Chron

LIONEL JOSPIN ET SYLVIANE AGACINSKI

Paris, le 15 sept 98,

Monsieur le Président, chère Hillary

Depuis la France, la persécution dont vous faites l'objet semble incompréhensible et intolérable.

'98 SEP 21 PM4:2

Persuadés que vous surmonterez cette épreuve tous deux, et avec l'attachement du peuple américain, nous tenons à vous dire notre amitié et notre soutien.

Lionel Jospin Sylviane.

3, rue du Regard, 75006 Paris

'98 SEP 21 PM10:59

9-21-98

To NSC for translation and reply?

Yes ✓ No ___

S

DHL WORLDWIDE EXPRESS

Lettre de Transport Aérien
Shipment Airwaybill
(Non négociable) (Non negociable)

6237352520

Quote this shipment number in an enquiry

ORIGINE/ORIGIN: CDG

1 De (Expéditeur) / From (Sender)

Compte n° / Account no.: 220029348

Nom de l'expéditeur (en lettres capitales) / Sender's name: AMB

Sender's reference

Ambassador's Office
AMBASSADE DES ETATS UNIS

2 AV GABRIEL

75008 PARIS

Code postal / Postcode: EXP MAJ

Téléphone/Télécopie/Télex (préciser) Phone/Fax/Telex: 0143122260

2 A (Destinataire) / To (Receiver)

Ms. Nancy Hernreich

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

Code postal / Postcode: 20500 U.S.A.

Personne à contacter (personne à qui livrer) / Contact person: Ms.Hernreich
Téléphone/Télécopie/Télex (préciser) / Phone/Fax/Telex: (202) 456-6610

5 Autorisation et signature de l'Expéditeur / Sender's authorisation and signature

I/we agree that DHL's standard terms apply to this shipment and limit DHL's liability. The Warsaw Convention may also apply (see reverse). I/We understand that DHL does not transport cash or dangerous goods (see reverse).

Signature: [signature]

Date: 9/16/98

3 Détails de l'expédition / Shipment details

Tous nos services et moyens de paiement ne sont pas disponibles dans tous les pays
Not all payment and service options are available in all countries

Services

- [X] DOCUMENT EXPRESS INTL / DOCUMENT
- [ ] COLIS EXPRESS INTL / WORLDWIDE PARCEL EXPRESS
- [ ] INTRA CE / INTRA EC
- [ ] EXPRESS DOCUMENT / EXPRESS DOCUMENT
- [ ] NATIONAL / DOMESTIC
- [ ] WORLDMAIL / WORLDMAIL
- [ ] AUTRE SERVICE / OTHER SERVICE .... préciser / specify

Frais de transport / Transport charges

- [ ] Expéditeur / Sender
- [ ] Espèces/Chèque/Carte de crédit / Cash / Cheque / Credit Card
- [ ] Accord External Billing / External Billing Agreement
- [ ] Port Dû/Transport Collect

Assurance de l'envoi / Shipment insurance

- [ ] OUI / YES

Description complète de l'envoi / Full description of contents

Documents

Service Colis Express International seulement / International Worldwide Parcel Express shipments only

Valeur déclarée *indiquer la devise* / Declared value *give currency*

Numéro d'identification TVA de l'expéditeur / Sender's VAT / GST no.

Numéro de tarif douanier / Harmonised commodity code *if applies*

Numéro d'identification TVA du destinataire / Receiver's VAT / GST no. or EIN/SSN

Catégorie d'exportation / Type of export: [ ] PERMANENTE / PERMANENT [ ] REPARATION/RETOUR / REPAIR/RETURN [ ] TEMPORAIRE / TEMPORARY

Paiement des droits de douane et T.V.A. sur bien / Destination duties / taxes *If left blank receiver pays duties / taxes*: [ ] Destinataire / Receiver [ ] Expéditeur / Sender [ ] Autre / Other

4 Dimensions et poids / Size and weight

Nombre de pièces / No. of pieces: 1

Poids/Weight: 0.034 kg

Dimensions en / Dimensions cm L x W x H: x x

Poids volumétrique / Volumetric charged weight: kg

CODES	FRAIS / CHARGES
	Services
	Spécial / Special
	Assurance / Insurance
	Autre/TVA Other/VAT
CODE DEVISE / CURRENCY CODE	TOTAL

NUMÉRO ÉTIQUETTE TRANSPORT COLLECT / TRANSPORT COLLECT STICKER No.

Enlevé par / PICKED UP BY: 08808K

Numéro de la Route / Route No

Heure / Time

Date: 17/09/98

Exemplaire accompagnant l'envoi

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Sperling
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Burkhardt

9-21-98

Comms - Eyes
NMD reply
BR

ARMON
AND CHAIRMAN

EXPORT-IMPORT BANK
OF THE UNITED STATES

September 17, 1998

Dear Mr. President,

The response to your speech on the Global Economy was good (better than I expected) but it is only the beginning. We will need to focus our maximum effort on this critical issue in the months ahead.

I appreciate your including me on the trip to New York and your recognition of the work of the Ex-Im Bank. We will do more — I shall visit Brazil, Mexico and Argentina in the near future with specific proposals for additional assistance that will support more exports from the U.S. I have asked others here to visit Russia, Indonesia, Thailand and Korea in the next few weeks.

9-21-98
To Burkhardt for reply.
Coordinate with Sperling / NEC.

TELEPHONE (202) 565-3500 FAX (202) 5(
811 VERMONT AVENUE, N.W. WASHINGTON,

6 [illegible]

On a related subject that greatly concerns me – I am enclosing an Op-Ed article I wrote for the W Post as a response from Senator Murkowski. Unfortunately a casualty of the global financial crisis will be the environment, and we shall pay an enormous price for this in the future.

It was good to see you and the First Lady again.

Sincerely,

Jim

The Washington Post

TUESDAY, SEPTEMBER 1, 1998

James A. Harmon

Preaching Green, Subsidizing Dirty

The Senate will soon consider an amendment that would surrender U.S. leadership internationally on the environment. The amendment to the Foreign Operations Appropriations Act would effectively cede the decision-maker power of the U.S. government to foreign bureaucrats by prohibiting the Export-Import Bank from withholding financing for projects that any other G-7 country chooses to support, regardless of the project's environmental impact. Adoption of this amendment would represent a serious step backward at a time when there is increasing evidence of the urgent need for global resource management. Now is exactly the wrong time to retreat from our position of leadership on the environment.

Congress mandated that the Ex-Im Bank develop environmental guidelines in 1992. Let's be clear: These are internationally recognized, minimum thresholds for air and water quality that we encourage projects and exporters to meet. The Ex-Im Bank worked with industry and other outside groups to create realistic guidelines, and went a step further by crafting financing incentives to improve the competitive position of U.S. firms that export environmentally beneficial products and technologies. Our stand benefits not only American companies seeking to expand sales overseas but also the developing world, which desperately needs clean air and clean water.

The sponsor of this legislation, Sen. Frank Murkowski (R-Alaska), believes American exporters are losing foreign contracts because other export credit agencies do not require environmental standards. He had visited the Three Gorges Dam project in China, a project the Ex-Im Bank and the World Bank were not able to support because of insufficient information about its environmental impact, but that other G-7 export credit agencies are funding.

But the Ex-Im Bank's experience with its environmental guidelines has been positive. The Bank has never rejected a project solely for environmental reasons. We have found that U.S. firms seeking to sell overseas come to us early for help to meet our guidelines and qualify for our financing incentives. Since 1995, we estimate that U.S. exporters have augmented their export sales by $100 million by upgrading projects to meet our basic environmental criteria. Having myself just returned from China, I share President Clinton's concern that "economic development not lead to environmental catastrophe." An unfortunate fallout from the economic crisis in Asia may be the subordination of environmental standards to short-term job demand.

The Ex-Im Bank's mission is to level the playing field for U.S. businesses. Unfortunately, in recent years, factors beyond Ex-Im Bank's control—U.S. sanctions, concessional financing by foreign governments and limited budget resources—have caused the field to tilt against the U.S. exporter. The answer is not to retreat on the environmental issue; rather, we must bring the others up to our standards. Frankly, when other countries preach green but subsidize dirty, we all lose.

What the U.S. exporter needs now is for all the industrialized countries to agree on the importance of the environment. Improving the global environment is not a punishment; it is a responsibility shared by the developed world. There are no boundaries in the atmosphere or oceans.

Congress was right to urge us to adopt environmental guidelines in 1992. I believe it would be wrong for Congress, the Ex-Im Bank and U.S. business to retreat now.

The writer is chairman and president of the Export-Import Bank of the United States.

The Washington Post

WEDNESDAY, SEPTEMBER 16, 1998

M2

Frank Murkowski

Too Green

Export-Import Bank Chairman James Harmon's Sept. 1 op-ed article, "Preaching Green, Subsidizing Dirty," failed to tell the whole story about a debate that will soon be underway in the Senate. The well-meaning environmental policies of the U.S. Export-Import (Ex-Im) Bank actually are harming the environment while undermining American competitiveness.

Harmon acknowledged that unilateral sanctions "have caused the field to tilt against the U.S. exporter" but fails to recognize that the Ex-Im Bank's environmental mandate is just a case of feel-good environmentalism.

Unilateral actions generally penalize American workers more than they modify foreign behavior. China's Three Gorges Dam is a case in point. In that instance, Ex-Im denied financing to U.S. companies because the bank's environmental concerns "have not been adequately addressed." Yet the dam is being built anyway with the enthusiastic participation of our G-7 allies.

I completely agree with Harmon that what the U.S. exporter needs now is for all the industrialized countries to

Taking Exception

agree on the importance of the environment. But because there is no mechanism in place to ensure that all G-7 countries abide by the same set of rules and environmental standards, U.S. refusal to participate in a project that some regard as harmful to the environment creates a perverse effect. The project proceeds anyway—without the environmental technologies and practices our participation would bring. Meanwhile, our G-7 competitors profit, unburdened by American competition.

I propose that we build a coalition of G-7 countries to address environmentally sensitive development overseas. The only way we can bring the G-7 countries to the environmental negotiating table is to let them know unequivocally that we will not unilaterally drop out of the competition on any project. Would President Bush have succeeded in building the 1991 Iraq coalition if he announced in advance that no U.S. troops would be sent to Kuwait?

Nothing in my legislation will prevent Ex-Im from encouraging countries to incorporate environmental technologies such as stack scrubbers and low-emission burners in development projects. Reduced emissions clearly benefit the people who live in these countries as well as everyone else on the planet. But if a developing country decides it cannot afford the additional costs of these environmental technologies, what purpose is served if U.S. companies are denied the opportunity to participate when our G-7 partners stand ready to build the project without them?

In a July 30 editorial, The Post parroted environmentalist concern about the 1.3 million people who might be displaced and the potential harm to endangered species from the proposed Three Gorges Dam. Meanwhile, the Yangtze River is flooding again this year, killing more than 3,000 people and displacing more than 17 million and directly affecting the lives of nearly one-quarter of a billion Chinese citizens. Flood control is one of the primary reasons the Chinese government decided to build the dam.

If an equivalent number of Americans (70 million) were affected this year by floods, do you think we would re-channel and dam the river that created such a catastrophe? Of course we would, as we did in the past when we constructed Hoover and Grand Coulee dams for the same reason as China is building Three Gorges—flood control and electricity generation.

In the case of Three Gorges, the only thing achieved by Ex-Im's decision is that American workers lose jobs, American companies lose business, and our international competitors reap the rewards of the project.

The writer is a Republican senator from Alaska.

THE PRESIDENT HAS SEEN
9-21-98

'98 SEP 18 PM5:13

Copied
Reed
Kagan
COS

THE WHITE HOUSE

WASHINGTON

September 16, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC October Event Ideas

Health Care

Long-Term Care: If Democrats decide to introduce an alternative tax bill, we could do an event (either before or concurrent with the Democratic unveiling) that highlights the President's long-term care initiative. The President's proposal would provide for a \$500-\$1,000 tax credit to people with long-term care needs or their caregivers. It would cost about \$5 billion over 5 years and help about 2.2 million people. At the same time, the President could call for the Federal Employees Health Benefit plan to offer long-term care insurance to federal employees. OPM estimates that 300,000 people would buy these policies.

Work Incentives and Health Care for People with Disabilities: Within a week, we will know whether the Senate will vote on the Jeffords-Kennedy Work Incentives Improvement Act -- the disability community's top health priority -- this year. If the bill does come to a vote, we could do a strong event with the disability and AIDS communities emphasizing our involvement in developing the bill and calling on the Senate to pass it. We also could announce the approval of four states for the new "date certain" grant program. This initiative (long sought by the disability community) gives states the ability to use Medicaid funds to offer a time-limited opportunity for institutionalized disabled persons to return to their communities to receive the long-term care services they need. The disabilities community views the program as an important step in moving Medicaid away from its historic bias toward institutionalizing the chronically ill.

OK

OK

Children's Health: October is the first anniversary of the effective date of the Children's Health Insurance Program (CHIP), and October 5 is Child Health Day. We could release the first annual report on states' progress in implementing CHIP, which is expected to coincide with a sufficient number of state approvals to cover 2.5 million kids. At this event, we would launch phase one of our children's health outreach campaign with NGA, which includes new radio ads in 10 states (set to begin October 1) targeted to parents of uninsured children eligible for CHIP or Medicaid. We also are trying to get a commitment from Americorps to participate in signing families up for Medicaid and CHIP on the local level.

Good

Patients' Bill of Rights: We would like to do at least one more patients' bill of rights event, preferably on the road, prior to the election. We might want to do a kind of wrap-up event, now

THE PRESIDENT HAS SEEN
9-21-98

that we have just about finished applying the bill of rights to federal health plans, toting up everything we have done by executive action (i.e., how many people covered) and comparing it to what Congress has accomplished (i.e., nothing). The AFL-CIO (per Jerry Shea) strongly favors this event.

OK
Yes

Cancer Event(s): In addition to the September 26 Cancer March (and the President's possible involvement through a radio address), October is National Breast Cancer Awareness month. It is also the fifth anniversary of the President's launching of the National Action Plan on Breast Cancer. We have tentatively scheduled October 21 for an event with the First Lady to (1) release a new report on the progress the Administration has made in the fight against breast cancer, and (2) highlight a new information outreach and screening campaign focused on underserved minorities. Because of the President's strong cancer record, as well as his desire to underscore our commitment to ending health disparities among races, the President might want to participate in this event.

Elder Abuse: See Crime section of this memo.

Education

This would be good to do at a charter school

September Grants: The Education Department will announce prior to September 30: (1) technology grants ($30 million to 17 states); (2) charter school grants ($60 million to 20 states); (3) safe and drug free school grants ($5 million for model school partnerships and universities); and (4) school-to-work grants ($40 million to urban and rural communities, which must be given on September 30). We can try to combine as many of these grants as possible into a single event, perhaps in Chicago.

Potential Bill Signings: (1) The Higher Education Act is virtually certain to pass this session, though the timing is uncertain. It is likely to contain provisions to reduce student loan interest rates, as well as programs based on our High Hopes and Teacher Recruitment and Preparation proposals. (2) Prospects for passing the charter schools legislation are decent, though hardly guaranteed. (3) Ditto the prospects for passing an early literacy bill.

Do #1 to sign

Safe Schools Conference: On October 15, the President will host a White House Conference on School Safety and take the following actions: (1) release the first annual report on school safety, including school crime data, information on model safe schools, and recommended action steps for parents and teachers; (2) unveil a proposal to reform the Safe and Drug Free Schools program and call for additional funds in the FY 2000 budget; (3) announce a new FEMA-like program of assistance for communities that have experienced school-related violence; (4) launch new comprehensive school safety grants that will bring together disparate streams of funding from the Departments of Justice, Education, and Health and Human Services; and (5) start a partnership with MTV on school safety, which includes a year of PSAs.

THE PRESIDENT HAS SEEN
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Crime

Can't do when in LA?

September COPS Grants: The President could announce in late September $370 million in grants to hire or redeploy 11,500 more police officers. This announcement would include $100 million for Los Angeles to hire 700 new police officers, $70 million for the rest of California to hire 800 new officers, and $200 million for COPS MORE grants to allow police departments in communities across the nation to redeploy more than 10,000 officers.

OK
Let's do an event on this
good

Elder Abuse and Fraud: The President could take several actions to combat elder abuse and fraud, including: (1) releasing the preliminary findings of an HHS study on elder abuse; (2) creating a new national center on elder abuse; (3) calling on Congress to reauthorize the Older Americans' Act, which includes services to help older Americans at risk for abuse; (4) launching a new partnership between the Justice Department and AARP to create Elder Fraud Prevention Teams (EFPTs) in four cities (Miami, Phoenix, San Diego, and Seattle); (5) releasing roughly $3 million in Justice Department grants to combat fraud against the elderly (by September 30); and (6) posting new information on telemarketing fraud on the Department of Justice Web site.

TOP COPS Legislation: The President could sign legislation to expand educational benefits for the children of slain local law enforcement officers at the NAPO TOP COPS event on October 9, assuming the legislation is passed in time. The President endorsed this proposal at last year's TOP COPS event. The bill has passed the Senate and is waiting for a floor vote in the House.

They should ask House to pass — if we do TOP COPS by this date

good

1997 FBI Crime Statistics: Coinciding with the October 18 release of the final 1997 FBI Uniform Report -- which will continue to show large decreases in crime -- the President could give a major policy speech on how this Administration's efforts have helped to fuel the longest sustained drop in violent crime in nearly 40 years. The speech would commemorate the fourth anniversary of the landmark 1994 Crime Act; highlight the crime policies, including signature initiatives such as COPS, that have helped to change the nation's approach to crime; and begin to make the case for new crime proposals that will be included in the State of the Union and FY 2000 budget.

Youth Crime Gun Interdiction Initiative: Anytime after October 23, the President could: (1) release the second annual report on the Youth Crime Gun Interdiction Initiative (YCGII), which will provide new ATF data on guns used in crimes in 27 cities; (2) announce the availability of new funds to hire new ATF agents to investigate gun trafficking in these 27 cities; and (3) propose a dramatic expansion of this initiative in the FY 2000 budget to all major cities (i.e., the 65-70 cities with populations of 250,000 or more), which would cost about $30 million (pending OMB's approval). Additionally, because we expect the YCGII report to make a strong case for cracking down on "straw purchasers" and gun shows, we are considering whether the President should announce his support for legislation requiring background checks for all secondary market gun purchases.

Issue in Florida
good idea

THE PRESIDENT HAS SEEN
9-21-98

Children and Families

Head Start Reauthorization Bill: The President should have the opportunity to sign a Head Start Reauthorization bill this year. A bill signing could highlight the how the Administration has (1) significantly increased Head Start participation; (2) dramatically improved program quality; and (3) created Early Head Start for infants and toddlers. Good

Quality Child Care for Federal Employees Act: The President may get an opportunity to sign the Quality Child Care for Federal Employees Act, which makes important improvements to federally-sponsored child care by building on an executive memorandum that the President issued in March 1998. (Congress, however, might add this measure to an appropriations bill.) We could announce new CCDBG data (see just below) at this signing.

New Child Care Data. The President could announce new data of the number of children served with child care assistance through the Child Care and Development Block Grant (CCDBG). This data will point to the need for increased investment in the block grant; we expect the data to indicate that we are serving approximately 1.8 million children of the 10 million eligible for assistance. This is the first data to examine the CCDBG created by welfare reform in 1996 (when four child care assistance programs were consolidated).

CEO Roundtable Discussion on Work/Family Issues: The President could host a meeting of CEOs to discuss "family-friendly" workplace practices that meet the needs of the nation's changing workforce. The President could release a new CEA report, if it is ready, on Families and the Changing Labor Market. Additionally, the President could signal support for the design of a paid parental leave program (policy development process required). This meeting would build on the work of the Treasury Child Care Working Group, run by Secretary Rubin. Maybe

Welfare

National Child Support Case Registry: HHS is almost ready to put in place a new national database of child support cases, called a Federal Case Registry. This database will make it easier to locate deadbeat parents, especially if they have moved to a different state; HHS will check the Registry daily against an existing database of new employees; when it finds a match, it will report the information to the state, which then will arrange to garnish the wages of the delinquent parent. The registry was proposed by the President in 1994 and enacted as part of the 1996 welfare reform law. States will begin to submit their case data to HHS on October 1; HHS expects to have 30 states in its system by the end of October and 40 states by the end of the year. We could unveil the new registry anytime in October.

Work Participation Rates and Other Statistics: In late October, the President could visit a welfare-to-work program and announce (1) new state work participation rates, showing that almost all states are meeting the welfare law's single-parent requirements, but some are failing to meet the law's separate two-parent requirement; (2) new caseload data showing continuing

THE PRESIDENT HAS SEEN
9-21-98

declines; and (3) new data on the number of people who were on welfare in 1997 and working in March 1998.

Tobacco

OSHA Rule: The President could sign an Executive Order directing OSHA to issue within one year a standard establishing a smoke-free workplace for all private sector employees. OSHA has been working since 1991 on a standard regulating all indoor air pollutants (including but not limited to environmental tobacco smoke), but is years away from completing the standard, principally because there is scanty scientific evidence to justify the regulation of certain non-ETS pollutants. If the President ordered a separate standard only on ETS, OSHA believes it could complete the work within a year. The resulting standard would be similar to the August 1997 Executive Order banning smoking in federal buildings.

Counteradvertising: In an event focusing on counteradvertising, the President could direct HHS to: (1) designate the CDC's Media Campaign Resource Center as a National Clearinghouse on Tobacco Counteradvertising; (2) collect and disseminate a package of the top-10 advertisements for preventing youth smoking, and make these available to states and organizations for television placement free of charge; and (3) make effective anti-tobacco curriculum available to every school. Supermodel Christy Turlington and the musical group "Boyz II Men" have made PSAs that would be among the top-10 package, and we could invite them to participate in the event.

Department of Defense Anti-Tobacco Plan: The President could help unveil the DOD's new comprehensive anti-tobacco plan. This plan includes: health plan coverage of over-the-counter nicotine replacement therapies; an extensive counteradvertising campaign; and the incorporation of anti-tobacco messages into military education and training programs. The total cost is about $60 million. The Secretary of Defense and/or Chairman of the Joint Chiefs of Staff could join the President.

Food Safety

Salmonella and Research: The President could announce a preliminary USDA study showing that salmonella risks have declined by almost 50 percent in chicken and almost 40 percent in swine, largely because of the HACCP program. At the same time, he could participate in a kind of "show and tell" event demonstrating the importance of research to food safety, showing for example how federal research has led to technologies dramatically reducing salmonella in chicken and e-coli in cows.

Service

Americorps 100,000th Member Event: CNS is planning national service events in Washington and around the country on October 23 to celebrate the swearing-in of the 100,000th Americorp member. At this event (or at some other time), the President also could announce: (1) new grants to support 500-1000 Americorps Promise Fellowships to support the goals set at the Presidents' Summit; (2) the recipients of the President's Service Awards, the nation's highest volunteer service award; and (3) the recipients of the President's Student Service Awards.

Community Empowerment

Individual Development Accounts: The President may have an opportunity to sign a bill to provide funds for IDAs, which the President has supported since 1992. At the bill signing, the President could announce that he is sending a letter to the bank regulators asking that IDA accounts count towards a financial institution's CRA requirements.

Alan D. Solomont
400 Centre Street
Newton, MA 02158

EB/John P
This is real important
to [illegible] [illegible]
it for him — discuss w/ me
BC

9-21-98

President William Jefferson Clinton
The White House
Washington, DC 20500

Copied
Podesta
COS

'98 SEP 21 PM5:33

Alan D. Solomont
400 Centre Street
Newton, Massachusetts 02158
Tel 617-332-5522
Fax 617-332-2196

August 6, 1998

President William Jefferson Clinton
The White House
Washington, DC 20500

For facsimile transmission

Dear Mr. President:

As you suggested, I am writing to urge that nursing home providers be enlisted to support your initiatives to improve the quality of nursing home care and to eliminate substandard care and substandard providers.

Many of the proposals you announced recently are already embraced by the provider community and its trade association, the American Health Care Association (AHCA). For example, in recent testimony before the Senate Special Committee on Aging, AHCA indicated its support for your legislative proposal to create a national criminal background check system. In fact, AHCA was among the first to advocate for such a system.

No one has a greater stake in rooting out bad providers and inadequate care than the substantial majority of responsible providers who work hard every day to deliver the right care to frail elders. To be frank, however, many leaders in the provider community do not believe they have been adequately engaged in supporting and assisting the Administration's proposals in this area.

I urge you to bring the leaders of the Nation's nursing home providers together to support your initiatives and to participate in a joint effort with consumer advocates and regulators to better ensure the safety and well being of our Nation's nursing home residents.

I am personally committed to helping facilitate this effort in any way I can.

As always, with best personal regards,

Sincerely yours,

Alan D. Solomont

ADS/jht

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Sperling
COS
Burkhardt

9-21-98

Class - Eyes
NMO reply
Bx

ARMON
AND CHAIRMAN

EXPORT-IMPORT BANK
OF THE UNITED STATES

September 17, 1998

Dear Mr. President,

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9-21-98
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TELEPHONE (202) 565-3500 FAX (202)
811 VERMONT AVENUE, N.W. WASHINGTO

6

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Sincerely,

Jim

The Washington Post
TUESDAY, SEPTEMBER 1, 1998

James A. Harmon

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The writer is chairman and president of the Export-Import Bank of the United States.

The Washington Post

Wednesday, September 16, 1998

M2

Frank Murkowski

Too Green

Export-Import Bank Chairman James Harmon's Sept. 1 op-ed article, "Preaching Green, Subsidizing Dirty," failed to tell the whole story about a debate that will soon be underway in the Senate. The well-meaning environmental policies of the U.S. Export-Import (Ex-Im) Bank actually are harming the environment while undermining American competitiveness.

Harmon acknowledged that unilateral sanctions "have caused the field to tilt against the U.S. exporter" but fails to recognize that the Ex-Im Bank's environmental mandate is just a case of feel-good environmentalism.

Unilateral actions generally penalize American workers more than they modify foreign behavior. China's Three Gorges Dam is a case in point. In that instance, Ex-Im denied financing to U.S. companies because the bank's environmental concerns "have not been adequately addressed." Yet the dam is being built anyway with the enthusiastic participation of our G-7 allies.

I completely agree with Harmon that what the U.S. exporter needs now is for all the industrialized countries to

Taking Exception

agree on the importance of the environment. But because there is no mechanism in place to ensure that all G-7 countries abide by the same set of rules and environmental standards, U.S. refusal to participate in a project that some regard as harmful to the environment creates a perverse effect. The project proceeds anyway—without the environmental technologies and practices our participation would bring. Meanwhile, our G-7 competitors profit, unburdened by American competition.

I propose that we build a coalition of G-7 countries to address environmentally sensitive development overseas. The only way we can bring the G-7 countries to the environmental negotiating table is to let them know unequivocally that we will not unilaterally drop out of the competition on any project. Would President Bush have succeeded in building the 1991 Iraq coalition if he announced in advance that no U.S. troops would be sent to Kuwait?

Nothing in my legislation will prevent Ex-Im from encouraging countries to incorporate environmental technologies such as stack scrubbers and low-emission burners in development projects. Reduced emissions clearly benefit the people who live in these countries as well as everyone else on the planet. But if a developing country decides it cannot afford the additional costs of these environmental technologies, what purpose is served if U.S. companies are denied the opportunity to participate when our G-7 partners stand ready to build the project without them?

In a July 30 editorial, The Post parroted environmentalist concern about the 1.3 million people who might be displaced and the potential harm to endangered species from the proposed Three Gorges Dam. Meanwhile, the Yangtze River is flooding again this year, killing more than 3,000 people and displacing more than 17 million and directly affecting the lives of nearly one-quarter of a billion Chinese citizens. Flood control is one of the primary reasons the Chinese government decided to build the dam.

If an equivalent number of Americans (70 million) were affected this year by floods, do you think we would re-channel and dam the river that created such a catastrophe? Of course we would, as we did in the past when we constructed Hoover and Grand Coulee dams for the same reason as China is building Three Gorges—flood control and electricity generation.

In the case of Three Gorges, the only thing achieved by Ex-Im's decision is that American workers lose jobs, American companies lose business, and our international competitors reap the rewards of the project.

The writer is a Republican senator from Alaska.

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9-21-98

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THE WHITE HOUSE

WASHINGTON

September 18, 1998

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MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREETT

SUBJECT: SCHEDULING DECISIONS

CC: JOHN PODESTA & MARIA ECHAVESTE

ACCEPT:

Date of Event:		Description of Event:
9/24/98	(T)	Rose Garden Statement to Release 1997 Income and Poverty Numbers *Staff Contact: Gene Sperling*
9/24/98		Meeting with Congressional Black Caucus The White House *Staff Contact: Larry Stein*
9/29/98	(T)	Elder Crime and Fraud Event Location TBD, Washington, D.C. *Staff Contact: Bruce Reed*
9/30/98		Meeting with Bill Hybels
10/1/98	(T)	Event to Announce Budget Surplus The White House *Staff Contact: Gene Sperling*
10/2/98	(T)	Departure or Arrival Statement to Release Unemployment Numbers The White House or Cleveland, OH *Staff Contact: Gene Sperling*

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9-21-98

10/6/98 — Remarks to Opening Ceremony of the 1998 World Bank/International Monetary Fund Annual Meetings
Marriott Wardman Park Hotel, Washington, D.C.
Staff Contact: Thurgood Marshall, Jr.

10/15/98 — White House Conference on School Safety
The White House
Staff Contact: Bruce Reed

11/6/98 — Official Opening and Dedication of the Northwest Arkansas Regional Airport
Fayetteville, AR
Staff Contact: Craig Smith

[illegible]

NOTE: We are looking into the planned opening of Interstate 540, between Interstate 40 at Alma, AR and Fayetteville, AR, and will give you more information as soon as it is available.

PENDING:

Date of Event: — Description of Event:

10/9/98 — Ceremony Honoring Recipients of the NAPO TOP COPS Awards
Location TBD, Washington, D.C.
Staff Contact: Bruce Reed

OK

Rahm Emanuel and Minyon Moore recommend that you participate in this event.

10/29/98 — Address the 1998 Africare Bishop John T. Walker Memorial Dinner
Washington Hilton Hotel, Washington, D.C.
Staff Contact: Minyon Moore

[illegible]

The NSC and Minyon Moore strongly recommend that you participate in this event. You currently have this evening off.

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9-21-98

REGRET:

Date of Event:	Description of Event:
9/22/98	Events for Minority Enterprise Development (MED) Week 1998 Location TBD, Washington, D.C. *Staff Contact: Thurgood Marshall, Jr.* **You are currently scheduled to be in New York on this day for a bilateral meeting with Prime Minister Obuchi of Japan. You will return late in the afternoon to participate, with President Mandela, in a reception for African-American religious leaders at the White House. Secretary Daley will be participating in events for MED Week '98.**
9/24/98	Event for Anniversary of the Comprehensive Nuclear Test Ban Treaty (CTBT) Signing Location TBD, Washington, D.C. *Staff Contact: Samuel Berger* **You are currently scheduled to participate in an event to release the 1997 Income and Poverty numbers, a working lunch with the Crown Prince of Saudi Arabia, and a meeting with the Congressional Black Caucus.**

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THE PRESIDENT HAS SEEN
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P: [illegible] Good speech on education or patriotism Buffalo → eg speech to IBEW on imagining the future [illegible]

THE WHITE HOUSE

WASHINGTON

September 19, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: PHILLIP CAPLAN Plan for both
MICHAEL WALDMAN

SUBJECT: 1998 Speech Book

We've started thinking about your 1998 Speech book in hopes of getting it done by mid-November. Michael has suggested, in consultation with NSC, the following speeches:

State of the Union	January 27	
Iraq speech at Pentagon	February 17	(Troop build-up in Iraq)
FDR tribute at <u>Time</u> 75th anniv.	March 3	(Tribute to the "American Century," but remember that FDR Memorial dedication was in last year's speech book.)
Goree Island	April 2 [illegible]	
WTO Speech in Geneva	May 18	
MIT commencement	June 5	(Information Age)
Portland State commencement	June 13	(National community and diversity/immigration)
Beijing University speech	June 29 (Is this the best one?)	
Eulogy for officers at Capitol	July 28 (Better than Andrews Sp for Embassy Bombing)	
Waterfront Hall, Belfast <u>or</u> Armagh	September 3 / September 3 — whichever reads best - or both	
Council on Foreign Relations	September 14	International economy

You should pick between 6-10 speeches for inclusion in the book. In previous years you picked 6, 11, 10, 8 and 10 speeches, respectively. (Table of Contents attached for each year.) Let us know if you would like other suggestions.

cc: Betty Currie, Nancy Hernreich (w/o attachments)

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9-21-98

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WASHINGTON

Sandy

Make sure Jim invited to the Mandela stuff — & the Abubakar Meeting

BC

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THE WHITE HOUSE

WASHINGTON

September 19, 1998

MEMORANDUM FOR ERSKINE BOWLES

FROM: GENE SPERLING

SUBJECT: NEC October Event Ideas

SOCIAL SECURITY AND PENSION EVENT IDEAS

- **Women and Retirement Security.** In the next month, the President could use an upcoming radio address or other event to highlight the issue of women and retirement security (e.g., pensions, Social Security, and personal savings) and propose two new pension initiatives: (1) a Joint and 2/3 (or 3/4) Survivor Annuity Option, which would require defined benefit pension plans to offer a distribution (i.e., payout) option that provides a smaller benefit to the couple while both are alive but a larger benefit to the surviving spouse of the ex-employee. This proposal should have a disproportionately positive impact for women, given their longer lifespans and the related concentration of elderly poverty among women; and (2) counting FMLA time toward pension vesting and participation requirements. Employees are generally required to work 1,000 hours in a year to participate in a pension plan and for that year to count toward the pension vesting threshold. This proposal would ensure that those workers close to the 1,000-hour minimum do not lose a year of vesting because of leave taken under FMLA.

  The President could also highlight the fact that he is committed to ensure that Social Security reform is fair to women and discuss how proposals to save Social Security may affect women. You should know that about 40 women Members of Congress wrote the President about the importance of paying close attention to this issue.

- **Announcement of 1999 Annual Social Security COLA.** On October 16th, the President could announce the 1999 Social Security COLA for the more than 44 million Social Security and 6.5 million SSI beneficiaries. On the upside, this usually receives coverage in every newspaper and would give us the chance to get in the story. The downside is that the COLA this year could be the lowest in three decades (e.g., last year's *AP* story led with the fact that the COLA was the smallest in a decade and this year's will likely be even smaller).

- **Social Security Administration Anti-Fraud Announcements.** In October, the President could announce three steps the Social Security Administration is taking to reduce fraud: (1) announce an Executive Memorandum directing SSA and the Department of Agriculture to establish matching arrangements with SSA's death files to reduce fraud in the Food Stamp program; (2) announce that beginning in October 1998, the SSA will conduct quarterly matches of wage and unemployment data against SSA's SSI beneficiaries' data base in all 50 states for the first time. These matches will increase program integrity and help prevent fraud; and (3) expand an existing, very cost-effective pilot project using contract private investigators to perform residency investigations of SSI recipients in border areas.

THE PRESIDENT HAS SEEN
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- **Social Security Reinventing Government Announcements.** In October, the President could make three new reinventing government announcements about the Social Security Administration. The President could (1) announce a new service option that would allow SSA customers, for the first time, to file applications for retirement or survivor's benefits via its 800 number; (2) announce that by the year 2002, SSA will be electronically linked to all 50 states and have the ability to immediately access information such as wages, unemployment compensation, and TANF to allow SSA to receive regularly and timely data about income to ensure the accuracy of SSI payments; and (3) announce the SSI Management Improvement Report, which is about to be released on improving the management of the SSI program. This could be used as impetus to push Congress to act promptly to pass our proposals to strengthen and protect SSI from fraud.

Maybe

- **Social Security Reform Roundtable With Young and Old People.** The President could participate in a roundtable discussion with students and retired people to discuss the inter-generational issues with Social Security reform. The goal would be to begin to build a consensus among members of different generations about the need for reform and possibilities to achieve it.

Maybe

- **Social Security Numbers and Domestic Violence.** In October, the President could sign an Executive Memorandum directing SSA and the Justice Department (Violence Against Women Office) to review guidelines for the issuance of new Social Security numbers to victims of domestic violence. We may want to hold this, though, because the National Institute of Justice is supposedly putting out a report on domestic violence later this fall and this could be packaged with that announcement.

ECONOMIC DATA/REPORT EVENT IDEAS

Yes
Could use to push agenda

- **Release of Income/Poverty Numbers.** On September 24th, the President could do a Rose Garden statement on the 1997 Income and Poverty numbers released by the Census Bureau. Given the drop in unemployment and the increase in wages in 1997, family incomes should rise and poverty should drop significantly. It is likely that family income will be nearly $3,000 higher in 1997 than when the President took office. This report should be more good news on the economy and provide further evidence that the President's policies are working to improve the lives of American families.

Yes

- **Surplus Announcement At End of Fiscal Year.** On October 1st, the President could announce that we have the first budget surplus since 1969. While we would not have the final surplus numbers until later in the month, it is important that we get out in front of the Republicans on this issue. Announcing the surplus on October 1 will also give us another opportunity to emphasize our commitment to saving the surplus until Social Security is reformed.

- **Release of New September Jobs Numbers.** On October 2nd, the Bureau of Labor Statistics will release the September jobs, unemployment, and wage data. Early Wall Street forecasts

THE PRESIDENT HAS SEEN
9-21-98

predict the unemployment rate will remain at 4.5 percent, job growth will continue to grow strongly, and real wages will continue to rise. An Economic Team event in the Rose Garden could also be used to push Congress on key appropriations fights or on surplus/tax cuts issues. Yes

- **Release of Third-Quarter Homeownership Rate.** On October 22nd, the Census Bureau will release the third-quarter homeownership rate. It is expected to climb to *another all-time high*. An event with new homeowners could highlight the positive impact that fiscal responsibility has had on lowering mortgage rates and helping more working families own their own home. Yes should support this

- **Release of Actual Surplus Numbers.** On October 26th, the Treasury is <u>tentatively</u> scheduled to release the final monthly surplus number for fiscal year 1998. The President could do a Rose Garden event celebrating the first official budget surplus in 29 years. Yes

- **Release of Third-Quarter GDP Growth.** On October 30th, the Commerce Department releases their first estimate of third-quarter GDP growth. As of last Friday, Wall Street economists expected third-quarter GDP growth to be in the range of a solid 2.5 percent. (In the second quarter, GDP growth was 1.6 percent.) Yes if good

- **EITC Event or Radio Address Based on New EITC Report.** In October, the President could devote his radio address or an event to discussing the positive impact of the Earned Income Tax Credit (EITC) on poverty. We could release a short report on how the EITC is helping to lift families out of poverty, provide incentives to work, and reduce income inequality. Using the new Census data released on September 24th (see above), the report would update past numbers which showed that the EITC lifted more than 4 million people out of poverty; that about half of the decline in the child poverty rate since 1993 was due to the President's expansion of the EITC; and that the EITC increased the labor supply of single mothers with children. Yes

International Economic Event Ideas

- **Speech at World Bank/IMF Annual Meeting.** On October 6th, the President could address the open ceremony of the 1998 World Bank/IMF Annual Meetings. This would provide the President another opportunity to demonstrate his commitment and leadership in international economic and financial issues. It would provide the President another opportunity to discuss the financial crisis in Asia, the central role of the U.S. in response to it, the impact of this crisis on our growth and exports, and the importance of the international financial institutions. You should know that on October 5th -- the day before the opening of the World Bank/IMF meetings -- the G-22 will meet to discuss and evaluate recommendations on short-term adjustments and further long-term changes to the international financial architecture, as the President called for in his Council on Foreign Relations speech. Yes

- **Announce Renewal of Super 301 By Executive Order.** In October, the President could issue an executive order renewing Super 301 -- the annual naming of countries engaging in unfair trade practices. We will try to time our announcement to coincide with the initiation or conclusion of a trade case. Yes

THE PRESIDENT HAS SEEN
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- **Executive Order on Sanction Policy.** In October, the President could announce an Executive Order promising self-restraint on the imposition of economic sanctions under executive authority. This would be welcomed by the business and agriculture communities and could be used in a broader deal for similar self-constraints by Congress.

CHILD LABOR EVENT IDEAS

- **Child Labor Package.** At a child labor event in October, the President could: (1) issue an Executive Order to have the Labor Department create a new Child Labor Clearinghouse, which would serve as the central coordinating point for information and services relating to child labor -- both domestic and international; (2) issue an Executive Order to have the Labor Department issue an annual assessment of each nation's efforts to eliminate child labor; (3) announce plans for a conference on international child labor; (4) announce an U.S. funded IPEC grant to help eliminate child labor in Pakistan; and (5) if the event is before October 9th, the President could call on Congress to fund fully his Child Labor Initiative (the House provides $6 million, while the Senate fully funds the President's $30 million request).

- **Apparel Industry Association.** There is a chance that in late October the President could announce the formation of an association made up of apparel industry manufacturers and retailers and non-governmental organizations (NGOs) designed to oversee and certify the compliance of apparel industry factories with a workplace code of conduct through a system of independent monitoring. This would follow through on the President's April 14, 1997 announcement of the creation of the partnership that developed the Association by-laws and requirements. This event would be contingent on the completion of the NGO-industry agreement and success in enlisting additional companies and other endorsements (e.g., Hollywood celebrities, fashion industry celebrities, broad-based consumer or religious organizations, professional sports leagues, or professional athletes who have contracts with Nike and Reebok).

TAX/IRS EVENT IDEAS

- **New IRS Consumer Satisfaction Survey.** Next week, the IRS will have results from a customer satisfaction survey. The IRS will announce the results internally next week and, if good, could release them publicly any time thereafter. At the same time, the IRS could unveil its new mission statement, which will include a reorganization along customer service lines. In addition, the IRS's electronic tax payment system is about to pass the $1 trillion mark, which Treasury is looking to release on Monday. It is unclear if and for how long they could hold this.
- **Announce Long-Term Care Tax Credit.** In the next few weeks -- if Democrats go along -- we could announce the President's long-term care initiative, which would provide a tax credit for people with long-term care needs or their caregivers. The President could also call on OPM to offer long-term care insurance to federal employees.

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TECHNOLOGY EVENT IDEAS

- **E-Rate Announcement.** The President and the Vice President could announce the "e-rate" discounts for schools and libraries. While these discounts will probably be announced in "batches" instead of all at once, their total value will be $1.9 billion over 18 months. We will not have control over the timing -- the Schools and Libraries Corporation does -- but it should be sometime in October. These discounts will help make additional progress on our goal of connecting every classroom and every library to the Information Superhighway, and giving every child in America the opportunity to succeed in the Information Age.

  Yes — Let's do real announcement

- **E-commerce Report.** In October, the President could announce a "progress report" on e-commerce that Ira Magaziner has been working on. It was supposed to be released in July, but it was held up so that it would not conflict with the Vice President's privacy announcement.

EDUCATION AND TRAINING EVENT IDEAS

- **Education Speech in Chicago.** On September 25th, the President could announce the first federal school renovation help available from the Rangel program (on which we build our school construction proposal). The city plans to renovate an armory and turn it into the Chicago Military Academy -- a high school that builds on the Junior ROTC program that Mayor Daley loves so much. There is also a chance that we could announce an expansion of Junior ROTC within the current budget.

  Yes announce [illegible]

- **Higher Education Act Reauthorization Bill Signing, With High Hopes Initiative.** It is very likely that the President will be able to sign the Higher Education Act reauthorization, which will include, for example, lower interest rates on student loans; authorization of the High Hopes program (renamed "GEAR-UP"); teacher recruitment and training proposals modeled in part on the President's initiatives; the government's first Performance-Based Organization (PBO), for the efficient delivery of student aid; making distance learning more available, and investing in innovative distance learning pilot projects. We could announce the creation of some sort of mechanism to create partnerships to leverage the President's High-Hopes program.

  Yes

- **America Reads Bill Signing.** It is possible that we will get an Early Literacy bill -- based on the President's America Reads proposal -- sometime in the month of October and would be able to have a bill signing.

  Yes

- **H-1B Bill Signing.** There is a chance that we will reach an agreement on the H-1B bill and it will pass before Congress adjourns. If so, we could have a bill signing that would include both labor and the high-tech industry.

CONSUMER FINANCIAL EVENT IDEAS

- **Report on ATM Fees.** Although this proposal still needs to be fully vetted, the President

THE PRESIDENT HAS SEEN
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could potentially announce that Treasury will publish an annual report on what each bank, thrift or credit union charges for a list of basic financial services (ATM fees, basic checking account, overdrawn account, etc.) in order to allow customers to better shop for banking services and to create competition surrounding service fees. We would also need to decide whether we are prepared to announce a proposal with budget implications -- however small -- before FY2000 budget formulation.

- **Bankruptcy Bill Signing or Bill Veto.** There is a chance that we will have a bill signing or a veto on the bankruptcy bill, depending on which way the Congress goes. If they move significantly more toward the House, we will veto the bill. If they stay near the moderate Senate version (incorporating key Administration proposals), we could have a signing ceremony.

HOUSING/COMMUNITY EMPOWERMENT EVENT IDEAS

- **IDA Bill Signing With Additional Policy Announcements.** Congress will likely pass Individual Development Accounts (IDA) legislation next month. Enactment of this legislation would effectively complete the President's 1992 community empowerment agenda. As part of the bill signing, the President could make a number of additional policy announcements promoting the use of IDAs: (1) a letter from banking regulators clarifying that banks and thrifts can receive Community Reinvestment Act credit for IDA programs; (2) a letter from HUD clarifying that HOME and Community Development Block Grant funds can be used to establish IDA programs; and (3) a clarification from Treasury that the matching contribution to the IDA from a non-profit or government entity is <u>not</u> counted as income for the individual. Yes.

- **HUD/NAR "One America Broker."** The President could announce the first real estate professional becoming a "One America Broker." In the spring, HUD and the National Association of Realtors (NAR) reached a final agreement on the "One America Broker" program. Under the program, NAR will sponsor training for real estate professionals on how to better serve minority and immigrant home buyers. The training will address adherence to Fair Housing Act principles, as well as ways to expand the housing choices available to minorities and other underserved groups. Realtors who complete the course and commit to serving these groups would be able to use the "One America" logo in advertising and promotional materials, which could help them attract additional clients. ok

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9-21-98

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THE WHITE HOUSE
WASHINGTON

September 19, 1998

MR. PRESIDENT:

Attached are the following weekly reports:

(A) Weekly Economic Briefing

(B) Interest Rates/Update on Global Markets

(C) DPC Report

(D) NEC Report

(E) CEQ Report

(F) OSTP Report

(G) Climate Change Report

(H) Upcoming Speeches

(I) Legislative Report

(J) Public Liaison Report

(K) Intergovernmental Report

(L) Race Initiative Report

(M) Cabinet Affairs Report

(N) Political Report & Political Outlook

Phil Caplan Phil
Sean Maloney SM

Tab A - Copied Yellen, COS
Copied p. 7 to HRC, Reed,Sec.Riley,COS
Copied p. 8 to Sperling, COS

Tab C - Copied Reed, Kagan, Sperling, COS

Tab D - Copied Sperling, COS / Pg 2 - Bowles

Tab E - Copied McGinty, COS

Tab G - Copied Stern, COS

Tab N - Report: Copied Smith, COS
Outlook: Copied p.1 to Smith, COS

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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

September 18, 1998

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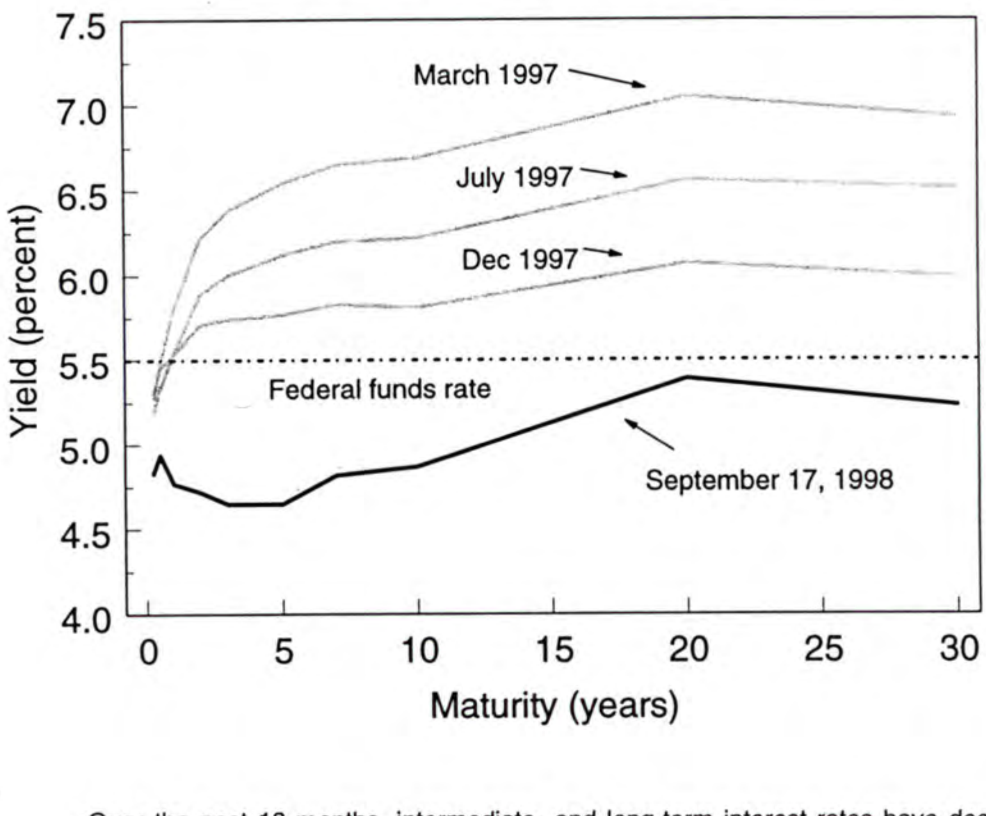
CHART OF THE WEEK

The Flattening Treasury Yield Curve



Over the past 18 months, intermediate- and long-term interest rates have declined substantially, while short-term rates have declined much less. All Treasury issues now have yields below the Federal Reserve's target Federal funds rate. In the past, such conditions have often been indicative of Fed tightening to slow the economy, but a more likely explanation now is strong demand for Treasury securities stemming from the international financial crisis and very low inflation expectations.

CONTENTS

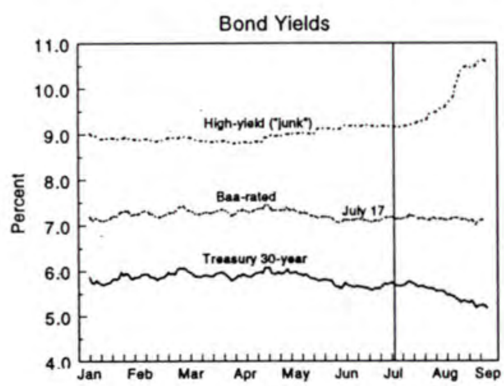
"Up a hundred and sixteen points! If only we'd had the foresight to invest ten minutes ago."

CURRENT DEVELOPMENT

Are Businesses Having Trouble Borrowing?

Some anecdotal accounts suggest that a "flight to quality" spurred by the international financial crisis has made it more difficult for U.S. businesses to borrow. What do the data show?

Interest rate spreads. Since mid-July, the yield spread between typical investment-grade corporate bonds and Treasury bonds has increased sharply, reaching its largest value since 1991 (see upper chart). Yet the recent widening of the spread arises *not* from an increase in the private yield but rather from a decline in Treasury yields (see lower chart). Thus, companies with a rating of Baa or higher can still borrow money at roughly the same cost as 2 months ago. Only high-risk companies seem to be having more trouble obtaining funds now, as yields on "junk" bonds have increased substantially. Indeed, new issuance of such bonds has come to a virtual halt.



Why have spreads widened? Apparently, shifts in preferences toward U.S. assets have focused on Treasury securities, which are extremely safe and liquid. Moreover, increased uncertainty about future economic conditions seems to have raised the risk premium that investors demand for holding private instead of government bonds. Both factors tend to push up Treasury prices—and push down their yields—relative to private securities. A larger risk premium may also have contributed to the drop in stock prices since July, if investors are now discounting expected future earnings at a higher (risk-adjusted) rate.

Conclusion. Interest rates have risen in the high-risk market of late. By contrast, rates have not increased for less-risky debt—nor have they fallen in line with Treasury yields.

SPECIAL ANALYSIS

Who Should Pay for Environmental Protection?

Although equity considerations are central to the discussion of who should pay for environmental protection, economists have tended to think that efficiency is largely unaffected by how this question is resolved. That view is changing, however, as an analysis of the Administration's "no surprises" policy with respect to endangered species protection illustrates.

The Coase theorem. The belief that who pays is unrelated to efficiency can be traced to analysis of Nobel laureate Ronald Coase showing that, under ideal conditions, an efficient amount of an environmental good can be provided regardless of who incurs the costs. If individuals are liable for any damage caused, they will take mitigating action up to the point where the cost of additional mitigation would exceed the benefits in terms of reduced damage payments. If individuals are not liable for damages, government (acting in society's interest) should be willing to pay individuals to take mitigating action up to the point where the additional benefits would fall short of the additional costs. In either case, according to Coasean logic, an efficient outcome is achieved.

Future costs. The ideal conditions necessary for the Coase theorem to hold are not often met. In particular, who pays affects efficiency as well as distribution when the issue is future environmental protection. Individuals who might face environmental costs in the future have an incentive to try to avoid those costs. For example, landowners fearful that they will face future land use restrictions aimed at protecting endangered species may make investments that are harmful to species conservation, rush to develop prior to regulation, or hide information about species on their land. Each of these actions, while harmful to species conservation, can result in lower expected future costs borne by the landowner.

No surprises. To reduce conflicts with private landowners, the Administration introduced a "no surprises" rule to the Habitat Conservation Plan provisions of the Endangered Species Act. Under the rule, a landowner with an approved HCP is assured that no additional land use restrictions will be required for species covered by the plan. This no surprise policy does not rule out surprises; rather, it shifts the cost of any surprises from the landowner to the government. Because surprises entail possible future environmental protection, it is important for efficiency reasons to shelter landowners from paying the costs. Having the government compensate landowners for future land use restrictions, but not necessarily for present land use restrictions, is thus consistent with sound economic efficiency principles.

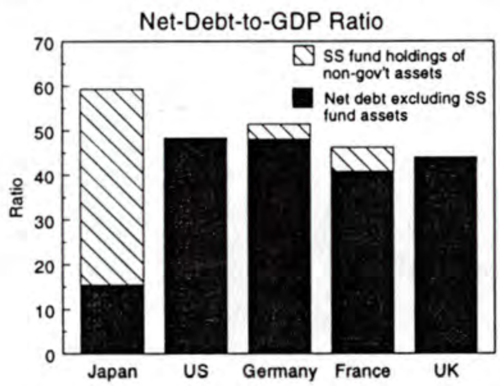
Conclusion. Deciding who should pay for environmental protection involves issues that go beyond efficiency, such as whether individuals have a duty to protect the environment or should be free to do as they please with their property. But as economists are starting to demonstrate, it involves questions of efficiency as well.

SPECIAL ANALYSIS

Can Japan Afford Fiscal Stimulus?

One reason Japan has given for resisting international pressure to pursue a more expansionary fiscal policy is the country's large budget deficit and public debt. How persuasive is this concern?

How large is Japan's fiscal imbalance? Japan's budget deficit is expected to be 6.1 percent of GDP this year, compared with a U.S. budget surplus and deficits below 3 percent in the European countries forming the EMU. By some measures, Japan's public debt amounts to more than 80 percent of GDP. It is important to note, however, that the current budget deficit includes a large cyclical component. Moreover, the debt underlying the 80 percent calculation includes substantial government debt held by other government agencies. The OECD calculates that after netting out these assets, Japan's debt was equal to 59 percent of GDP in 1996, roughly in line with several other major OECD countries (see chart). Moreover, Japan's social security system holds a substantial amount of non-government assets. Netting these out reduces the debt-to-GDP ratio to 15.4, well below comparable figures for the other major OECD countries.



The social security question. As in all G-5 countries, Japan's population is aging, and social security issues color any assessment of the fiscal balance. The buildup of assets in the social security system reflects Japan's awareness of the future obligations it will face. However, Japan has a more serious aging problem than the rest of the G-5, as it has the highest average age, will have one of the largest dependency ratios in the next 50 years, and has the longest life expectancy. These factors and the amount of legislated benefits imply that Japan faces greater unfunded pension liabilities: 105 percent of GDP in Japan, compared with 25 percent in the United States, over 100 percent in Germany and France, and 5 percent in the U.K. These larger liabilities tend to counterbalance the greater assets of the Japanese system and imply a serious long-term problem both for pension liabilities and health care costs for the elderly.

Implications. Japan will eventually have to take further steps to prepare for the aging burdens that are ahead. In the meantime, however, Japan does not face a problem of exploding debt that would militate against a fiscal expansion. In fact, a fiscal expansion could have substantial benefits. First, of course, it could help spur the economy and avoid a worsening recession. Stronger growth would offset some of the immediate impact of fiscal stimulus on the deficit. Second, paradoxically, a larger deficit in the short term could produce a smaller deficit in the intermediate term. If the stimulus leads to a strong enough rebound in spending and a sustained recovery in growth, tax revenues might increase enough and countercyclical government spending might fall enough to improve the medium-run deficit picture. Just as a growing economy has helped shrink the U.S. budget deficit over the past several years, a strong resumption of growth in Japan should help to reduce its deficit over time.

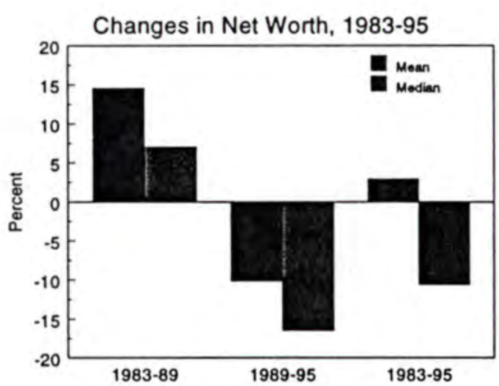
ARTICLE

The Distribution of Wealth

When the Census Bureau releases its latest report on money income and poverty next week, annual data on family income and its distribution will be available through 1997. By contrast, 1995 is the latest year for which we have data on wealth and its distribution. Nevertheless, it seems likely that the increase in stock prices since 1995 has produced a modest widening in what was already a highly unequal distribution.

No wealth of data. The best data for examining wealth and its distribution is the Federal Reserve's Survey of Consumer Finances (SCF) for 1983, 1989, 1992, and 1995 (the 1998 survey is now underway). The SCF consists of a core representative sample combined with a high-income supplement designed to provide a greater number of potentially wealthy respondents. The SCF is not only less frequent than the Current Population Survey used to produce the money income and poverty data, it is also substantially smaller (less than 5,000 respondents, compared with about 50,000 in the CPS).

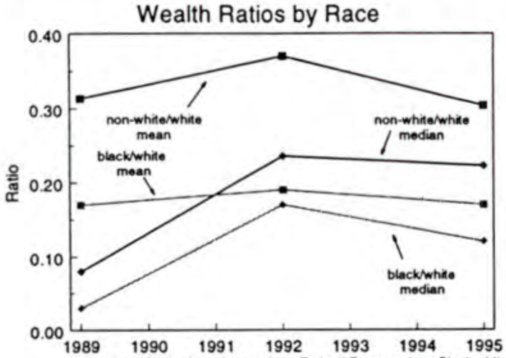
Levels and trends. The average net worth of all households was a little over $200,000 in 1995. Taking out the net equity in owner-occupied housing, average financial wealth was about $157,000. Because the distribution of wealth is highly unequal, median wealth is substantially lower than average wealth: median net worth was roughly $50,000 in 1995, and median financial wealth was roughly $10,000. Both mean and median net worth rose between 1983 and 1989 and fell between 1989 and 1995 (see chart). In one study, mean net worth in 1995 was slightly higher than it was in 1983, as shown in the chart. But in another study, median net worth was also higher in 1995 than in 1983.



Inequality. Wealth is substantially more unequally distributed than income. For example, the share of net worth held by the wealthiest 1 percent of households was close to 40 percent in 1995, whereas the share of household income received by the richest 5 percent of households was 21 percent. In the wealth rankings, the bottom 80 percent accounted for just 16 percent of net worth; in the income rankings, the bottom 80 percent accounted for more than half of aggregate family income. The proportion of households with zero or negative net worth was 18.5 percent in 1995. Studies showing a sharp increase in wealth inequality between 1983 and 1989 have been called into question by a recent study, which finds no statistically significant change over that period. But wealth inequality does appear to have increased slightly between 1992 and 1995.

Race. Non-whites and Hispanics have substantially less wealth than non-Hispanic whites (see chart). The median wealth of black households was only 12 percent that of non-Hispanic whites in 1995. Although this represents an improvement over 1983's 7 percent, it represents a decline from 17 percent in 1992. Wealth ratios are substantially lower than the corresponding black/white income ratio. One reason may be inheritances: 24 percent of white households had received an inheritance (with an average value of $115,000) in 1995, compared with 11 percent of black households who had received an inheritance (with an average value of $32,000).

Wealth Ratios by Race



Note: Non-white:white ratios are from Federal Reserve data. Black:white ratios are from other sources.

Age. SCF data show the expected hump-shaped age-wealth profile, with wealth accumulation over early and middle adulthood and decumulation in old age. However, between 1983 and 1995, the shape of this profile shifted, with relatively large gains for the oldest age group and losses for the youngest groups.

Who are the rich? The rich (the 1 percent of households with net worth of more than $2.4 million in 1995) are different from everyone else not just because they have more money. Other differences include age (the wealthy are older, on average), education (69 percent college graduates compared with less than 30 percent for all household heads), race (95 percent non-Hispanic whites), and self-reported health status (55 percent excellent, compared with 30 percent for all household heads).

Conclusions. Ownership of wealth was highly concentrated in the United States in 1995 with the wealthiest 1 percent accounting for more than a third of net worth. The rise in stock prices since 1995 has probably increased concentration at the top even more, though the continuing economic expansion may have produced increases in wealth for all groups.

THE PRESIDENT HAS SEEN
9-21-98

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Shows Moderate Growth but Deteriorating Expectations. The latest summary of commentary on current economic conditions from the Federal Reserve districts shows all district economies continuing to expand at a moderate pace, although several districts indicated slowing in some sectors. The summary notes reports from the New York district that significant segments of its economy were slowing and from the Dallas district that economic activity decelerated in August as the manufacturing sector declined. While the strength and pattern of the business expansion appears to have changed only marginally since the August 5 report, several districts indicated a sharp deterioration in both business and household expectations regarding the economy in the fourth quarter and in 1999. A large number of districts continued to exhibit labor market tightness, which appears to be pushing wages up at a faster pace. Retail prices, by contrast, remain generally steady or are declining slightly in most districts, and falling import prices have helped push industrial commodity prices lower.

EPI Offers Gloomy Assessment of Working America. In its latest annual assessment of the *State of Working America*, the Economic Policy Institute concludes that most working families have not seen their standard of living recover from the recession of the early 1990s, despite 7 years of strong economic growth and increases in the minimum wage. This "glass is half empty" assessment finds that median family income was $1,000 (2.3 percent) less in 1996 than it was in 1989, although 1997 data (available next week) are likely to show a parity with 1989 levels. Income growth generated among middle-income families has been driven largely by increases in working hours—an additional 6 weeks annually for the typical family since 1989—to make up for stagnant or falling wages. Between 1989 and 1997, real hourly wages remained constant or fell for the bottom 60 percent of workers, except for low-wage workers, whose wages rose 1.4 percent during that period. However, this assessment does not reflect healthy increases in real wages that have occurred this year.

[illegible]
Bruce
Riley

Teacher Quality Drives Student Achievement. A better understanding of ways to improve the quality of teaching is necessary to evaluate proposed changes in education policy, according to a new study. The study, which tracked one-half million elementary school students in Texas public schools over 3 years, concluded that differences in teacher quality explained variation in student achievement gains better than class size, overall school organization, leadership, or financial condition. However, measurable factors, such as experience or a master's degree, did little to explain differences in teacher quality. The study did find that reduced class size had a positive effect on the math and reading achievement of low-income children, but cautioned that resources devoted to reducing class sizes for low-income children might be better used to support preschool, after-school, or summer programs, for which spending is currently quite low.

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HRC
Reed
Sec. Riley
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INTERNATIONAL ROUNDUP

IMF Lowers Forecast for World Growth. IMF Managing Director Camdessus acknowledged in a newspaper interview this week that the IMF is again lowering its projection for world growth this year. The forecast of 2.1 percent growth, which will be officially released in the forthcoming *World Economic Outlook*, represents a precipitous drop from the IMF's October 1997 forecast of 4.3 percent growth. More ominously, forecasted world growth for 1998 is now comparable to levels not seen since the pronounced world slowdowns of 1974-75, 1980-82, and 1990-91. Downward revisions are being driven by Asia. Japan's economy is expected to decline by 2.3 percent; the newly industrialized Asian economies (Hong Kong, Taiwan, Singapore, and Korea) are predicted to contract by 2.4 percent; and the ASEAN-4 economies (Indonesia, Malaysia, the Philippines, and Thailand) are now expected to shrink by a staggering 10.4 percent. Closer to home, expected growth in the Western Hemisphere is now 2.7 percent, down from 5.1 percent actual growth in 1997.

Falling Oil Prices Still Challenge a Diversifying Saudi Arabia. Since the early 1980s, Saudi Arabia has been relatively successful at diversifying its economy. Non-oil activities (such as agriculture, manufacturing, and services) have increased from about 44 percent of GDP in the 1970s to about 65 percent recently. Government policies supporting this transition have included infrastructure investment, privatization, and reductions in many subsidies. The country has also maintained a favorable overall economic environment, with low inflation, competitive labor costs, a reduced fiscal deficit, and an open trade and exchange rate system. Nevertheless, oil revenues still account for nearly 90 percent of Saudi export earnings. This year's fall in oil prices of around $7 per barrel has caused a sharp reduction in oil revenues that will likely increase the budget deficit and cut GDP growth drastically—perhaps even causing a decline—after 4.4 percent annual growth over the last 2 years.

World Bank Study Cites Role of Structural Flaws in Asia's Woes. A recently released World Bank study applies standard financial-ratio analysis to determine what caused the crisis in Asia. The study points to a rapid build-up of fixed assets throughout Asia from 1992 to 1996, with particularly rapid growth in Indonesia and Thailand. With most of the growth financed with debt (especially in Thailand and Korea), high levels of corporate leverage were already prevalent in 1996. At the same time, moderate to low profitability severely impaired the ability of many Asian firms to ~~meet their interest obligations~~. Banks were the main source of funds, channeling very high household savings to businesses. Most of the countries in the study that had poor returns on capital employed also have underdeveloped capital markets. At the same time, many of the countries had recently liberalized their financial sectors, but in an environment that lacked an adequate prudential framework. The study concludes that the lack of financial and institutional discipline, coupled with the recent financial sector liberalization is a plausible explanation for the mix of currency, corporate, and banking crises confronting the region.

Gene S
This is worth a careful analysis
would they have been better off w/out financial liberalization

copied p. 8
Sperling
COS

RELEASES THIS WEEK

Housing Starts

****Embargoed until 8:30 a.m., Friday, September 18, 1998****

Housing starts fell 5 percent in August to 1.613 million units at an annual rate. During the first 8 months of this year, housing starts were 10 percent above the same period a year ago.

Consumer Price Index

The consumer price index increased 0.2 percent in August. Excluding food and energy, consumer prices also increased 0.2 percent.

U.S. International Trade in Goods and Services

The goods and services trade deficit was $13.9 billion in July; it was $13.6 billion in June.

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production rose 1.7 percent in August. Capacity utilization rose 1.1 percentage points, to 81.7 percent.

Retail Sales

Advance estimates show that retail sales increased 0.2 percent in August, following a decrease of 0.6 percent in July. Excluding sales in the automotive group, retail sales rose 0.3 percent, following an increase of 0.6 percent.

MAJOR RELEASES NEXT WEEK

Gross Domestic Product (Thursday)
Advance Durable Shipments and Orders (Thursday)

U.S. ECONOMIC STATISTICS

	1970-1993	1997	1997:4	1998:1	1998:2
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.8	3.0	5.5	1.6
GDP chain-type price index	5.4	1.7	1.1	0.9	0.8
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	1.7	0.9	3.5	0.1
Real compensation per hour:					
Using CPI	0.6	1.9	2.8	4.1	2.0
Using NFB deflator	1.3	2.0	3.9	4.3	3.4
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.6	10.7	11.0	11.2
Residential investment	4.5	4.0	4.1	4.2	4.3
Exports	8.2	11.9	12.0	11.6	11.3
Imports	9.2	13.1	13.2	13.1	13.2
Personal saving	5.2	1.5	1.2	0.9	0.4
Federal surplus	-2.7	-0.3	0.0	0.7	0.9

	1970-1993	1997	June 1998	July 1998	August 1998
Unemployment Rate (percent)	6.7**	4.9**	4.5	4.5	4.5
Payroll employment (thousands)					
increase per month			189	68	365
increase since Jan. 1993					16682
Inflation (percent per period)					
CPI	5.8	1.7	0.1	0.2	**0.2**
PPI-Finished goods	5.0	-1.2	-0.1	0.2	-0.4

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1996	1997	July 1998	August 1998	Sept. 17, 1998
Dow-Jones Industrial Average	5743	7441	9097	8479	7874
Interest Rates (percent per annum)					
3-month T-bill	5.01	5.06	4.96	4.90	4.58
10-year T-bond	6.44	6.35	5.46	5.34	4.80
Mortgage rate, 30-year fixed	7.80	7.60	6.95	6.92	6.66
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	**Current level September 17, 1998**	**Percent Change from**	
		Week ago	**Year ago**
Deutschemark-Dollar	1.685	-0.4	-4.9
Yen-Dollar	131.9	-1.8	9.0
Multilateral $ (Mar. 1973=100)	96.42	-0.5	-1.4

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	3.6 (Q2)	4.5 (Aug)	1.6 (Aug)
Canada	3.1 (Q2)	8.4 (Jul)	1.1 (Jul)
Japan	-1.8 (Q2)	4.2 (Jul)	-0.1 (Jul)
France	3.0 (Q2)	11.7 (Jul)	0.8 (Jul)
Germany	2.5 (Q2)	2/ 7.5 (Jun)	0.9 (Jul)
Italy	2.5 (Q1)	12.4 (Apr)	1.8 (Jul)
United Kingdom	2.6 (Q2)	6.3 (May)	3.5 (Jul)

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 June 1998 is 9.7 percent.

THE PRESIDENT HAS SEEN
9-21-98

'98 SEP 19 PM 1:38

THE WHITE HOUSE

WASHINGTON

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Reed
Kagan
Sperling
COS

September 19, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Education -- Charter Schools: Senator Harkin continued this week to prevent charter school legislation from coming to the Senate floor. As you recall, Harkin is insisting that the legislation set aside funds for innovative non-charter schools in states (such as Iowa) that have not passed charter school legislation. Harkin is motivated in part by a desire to get money for Iowa and in part by opposition toward the charter school movement. Senator Coats will not compromise with Harkin, arguing that the set-aside would minimize the difference between charter and non-charter schools and decrease incentives for states to pass charter legislation. Coats also may be responding to leadership pressure to use all available excuses to deny you a legislative accomplishment. Secretary Riley is scheduled to talk with Senator Harkin this weekend to urge him to drop his objection; in particular, Riley will explore with Harkin whether there is some other effective way to support innovative public schools in Iowa. If Riley does not succeed in convincing Harkin to back off, we probably will ask you to make a phone call to Harkin.

2. Education -- Single Sex Schools: Senator Kay Bailey Hutchison is threatening to offer her single-sex schools amendment to the early literacy bill -- a move that almost certainly would prevent passage of the bill -- unless we work with her to develop a version of the amendment that we could accept as part of the Labor-HHS-Education appropriations bill (or an omnibus appropriations package). As you recall, Hutchison's amendment expressly allows school districts to use funds from Title VI of the Elementary and Secondary Education Act for single-sex schools, so long as the districts provide comparable educational opportunities to students of both sexes. The Department of Education believes that this amendment is unnecessary (because it simply restates the governing legal standard) and confusing (because it may lead school districts to believe that some other standard governs non-Title VI funds). Given the nature of these reservations, we probably could work out mutually agreeable language with Hutchison. But most women's groups and a number of Senate Democrats (including Senators Kennedy and Harkin) appear to have much more fundamental objections to the Hutchison amendment; they would like substitute language that makes single-sex schools a good deal harder to establish. Because of their strong feelings on this issue, we have not yet agreed to negotiate with Hutchison; we are going to have further discussions this week with the groups and Senate staff.

3. Education -- Block Grants/Class Size: The House passed education block grant legislation on Friday by a vote of 212-198. Congressman Clay offered your class size proposal as an amendment during the debate. Republicans defeated the amendment by a vote of 216-190, thus putting themselves on record as opposing measures to reduce class size in the lower grades. We do not expect the Senate to take up the block grant legislation.

4. Children and Families --Head Start Reauthorization: The House passed a generally good Head Start Reauthorization bill on Monday, after Congressman Goodling agreed to strip several highly controversial provisions -- involving, for example, vouchers and the Davis-Bacon Act -- that the Republicans had added in committee. The Senate already has passed a strong reauthorization bill, and we hope for a speedy conference and a bill signing next month. Both the House and the Senate bills reauthorize the program at sums near your request and add important new goals for the program, such as "school readiness." The most important issue left for conference concerns how to allocate new funds between quality improvement and program expansion. We have advocated a careful balance between improving quality and serving more children, very much along the lines of the Senate bill; the House bill puts more of the new money into quality improvements, such as salary enhancements. We will work in conference for the Senate version, but expect to see some middle-ground position emerge from conference.

5. Crime -- COPS Grants: The COPS Office released last week over $20 million in grants to 27 jurisdictions to hire 331 officers. The office is now ready to release another $300 million in grants, including: (1) $200 million in COPS MORE grants to allow 600 law enforcement agencies across the country to redeploy 10,000 officers; (2) $100 million for Los Angeles to hire over 700 new police officers (with a long-awaited waiver of the normal matching requirement); and (3) $6 million to four other law enforcement agencies in California to hire an additional 82 officers.

6. Crime -- Juvenile Crime Legislation: The House attached two major juvenile crime bills that it had passed during the past year -- H.R. 3, a penalties bill which we have opposed, and H.R. 1818, a prevention bill which we have supported -- to a noncontroversial bill coming from the Senate to reauthorize funds for the Center for Missing and Exploited Children. The amended bill passed on the suspension calendar by a vote of 280-126, thereby setting up a conference on the juvenile crime measures. Senate Democrats will oppose the appointment of conferees, but they may eventually have to back down and accept a conference on juvenile crime. We will continue meeting with them this week to discuss how best to proceed on this issue.

7. Health Care -- Medicare Home Health Update: Ways and Means Subcommittee Chairman Bill Thomas unveiled a proposal last week to modify the home health care reimbursement provisions passed in the Balanced Budget Act. As you recall, home health providers (including Val Halamandaris) have complained that these provisions set rates too low and prevent providers from offering quality service to Medicare beneficiaries. The

Thomas proposal would raise payment rates overall, while also lessening geographical disparities in reimbursement. Although not fully satisfying the industry, the proposal goes a long way toward meeting their objections. (Val, for example, sent generally positive signals about it.) The primary problem with Thomas's approach is that it would cost $1.4 billion over 5 years -- and that it takes this amount out of the budget surplus. We believe that House Democrats will hold firm in opposing the proposal's surplus financing, but that they will feel real pressure to propose an alternative financing mechanism. The difficulty, of course, is that the Medicare offsets that could pay for Thomas's home health proposal are themselves politically nonviable. We will meet with the Democrats next week to discuss how to proceed on this sensitive issue.

8. Welfare Reform -- New Federal Child Support Case Registry: HHS is almost ready to put in place a new national database of child support cases, called the Federal Case Registry. This registry -- another of the critical building blocks of the interstate child support system proposed in your 1994 welfare reform bill and enacted in 1996 -- will make it easier to locate deadbeat parents, especially if they have moved to a different state. HHS will check the Registry daily against an already operative database of employees (the National Directory of New Hires, which was created in October 1997 and is updated daily with "new hire" information submitted by employers). When this computer check produces a match, HHS will report information about the delinquent parent to the state in which child support is owed; the state then will arrange to garnish the wages of the parent. States will begin to submit their child support case data to HHS on October 1; HHS expects to have 30 states in its system by the end of October and 40 states by the end of the year. The National Directory of New Hires already has made it easier to find delinquent parents (the Directory helped locate one million parents in just its first nine months of operation); the addition of the Federal Case Registry will increase still further the ability of states to find and proceed against deadbeat parents.

9. Welfare Reform -- Research Grants: HHS awarded $3 million in grants to 10 states and 3 counties last week to study what happens to families coming off the welfare rolls. The research studies will track employment and earnings; returns to welfare; participation in Food Stamps, Medicaid, child support, and child welfare programs; and family and child well-being. Florida's study is specifically designed to explore the impact of welfare reform on different ethnic groups, and Arizona's study is directed in part toward the State's large Native American population. Massachusetts will examine, among other matters, the first group of families to hit the State's 24-month time limit. Several of the states also will track what happens to families who have been diverted from the welfare rolls.

10. Immigration -- H-2A Agricultural Guestworkers: We met several times last week with Democratic Members of Congress interested in the H-2A visa program for agricultural workers to inform them that we would continue to oppose the H-2A provision on the Senate's Commerce-Justice-State (CJS) appropriations bill, but that we would engage in a broad-based process to consider future legislative reform of the program. Senators Wyden and Graham co-sponsored the provision on the CJS bill, but Hispanic groups, labor unions, and their many Democratic friends in Congress (including Senator Kennedy and Congressmen Berman and Becerra) just as strongly oppose it. We believe that there is good reason for this opposition, because the Wyden/Graham amendment would weaken labor protections for migrant farmworkers. At the same time, we believe that the growers have legitimate concerns about the program, and that we should take a hard look at the way it operates. After several meetings, Wyden and Graham decided that they would continue to push their amendment on the CJS bill, but that they also would join a working group (which will include as well Kennedy, Berman, and Becerra) to consider different ways to reform the H-2A program. We will begin meetings of this working group this week, in the hopes of developing a consensus proposal and introducing it at the beginning of the next session of Congress. In the meantime, we believe that we are in a strong position to defeat the Wyden-Graham amendment, especially because anti-immigrant Republicans also oppose it.

11. Community Empowerment -- Regulation B: We have heard that the Federal Reserve may be coming close to approving a change in Regulation B, which implements the Equal Credit Opportunity Act, to allow (but not require) banks to collect data on the race and income of loan applicants. The Administration sent a letter to the Fed last Spring, arguing that this change in the regulation would allow banks to assess their outreach and approval practices for a variety of loans, including loans to small businesses. The Fed considered and rejected a similar proposal in December 1996, but may change its mind between now and the end of the year because of the Administration letter, supportive letters from several large banks, and recent changes in the composition of the Board of Governors.

THE PRESIDENT HAS SEEN
9-21-98

'98 SEP 18 PM 11:08

THE WHITE HOUSE

WASHINGTON

September 18, 1998

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Sperling
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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: ERSKINE BOWLES

Speech at the Council of Foreign Relations: Your speech to the Council on Foreign Relations received terrific press: the *USA Today, Washington Post, Financial Times*, and *New York Times* all ran positive stories above-the-fold. Your speech was also extremely well received in the financial markets, both here and abroad, and particularly in Latin America. As you know from your conversations with Presidents Cardoso and Zedillo, the equity markets in Brazil and Mexico were both up in the first half of the week, partially due to renewed confidence in their markets because of your words.

***Next Generation Internet*:** In your State of the Union address, you set a goal of connecting 100 universities to the Next Generation Internet (NGI). On Friday (9/18), the Vice President announced grants to connect another 36 universities to the NGI -- exceeding your goal and bringing the total to 128.

H-1B Visas: The House Republican leadership postponed bringing to the floor legislation to increase the number of temporary (H-1B) visas for highly skilled foreign workers; the current plan is to move the bill next week. The reason for the delay is twofold: (1) the current version, does not include adequate protections for U.S. workers and includes insufficient training funds; and (2) does not appear to have enough votes to pass (partially because of our veto threat). Meanwhile, Cecilia Rouse, on my staff, and Peter Jacoby, of White House Legislative Affairs have been meeting with Senator Abraham's staff to reach an agreement that would include significant additional funding for training and strong protections for U.S. workers. There has been some progress, and it is possible that we can reach an agreement in the next week.

Head Start Reauthorization: On Monday night (9/14), as part of the Community Services reauthorization, the House passed Head Start reauthorizing legislation that is much less problematic than the version reported by the House Education and Workforce Committee. (The bill also included Low-Income Home Energy Assistance Program reauthorization, Community Services Block Grant reauthorization, and a new Individual Development Account demonstration (see below). During the Committee markup, Rep. Riggs succeeded in adding two controversial amendments concerning paternity establishment and vouchers/certificates. However, Rep. Goodling succeeded in bringing a version of the bill to the floor that did <u>not</u> include these two

9-21-98

provisions, and omitted the provision in the Committee bill that would have repealed the Davis-Bacon requirement for Head Start construction. Because of these changes, the reauthorization passed with overwhelming bipartisan support (346-20). There remain a few lesser, but still important, Head Start issues for conference: for example, the House bill's excessive increase in the quality set-aside (from the current law 25 percent of any real increase in Head Start funding to 65 percent in FY 1999 and FY 2000 and 45 percent in FY 2001 and FY 2002). Boosting the quality set-aside to these levels would restrict expansion and prevent the Head Start program from reaching your target of 1 million children in 2002. The Senate version (which passed by unanimous consent) does not change the quality set-aside from current law. We will work in conference to ensure that the Senate version is included in the final bill.

Individual Development Accounts: On Monday night (9/14), the House passed the Individual Development Accounts (IDA) proposal, as part of the Community Services reauthorization (see above). Enactment of this legislation would effectively complete your 1992 community empowerment agenda. There are no significant differences between the House-passed and Senate-passed versions of the bill and therefore, we do not expect a contentious conference. The IDA proposal authorizes $25 million annually and we are seeking an appropriate way to fund the program. The Senate Labor/HHS bill earmarks $10 million of HHS' welfare reform research funds, but we are concerned that this approach could take needed money away from critical welfare reform studies. Therefore, we are working with DPC, OMB, and the Hill to find another way to fund these new IDAs. You should also know that Jon Orszag, on my staff, is working to put together three other announcements to promote the use of IDAs: (1) a letter from banking regulators clarifying that banks and thrifts can receive Community Reinvestment Act credit for IDA programs; (2) a letter from HUD clarifying that HOME and Community Development Block Grant funds can be used to establish IDA programs; and (3) a clarification from Treasury that the matching contribution to the IDA from a non-profit or government entity is not counted as income for the individual.

EK
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H-2A Visas: Last July the Senate passed an amendment to the Commerce-State-Justice Appropriations bill (sponsored by Senators Ron Wyden (D-OR), Bob Graham (D-FL) and Gordon Smith (R-OR) that reforms the H-2A agricultural guestworker program. Secretary Herman wrote a letter strongly opposing the amendment because it would erode protections for U.S. workers and shift costs and risks from employers to workers and/or the government. Although the bill passed the Senate by a vote of sixty-eight to thirty-one, it has since lost support among Senate Democrats, principally because labor and Hispanic groups have made clear their vehement opposition. Further, the Wyden-Graham amendment has little Republican or Democratic support in the House. Faced with this situation, Sens. Wyden and Graham met with Erskine Bowles, Sally Katzen, and Elena Kagan on Tuesday (9/15) in an attempt to convince the White House that rather than opposing their bill, we should work with them to make it better. Following that meeting, Elena Kagan, Cecilia Rouse (NEC), Julie Fernandes (DPC), and Barbara Chow (OMB) met twice with the staff of House and Senate Democrats. After giving the Wyden-Graham bill careful consideration, we plan to list this amendment as one of the reasons to issue a veto threat on the C-J-S Appropriations bill. You should know that we have begun a bi-partisan working group (including the Department of Labor and USDA) to consider potential reform to the H-2A program.

HEA Reauthorization: While the conference on the Higher Education Act reauthorization is not finished, it does appear to be in its final stages, and a report could be considered in the House as early as next week. There is much for us to celebrate in the bill: for example, lower interest rates on student loans; authorization of the High Hopes program (renamed "GEAR-UP"); teacher recruitment and training proposals modeled in part on your initiatives; the government's first Performance-Based Organization (PBO), for the efficient delivery of student aid; making distance learning more available, and investing in innovative distance learning pilot projects. We did, of course, have losses, too. The bill includes unnecessary subsidies to banks, and the lack of any pilot program to use market forces to set lender subsidies. For former students paying higher interest rates on their loans, low-rate financing through direct lending will end in just four months. (On the welfare reform provisions, we have not heard yet of any resolution).

Chief Operating Officer for Student Aid: In preparation for the new Performance-Based Organization (see above), the Education Department is prepared to hire Suzanne Peck, the first Chief Operating Officer for student aid. She has a background in student loan banking -- the type of industry experience that many feel will help bring innovation to our grant and loan programs.

Tax Cuts and Saving Social Security First: Following your strong veto statement on any tax bill that violates Saving Social Security first, Democrats on the Ways and Means Committee held together. While several Democrats wavered all week, only Barbara Kennelly voted for the Archer package. Erskine, Bob Rubin, Jack Lew, and I met with a group of reporters to reinforce our position that you will veto any tax cut that squanders the surplus. We will continue to work to convince Democrats that our position is unwavering.

School Construction: You should know that the Ways & Means tax bill includes a provision worth $1.3 billion over five years that allows increased arbitrage on school construction bonds. While the provision is objectionable, it does indicate that Republicans feel that they need to respond to our call for an investment in school construction. On the Senate side, Sen. Moseley-Braun yesterday released a letter from 40 Senators to the Majority Leader and the Chairman of the Finance Committee urging that any tax relief legislation "should include major tax relief for communities seeking to rebuild and modernize their school facilities." The letter states that "We believe this objective can be accomplished in a manner that does not reduce the projected budget surplus."

Bankruptcy: The Senate began floor debate on the bankruptcy bill on Thursday (9/17). Among major amendments, Senator D'Amato's amendment to ban ATM fees charged by the machine provider (as opposed to the customer's bank) failed 72-26. Senator Kennedy's minimum wage amendment was put off until next Tuesday (9/22), when final passage of the underlying bill is expected. The Administration's SAP "encourages Senate passage of S. 1301 as an important step toward balanced bankruptcy reform; however, the Administration ultimately would support enactment of bankruptcy legislation only if the essential reforms incorporated by the Senate managers' amendment are preserved and strengthened and the unbalanced and arbitrary elements of the current House bill are omitted." I convened a meeting of White House senior staff and DoJ and Treasury officials to reach a consensus on our conference goals.

Y2K Information Sharing Liability Bill: Senators Hatch, Leahy, Kyl and Dodd, joined by John Koskinen, held a press conference Wednesday (9/16) to announce a bipartisan consensus on language for the "Good Samaritan" bill that you proposed in mid-July. The Senators credited the Administration's pivotal role in the development of the legislation. At mark-up on Thursday (9/17), Senator Thompson offered an amendment that would have cost the bill key industry support. It was defeated 14-4, since any one Senator can derail the bill at this late date, the Administration and the Senate sponsors have begun to educate the four Senators who were in favor of the amendment. So far, we have won over one of the four. Senator Hatch hopes to bring the bill to the floor next week.

Auto Choice: Next week, the Senate may bring auto insurance reform legislation, so-called Auto Choice, to the floor for a cloture vote. As you may know, under the Auto Choice proposal, drivers in states that accept the new federal legislation would have a choice between the existing system in their state and a no-fault plan -- which may provide lower premiums, but at the cost of prohibiting most drivers from collecting non-economic damages such as pain and suffering. Your economic team has a number of serious problems with the legislation, but believes that the best strategy is to remain silent at this time because: (1) the motion is unlikely to pass, and (2) we do not want to divide Democrats -- Senators Monyihan and Lieberman favor the legislation and most others are opposed. You should know that if the cloture vote passes, we will send you a memo to inform your decision about opposing/supporting Auto Choice.

Social Security Reform: This week, the Social Security working group met to review extensive work we have done analyzing the impact of Social Security reform on women. We discussed (1) issues about the current Social Security system -- including why so many elderly widows are poor and whether the system is fair to working women -- and (2) ways in which reform proposals would impact women (e.g., the implications of annuitizing individual accounts at a unisex rate, the evidence on whether women are more conservative investors than men, and options for reducing widow poverty). Larry Stein and I continued our meetings with key Senators to get their thoughts on how the Social Security reform process should unfold in the coming months; this week, we had individual meetings with Senators Breaux, Conrad, Dorgan, Kennedy, and Mack, and a joint meeting with Kerrey and Moynihan.

Minimum Wage: The Senate was supposed to debate and vote on Senator Kennedy's minimum wage increase on Thursday (9/17), but they delayed it until next Tuesday (9/22) when the Senate will take it up. Senate Democrats were pleased with your remarks about the minimum wage at the IBEW Conference. We expect the vote to be very close. There are 45 definite supporters of your proposal, including two Republicans (D'Amato and Specter). And 9 Senators -- 7 Republicans and 2 Democrats -- remain uncommitted. We will be working with the Labor Department and Senator Kennedy's office to get the votes needed to pass your proposal.

Internet Tax Freedom Act: There is a chance that the Senate next week will approve the Internet Tax Freedom Act. Senator Wyden (a sponsor) and Senator Dorgan (an opponent) are trying to agree on a compromise that would allow the bill to be brought up on a time agreement. We have been actively encouraging Senate Democrats to reach a compromise to allow the bill to go forward.

THE PRESIDENT HAS SEEN
9-21-98

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provisions, and omitted the provision in the Committee bill that would have repealed the Davis-Bacon requirement for Head Start construction. Because of these changes, the reauthorization passed with overwhelming bipartisan support (346-20). There remain a few lesser, but still important, Head Start issues for conference: for example, the House bill's excessive increase in the quality set-aside (from the current law 25 percent of any real increase in Head Start funding to 65 percent in FY 1999 and FY 2000 and 45 percent in FY 2001 and FY 2002). Boosting the quality set-aside to these levels would restrict expansion and prevent the Head Start program from reaching your target of 1 million children in 2002. The Senate version (which passed by unanimous consent) does not change the quality set-aside from current law. We will work in conference to ensure that the Senate version is included in the final bill.

Individual Development Accounts: On Monday night (9/14), the House passed the Individual Development Accounts (IDA) proposal, as part of the Community Services reauthorization (see above). Enactment of this legislation would effectively complete your 1992 community empowerment agenda. There are no significant differences between the House-passed and Senate-passed versions of the bill and therefore, we do not expect a contentious conference. The IDA proposal authorizes $25 million annually and we are seeking an appropriate way to fund the program. The Senate Labor/HHS bill earmarks $10 million of HHS' welfare reform research funds, but we are concerned that this approach could take needed money away from critical welfare reform studies. Therefore, we are working with DPC, OMB, and the Hill to find another way to fund these new IDAs. You should also know that Jon Orszag, on my staff, is working to put together three other announcements to promote the use of IDAs: (1) a letter from banking regulators clarifying that banks and thrifts can receive Community Reinvestment Act credit for IDA programs; (2) a letter from HUD clarifying that HOME and Community Development Block Grant funds can be used to establish IDA programs; and (3) a clarification from Treasury that the matching contribution to the IDA from a non-profit or government entity is <u>not</u> counted as income for the individual.

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H-2A Visas: Last July the Senate passed an amendment to the Commerce-State-Justice Appropriations bill (sponsored by Senators Ron Wyden (D-OR), Bob Graham (D-FL) and Gordon Smith (R-OR) that reforms the H-2A agricultural guestworker program. Secretary Herman wrote a letter strongly opposing the amendment because it would erode protections for U.S. workers and shift costs and risks from employers to workers and/or the government. Although the bill passed the Senate by a vote of sixty-eight to thirty-one, it has since lost support among Senate Democrats, principally because labor and Hispanic groups have made clear their vehement opposition. Further, the Wyden-Graham amendment has little Republican or Democratic support in the House. Faced with this situation, Sens. Wyden and Graham met with Erskine Bowles, Sally Katzen, and Elena Kagan on Tuesday (9/15) in an attempt to convince the White House that rather than opposing their bill, we should work with them to make it better. Following that meeting, Elena Kagan, Cecilia Rouse (NEC), Julie Fernandes (DPC), and Barbara Chow (OMB) met twice with the staff of House and Senate Democrats. After giving the Wyden-Graham bill careful consideration, we plan to list this amendment as one of the reasons to issue a veto threat on the C-J-S Appropriations bill. You should know that we have begun a bi-partisan working group (including the Department of Labor and USDA) to consider potential reform to the H-2A program.

THE PRESIDENT HAS SEEN 9-21-98

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

September 18, 1998

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MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE B. BOWLES

FROM: KATHLEEN A. McGINTY

SUBJECT: CEQ WEEKLY REPORT

PROTECTING COMMUNITIES FROM TOXICS

Recycling Executive Order

On Monday you signed an executive order that, among other things, will require the federal government to buy and use only recycled printing and writing paper by the end of this year. This action is a significant step that will save half a million trees per year, reduce energy use and air pollution, and stimulate markets for green products. The announcement was positively received by the recycling community and covered by the *Washington Post*, *Wall Street Journal*, and *USA Today*.

RESOURCE STEWARDSHIP

Bonneville Power Administration

Today, the Vice President announced principles that will guide the Bonneville Power Administration (BPA) as it begins negotiations on new power contracts for the 21st century. These principles will ensure that the Northwest will continue to receive low-cost power and that BPA will be able to meet its obligations, including those to Columbia River basin salmon restoration. The principles were developed in a process that involved several Federal agencies along with customers, tribes, and environmental and community groups. These principles improve upon the 1995 interagency "fish funding agreement" and call on BPA to commit at least $438 million per year to fish and wildlife restoration.

SUSTAINABLE COMMUNITIES

Smart Growth

The Vice President was in Portland, Oregon last Saturday to dedicate a new extension of the city's light rail system and to hold the first in a series of listening sessions on the subject of smart growth. Portland has a national reputation as an innovative city that has used transit as a means to spur economic development that is consistent with a healthy environment and a high quality of life. The Vice President was joined at the event by a wide range of representatives from the region including state, regional, and local officials, business representatives and community leaders. The next listening session is scheduled for Sacramento on September 29.

OTHER

Travel

On Sunday, I traveled to Seattle where the Vice President moderated a panel on the waterfront on restoration of coastal salmon in the Pacific Northwest. Coastal salmon may be listed as threatened in February and the region is working to develop local strategies to restore this critical resource. We are working with OMB on a proposal for the FY 2000 budget that will identify resources that can assist the Northwest's coastal salmon restoration effort.

From Seattle, I traveled to Montana to mark the completion of the New World mine agreement that you announced on August 12, 1996. The ceremony was a very positive celebration of our collaborative approach to resolving conflicts. The event received very favorable local and regional press with front page stories (see attached news clips). The purchase of the New World mine is a great achievement for the Administration. The Environmental Protection Agency is now heading up the federal effort to clean up the site from a century of mining wastes.

While in Montana I also toured the Royal Teton Ranch property, one of our FY 1998 priority acquisitions from the Land and Water Conservation Fund. The tour as well as the issue involved, received excellent local press coverage and should help in our effort to urge Congress to release funds for this purchase.

This property would provide winter range and maintain historic migration paths for wildlife including bison, bighorn sheep, elk, grizzly bear, antelope and mule deer. The property has an added benefit for bison. Currently, bison that migrate out of Yellowstone Park are often shot by Montana officials to ensure that cattle are not exposed to brucellosis, a disease that can be carried by bison. By providing additional range, this property is critical to our strategy to protect bison. If we cannot purchase the property soon, it could well be sold to private buyers.

Attachments

Bozeman Daily Chronicle 9/16/98 A1

Crown Butte buyout — a done deal

DOUG LONEMAN/CHRONICLE

Dale Bosworth, left, head of all national forests in Montana and northern Idaho, holds up the deed to the New World property Tuesday at Corwin Springs as Katie McGinty, center, chair of President Clinton's Council on Environmental Quality and Karl Ellers, chairman of Battle Mountain Gold, which now owns Crown Butte Mines, look on.

Deed to property changes hands

By SCOTT McMILLION
Chronicle Staff Writer

CORWIN SPRINGS — It was an incredibly friendly ending to one of the most bitter environmental battles of the decade, but there were smiles all around as a mining executive signed over a ceremonial deed to the New World property here Tuesday morning.

"This is a victory for a whole new approach" to environmental debates, said Katie McGinty, chair of President Clinton's Council on Environmental Quality. "One that favors consensus over conflict."

She was the keynote speaker at a morning ceremony to celebrate the government's purchase of Crown Butte Mines' property near Cooke City. Clinton announced the deal in August 1996 but it was not consummated until last month.

> "This is a victory for a whole new approach ... one that favors consensus over conflict."
>
> **—Katie McGinty, President's Council on Environmental Quality**

Karl Ellers, chairman of Battle Mountain Gold, which now owns Crown Butte Mines, said the buyout was a "truly cooperative effort" between miners, the government and conservationists, but he also noted it was a "long and challenging road" that lead to the agreement.

Almost as soon as Crown Butte started exploring in the high country northeast of Cooke City in the late 1980s, environmentalists began questioning the proposal. Then they moved to outright and bitter opposition, filing a federal lawsuit that would lead to a key victory and vowing to dog the company wherever it set foot in the world.

(More on **Buyout**, page 8)

Newslink COOKE-CITY-MINE See pg 6

BOZEMAN DAILY CHRONICLE 9/16/98

Buyout/from page 1

The company faced many years of conflict and litigation, Ellers said, "with no guarantee of success" or eventual payoff to the company's stockholders.

But McGinty did not mention the lawsuit the company lost, one that could have cost the company millions of dollars in fines for Clean Water Act violations.

Instead of discussing the stick looming over the company's back, she focused on the $65 million carrot looming in front of its nose, the carrot the company bit in 1996.

McGinty said she did not doubt the company's faith in its own ability to mine safely without causing environmental problems.

But the place where it wanted to work is made of rock that can generate acid and dangerous runoff when disturbed. Plus, earthquakes send regular shudders through the area.

"Even with the best of intentions," she said. "In this area the risk was too great."

Of the money paid to Crown Butte, $23 million is set aside to clean up the polluted streams that led to the company's loss in court.

For the next 20 years, the historic mining district in the Daisy Pass area is off limits to mining on federal land.

Mike Clarke, director of the Greater Yellowstone Coalition and one of the chief negotiators of the buyout, called for a permanent injunction on mining in the area.

Other high officials there included Dale Bosworth, head of all national forests in Montana and northern Idaho, Yellowstone National Park Superintendent Mike Finley, Gallatin National Forest Supervisor Dave Garber and Environmental Protection Agency Rocky Mountain Regional Director Bill Yellowtail.

Though the focus of the ceremony was on how to enjoy a sausage, not the grind it takes to make it, McGinty and others called the deal a template for other controversial issues.

McGinty specifically cited bison, a case in which "tragedy compels us to act."

She said the administration has reconciled the conflicts and differences between the departments of Agriculture and Interior and "federal government is now on the same page."

The state and federal governments have released an environmental impact statement that includes a "preferred alternative" for long-term bison management that has been criticized by both ranchers and bison advocates.

She spent much of Monday with bison advocates, including a dinner at Chico Hot Springs Resort, and said Tuesday she is interested in an alternative they released called the "Citizens' Plan."

"The Citizens' Plan does indeed offer important and valuable insights," she said, adding that she hopes to hear more ideas from the ranching community.

THE PRESIDENT HAS SEEN
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THE WHITE HOUSE

WASHINGTON

September 18, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report

Press

Today, John Browne, CEO of British Petroleum, gave an important speech at Yale announcing BP's plan to dramatically reduce its global greenhouse gas emissions by 10 percent below 1990 levels by the year 2010. We put a statement for you commending this action. The *Washington Post* and the *San Francisco Chronicle* ran stories today and more stories are expected to run over the weekend.

Two stories appeared this week on how global climate change's is affecting our environment. On September 14, *NPR,* aired a story on the rapid melting of the arctic ice sheet, and on September 17, the *Washington Post* ran a story on new British research demonstrating that the thermosphere -- the outer layer of the atmosphere -- has fallen by about 5 miles in the last 38 years. The lead author of the underlying research article, a Cambridge, England atmospheric research physicist, said that "the closest you can get to explaining this phenomena is greenhouse gases."

Congressional

On the appropriations front, the House passed the Foreign Ops bill this week, which, like the Senate bill, contains deep cuts in our request for the Global Environment Fund. Meanwhile, Rep. McIntosh held his sixth Subcommittee hearing entitled "Kyoto Protocol: Is the Clinton-Gore Administration Selling out America?" There were no Administration witnesses. The witnesses did include representatives from API, Boise Cascade, Texas Instruments, the International Brotherhood of Boilermakers and the American Farm Bureau Federation. Rep. McIntosh continues to press for more documents. So far, in response to over 60 requests made to 22 agencies (including the issuance of seven subpoenas) our rough calculation is that over 10,000 staff hours have been spent to produce over 350,000 pages of documents at a cost of about $425,000.

Diplomatic

In Tokyo this week, Stu Eizenstat met with counterparts of around 20 key nations to discuss the agenda and potential outcomes for the Buenos Aires conference, November 2-13. Good progress was made in working through issues on emissions trading and the Clean Development Mechanism. In particular, EU representatives indicated a possible willingness to back away from their insistence on capping emissions trading. Chinese officials continued to be more receptive to dialogue on climate change than in the past. However, developing countries in Tokyo displayed little if any willingness even to discuss (let alone to take on) binding emissions targets. Maintaining momentum in the face of this reluctance will be a central challenge at Buenos Aires.

Domestic Policy

Economic analysis. The Energy Information Agency (EIA), a statistical arm of DOE, which has an non-political status akin to BLS, suggested to Rep. Sensenbrenner at a hearing several months that it would be happy to do an economic analysis of the Kyoto agreement. Mr. Sensenbrenner, who views climate change about the way Sen. Hagel does, took EIA up on the offer. EIA has now completed its study, with numbers at the highest end of the scale, higher even than studies paid for by hard-core industry opponents. We have responsive talking points ready for use when the study is released.

Industry consultations. We had a good meeting with key CEOs from the natural gas transmission industry this week. This industry, which is fundamentally on the solution side of the climate change problem -- switching from coal to natural gas greatly reduces emissions -- is quite open to working with us.

The World Energy Council held its biannual meeting in Houston, Texas this week. This meeting was interesting in the degree to which climate change had become a mainstream topic to be considered and addressed by exhibitors and speakers during the conference, including oil producers.

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