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THE WHITE HOUSE
WASHINGTON

July 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *Phil*
SEAN MALONEY *SM*

SUBJECT: Recent Information Items

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VP
HRC
Ruff
COS

We are forwarding the following recent information items:

cc: HRC
(A) **Eric Holder Memo on King Assassination Inquiry with Ruff Cover Note** -- to update you on developments since your meeting with Mrs. King, Chuck forwards a memo from Eric Holder that describes the Justice Department's planned inquiry of certain "new" evidence relating to Dr. King's murder; Chuck thinks the inquiry strikes the right balance by being responsive to the family's concerns while not giving undue credibility to the claims of conspiracy. The Civil and Criminal Divisions plan a limited inquiry into two areas: (i) the allegations of a former FBI agent named Donald Wilson, who claims he concealed evidence of a conspiracy; and (ii) the allegations of a man named Lloyd Jowers, who claims he was paid to facilitate Dr. King's murder. The Attorney General will call Mrs. King prior to any public announcements.

cc: Green
(B) **Albright/Green Report on U.S.-Mexico Border with Berger Cover Note** -- Sec'y Albright and her Mexican counterpart, Rosario Green, have sent a joint letter and report to you and President Zedillo summarizing their progress in defining the new "border vision" that you and President Zedillo called for last May in Mexico City; the letter addresses environmental, cultural, transportation, infrastructure, and public health issues; migration remains a source of tension, but we have found important ways to cooperate on this issue; Madeleine is also initiating tri-lateral meetings with her NAFTA counterparts.

✓
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(D) **Congressional Correspondence forwarded by Janet Murgia** -- (1) **Thank you Note from Rep. Elizabeth Furse** -- thanks you for your address at Portland State and for your trip to Springfield, which was "so helpful and healing for our grieving citizens;" says she was devastated that she could not be in Oregon; her doctors we adamant that she not travel; (2) **Letter from Rep. Amo Houghton** -- thanks you for the June 11 luncheon; says it was one of the most "helpful, cohesive, positive luncheons" he has attended in Washington; (3) **Note from Rep. Joe Kennedy** -- thanks you for honoring his father by

7-8-98

THE WHITE HOUSE

WASHINGTON

July 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM:

CFR
Charles F.C. Ruff
~~Counsel to the President~~

CC:

Minyon Moore
Assistant to the President and
Director of Public Liaison

SUBJECT:

Justice Department Inquiry re King Assassination

Copy to
VP
HRC
Ruff
COS

To keep you abreast of developments since your meeting with Mrs. King, attached is a memorandum from the Deputy Attorney General describing the inquiry that the Justice Department intends to undertake in response to the request of the King family. The inquiry will be conducted by the Civil Rights Division and will be limited to the so-called "new" evidence that has been developed recently.

I believe that the Department's plan strikes the right balance by being responsive to the family's concerns while not giving undue credibility to the claims of conspiracy. The Attorney General will call Mrs. King before making any public statement about the inquiry.

Attachment



U.S. Department of Justice

Office of the Deputy Attorney General

The Deputy Attorney General

Washington, D.C. 20530

MEMORANDUM FOR THE COUNSEL TO THE PRESIDENT

FROM:

A handwritten signature in dark ink, appearing to be "Eric H. Holder, Jr.", written over a circular stamp or mark.

Eric H. Holder, Jr.

SUBJECT:

Martin Luther King, Jr. Assassination Inquiry

PURPOSE:

To brief you on the Department's proposal to initiate an investigation limited to three specific issues in connection with the assassination of Dr. Martin Luther King, Jr.

SYNOPSIS:

The family of Dr. Martin Luther King, Jr. asserts that there is "new" evidence demonstrating that James Earl Ray is innocent of shooting Dr. King. Even if their claims proved accurate, there is no prosecutable federal case due to statute of limitation problems. However, the Department does have the authority under 28 U.S.C. §§ 533(1) and 533(3) to investigate the King assassination, even if the Department cannot prosecute anyone. We are proposing that the Civil Rights Division, with the support of the Criminal Division, conduct a joint investigation limited to two areas: (1) the allegations of former FBI agent Donald Wilson; and (2) the claims of Lloyd Jowers. In addition, should the investigators determine it is an appropriate step in their investigation, they may seek a metallurgical analysis of the bullet used in the assassination of Dr. King and the bullets found with the rifle, or investigate other matters.

MEMORANDUM FOR THE COUNSEL TO THE PRESIDENT

Subject: Martin Luther King Jr. Assassination Inquiry

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DISCUSSION:

The Attorney General intends to direct the Civil Rights Division and the Criminal Division to conduct an investigation into a limited subset of issues surrounding the assassination of Dr. Martin Luther King, Jr. As you know, the King family has requested the establishment of a "Truth and Reconciliation" commission to investigate the King assassination, based upon their view that "new" evidence has emerged which demonstrates the innocence of James Earl Ray, Jr., and the existence of a conspiracy to kill Dr. King. The "new" evidence cited by the King family consists of the 1993 claim of Lloyd Jowers that he was paid to facilitate the murder of Dr. King, and the more recent claim of former FBI agent Donald Wilson that for thirty years he concealed evidence that he confiscated from Ray's car shortly after the assassination and that suggests that the murder was the result of a conspiracy. We do not believe that a commission of the sort sought by the King family is feasible or appropriate, but that a limited investigation by the Department would be useful.

The facts and allegations surrounding the King assassination implicate no federal statutes under which prosecution would be possible and not barred by the applicable statute of limitations. Nonetheless, the Attorney General does have the authority pursuant to 28 U.S.C. §§ 533(1) and 533(3) to investigate the King shooting, even if prosecution is not permitted due to statute of limitations problems.

If an investigation were initiated, it would focus on the allegations of former FBI agent Donald Wilson and the claims of Lloyd Jowers. In addition, the investigators may seek to conduct a metallurgical analysis of the bullet used in the assassination and the bullets found with the rifle, should they determine that this is an appropriate investigative measure, or to investigate other matters if they deem appropriate.

As noted above, the first two areas of inquiry represent the "new" evidence cited by the King family in their meeting with the Attorney General. Conducting an investigation of these claims would not be unduly burdensome, and would enable us to say that we have agreed to investigate all of the "new" evidence brought to our attention by the King family. The Memphis District Attorney General has already investigated the claims of Lloyd Jowers, and concluded that they are not credible. As part of the proposed investigation, we would review the information developed by the Memphis District Attorney General, as well as determine if there are other investigative steps that may be appropriate. In civil rights cases, the Department frequently conducts investigations, even when a local investigation already has been conducted, in order to maintain proper independence and avoid perception problems. We have been in touch with the District Attorney General, who has pledged full cooperation.

MEMORANDUM FOR THE COUNSEL TO THE PRESIDENT

Subject: Martin Luther King Jr. Assassination Inquiry

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In addition to investigating the "new" evidence cited by the King family, it may be useful to conduct a state-of-the-art metallurgical analysis of the bullet used in the assassination and the bullets found with the rifle. This analysis, not available in 1968, may be useful in providing additional physical evidence linking Ray to the crime. You should be aware, however, that the utility of this test is unclear and there is a possibility that this test will be inconclusive. For this reason, the determination as to whether this test should be conducted will be left to the investigators after they have examined this question further.

The Civil Rights Division will be given the lead in the investigation, with the support of the Criminal Division. Given the King family's suspicions of the FBI and its criticism of the FBI's historic role in investigating Dr. King, using the FBI in this investigation may be problematic. Accordingly, the investigative team will assess the resources necessary for the investigation and determine the appropriate role for the FBI.

At the conclusion of this investigation, the Department will issue a report outlining its findings.

Overall, the claims raised by the King family have caused some Americans to reconsider the issue of whether James Earl Ray was responsible for the death of Dr. King. Directing the Civil Rights Division to conduct this limited investigation surely will not put this issue to rest once and for all. However, the Department has considerable credibility with the public, and with the civil rights community in particular, and our examination of the claims will address at least some of the public concerns regarding the assassination of Dr. King. Authorizing this investigation will make it more difficult to contend the Department, and specifically the Attorney General and the heads of the Criminal and Civil Rights Divisions, have not been responsive to the claims of the King family.

THE WHITE HOUSE
WASHINGTON

July 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *Phil*
SEAN MALONEY *SM*

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We are forwarding the following recent information items:

- C. J. [unclear]*
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THE WHITE HOUSE

WASHINGTON

July 6, 1998

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *SB*

SUBJECT: A New Vision for the U.S.-Mexico Border

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Madeleine and her Mexican counterpart, Rosario Green, sent the attached joint letter to you summarizing their progress in defining a new "border vision," which you and President Zedillo called for last May in Mexico City. An identical letter was addressed to Zedillo. This vision encompasses, *inter alia*, environmental issues, cultural exchanges, transportation infrastructure and public health campaigns. Migration remains a source of tension, given our success at toughening border enforcement across the board, but we can and have continued to find ways to cooperate on this agenda where possible. Perhaps the best example of this is a recently announced joint campaign involving the INS and Mexican authorities, aimed at improving border safety and reducing the tragic death toll suffered by illegal aliens seeking to cross in remote areas.

Madeleine has also taken the initiative to begin trilateral meetings with both her NAFTA counterparts, the first of which she plans this summer. Like her decision to move Canada out of State's European Bureau and into its Inter-American Bureau, this trilateral focus aims to demonstrate to the American people that our relations with our neighbors are central to our own security and prosperity.

Attachment

Tab A Letter from Secretaries Albright and Green

cc: Vice President
Chief of Staff

Washington, D.C.
June 10, 1998

The President
The White House

Dear Mr. President:

In your May 6, 1997, Joint Statement on Migration you called on the relevant agencies of the United States and Mexican Governments to report to you in one year, through the Binational Commission, on the progress made towards transforming our border into a model area of bilateral cooperation.

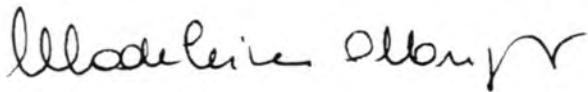
That report is enclosed. In it, we have identified a variety of initiatives and challenges that serve as case studies from which to build this new vision for the border. Several of the initiatives might usefully be replicated elsewhere, while others can serve as examples of how to meet our common challenges.

Additionally, in the Joint Statement on Migration you expressed a commitment to enhance bilateral cooperation in the management of migration between the United States and Mexico, guided by the principles of respect for each state's sovereign rights to enforce its own law, respect for the human rights of migrants, and a common search for economic and social development.

During the last year, we have worked on numerous initiatives to improve the protection of migrants' rights through greater consular access and protection. We have searched for ways to enhance the safety of migrants crossings the border.

The attached reports describe our achievements and the challenges still to be overcome. They suggest a number of practical approaches that may be used in the future to manage better the migration issues that remain one of the highest priorities of your Administration.

Our efforts build on the existing bilateral mechanisms that have evolved over recent years. These reports emphasize the guidelines and principles of cooperation, comprehensiveness and good neighborliness.



Madeleine K. Albright
Secretary of State of the
United States of America



Rosario Green Macías
Secretary of Foreign Relations
of Mexico

PROGRESS REPORT TO THE PRESIDENTS
ON THE
INITIATIVE TO IMPLEMENT
A NEW BORDER VISION

June 10, 1998

Progress Report to the Presidents on the Initiative to Implement a New Border Vision

Last year, President Zedillo and President Clinton agreed to devise a comprehensive and long lasting strategy to transform the border into a model of bilateral cooperation. In doing so, the two presidents recognized the considerable ties which unite our nations, especially along our two thousand mile frontier, an area that is home to nearly 11 million people. They agreed on the need to promote sustainable economic and social development as well as improving the well being and safety of families and communities along our common border. They recognized that the border region is unique and that advances there owe much to the efforts and creativity of local citizens and governments.

In search of excellence, the two governments have identified a variety of initiatives and challenges that serve as case studies from which to build a new vision for the border. Several of the initiatives might usefully be replicated elsewhere, while others can serve as examples of how to meet our common challenges. This effort builds on the bilateral structures that have evolved over recent years, and takes into consideration the following principles and guidelines.

The Good Neighbor Principle Actions taken on one side of the border affect the other. Therefore, Mexico and the United States commit to maintaining and improving bilateral consultation and communication mechanisms that will foster dialogue at local, state and federal levels.

A Comprehensive Vision The two governments intend to redouble their efforts to promote sustainable economic, social, cultural, educational and environmental development at the same time they increase efforts to facilitate the orderly passage of people and goods at the ports of entry, and to design and implement new ways to reduce violence along the border.

Emphasis on Cooperation Both governments recognize that our underlying approach is one of cooperation rather than conflict, based on shared interests and respect of each country's sovereignty. The two sides will strengthen the activities of the Border Liaison Mechanism, thereby supplementing those carried out by other consultative forums. In this regard, Mexico and the United States have agreed that each Border Liaison Mechanism will establish

three working subgroups -- Economic and Social Development, Protection/Migration and Border Crossing Facilitation, and Border Public Safety. These subgroups would meet depending on local issues, and are intended to facilitate communication and to bring matters to the attention of other forums.

Internal Coordination Each country recognizes the need to develop its own coordination mechanisms to enhance dialogue and cooperation among the different players involved in defining and implementing border policy initiatives and programs.

In compliance with the mandate on border issues set forth in the Joint Statement on Migration adopted by the presidents on May 6, 1997, the governments have identified the following specific initiatives and challenges to serve as case studies or examples for cooperation along the border. The case studies are attached as an annex to this report.

Economic and Social Development

Containment of Hazardous Waste. Hazardous wastes pose environmental and health concerns to the US-Mexico border communities. The La Paz Agreement is the backbone of the legal framework for addressing hazardous waste management issues. Both governments support the Agreement's overall objectives and have agreed that it would be appropriate for the Border Liaison Mechanisms to inform the La Paz Agreement Working Groups on local hazardous waste issues and developments.

Border Programs to Combat Tuberculosis. In recent years, health officials have focused a great deal of attention on the threat of tuberculosis in the border region. Governments and the private sector have supported a number of programs, such as between Sister Cities and the border state governors in Ten Against TB. While no single program provides all the answers, the learning experiences resulting from each program will provide guidance for ongoing efforts.

Communication of Health Needs. The flow of people brings new challenges in an age where diseases know no borders. US and Mexican local, state and federal officials are developing innovative means of cross-border communications to ensure accurate and timely public health information, especially on communicable and infectious diseases.

Joint Urban Development Program of the Two Laredos. These sister cities are leading the way in developing joint urban planning tools. They have agreed on a joint urban map that city planners use for guidance, while maintaining necessary independence in decision making. They have also agreed to a management plan for the environmentally sensitive areas along the Rio Grande expected to experience urbanization over the next 20 years.

Binational Study for Border Transportation Planning and Programs. The Joint Working Committee, composed of US and Mexican federal and border state governments, concluded a binational study on transportation planning and programming, with an emphasis on trade flows. This was the first major study of its kind to involve the border states and creates a permanent structure to undertake cross-border highway planning.

Border Waste Wi\$e. This San Diego-Tijuana program helps manufacturers identify and implement solid waste reduction opportunities.

MEXUS Joint Degree Program. Universities in Tijuana and San Diego are cooperating in the border's only binational, dual degree programs.

Border Cultural Exchange and Cooperation Program. With the objective of contributing to balanced development in border communities, the Secretaries of State and Foreign Relations have agreed in principle to a border program for the promotion of culture and scientific information and the preservation of our common historical heritage.

Protection/Migration and Border Crossing Facilitation

The Laser Visa Program. In a series of consultations unprecedented in their scope and depth, the two governments have taken a major step in cooperating on mitigating the potential impact associated with the replacement of the US Border Crossing Cards by the new Laser Visa.

Bridge of the Americas. The US-Mexico International Boundary and Water Commission has completed the replacement of the Bridge of the Americas between Ciudad Juarez and El Paso. Although this is a toll-free bridge, the commercial users voluntarily agreed to self-assess temporary fees to help fund separate new structures for commercial vehicle crossings.

Border Crossing Safety Campaigns. The Mexican Consulates in San Diego and Calexico and the US Border Patrol have complementary fatality prevention campaigns along the California/Baja California border.

Consular Notification. Mexican and US diplomatic representatives initiated in the lower Rio Grande valley a series of seminars on the obligations of each country under the Vienna Convention on Consular Relations and the United States-Mexico Agreement on Consular Affairs with respect to notification of consular authorities in arrest cases.

Migrant Protection Groups. The objective of the Migrant Protection Groups, a Mexican program that is staffed by municipal, state and federal personnel, is the defense of the human rights and the protection of the person and property of migrants.

Border Public Safety

Boundary Demarcation Program. The International Boundary and Water Commission's program to properly mark the border is an important factor in minimizing inadvertent incursions by law enforcement, military and other personnel.

Information Campaign on the Recovery and Return of Stolen Vehicles and National Restrictions on the Importation of Firearms. Through seminars for public officials and heightened publicity campaigns, our governments will increase awareness of these two topics.

Containment of Hazardous Waste

Hazardous wastes pose environmental and health concerns to the US - Mexico border communities in several ways: at the point of generation; while being stored; during transportation to a more permanent location; and at their final treatment, storage or disposal site. Related issues include unavailable data on facility-by-facility storage or disposal sites, and a lack of safe infrastructure for storing, treating and disposing of hazardous wastes.

The La Paz Agreement is the backbone of the US - Mexico legal framework for addressing hazardous waste management issues. Although some parts of the Agreement are subject to differences in interpretation, both countries fully support its overall objectives.

In the spirit of the Border Vision Initiative, it would be appropriate for the Border Liaison Mechanisms, on an ad hoc basis, to inform La Paz Agreement Working Groups of local issues and developments.

Border Programs to Combat Tuberculosis

Historically, US-Mexico Border health activities were developed in response to specific communicable disease outbreaks or to the special interests of various local groups. Such activities, including those sponsored by the Federal governments, were generally conducted through the US - Mexico Border Health Association (USMBHA), which was established during World War II to facilitate US - Mexico Border relations in the health area. The Pan American Health Organization (PAHO), through its Field Office in El Paso, Texas, serves as Secretariat of the Border Health Association

In recent years, health officials have focused a great deal of attention on the threat of tuberculosis, in large part due to the sense of urgency about the elevated TB rates in the border region and the increased number of multi drug-resistant TB cases. As a result, a number of programs have been initiated, some based on government resources and others drawing much of their budget from foundations or the private sector. While no single program provides all the answers, the learning experiences resulting from each and all of the programs will provide guidance for ongoing and future efforts. Moreover, while there are real differences of opinion over how best to design a comprehensive, border-wide structure, US and Mexican health officials at all levels -- Federal, State, County and Municipal -- agree that common problems suggest the need for cohesive binational strategies.

Recent cooperative programs include: 1) Ten Against TB, a program involving the ten border states which received recognition from the Border Governors at their 1997 Conference in Coahuila; 2) Sister Cities Projects, whose objective is to strengthen the capacity of local health departments in developing binational health programs. The San Luis Rio Colorado/Yuma project is an example; 3) the California/Baja California Tuberculosis Project, developed and administered by San Diego County's Department of Health Services with funding from the Robert Wood Johnson Foundation; and 4) Project JUNTOS in Ciudad Juarez/El Paso which draws participation from Mexico and US Federal, State

and Municipal levels and the US-Mexico Border Health Association.

Communication of Health Needs

The availability of accurate and timely health information has been a recognized need by health professions and communities along the US - Mexico border, where the flow of people brings new challenges in an age where diseases know no borders. The need for shared public health information on communicable and infectious diseases, and the increasing linkages between health outcomes and environment conditions require greater cross-border communication. Several interventions are underway between border states and the two federal governments to address this issue.

The US - Mexico Binational Surveillance Project (BIDS) has been implemented to develop a more comprehensive binational surveillance system. The project will target three partner city units -- 1) San Diego - Tijuana, 2) El Paso/Las Cruces - Ciudad Juarez and 3) McAllen - Reynosa. The National Center for Infectious Diseases, Center for Disease Control and Prevention will invest \$200,000 in FY98 to get the project going.

Epi-Fax is a fax based communication system that has been developed by the New Mexico Border Health Office. Chihuahua, Texas and New Mexico signed a memorandum of understanding in November 1997. Epi-Fax is designed to act as an urgent notification tool between public health authorities of the three states. Authorities are evaluating the potential of establishing an expeditious response network among the 10 border states.

Under the US - Mexico Border XXI Program, efforts are underway to improve the availability of environment and environmental health information. The Border ECO - WEB has been implemented as a website to facilitate public access to environmental information for the border region. An Environmental Health Working Group Bulletin Board Initiative is developing products to link into the ECO - WEB system.

Joint Urban Development Program of the Two Laredos

The Urban Plan of Los Dos Laredos, the first binational urban plan ever produced, is a landmark example of cooperative planning between sister cities. It is a working tool ensuring cohesive development along the US - Mexican border. First issued in 1994, the municipal planning departments will update and revise the plan this year.

La Carta Urbana incorporates existing and future land use and transportation as key elements. Acknowledging official demographic data and basic regulations, it is perhaps most significant in identifying those joint actions that unite rather than divide the two communities: environmental protection, development of tourism, alleviation of traffic congestion, historical and cultural preservation, and facilitating international commerce. Mutual agreement on objectives, rather than implementation, is the focus of La Carta de Los Dos Laredos.

Los Dos Laredos Environmental Management Plan is a further example of cooperative planning. In 1995, the US Environmental Protection Agency's Border XXI Planning Grant Program choose Laredo as one of 13 grant recipients. The goal of the grant project was to protect and improve the US - Mexico border environment. The City of Laredo, in conjunction with the Municipio de Nuevo Laredo, developed an Environmental Management Plan for the environmentally sensitive areas along the Rio Grande expected to experience urbanization within the 20 year planning horizon. The Plan includes an assessment of existing conditions, alternative solutions, and identification of joint activities that address the degradation of water quality, hazardous material and solid waste management, and preservation of riparian habitat.

Binational Study on Transportation Planning and Programming

In 1994, the Mexican Secretary of Communications and Transport and the United States Secretary of Transportation, acting on behalf of their respective governments, signed a Memorandum of Understanding to undertake a study on the adequacy of transportation infrastructure that serves bilateral trade, which has increased 500 percent in the past 12 years.

In order to carry out this study, the agencies established a Binational Joint Working Committee, which included each country's Border states. This Committee undertook a "Binational Study on Border Transportation Planning and Programming." The principal results of this study have been: the establishment of a permanent binational coordination process which will facilitate border transportation planning and programming; ongoing contact and communication among the participants at the federal, state and municipal levels in both countries; and recommendations for a framework that will permit the continuation of coordinated, joint action.

The study has also made it possible to know in detail the situation at six different ports of entry and to develop a methodology and data bank that will be of great use in binational border transportation planning.

The Joint Working Committee also adopted a plan of action for the future, which includes a joint US-Mexican symposium on border transportation.

Border Waste WiSe

The San Diego-Tijuana Border Waste WiSe Program helps manufacturers identify solid waste reduction opportunities which in turn will help them realize cost savings. Initiated in January 1996, the Program is a partnership of government agencies, academia and the private sector from both sides of the border. The Environmental Protection Agency (EPA) funded the project with a grant of \$280,000 and the other project partners provided additional funds.

Over the first two years, the Program provided on-site waste reduction assessments at 27 facilities -- 25 maquiladoras in Mexico and 2 companies in the US. These assessments were followed by detailed reports recommending specific waste reduction options. The project's partners also produced outreach materials based on the technical assistance work and established a web site containing information on the program and other waste reduction resources.

Based on follow-up surveys and interviews with participating companies, Border Waste WiSe was highly successful in achieving its goal of helping businesses to reduce waste generation and save money. The project also appears to have been successful in its goal of sparking a long-term commitment to waste reduction: several of the businesses that participated in Border Waste WiSe and the leadership of the Maquiladora Industry Association are currently working to develop an industry-funded mechanism to support pollution prevention in the maquiladora sector.

MEXUS Joint Degree Program

The MEXUS Program is the first binational, undergraduate, dual-degree in the US and Mexico. Participants in the program study a minimum of 2 years in the US and 2 years in Mexico and receive undergraduate degrees from both countries: the Bachelor of Arts in International Business and the Licenciatura en Negocios Internacionales. The Program addresses the problem of how universities can better prepare students to manage business in an interdependent global marketplace, with emphasis on the U.S. - Mexican market. A \$257,000 grant from the U. S. Department of Education's Fund for the Implementation of Post Secondary Education (FIPSE) helped to cover start-up costs for the first 3 years.

The Program was initiated in November 1993 as a consortium of four institutions of higher education: San Diego State University (SDSU), Southwestern College (SWC) in Chula Vista, California, the Centro de Enseñanza Técnica y Superior (CETYS) in Tijuana, Baja California, and the Universidad Autónoma de Baja California (UABC), also in Tijuana. As of early 1998, MEXUS had a total of 120 US and Mexican students.

In keeping with a commitment to diversity, SDSU and the UABC in 1997 added another major to the dual-degree program: Women's Studies. As with the International Business major, students will study a minimum of 2 years each in Mexico and the United States. Graduates will receive a Licenciatura en Sociología or Economía from the UABC and a Bachelor of Arts in Women's Studies from SDSU.

Border Cultural Exchange and Cooperation Program

With the objective of contributing to balanced development in border communities, the Secretaries of State and Foreign Relations have agreed in principle to a border program for the promotion of culture and scientific information and the preservation of our common historical heritage.

This program could be carried out through city pairs that already have a well-developed economic, social and political relationship. In the short run, it is necessary to undertake the following steps: catalog the current border cultural infrastructure; determine the resources available to launch the program beginning in 1999; and establish a binational work group in order to plan the program in detail.

The Laser Visa Program

The replacement of the border crossing cards presented the two governments with major challenges, as well as problems of public perception and impact on a large percentage of the population on both sides of the border.

In a series of consultations unprecedented in their scope and depth, the two governments discussed how best to carry out the replacement of the border crossing cards with the new Laser Visa in a fair and orderly manner, and carried out public information campaigns in both Mexico and the United States. These consultations represent a major step forward by the two governments in cooperating on mitigating the program's potential impact on border residents, and will result in a new border crossing document which is more secure and will facilitate legitimate travel.

The Bridge of the Americas

The United States and Mexico, through the International Boundary and Water Commission, have completed the replacement Bridge of the Americas between Ciudad Juarez and El Paso. The International Bridge of the Americas can be described as a border crossing with a vision of excellence for the 21st century.

The new bridge will be opened in June. In addition to the regulatory signs of each country, the new bridge will have large welcome signs above the demarcation of the international boundary. Moreover, the new bridge will be maintained jointly in a permanent manner with government funds and user contributions.

The two IBWC Commissioners will present to the Juarez/El Paso Border Liaison Mechanism a proposal to study the merits of establishing a community-based advisory committee to improve traffic flows at the Bridge of the Americas. The committee would include representation from El Paso and Ciudad Juarez as well as the US and Mexican federal inspection services.

The replacement bridge was funded in part by the two governments in fulfillment of their obligation to provide a toll-free bridge and in part by the commercial users of the two countries in their desire to have separate new structures for commercial vehicle crossings. With the assistance of the local communities, the commercial users voluntarily agreed to self-assess temporary fees to cover the cost of construction of the additional structures and to assure operations and maintenance over a period of time.

Border Crossing Safety Campaigns

The US and Mexico have complimentary Fatality Prevention Campaigns along the California/Baja California border. Communications between the key players, the Border Patrol Sector in El Centro and the Mexican Consulates Southern California are excellent. The US-Mexico Border Liaison Mechanisms in the area are used to keep participants informed.

The Border Patrol's Alien Safety Program draws on the resources of many of the rescue squads and police and fire departments in the Imperial Valley. Key elements of the program include: improved public communications via a toll-free (1-800) number, first aid training for Border Patrol Agents and extra drinking water in all vehicles, safety posters on the dangers of attempting to swim across the irrigation canals, video tapes in Spanish and English for use on TV and briefings for the Mexicali press. Border Patrol helicopters actively search for groups in the desert.

The Mexican Consulate General in San Diego and the Consulate in Calexico are engaged in a vigorous program of warning potential undocumented border crossers of the dangers they face. The Consulates' activities include: frequent press interviews and radio and television spots, town meetings in Mexican municipalities attended by Consulate representatives, and placing posters at airports and bus and train stations in Tijuana, Tecate and Mexicali that emphasize the risks of inclement weather -- extreme heat in the summer and freezing cold in the winter. The Mexican campaign pays special attention to the very real dangers of employing the services of smugglers, or polleros, in order to cross the border.

Consular Notification

Mexico and the United States attach great importance to the obligations of consular notification and access to detained persons contained both in the Vienna Convention as well as in the Mexico-US Bilateral Consular Agreement. In addition, the Memorandum of Understanding on Consular Protection of Mexican and United States Nationals signed in May 1996 reiterates the importance both governments attach to consular protection of their nationals, in particular minors, pregnant women and persons at risk.

During the June 1997 meeting of the Border Cooperation Subgroup, the United States offered to begin a public diplomacy project within the United States concerning consular notification and access. This project was initiated in the Fall of 1997. Its continuing focus is to enhance the knowledge and understanding of US federal, state and local law enforcement and other authorities about consular notification and access obligations, particularly with respect to Mexican nationals. In early 1998, the US Department of State published a revised and updated edition of *Consular Notification and Access*, which has been made available to key law enforcement officials in the 50 states. A pocket size information card summarizing consular notification requirements is available to the "officer on the beat."

In March 1998, under the auspices of the US - Mexico Border Liaison Mechanism, State Department and Secretariat of Foreign Relations (SRE) officials jointly participated in consular notification seminars in Brownsville - Matamoros and Laredo - Nuevo Laredo. In each case, the target audience was federal, state and local law enforcement officials. State Department and SRE officials are contemplating additional activities for the coming months, including seminars in Tijuana - San Diego and Ciudad Juarez - El Paso.

Migrant Protection Groups

The objective of the Migrant Protection Groups, first established in 1991, is the defense of the human rights and the protection of the person and property of migrants who are on Mexican territory, regardless of their nationality or migrant status. These groups, which are staffed by personnel from the three levels of government, were established in recognition of the fact that the migrants -- because of their precarious legal, social, economic and psychological situation -- frequently are easy marks for aggression by criminals or dishonest officials who violate their human rights.

The Migrant Protection Groups traditionally operated in five locations along the US-Mexican border: Tijuana and Tecate in Baja California; Nogales and Agua Prieta in Sonora; and Matamoros in Tamaulipas. A sixth group began operating recently in Mexicali, Baja California. The Mexican Government is studying the possibility of expanding the Migrant Protection Group program to other locations along the border.

Boundary Demarcation Program

The International Boundary and Water Commission (IBWC) is responsible for delineating and marking the US-Mexico international boundary. In carrying out its treaty responsibilities, the IBWC maintains the existing 276 permanent monuments along the 674 miles of land border. In addition, it is responsible for 442 intermediate markers showing the boundary in urbanized areas.

Mexico and the United States recognize the importance of adopting measures aimed at minimizing inadvertent incursions by law enforcement, military and other personnel.

This year, the IBWC will undertake a comprehensive review of the monuments and other boundary markings. In developing the action plan for this program, the IBWC will evaluate the size, condition and placement of the boundary markers, with special attention to the land boundary. As part of the plan, the IBWC will propose ways to make the markers more visible and will prioritize proposed improvements, especially in populated areas and other areas of specific interest to both countries.

Information Campaign on the Recovery of Stolen Vehicles and National Restrictions on the Importation of Firearms

The Government of Mexico and the United States recognize the importance of informing residents of the two countries about the applicability and enforcement of each country's federal, state and municipal laws.

In this regard, the governments have agreed to undertake jointly a campaign to give greater publicity to each country's laws and regulations regarding the importation and possession of firearms. The focus of the campaign will be tourists and residents of the border region.

Similarly, the two governments will work together to promote greater understanding among law enforcement and other officials of the rights and obligations contained in the Convention Between the United States and Mexico regarding stolen vehicles and aircraft, which entered into force on June 8, 1983.

PROGRESS REPORT ON THE COMMITMENTS OF THE JOINT PRESIDENTIAL STATEMENT ON MIGRATION

On May 6, 1997, President Ernesto Zedillo and President William Clinton signed a Joint Statement on Migration that recognized the migration issue as one of the highest priorities in the bilateral relationship. The Statement expressed the principles of bilateral cooperation on migration and called on their respective governments to search for new approaches to improve conditions for migrants and border communities. In a subsequent exchange of letters, they expressed a will to extend cooperation beyond border activities and to explore a longer-term framework for managing migration.

During the last year, the two governments sought to turn these shared commitments into specific accomplishments. Numerous meetings brought Mexican and U.S. officials together to discuss, plan, and build new activities to achieve an improved border situation and to advance the management of the migration issues. Respectful dialogue led to productive cooperation which, in turn, produced concrete results that advanced the bilateral agenda. Still, each government recognized areas in which perspectives diverged and agreed to continue to work together to understand and resolve these differences.

Cooperation to Protect Individual Rights and Safety

In recognition of each country's emphasis on the protection of individual rights, the two governments reached agreement to use the example of the Border Liaison Mechanism to expand existing consultative mechanisms between the INS and Mexican Consular officials in the interior of the United States, where many Mexican nationals work and reside. The commitment to strengthen mechanisms and fora of consultation and cooperation among migration and consular authorities led to three regional meetings among Mexican and U.S. officials. These meetings generated greater awareness of international legal obligations under the Vienna Convention on Consular Relations and bilateral obligations under the Mexico-United States Convention on Consular on Consular Relations with respect to consular notification and access.

During the last year, District Directors and Chief Patrol Agents of the Immigration and Naturalization Service (INS) met several times with Mexican Consuls General and Consuls in the United States to solve local problems involving consular protection, access to detention facilities, safe and orderly removals, and complaints about the conduct of Mexican and U.S. officials. The attached Memorandum of Understanding on Consultation Mechanisms of the INS Functions and Consular Protection proposes to institutionalize the Interior Consultation Mechanisms as a standing forum for communication between U.S. Immigration Authorities and Mexican Consuls in the United States.

Border Crossing Issues

The Joint Presidential Statement highlighted the significance of the border as a special region in bilateral relations and the need to improve conditions for local residents and migrants passing through the area. In the last year, the two governments maintained an active and extensive agenda of activities related to improving the conditions for migration across the border.

Specifically, the INS reached arrangements with Mexican Consuls and Delegates of the National Institute of Migration for the safe and orderly repatriations of Mexican migrants according to specific schedules and through ports of entry where Mexican immigration officials are present. These arrangements provide for special protection of children and women among those repatriated.

Combating traffickers of migrants is a special concern of both governments. During the last year, the Mexican government reformed its legislation to increase penalties against traffickers of migrants and took steps to combat more effectively the organized crime that encourages this illegal activity. Increased cooperation and exchange of information about these activities among Mexican and U.S. officials also led to disruption and prosecution of several crossborder criminal activities.

Progress was also made in the last year through cooperation between Mexican Consulates and the U.S. Border Patrol in exploring ways and means for transforming the border from a place of great risk to an area of increased safety for migrants. Several efforts were launched to reduce violence along the border and to protect innocent victims of traffickers from the risks of crossing through desert and mountainous areas. Mexican officials launched a sign-posting program along the border to warn potential migrants of the dangers of crossing at certain points. They also strengthened the presence of Migrant Protection Groups along the northern border, setting up a new group in Mexicali, Baja California, and enhancing equipment used by all groups operating in this area.

The cooperative efforts of Mexican Consulates and the U.S. Border Patrol in San Diego also established procedures for enhancing the public safety of migrants attempting to cross in this area. As a consequence of this close cooperation and dialogue, the two governments are now working to establish procedures and practices for ensuring public safety for migrants along the entire U.S.-Mexico border.

Officials from both governments also met on several occasions during the last year to discuss problems arising from the implementation of the 1996 U.S. immigration law. Through frank and open exchange of perspectives, the governments identified ways in which the new law could negatively influence the lives of Mexicans who reside in the United States and in border communities. For

example, discussions focused on new border crossing documents and procedures that have a potential impact on U.S. and Mexico border communities and commerce. In the spirit of the Joint Presidential Statement, both governments continue to search for ways in which implementation of these new provisions of law may enhance the economic prosperity of the border region while strengthening the security of border crossing.

Comprehensive Approaches

The Joint Presidential Statement expressed a clear need to pursue a comprehensive understanding of the migration phenomenon. Both governments agreed to work together to disseminate the results of the Binational Study of Migration, which was completed last year. These plans include hosting seminars throughout the United States and Mexico.

During the last year, the two governments also agreed to expand and to fully institutionalize the scientific exchange of information and research within a bilateral framework. Through the Memorandum of Understanding attached to this Report, the two governments will establish a routine exchange of technical information and researchers between the Immigration and Naturalization Service and the Undersecretariat of Population and Migratory Services. The Agreement serves to encourage governmental and non-governmental research on new policies that will solve problems and grasp opportunities related to migration between the two nations.

Future Effort

Migration and border issues remain our highest priority in the bilateral agenda between the United States and Mexico. Both governments are committed to the benefits of sustained cooperation and believe that progress in improving the conditions of migration and border affairs has resulted from this approach.

In the spirit of the Joint Presidential Statement, and continuing with the results achieved in the last year, the two governments commit to intensifying cooperative activities on migration and consular matters along the border and in the interior of each country. They also seek to identify ways to expand the policy frameworks and practical approaches that may be used in the future to manage migration issues between the two countries.



THE DIRECTOR

7-8-98
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 6, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Acting Director

SUBJECT: Appropriations Update

The appropriations season is now in full swing. As expected, we have serious objections to House and Senate action based on aggregate inadequate funding levels, specific cuts in important priority programs and numerous legislative riders, particularly on environmental issues. There are six bills ready for Senate floor action this week and we expect action on VA/HUD, Legislative Branch, and perhaps Defense and Interior. The House will not return until July 14.

Priorities

We are working with the NEC and the other White House policy councils to develop a list of funding priorities to guide the appropriations negotiations in September. As we narrow the list and develop our negotiations strategy, we will send it to you for your approval.

Offsets

The appropriations committee's allocations to their 13 subcommittees are, in aggregate, ~~\$8 billion lower than the levels requested in your 1999 budget.~~ We are currently reviewing ~~options for offsets to finance \$3.5 billion of this difference.~~ However, if the Congress does not approve an emergency designation for the \$3.25 billion year 2000 computer conversion fund, we will need additional offsets to cover those costs. We plan to send you a memo outlining potential offsets in the next few weeks.

Summary of Veto Threats

The House and Senate have started consideration of ten of the thirteen appropriations bills. While we expect that many problems in the current bills will be solved in conference, we have indicated that we would recommend you veto five of the ten bills if they come to you in their current form. A summary of the objectionable issues that resulted in the veto threats follow:

- **Labor/HHS/Ed (House bill).** Your senior advisors would likely recommend you veto this bill if it comes to you in its current form -- with no funding for America Reads, Youth Opportunities, Education Opportunity Zones, High Hopes College Partnership, Summer Youth and Low Income Home Energy Assistance; deep cuts below FY 1998 in Goals 2000 and School-to-Work; cuts below the request in Head Start, child care, education technology and Title I Education for the Disadvantaged; and numerous riders such as blocking educational testing, limiting participation of students in bilingual education to two years, banning all needle exchange programs and blocking the HHS organ donation rule.
 - **Defense (House bill).** Your senior advisers recommended veto due to a provision that could be interpreted to restrict your exercise of constitutional authority by requiring prior congressional authorization of offensive military operations.
 - **Interior (House bill).** Your senior advisers recommended veto due to the failure to fund the National Endowment for the Arts (later restored by the full Committee); under-funding of Energy Conservation, Everglades restoration and the millennium project; and the inclusion of damaging riders, such as the provisions concerning the Interior Columbia Basin Ecosystem Management Project and the road easement in Alaska's Chugach National Forest.
- Interior (Senate bill).** The Secretaries of Interior, Agriculture and Energy recommend veto due to inadequate funding for priority programs and unacceptable language riders such as mandated timber sales in the Tongass.
- **VA/HUD (House bill).** Your senior advisers recommend veto due to the termination of National Service, cuts in funding for Superfund and climate change, and the inclusion of restrictive language regarding the Kyoto Protocol.
 - **Commerce/Justice/State (House bill).** We expect that your senior advisers will recommend veto over a 50 percent cut in the Legal Services Corporation and a restriction on decennial census funding.

Brief Bill Summaries

Below are brief summaries of action thus far on each of the bills. Please let us know if you would like to know the status of specific programs not mentioned below.

Agriculture. To stay within their allocations and at the same time keep 1999 funding for discretionary programs at roughly 1998 levels, both the House and Senate bills include reductions in mandatory programs (for example, both bills terminate the Fund for Rural America). Both bills freeze WIC funding at the 1998 level, which would reduce by 100,000 our proposed participation level of 7.5 million individuals. The \$101 million Food Safety Initiative

in your budget receives only \$3 million in the Senate and only \$16 million in the House. The smaller pieces of your environmental program (\$30 million) in these bills are not funded.

Both bills include a provision that would waive USDA programs from being included in any economic sanctions against India and Pakistan. The House bill waives the statute of limitations for individuals who have previously filed a discrimination claim against USDA farm loans. The Senate is expected to build on the House provision by also waiving the statute of limitations for USDA housing loans. The House also approved (by a vote of 223-202) a Coburn amendment prohibiting FDA from testing or approving any drug for the chemical inducement of abortion (e.g., RU-486).

The bill passed the House last Wednesday, June 24, by a vote of 378-48, and will be taken up on the Senate floor during July.

Commerce, Justice, State. We have full information on the Senate Committee bill, but only preliminary information on the House Subcommittee bill. Both bills are about \$1 billion below our request overall, but also about \$2 billion more than 1998. The Senate bill funds the decennial census at the request level; the House provides more funds than requested (to support a non-sampling census) and a provision that limits spending for the decennial census after March 31, 1999, and requires the President to request release of the remaining funds. The House provision violates the agreement we reached with the Congress last fall, which assumed that the entire bill (rather than just decennial census funding) would be funded through March of 1999. Both bills cut below the requested levels for high-priority technology programs in the Commerce Department.

In the Justice Department, many initiatives are underfunded (e.g., the drug testing initiative receives no funding) because both Houses finance the \$500 million Local Law Enforcement Block Grant, which was terminated in your budget. However, both bills provide the requested \$1.4 billion for the 100,000 officers component of COPS.

In the State Department, we had requested a large (+\$240 million) increase to improve security at U.S. missions overseas. The House did not fund any of the increase; the Senate funded about half of the increase but earmarked \$100 million for unrequested employee housing construction projects. In both bills, Embassy construction requests for Beijing and Berlin receive only design funding -- \$25 million of the \$250 million we had requested, based on the assumption that construction cannot begin during FY 1999.

The House bill cuts funding for the Legal Services Corporation in half, and the Senate funds the LSC at \$300 million, \$17 million above the 1998 level. Your budget requested \$340 million.

The House full Committee is scheduled to mark up their bill on July 15, and the Senate is expected to take up their bill on the floor during July.

Defense. Aggregate funding levels in both the House and Senate bills are slightly below your request. Neither the House nor Senate versions include your \$1.9 billion emergency request for Bosnia operations. The Bosnia request will likely be considered either in conference or in a Spring supplemental and may be resolved in the context of negotiations on whether emergencies have to be paid for (i.e., year 2000) and the defense topline. Both bills approve about \$700 million for unrequested Member procurement projects, financed with inflation savings, asset sales, and other offsets.

Based on House- and Senate-passed versions of the National Security Authorization bill, the appropriations bills are expected to finance a 3.6 percent January 1999 pay raise for the military, 0.5 percent over our request.

The House passed their version of the Defense bill on June 24 by a vote of 358-61; the Senate is expected to take their bill up on the floor during the week of July 6.

District of Columbia. The Congress has not yet acted on this bill. Subcommittee mark-up in the House is scheduled for July 23 and in the Senate for July 14.

Energy and Water. The House- and Senate-passed bills fund many Energy programs below the request (particularly in solar and renewable energy) in order to provide funding for the Army Corps of Engineers at 24 percent and 18 percent above the request, respectively. However, the Senate fully-funded DOE's nuclear weapons activities at \$4.5 billion, which will allow DOE to maintain the safety and reliability of the nuclear stockpile without nuclear testing. The House provides only \$4.1 billion for these activities.

The House passed their Energy and Water bill on June 22 by a vote of 405-4, and the Senate passed their bill on June 18 by a vote on 98-1. The conference has not been scheduled.

Foreign Operations. The Congress has not yet acted on this bill. Subcommittee mark-up is scheduled in the House for July 15 and in the Senate for July 14. The House and Senate 302(b) allocations are \$0.2 billion below 1998 and \$1 billion below your request for these activities.

Interior. Both the House and Senate committee bills are \$600 million (-4%) below the request and \$300 million below 1998 levels. The House bill does not fund the \$50 million requested for the Millennium Initiative; the Senate bill provides \$10 million. Both bills underfund other priority activities in land acquisition, Endangered Species Act, Bureau of Indian Affairs initiatives, and Everglades relative to the request. Funding for climate change is cut sharply relative to the request. Both bills provide more than the request for the Indian Health Service. For the National Arts Endowment, the Senate provides \$100 million and the House committee provides \$98 million, the 1998 level (the request was \$136 million). The House will consider an amendment to strike NEA funding. Both bills contain several highly objectionable

environmental riders (e.g., restricting Tongass Forest management and closing the Columbia River Basin project).

Floor action on the Senate bill is expected during the week of July 6 and in the House on July 16.

Labor, HHS, Education. Only the House Subcommittee has acted on this bill thus far, and the bill and report have not yet been released.

In Education, the Subcommittee mark contains the expected large and targeted cuts to your program. The mark provides no funding for America Reads, Education Opportunity Zones, High Hopes, and Teacher Recruitment. Relative to 1998, Goals 2000 is cut roughly in half. Education Technology and Safe and Drug Free Schools receive large cuts. Budget authority for Pell Grants is increased above the request, but we understand that the Subcommittee is "parking" funds here that they plan to allocate elsewhere later in the process. The Subcommittee fully funds the request for Charter Schools. With regard to language provisions, the bill includes a ban on national education tests unless specifically authorized.

In Health and Human Services, the Subcommittee provided more than the request for Ryan White AIDS treatment programs, the National Institutes of Health, and the Substance Abuse Block Grant. The Subcommittee straightlined funding for Family Planning at 1998 levels, provided a smaller increase than requested for Head Start, and did not provide any of the \$265 million requested in the form of HCFA user fees (although the Subcommittee did fund the HCFA administrative activities that we requested to be financed with the fees, thereby shorting your priorities by \$265 million). Of the \$655 million requested for the discretionary portion of the Child Care Initiative, the Subcommittee provided \$165 million (all in Head Start and Community Learning Centers).

In Labor, the Subcommittee did not provide any funding for Youth Opportunities or Summer Youth.

The Subcommittee did not fund the \$50 million requested for the Corporation for Public Broadcasting to help public broadcasters convert to digital technology. The Subcommittee also provided slightly less for National Service (the portion funded in this bill) than the 1998 level, and funded the full amount requested for Social Security Administration continuing disability reviews. The Subcommittee bill also includes numerous objectionable riders, including provisions blocking educational testing, limiting participation of students in bilingual education to two years, and banning all needle exchange programs.

House full Committee mark-up is scheduled for July 14, and Senate action has not yet been scheduled due to Senator Specter's hospitalization.

Legislative Branch. Both bills provide a 2 percent increase over 1998. The House version contains a \$7.9 million reserve fund to be allocated by the Republican leadership for existing or special committees. The House passed the bill by a vote of 235-179 and the Senate is expected to take it up this week.

Military Construction. The House and Senate passed their bills on June 22 and June 25, respectively. Both bills contain more funding than was requested. Both bills fully fund the \$1.7 billion Base Realignment and Closure request. The House-passed bill contains 90 specific unrequested construction projects and nine unrequested world-wide program increases. Thirty-three of these projects were not funded in the Future Years Defense Plan (FYDP). The Senate bill contains 104 unrequested projects and 15 other program increases, 16 of which are not in the FYDP. Conference action has not yet been scheduled.

Transportation. The Congress has not yet acted on this bill. Subcommittee mark-up in the House is scheduled for July 14 and in the Senate for later this week.

Treasury, Postal. The only action to date on this bill has been in the House full Committee. The Committee bill funds the Treasury at about \$600 million below the request, with most of the cuts coming in IRS computer modernization. The bill includes a \$2.25 billion emergency contingency fund for year 2000 computer conversion activities (although the Committee assumes that nearly \$400 million of the fund will be used for programs funded by this bill). However, the Republican leadership has decided to strike this fund when the bill comes to the floor.

The Committee bill fully funds the request for White House Offices. However, the bill contains a provision that fences off \$600,000 of Executive Residence funds until GAO submits a report on the costs of using the residence for overnight stays.

The Committee bill includes \$500 million in the General Services Administration for the construction of 15 unrequested courthouses (the largest projects are in Brooklyn, Savannah, Jacksonville, and Denver).

On June 25, the House defeated the resolution to adopt the rule for Floor consideration of the bill by a vote of 125-291. The rule would have eliminated the \$2.25 billion year 2000 computer conversion emergency contingency funding and would have protected the Lowey FEHBP contraceptives provision, which the Administration supported. (We also urged Congress to allow OPM to waive the requirement to cover contraceptives for plans sponsored by organizations whose religious beliefs do not support artificial contraception.) The House may again try to pass a rule for consideration of the Subcommittee bill, or consider the bill on the House floor without a rule, which would result in the Lowey contraceptives provision being struck, as well as the year 2000 computer fund.

VA, HUD, Independent Agencies. Both the House and Senate Committees have reported their bills and are awaiting floor action. As discussed above, the Administration has indicated that we would recommend that you veto this bill if it includes several objectionable House provisions, including termination of National Service, restrictions on the Kyoto Protocol, and funding cuts for climate change and Superfund. Of these provisions, the Senate bill includes only the Superfund reduction.

Both the House and Senate bills contain more funding for VA than was requested, particularly in construction projects. Most existing HUD programs are funded at or above the request (e.g., CDBG, public housing, HOME block grants), although many of the initiatives are funded at low levels (e.g., welfare-to-work housing vouchers and the fair housing initiative). The largest cuts in EPA are due in both bills to rejection of the request for an additional \$600 million in the Superfund program and cuts in climate change.

In the Senate bill, National Service funding is frozen at the 1998 level; it is zeroed out in the House. Community Development Financial Institutions are cut in the Senate bill below the 1998 level and in the House are frozen at the 1998 level -- both are far below the request. NASA funding is about 1 percent above the request in the Senate and 1 percent below the request in the House. The Senate funds the NSF at 4 percent (\$130 million) below the request; the House level is nearly at the request level of \$3.6 billion.

The House Committee bill raises the FHA mortgage limit to \$197,000 (87 percent of the conforming limit) to produce savings of \$80 million. This loan limit increase is identical to the increase in the Senate Committee bill. The loan limit provision is important because it sets a 1999 precedent for using mandatory offsets to finance appropriations bills.

We anticipate House floor action on this bill on July 16, and Senate floor action the week of July 6.

7-8-98

3736

THE WHITE HOUSE

WASHINGTON

July 7, 1998

INFORMATION

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT

FROM: JOHN PODESTA
JAMES STEINBERG

SUBJECT: Encryption Policy for Banks and Other Financial
Institutions

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Over a year ago, on May 8, 1997, the Department of Commerce announced an Administration policy decision to permit the export of very strong encryption products, without key recovery, to banks and financial institutions. This decision recognized the importance of protecting financial networks and financial information. It also took into account that banks and certain financial institutions are subject to explicit legal requirements and have a history of cooperation with law enforcement.

However, because the level of regulation and willingness to cooperate with national law enforcement varies widely across countries, it has been difficult to reach interagency consensus on the destination countries to which exports would be automatically approved, thus delaying implementation of the policy in Commerce export regulation. We have arrived at the following compromise which Bill Daley plans to announce at a Commerce export control conference with industry on Tuesday, July 7, 1998.

Proposal for Destination Countries

We propose a two-tiered process:

First, we will significantly streamline exports of encryption products to banks and financial institutions (and their branches worldwide) organized under the laws of countries that are members of the international anti-money laundering accord, the Financial Action Task Force (FATF), and countries that have adopted practices largely consistent with FATF. FATF is a G-7

cc: Chief of Staff

effort with 26 member nations that have agreed to 40 recommendations designed to combat the laundering of criminal proceeds. This "automatic approval" list of FATF nations and cooperating countries is attached at Tab A. Exports to institutions organized under the laws of these countries represent lower risk to law enforcement. Such exports will not require prior review by agencies.

Second, exports to banks and financial institutions organized under the laws of other countries will continue to require licenses and will be reviewed by agencies, but with a presumption of approval. Licenses would be approved unless agencies raise specific concerns about the country or financial end user regarding participation in money laundering, narcotics trafficking, or similar concerns. The interagency review process allows agencies the opportunity to protect their national security or law enforcement interests. Disagreements among agencies are resolved at the technical or policy level to determine whether an export is in the best interests of the United States.

Stakeholders

All agencies can support this compromise approach.

Justice/FBI and Treasury believe that requiring a government review of exports to those countries that may not have sufficient government commitment to combat money laundering will reduce the risk to international anti-money laundering efforts.

Commerce, State and Defense/NSA also agree to this approach.

U.S. banks, securities firms, commodities dealers and issuers of credit and charge cards will support this approach since it allows them to easily export to their foreign branches and customers to protect their financial traffic.

U.S. manufacturers of encryption products will wish for more but this approach does make it very easy to export to FATF-cooperating countries, which represent a large market -- 69% of the world's banks. Exports to the remaining market are possible after prior review by agencies.

Attachment

Tab A List of FATF Members

Automatic Approval List

FATF

Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
Greece
Hong Kong
Iceland
Ireland
Italy
Japan
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Singapore
Spain
Sweden
Switzerland
Turkey
United Kingdom
United States

Other countries

Anguilla
Antigua
Argentina
Aruba
Bahamas
Barbados
Brazil
British Virgin Islands
Croatia
Dominica
Ecuador
Hungary
Kenya
Monaco
NL Antilles
Poland
Seychelles
St. Kitts and Nevis
St. Vincent/Grenadines
Trinidad & Tobago
Uruguay