the subsequent meetings of elected officials.

I spoke at a meeting of women mayors. The meeting was an opportunity to highlight a number of issues including childcare, school violence and after-school issues. We plan on hosting the women mayors at meeting at the White House during the mayor's legislative meeting this winter.

Speeches were delivered by Secretary Cuomo, who brought the house down with a rousing call to action on behalf of cities' needs and the low income people left behind, and Secretary Slater, who had the happiest task at the meeting because of TEA 21. Surgeon General Satcher moved many of the attendees with a very strong message on needs and partnership. Chairman Bill Kennard gave a stirring defense of the E-Rate, and asked for the help of the Mayors. Secretary Herman visited a summer youth employment program in Reno, and spoke the following day, even as the Congress was zeroing out the funding for the program. The Attorney General also spoke. The COPS program, along with several others, were praised in the resolutions passed by the Conference.

Most of the resolutions strongly supported Administration initiatives. From COPS to Empowerment Zones, the mayors see us as their true partners. Speaker after speaker spoke of the warm and friendly reception from the White House, as well as the substantive working

relationships we have. You may have read of Mayor Rendell's proposal to set up a task force on local control of gun violence. He wants to create a model program in Philadelphia in partnership with the American Shooting Sports Council, and potentially with the NRA. The Conference voted to set up the Task Force of Mayors and County Executives and begin to look at options for reducing sales of handguns to criminals along with other measures. The Mayor will come in to meet with Rahm Emanuel soon.

Other resolutions included: support for increased funding for HUD programs; several on juvenile justice and school violence; full funding for INS so that cities do not have to pick up responsibilities; strong support for drug treatment while in prison, in fact, a whole separate conversation on this issue took place in which the mayors called on the Governors to support drug treatment in prisons; national Drug Treatment and Prevention program; increased funding for the Indian Health Service and appointment of Indians to Civil Rights Commission; strong endorsement of the President's education platform; endorsement of the E-Rate; several resolutions in support of the President's Child Care Initiatives; and many more, including a special resolution brought in by Mayor Vera Katz of Portland, Oregon, which endorsed the Wyden bill to hold youth who bring weapons to school for 72 hours.

The mayors were grateful for our support of the transportation legislation, and are ready to partner with us in a significant way in fighting for the use of sampling in the 2000 census. I held several separate conversations with mayors on the census issue.

It was a great experience to be with the people who are doing so much at the local level--the winners of the City Livability Awards are involved in really creative and exciting programs--I was proud to represent this White House at the meeting.

THE WHITE HOUSE
WASHINGTON

June 26, 1998

7-7-98

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page 3

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. *Handwritten: KMB for TM*

SUBJECT: Summary of Cabinet Weekly Reports
June 20 - 26, 1998

AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **Forest Fires:** The Vice President will travel to FL on June 29 to view the fire damage. He will visit with firefighters at a National Forest Service fire camp in the Bunnell Complex near Daytona, FL. He plans to meet with residents who have suffered property damage and tour the affected area. On June 25, the Vice President visited Houston and was briefed on the fire situation in TX. He met with Buddy Young, the FEMA Region VI Director, and representatives of the National Forest Service, TX Forest Service and the TX National Guard. Following the briefing, the Vice President made a brief statement to the press amplifying your decision to grant the Governor's request for an emergency declaration.

DEPARTMENT OF TREASURY

- **Malaysia:** On June 28, Secretary Rubin travels to Malaysia to meet with Malaysian officials and business representatives, after which he will travel to Thailand to discuss the effects of the financial crisis with Thai officials and business leaders. The Secretary will finish his trip in Korea where he will discuss the Asian financial crisis with President Kim and Finance Minister Lee, as well as other government officials.
- **Asia:** On June 18, Deputy Secretary Summers, NY Federal Reserve Bank President William McDonough, and Ambassador Sherman attended meetings in Japan on its current economic problems, and on June 20 they attended a G-7/Asian meeting on the Asian financial crisis focusing on Japan. They also met with President Habibie in Indonesia and former and current Prime Ministers Lee Kuan Yew and Goh in Singapore. The trip succeeded in carrying an urgent message of concern about Japan's economy and reinforcing the U.S. commitment to helping the Indonesian people, but it also confirmed the magnitude of the challenges facing the region.

- **Indonesia:** On June 25, Indonesian officials signed a letter of intent with the IMF which outlines a revised reform program focused on stabilizing the economy, ensuring adequate supplies of food and other necessities for the Indonesian people, and restructuring the banking system. GDP is forecast to contract by 10 percent, inflation is expected to soar to 80 percent, and the budget deficit will rise to 8.5 percent of GDP during 1998. The agreement indicates that Indonesia will require \$4-6 billion in external support to fill this budget gap. Also on June 25, the Asian Development Bank approved a \$1.5 billion financial sector assistance program for Indonesia. The World Bank is also expected to consider a \$1 billion structural adjustment loan, most likely on July 2. These loans are part of the existing pipeline of support for Indonesia and will therefore not help to close the external financing gap.
- **Russia:** On June 25, the IMF Board approved release of the delayed \$670 million loan installment for Russia. A new IMF mission will arrive in Russia during the week of June 28 to begin discussions on a possible new funding program, which Russia has said could take 1-2 months. Bond yields continue to rise as foreign demand weakens.
- **Electronic Funds Transfer (EFT):** On June 25, Treasury issued key provisions of final regulations to carry out EFT 99, the congressional mandate that all Federal funds transfers be conducted electronically by January 1999. The regulations will allow federal payment recipients to continue receiving paper checks if electronic deposit would cause hardship, and Treasury continues to work to minimize abuses by financial services providers surrounding the implementation of EFT 99.
- **India/Pakistan Sanctions:** Treasury is preparing a draft Executive Order which will clarify the prohibition against extending loans and credits to India. Treasury expects a draft Executive Order for Pakistan to follow shortly thereafter. Treasury continues to implement Glenn Amendment sanctions pertaining to international financial institutions and U.S. banks. Treasury has gone beyond the requirements of Glenn to oppose all lending to Pakistan and India (except for basic human needs), and has obtained agreement from the G-7/G-8 to defer lending. To date, World Bank loans for India totaling \$900 million have been postponed at the request of the U.S. and others. In both India and Pakistan, the stock markets and currencies have significantly weakened since the nuclear tests in anticipation of sanctions.
- **Y2K:** On June 17, Treasury, the Federal Reserve Bank of NY, and the Bond Market Association sponsored a conference on Y2K testing for participants in the U.S. Treasury securities market. The conference reinforced the need for Y2K testing and provided specific information on upcoming testing opportunities.

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DEPARTMENT OF JUSTICE

- **Driver's Privacy Protection Act:** On June 9, a judge declared the Driver's Privacy Protection Act unconstitutional. The Act generally requires States to restrict access to "personal information" contained in their motor vehicle records. The Judge found the Act unconstitutional under the Commerce Clause, because it "commandeers" the States in violation of the Tenth Amendment.
- **Japanese Latin Americans Internment:** On June 12, the U.S. and five plaintiffs representing Japanese Latin Americans interned during World War II reached a settlement providing former internees \$5,000 in symbolic compensation and a Presidential letter of apology. Plaintiffs had sought redress under the Civil Liberties Act of 1988, which provides redress to Japanese American citizens and permanent residents who had been interned.
- **ADA:** On June 15, the Supreme Court held unanimously that the Americans with Disabilities Act (ADA) applies to inmates in State prisons.

• **Vacancies Act:** On June 17, the Senate Governmental Affairs Committee approved a bill which would specify which individuals could be appointed on an "acting" basis to jobs requiring Senate confirmation and would set a 150-day limit on their tenure as "acting." Unless a permanent nomination is submitted, the post would be vacated after 150 days. Additionally, the bill would set a 240-day limit on filling vacancies during a transition between Administrations. This legislation would clarify that all executive branch positions not explicitly governed by other statutes would fall under the Vacancies Act.

• **Sexual Harassment:** On June 22, the Supreme Court ruled that a school is not liable for damages for sexual harassment of a student where the school did not have notice of that harassment. DOJ argued that a school district may be liable under Title IX when the school district knew or should have known of the harassment, or when the teacher's position was critical to his ability to harass the student. The Court rejected that position, finding the school not liable for damages.

DEPARTMENT OF INTERIOR

- **Indian Gaming Meeting:** On June 23, Secretary Babbitt presided over a meeting of representatives of Indian Tribes, State Governors and State Attorneys General and DOJ. The topic was whether common ground was possible on the impasse in the compact negotiation process to the Indian Gaming Regulatory Act created by the Supreme Court's decision in the Seminole case. The Seminole decision held unconstitutional the IGRA's provision that allowed tribes to sue states for failure to bargain in good faith over gaming compacts. The parties agreed further discussions might be useful with the goal of consensus amendments to the Act for submission to Congress.

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- **NPS Ranger Fatally Shot:** On June 21, NPS Ranger Joe Kolodski was fatally shot while responding to a report of a man with a rifle along the Blue Ridge Parkway. Joe Kolodski's wife, Florie Takaki, is an interpreter at Great Smoky Mountains National Park. The couple has a 5-year old daughter and 8½-month-old twins. Secretary Babbitt attended a memorial service for Ranger Kolodski and you sent a letter to his widow.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Forest Fires:** As of June 24, eight fire complexes were burning approximately 109,000 acres in FL. Meanwhile, fires in the 1000-2000 acre range were burning in west TX, eastern WA, and UT, while a 60,000-acre fire in AK continues burning. To date, the Forest Service reports 29,000 fires, just 70 percent of the 10 year average, involving 662,000 acres, 80 percent of the 10 year average. Hot and dry conditions in FL, GA, NM, and TX continue the possibility for additional fires in those areas.
- **Northern Plains Crop Losses:** Continued drought conditions throughout much of the Northern Plains have affected this year's crops. Eight MT counties in the northeastern part of the state are experiencing extreme drought, and 16 counties in the northwest and southeast are experiencing moderate drought. Five ND counties in the west-central part of the state are experiencing severe drought; moderate drought is reported in 12 counties in the southwest corner of the state. Five SD counties in the northwestern part of the state are experiencing moderate drought.
- **Safe Summer Grilling Event:** On July 2, Secretary Glickman will participate in a "safe summer grilling" food safety media event at USDA. The Secretary, accompanied by USDA food safety experts on grilling, will oversee a cookout and deliver a message centered around the importance of safe food handling and cooking techniques, and calling on Congress to fund fully your Food Safety Initiative. The Vice President may participate in the event.

DEPARTMENT OF COMMERCE

- **National Weather Service (NWS) Incident Meteorologist (IMET):** The demand for IMET support remains high because of moderate to extreme drought conditions over FL, TX, and the interior of AK. NWS has sent IMET personnel to the weather emergency centers in these regions. IMET personnel provide onsite support to state officials by surveying disaster areas, assisting in firefighting methods, and serving as liaison between the media and NWS.
- **Oil Spill:** NOAA has reached a settlement with Chevron Products Company for natural resource damages resulting from the May 14, 1996, pipeline spill into Pearl Harbor, HI. Chevron has agreed to restore the shoreline around the Visitor Center at the ARIZONA

Memorial at a cost of \$1 million and to pay an additional \$2 million to the trustees to address other injuries to the Memorial.

DEPARTMENT OF LABOR

- **GM Strike:** As of June 24, 100,541 GM hourly workers in the U.S. have been laid off as a result of the two UAW strikes in Flint, MI. A total of 142,600 GM hourly workers in North America have been laid off. UAW members who are on strike receive \$150 a week in strike benefits; workers laid off due to the strike will be eligible for unemployment insurance in most states.
- **Employment Statistics:** On July 2, BLS will release the National Employment and Unemployment Situation statistics for May (**note: this release is typically issued on the first Friday of each month, but, due to the holiday, will be issued on Thursday.**)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **HIV Prevention:** On June 25-26, the National Institute on Drug Abuse, in collaboration with the World Health Organization's Programme on Substance Abuse and the Joint UN Programme on HIV/AIDS, convened a meeting of researchers to establish a Global Research Network on HIV Prevention in Drug-Using Populations.
- **Combination Therapy for HIV/AIDS:** According to an article in the July 1 issue of *The Journal of the American Medical Association*, NIH-supported researchers have found that compared to the sequential administration of a three-drug combination, starting the drugs indinavir, zidovudine and lamivudine simultaneously had a marked and sustained antiretroviral activity for at least two years in 78 percent of participating HIV-infected patients. The authors also found a substantial and continuing increase in CD4 cell count. Substantial viral suppression occurred in only 30-45 percent of participating patients where use of the same drugs was added sequentially over months.
- **Maternal-Infant HIV Transmission:** According to a study to be presented at the 12th World AIDS Conference, pregnant women infected with HIV can reduce the risk of transmitting the virus to their infants by about 50 percent if they deliver by elective cesarean section.
- **Juice Labeling:** By July 2, HHS expects to publish in the *Federal Register* a final rule designed to improve the safety of fresh fruit and vegetable juices by requiring a warning label for all juice products that have not been pasteurized or otherwise treated to kill harmful microbes.
- **E. coli:** Between June 17-21, six cases of E. coli in children were reported to the GA Division of Public Health (GDPH). GDPH has identified a water park as the source of

the outbreak. Although no specific incident was documented, fecal contamination of the pools' water by an infected child is the likely source of infection.

- **Y2K Guidance:** In the June 24 *Federal Register*, FDA published a guidance for the medical device industry on FDA's expectations concerning the Y2K date problem. The guidance reviews the legal responsibilities of device manufacturers and the legislative and regulatory requirements with regard to Y2K. Because of its public health impact, the guidance is effective immediately.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **"Officer Next Door":** For the week ending June 19, HUD accepted 28 sales contracts and closed 25 deals on HUD-held properties to police officers under the "Officer Next Door" program. These additions bring the total number of contracts to 1600 and closings to 985. HUD anticipates that it will reach the program's goal of 1,000 closings within the next few days.

DEPARTMENT OF TRANSPORTATION

- **International Safety Management Code:** On July 1, the USCG will begin enforcing the new international safety management code for ships. This final rule will improve marine safety by establishing standards for safety management systems for certain U.S. vessels, requiring them to comply with the International Safety Management Code for the Safety of Life at Sea.
- **SEPTA Strike:** On June 22-23, in Philadelphia, TWU and SEPTA met after three weeks of strike with no negotiations. Another session took place on June 24. Although no details have been released, both sides indicate that progress is being made.
- **Plane Structural Integrity:** FAA issued an airworthiness directive to inspect for corrosion on the lug bores and on the surface of the hinge plates of the vertical-to-horizontal stabilizer. This action is the result of reports of corrosion apparently caused by brushed-on cadmium during the drilling and machining process that caused a chemical reaction. This action will affect 706 U.S.-registered airplanes out of a worldwide fleet of 1,059 with a cost of \$7,020 per airplane. The compliance time is 18 months.
- **Cuban Overflights:** On June 18, the Administration announced that Cuban jetliners will be allowed to fly over the U.S. en route to Canada. In the agreement, DOT and DOD submitted a suitable overland routing for Cuban aircraft, and Cuba recognized applicable principles of international law, including those applying to safety, and agreed to comply with those rules.

DEPARTMENT OF ENERGY

- **Electric System Reliability:** On July 9, the Task Force on Electric System Reliability will hold its tenth meeting near Chicago, IL. The Task Force makes recommendations to DOE on institutional policy and technological changes that are necessary to maintain a highly reliable electric transmission system. The Task Force is expected to complete its work in September with the issuance of a Final Report.
- **Media Roundtable:** On June 26, Secretary Peña was interviewed by major media on his accomplishments and highlights of his DOE service.

DEPARTMENT OF EDUCATION

- **Appropriations Markup:** The House Labor-HHS-Education Appropriations Subcommittee did not provide any funds for your new education initiatives, such as school construction, class size reduction, and High Hopes for College, cut Goals 2000 by 50 percent, cut School-to-Work by 67 percent, prohibited funding of the voluntary national tests, and imposed a two-year limit on students' participation in bilingual education programs.
- **Merit Scholarships:** On June 26, DOEd's Office for Civil Rights met with the College Board, the Educational Testing Service and the National Merit Scholarship Corporation to discuss progress in fulfilling the terms of a resolution agreement that required the organizations to implement a PSAT exam that would be fairer to female students.

VETERANS AFFAIRS

- **Tobacco Claims Suspended:** VA has suspended the processing of tobacco-related claims for disability compensation pending resolution of key technical amendments to the recently enacted Transportation Equity Act for the 21st Century. The technical corrections bill, which would restore the legislation to the original intent of the Administration, is currently blocked in the Senate.
- **Boston Facilities:** VA will consolidate inpatient services at a VA Medical Center in Boston, MA. The two hospitals, located seven miles apart, currently provide services that significantly overlap. Consolidation is projected to save \$100 million over five years.

ENVIRONMENTAL PROTECTION AGENCY

- **Children's Research Centers:** On June 29, the Vice President may announce the selection of the first-ever federal research centers dedicated solely to studying children's environmental health hazards. Jointly funded by EPA and HHS, "Centers of Excellence in Children's Environmental Health Research" will be created at six leading research

institutions. These centers will perform targeted research into children's environmental health and translate their findings into intervention and prevention strategies by working directly with communities and community groups. The centers will each receive approximately \$1.5 million.

- **San Francisco Ozone Standard:** On June 25, EPA announced the "redesignation" of the San Francisco Bay area from "attainment" to "nonattainment" for the health standard for ozone. The Bay Area exceeded the ozone standard 43 times in 1995-96. The redesignation will force the area to identify and implement measures to bring it back into attainment quickly.

UNITED STATES TRADE REPRESENTATIVE

- **APEC:** Ambassador Barshefsky successfully guided APEC progress in advancing the nine sectoral market opening initiatives, covering trade valued at \$1.5 trillion, launched by you and other APEC Leaders last November in Vancouver. These efforts included defining product scope, measures covered (e.g., import tariff rates and non-tariff measures), and the basic timetables for trade liberalization in these sectors.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **K-mart Executives:** On June 30, Director McCaffrey will meet with Community Anti-Drug Coalition of America President Nelson Cooney and representatives of the K-mart Corporation to discuss their contributions to the substance abuse field and future support for anti-drug efforts.

SMALL BUSINESS ADMINISTRATION

- **Disaster Update:** Since the start of FY98, SBA has approved 22,543 new disaster loans for \$540.6 million, which resulted in \$526.3 million in obligated funds after cancellations, increases, and decreases.
- **Welfare-to-Work:** On June 19, Administrator Alvarez made a welfare-to-work announcement in St. Louis, MO. SBA announced the receipt of commitments from small business owners to hire 900 persons coming off welfare.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **FL Fires:** The National Weather Service forecast for most of FL offers little relief for firefighters battling wildfires throughout the state. Periodic rain showers and scattered thunderstorms are forecast through at least Saturday. Temperatures will remain above normal through the period, adding to the drought conditions. The Forest Service says that 80 percent of the state is currently at a drought level of 710; a desert is 800. More than

870 federal personnel from six federal agencies in 19 states have been deployed to FL to help fight fires and support the fire fighting mission. Between June 18 and 22, there have been 469 new fires. Since the emergency began May 25, fires have burned more than 155,000 acres in 45 counties.

OFFICE OF PERSONNEL MANAGEMENT

- **Hispanic SES Workshop:** Director Lachance and Secretary Peña hosted a workshop for all Hispanic members of the Federal Government's Senior Executive Corps. The workshop was directed at increasing the number of Hispanic employees in the federal government.
- **Managerial Training:** On July 2, Director Janice Lachance will dedicate OPM's new managerial training facility in Shepardstown, WV.

UNITED STATES INFORMATION AGENCY

- **Nuclear Message:** During the week of June 12-19, Ambassador Celeste conducted interviews presenting the U.S. position on nuclear testing in India and Pakistan with the leading news magazines and with news services that reach almost every newspaper and television station in the country. The full text of the interviews appeared in a dozen English and vernacular publications and the Ambassador appeared on a national TV evening news report.
- **Polling Results:** USIA flash surveys in Britain, France, Germany and Italy find majorities in each country support international involvement in the region. There is widespread support for keeping up diplomatic and economic pressure on Serbia. Majorities of six-in-ten or more also support stationing NATO troops in countries bordering on Kosovo to prevent the spread of fighting. Fewer support other military actions. Half in Britain and minorities in France (35 percent), Germany (34 percent), and Italy (24 percent) support the use of air strikes against Serbian military targets. Pluralities in Britain (46 percent), Germany (49 percent), and Italy (43 percent) tend to believe that UN approval is required for any military action, while half in France (51 percent) believe NATO approval is sufficient. Roughly a third in each public hold the opposite view. The overwhelming majority of Russians in Moscow and St. Petersburg (83 percent) would oppose the international community's conducting air strikes against Serbian military targets to stop the fighting in Kosovo. In addition, two-thirds in each city would oppose Russian participation in any form of military action the international community might decide to take to resolve the situation in Kosovo (a plurality of 44 percent would oppose this strongly). Only one-fourth would favor Russia's taking part.

GENERAL SERVICES ADMINISTRATION

- **Governors Island:** On June 15, the National Trust for Historic Preservation included Governors Island on its list of the 11 Most Endangered Historic Places for 1998.

SOCIAL SECURITY ADMINISTRATION

- **INS Regulation:** Around July 1, the Social Security Administration (SSA) expects to publish final regulations describing the process by which INS and State will provide information, collected as part of the immigration process, to SSA to enable INS to assign Social Security numbers (SSN) to aliens when they enter the U.S. These final rules involve implementing a Reinventing Government initiative. INS will transmit enumeration information directly to SSA, thereby reducing the potential for SSA employees to accept inappropriate and/or counterfeit documents. In addition, aliens who currently must first contact INS and subsequently contact SSA will be able to accomplish both transactions in a single contact.

cc:

The Vice President
Erskine Bowles
Paul Begala
Sandy Berger
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Mickey Ibarra
Janis Kearney
Ron Klain
Neal Lane
Jack Lew
Ann Lewis
Sylvia Mathews
Michael McCurry
Katie McGinty
Mack McLarty
John Podesta
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Larry Stein
Melanne Vermeer

DEPARTMENT OF STATE

- **Indian and Pakistan:** The State Department is working, both bilaterally and multilaterally, to translate the objectives defined at the P5 and G8 meetings in Geneva and London into nonproliferation commitments by India and Pakistan. Meetings of experts from the P5 and G8 countries are being scheduled in early July in Paris and London to define more specific policy approaches. Deputy Secretary Talbott will have a follow-up meeting with Indian special envoy Jaswant Singh in mid-July.
- **Russia and the IMF:** On June 22, U.S. bankers told Secretary Albright that Russia's financial crisis has links to Asia, but that Russian government and central bank failings compounded the damage. President Yeltsin's IFI coordinator, Anatoliy Chubays, claims Russia needs \$15 billion in new IMF funds. Russia's \$670 million tranche under its current IMF loan is held up by the Government's failure to meet existing conditions. Chubays told State that he believes an agreement can be reached with the Fund on both existing and new conditions for IMF support, but that requiring Duma action on reforms, as the Fund has proposed for new money, is particularly unrealistic.
- **Sanctions Reform:** On June 23, Deputy Secretary Talbott and Under Secretary Eizenstat met with a bipartisan group of Senators to review the problems with the plethora of sanctions legislation on the books. There was productive and substantive discussion of these difficulties, general, bipartisan recognition that Congress helped cause the problem, and agreement that steps needed to be taken to fix it. State will arrange another meeting soon. Senator Lugar indicated that he was willing to accommodate some of the Administration's concerns with his bill, which focuses on future sanctions decisions and requires the Administration to follow certain procedures.

UNITED STATES REPRESENTATIVE TO THE UNITED NATIONS

- **Children In Armed Conflict:** The Portuguese will introduce a Presidential statement on children in armed conflict to be adopted next week. The action follows a June 11 briefing by SRSO Olara Otunbo and seeks to bring a humanitarian and human rights perspective to Council deliberations on conflict and post-conflict situations.

CENTRAL INTELLIGENCE AGENCY

- **Jeremiah Report:** On June 22, Director Tenet sent a letter to the SSCI in response to its request for an unclassified version of Admiral Jeremiah's assessment of the CIA's performance in India's nuclear tests. The Director provided a summary of Admiral Jeremiah's recommendations for improving CIA performance and other material explaining the Jeremiah report. Director Tenet informed the committee that a declassified Jeremiah report would not convey the full range of Admiral Jeremiah's conclusions because of the necessary exclusion of sensitive information.

- **Computer Security:** On June 24, Director Tenet testified before the Senate Governmental Affairs Committee on computer security vulnerabilities and the threat to national security. Director Tenet emphasized three key points: the growing seriousness and significance of the threat to our information systems, the need to evaluate the threat from the perspective of both state and non-state actors, and the Intelligence's Community's role in protecting the nation's public and private infrastructure systems.

7-7-98



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Carol

Schlesinger

July 6, 1998

sent and Hillary

B

Television Fund has the rare pleasure of celebrating
t of our very special friends, Mr. and Mrs. Lew

I of Directors, I invite you to join us on Wednesday,
will name our 40-acre "Country House & Hospital"
e "Wasserman Campus" of the Motion Picture &
h know from conversations with Edie, MPTF has
two decades, and their actions have embodied the
- from of care and compassion for those in the entertainment industry in need.

"Caring for our own" has been the driving force of MPTF since its inception
in 1921. The Fund is a "safety net" for Southern California's entertainment
community which has, for decades, experienced the instability and insecurity of
employment - and the fluctuations of health benefits - that have also touched
many other industries in recent years.

In honoring these two individuals, MPTF seeks to acknowledge and
encourage a new generation of leadership to continue this spirit and dedication to
meet the ever-changing health and human needs of our industry. This special place
is truly a model of health care and human services for a single industry, and one
that speaks to your vision of innovative health care 7-7-98

I hope that your schedule will allow you to join
would be the greatest gift to the Wassermans.

To Burkhardt for reply?

Yes ☒ No ☐

WTH Coordinate with Scheduling?

Yes ☒ No ☐

The President and Mrs. Bill Clinton
The White House
Washington, DC 20500

1st send to
Stephanie B.



MOTION PICTURE ASSOCIATION
OF AMERICA, INC.
1600 EYE STREET, NORTHWEST
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(202) 293-1966
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JACK VALENTI
PRESIDENT
AND
CHIEF EXECUTIVE OFFICER

July 6, 1998

Dear Mr President and Hillary

The Motion Picture & Television Fund has the rare pleasure of celebrating the generous and caring spirit of our very special friends, Mr. and Mrs. Lew Wasserman.

On behalf of the Board of Directors, I invite you to join us on Wednesday, October 28, 1998, when we will name our 40-acre "Country House & Hospital" campus in Woodland Hills the "Wasserman Campus" of the Motion Picture & Television Fund. As you both know from conversations with Edie, MPTF has been her passion for the past two decades, and their actions have embodied the spirit of care and compassion for those in the entertainment industry in need.

"Caring for our own" has been the driving force of MPTF since its inception in 1921. The Fund is a "safety net" for Southern California's entertainment community which has, for decades, experienced the instability and insecurity of employment – and the fluctuations of health benefits – that have also touched many other industries in recent years.

In honoring these two individuals, MPTF seeks to acknowledge and encourage a new generation of leadership to continue this spirit and dedication to meet the ever-changing health and human needs of our industry. This special place is truly a model of health care and human services for a single industry, and one that speaks to your vision of innovative health care solutions.

I hope that your schedule will allow you to join us in October; your presence would be the greatest gift to the Wassermans.

The President and Mrs. Bill Clinton
The White House
Washington, DC 20500

With great affection
Jack