

Wednesday, November 25, 1998

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THE WHITE HOUSE
WASHINGTON

11-25-98

November 23, 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) **Legislative Report**
- (H) **Communications Report**
- (I) **Public Liaison Report**
- (J) **Intergovernmental Report**
- (K) **Cabinet Affairs Report**
- (L) **Political Report**

Phil Caplan *Phil*

Tab A - copied Yellen/Podesta

Tab C - copied Reed/Kagan/Podesta

Tab D - copied Sperling/Podesta

Tab E - copied Frampton/Podesta/Kagan/Reed

Tab F - copied Lane/Reed/Sperling/Waldman/
and Podesta

Tab H - copied Lewis/Spector/Podesta/Streett

Tab I - copied Moore/Podesta

Tab K - copied Marshall/Balderston/Podesta

Tab L - copied Smith/Podesta

11-25-98

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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

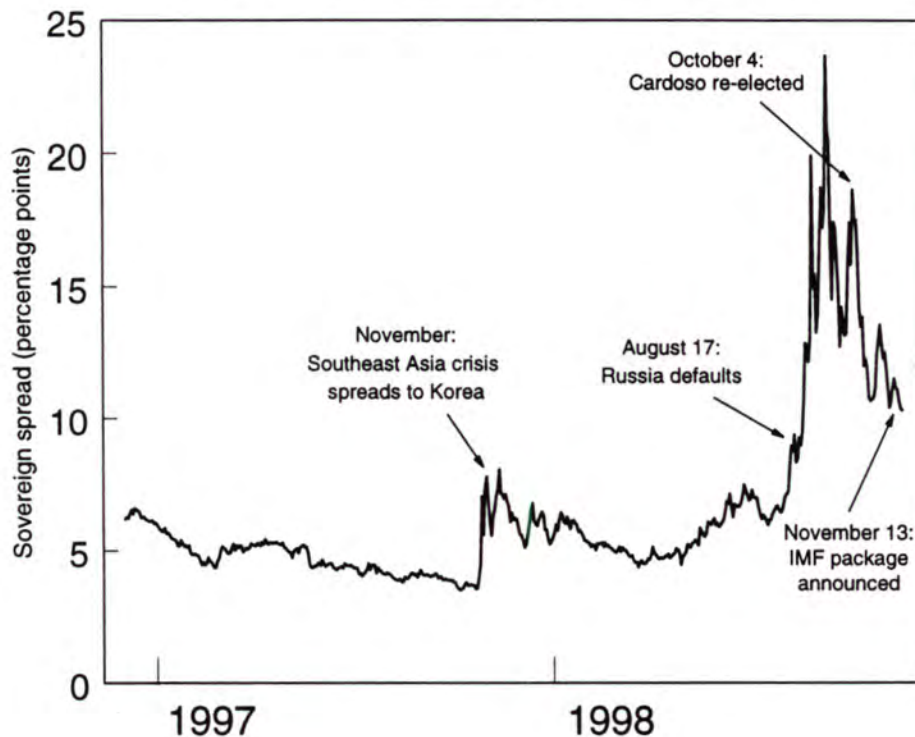
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

November 20, 1998

Copied
Podesta
Gellen

CHART OF THE WEEK

The Risk Premium on Brazilian Debt



The difference between yields on Brazilian Brady bonds and those on comparable U.S. Treasury notes reflects conditions specific to Brazil, but it also reflects international investors' attitudes toward risk more generally. The recent drop in the spread may indicate a somewhat improved outlook. The spread remains high, however.

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SPECIAL ANALYSIS

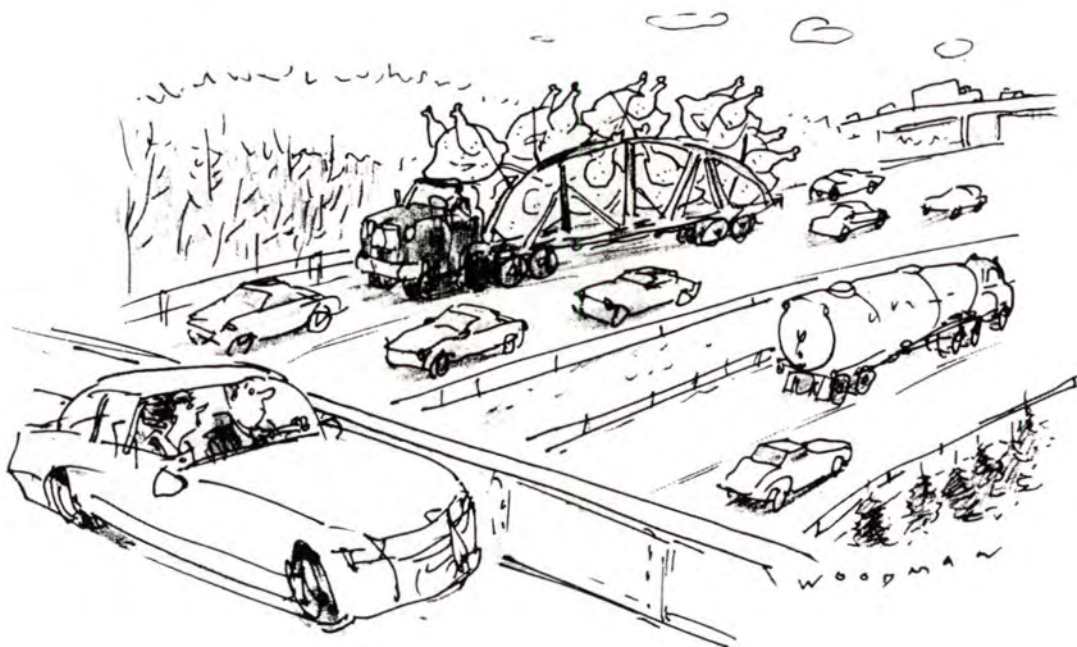
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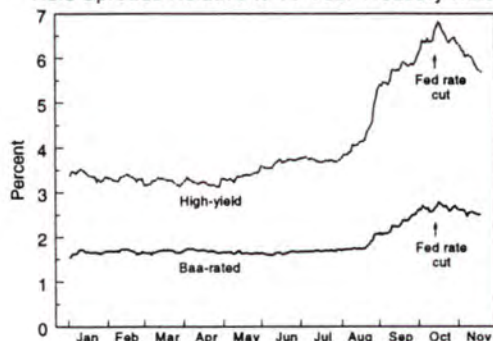


CURRENT DEVELOPMENT

Financial Market Conditions Are Improving

The Federal Reserve cut interest rates on Tuesday, explaining that conditions in financial markets have settled down since their last rate cut but “unusual strains” remain.

Yield Spreads Relative to 10-Year Treasury Notes



Risk spreads. Between mid-July and mid-October, spreads between yields on corporate bonds and Treasury notes widened dramatically, with an especially large increase for riskier corporate debt (see upper chart). Investment-grade spreads are little changed since the Fed's October 15th rate cut, but high-yield spreads have fallen noticeably.



Stock prices. Most major stock market indexes hit record highs in mid-July and then lost roughly a fifth of their value by the end of August (see lower chart). They have moved up sharply since early October.

Less market stress. Other indicators have also improved since mid-October. Bid-ask spreads have narrowed. The yield spread between more- and less-

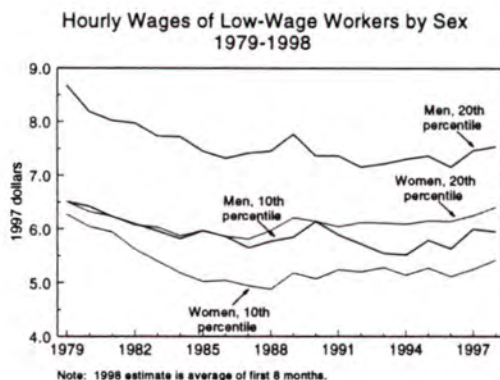
liquid Treasury securities, which rose substantially in September and early October, has now diminished. Corporate debt issuance, which was virtually nil in the first part of October, has picked up. Also, business borrowing from banks has risen rapidly, even though banks report tightening credit terms and standards.

Is the Fed on hold? The Fed seemed to signal that further rate cuts should not be expected, noting that “with the 75 basis point decline in the Federal funds rate since September, financial conditions can reasonably be expected to be consistent with fostering sustained economic expansion.” Still, prices of Federal funds futures contracts indicate that market participants put roughly even odds on a further $\frac{1}{4}$ percentage point reduction by February.

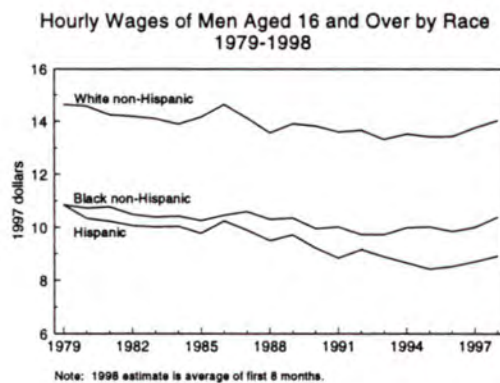
SPECIAL ANALYSIS

Labor Market Gains for Low-Wage and Minority Workers

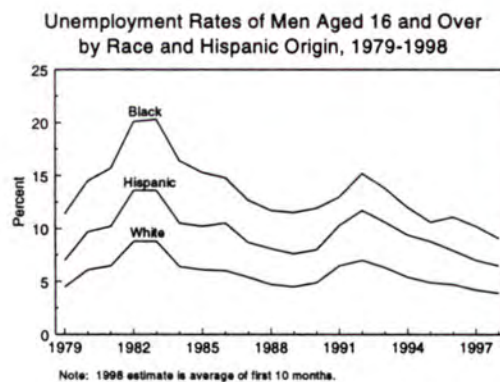
Recent CEA analysis provides hopeful signs of wage and employment gains for low-wage and minority men over the past 2 years. Though long-term trends differ for women, they too have shared in the recent gains.



Low-wage workers. After two decades of decline, the real wages of low-wage men bottomed out in the mid-1990s (see upper chart). Since 1996, the real hourly wage at the 10th percentile of the men's distribution has increased an estimated 5.7 percent, while that at the 20th percentile has risen 5.3 percent.



Race. Black, Hispanic, and white men have all achieved wage gains recently (see middle chart). The gain for black men in 1998 may turn out to be the largest single-year improvement in the last two decades. Nevertheless, the wage gap between these minorities and white workers remains large: the median wage of whites is 35 percent higher than that of blacks and 58 percent higher than that of Hispanics.



Unemployment. Unemployment rates have fallen to very low levels for blacks, Hispanics, and whites (see bottom chart). The average unemployment rate for black men aged 16 and over has averaged 9.1 percent thus far this year, pointing toward an annual rate that would be the lowest since 1973. For Hispanic men aged 16 and over, the rate has averaged 6.5 percent this year, compared with a previous low of 6.7 percent in 1973.

A new trend? Recent wage and employment gains for low-wage and minority workers are impressive. With only a few years of data, however, it is too soon to tell whether the gains achieved in the current exceptionally strong labor market represent the long-term reversal of a sustained period of declining real wages for those at the bottom of the wage distribution or just short-term cyclical effects.

ARTICLE

Another Challenge for Telecommunications Regulation

An important goal of the Telecommunications Act of 1996 was to spur new entry into the market for local telephone service. While little competition has emerged as yet in the market for basic service, the Act has sparked rivalry in the provision of advanced telecommunications services to businesses. This new market has created both large consumer benefits and difficult regulatory issues.

The new competition. Competing providers are now vying to provide high-speed Internet access and data transport to firms (and individuals) that value the ability to find and retrieve information quickly. New entrants lease customer lines and other essential facilities from the incumbent local phone company in order to provide their services. New providers of “digital subscriber line” (DSL) service, for example, place special equipment in an incumbent’s switching office and use that equipment to transport information at high-speed through the existing copper lines that link the incumbent’s switching office to subscribers.

Threats to competition. Incumbent local phone companies (“ILECs”) not only provide necessary inputs to the new competing local carriers (“CLECs”) but also offer advanced services themselves. As a result, new competitors argue, the incumbent can put them in a “price squeeze” by charging them more for necessary inputs than it charges itself. Moreover, a competitor would have to charge a price that includes both the cost of the line and the cost of the advanced service, whereas the incumbent is already recovering its line costs in the price it charges for basic voice service and could price enhanced services at their incremental cost. Thus, incumbents might offer low-priced service bundles that benefit consumers in the short run but deter competition in advanced services in the long run.

Is regulation necessary? One policy response is simply to let ILECs provide advanced services on an unregulated basis and exploit complementarities between lines of business—what economists call economies of scope—regardless of the impact on competitors. This might make sense, for example, if scope economies are sufficiently large or competition from outside the phone network—perhaps from cable systems that have already entered the advanced-services market—is sufficiently strong. The Federal Communications Commission is currently investigating whether the incumbents’ advanced-service businesses should be regulated in order to protect competition. (No position is being taken here on the proper outcome of the FCC’s proceeding or on the implications of these issues in other legal or regulatory forums.)

Regulatory tradeoffs. FCC regulation would most likely entail a choice between rules for direct monitoring of the prices and terms of incumbents’ advanced-service offerings and rules requiring that incumbents offer advanced services only through separate subsidiaries that deal at arm’s length with their parent firms. The goal would be to ensure that the price for ILEC data services includes the same costs for

lines and other inputs that the CLECs must pay, in principle removing the potential for a price squeeze. One risk of either direct or structural separation is loss of beneficial economies of scope. A further practical difficulty—though one that has been surmounted in other contexts—is in drawing the line between parent and subsidiary. Economic logic requires that all inputs to advanced services over which the ILEC has a monopoly be assigned to the regulated parent, while only competitive functions reside in the subsidiary. Of course, distinguishing competitive and monopoly elements will be challenging in a fast-changing, high-technology industry like telecommunications.

Conclusion. The 1996 Telecommunications Act anticipated that new market developments would raise regulatory issues that could not be addressed in advance by statute. It accordingly left such unforeseen problems to the FCC for resolution. The nascent market for advanced, local telecommunications services provides a test case for this approach. Rules to protect new competitors might reduce economies of scope, but the lack of such guidelines might lead to an extension of market power from basic to advanced services. Where lies the long-run balance of consumer benefits is the question to be resolved.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Steel Imports Decline in September. Steel imports fell 8 percent in September, to \$2.1 billion. This returns them to their June level, but they remain 18 percent higher than in September 1997. The net tonnage of imports declined 13 percent, even more than the dollar value. Tons imported from Brazil fell, those from Russia remained essentially flat, and those from Japan increased. All remain higher than a year ago.

Import Prices Level Out in October, but Export Prices Continue to Fall. Non-oil import prices were unchanged last month and have fallen 3.9 percent over the past year. Export prices were down 0.1 percent, bringing the 12-month decline to 4.0 percent. The favorable effects of lower import prices on U.S. inflation have been widely noted, as have the pressures put on competing U.S. producers. The analogous effects of declining export prices have been less widely noted. Prices of agricultural exports were up slightly in October but still showed a decline of 11.5 percent over the last year. Asian deflation and past dollar appreciation have contributed to the declines in both import and export prices.

A Case of Productivity-Enhancing Pollution Abatement. Oil refineries in the Los Angeles (South Coast) air basin increased their productivity between 1979 and 1992, despite increased air quality regulation and unprecedented pollution abatement expenditures. In fact, according to a recent study, rising productivity among South Coast refiners occurred at the same time refinery productivity was falling in other regions, suggesting that the abatement investments contributed to the productivity growth. The study concludes that estimates of the cost of regulation that rely on gross abatement costs without netting out productivity gains could be substantially overstated. The authors also confront an obvious puzzle: why did it require regulation for companies to adopt new technology that was truly more productive? One possibility is that the capital costs associated with the new technology are high enough that plants in other regions not subject to regulation as strict as that in the South Coast district would not find it profitable to adopt the technology voluntarily. A second, somewhat related explanation is that the costs of abatement are sufficiently high that plants outside the South Coast district would prefer to wait and see how successful the new technology is before adopting it. The authors found support for both hypotheses in discussions with environmental engineers.

Thanksgiving Economics. Turkey consumption in the United States has taken flight, rising 80 percent since 1980. But some of this increased demand has been gobbled up by foreign producers. In 1997, the United States ran a \$7.2 million trade deficit in live turkeys (all live turkey imports came from Canada). Despite an additional, \$6.2 million deficit in cranberries, the U.S. trade balance was not entirely squashed by the traditional turkey-and-trimmings Thanksgiving dinner—we did enjoy a \$3.6 million surplus in sweet potatoes. North Carolina has carved out roughly a fifth of the market for domestically produced turkeys, followed by Minnesota, Missouri, and Arkansas. Wisconsin is the top cranberry producer, followed by Massachusetts and New Jersey.

INTERNATIONAL ROUNDUP

OECD Trims Its Growth Forecasts. The latest *OECD Economic Outlook* projects cumulative growth for 1998-99 that is a full percentage point lower than the March forecast. Growth is now expected to be 2.2 percent in 1998 and 1.7 percent in 1999 in the OECD. It is expected to slow to 1.5 percent in 1999 in the United States and to 2.2 percent in the EU. It is expected to reach 0.2 percent in Japan.

Falling Prices in Europe. Germany's consumer price index dropped 0.2 percent in October and the press is reporting provisional estimates of a possible small decline in France. These reports have triggered fears that the core of the European economy might be on the verge of deflation.

Brazilian Interest Rates Decline. Brazil raised interest rates to nearly 50 percent in September to prevent capital flight, and the economy has begun to show the effects of these high rates. For example, industrial production in September was 6 percent lower than it was a year ago. The official interest rate was lowered just prior to last Friday's announcement of the international support package for Brazil. Since the announcement, the government has been expected to target further substantial reductions in domestic interest rates. Given the size of domestic debt outstanding, the government saves nearly \$1.5 billion in annual interest payments for every 100 basis point decline. Spreads on Brazil's international debt have also declined by nearly 80 basis points since Friday's announcement (see the Chart of the Week).

World Bank Approves \$3 Billion in Loans to Argentina. In order to safeguard Argentina's social and economic advances from the adverse impact of unsettled financial markets, the World Bank recently approved two loans to that country totaling \$3 billion. The loans aim to improve domestic finance, credit, and capital markets and to safeguard social protection programs. A Special Repurchase Facility was given \$500 million to provide the central bank with funds to finance short-term liquidity support for domestic banks. Because of its currency board system, the Argentine banking sector is particularly exposed to shortfalls in capital flows.

EU Gets a Poor Competitiveness Report Card. Europe lags behind the United States in virtually all measures of competitiveness, according to a new report submitted to the European Commission. Faster productivity growth in the EU than in the United States since 1970 has been offset by slower employment growth and an inability to move quickly into promising new industries. As a result, the EU standard of living remains 33 percent lower than that of the United States, and its employment rate trails significantly as well. The report cites rigidities in labor markets, high costs of basic services (such as energy, transportation and communication), and lack of adequate risk capital as major reasons for Europe's sluggishness. The report recommends eliminating structural and regulatory barriers in financial, labor, and product markets—in order to spur innovation and entrepreneurship—and warns against “picking winners,” that is, providing subsidies or trade protection to particular industries.

RELEASES THIS WEEK

Housing Starts

Housing starts rose 7 percent in October to 1.695 million units at an annual rate. During the first 10 months of this year, housing starts were 10 percent above the same period a year ago.

U.S. International Trade in Goods and Services

The goods and services trade deficit was \$14.0 billion in September; it was \$15.9 billion in August.

Consumer Price Index

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

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production declined 0.1 percent in October. Capacity utilization fell 0.4 percentage point, to 80.6 percent.

MAJOR RELEASES NEXT WEEK

Gross Domestic Product (Tuesday)
Advance Durable Shipments and Orders (Tuesday)
Consumer Confidence—Conference Board (Tuesday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1997	1998:1	1998:2	1998:3
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.8	5.5	1.8	3.3
GDP chain-type price index	5.4	1.7	0.9	0.9	0.8
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	1.7	3.5	0.3	2.3
Real compensation per hour:					
Using CPI	0.6	1.9	4.1	2.0	2.2
Using NFB deflator	1.3	2.0	4.3	3.4	3.4
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.6	11.0	11.2	10.9
Residential investment	4.5	4.0	4.2	4.3	4.4
Exports	8.2	11.9	11.6	11.3	11.0
Imports	9.2	13.1	13.1	13.1	13.0
Personal saving	5.2	1.5	0.9	0.3	0.1
Federal surplus	-2.7	-0.3	0.7	0.9	N.A.

	1970- 1993	1997	August 1998	September 1998	October 1998
Unemployment Rate (percent)					
	6.7**	4.9**	4.5	4.6	4.6
Payroll employment (thousands)					
increase per month			322	157	116
increase since Jan. 1993					16962
Inflation (percent per period)					
CPI	5.8	1.7	0.2	0.0	0.2
PPI-Finished goods	5.0	-1.2	-0.4	0.3	0.2

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1996	1997	September 1998	October 1998	Nov. 19, 1998
Dow-Jones Industrial Average	5743	7441	7910	8164	9056
Interest Rates (percent per annum)					
3-month T-bill	5.01	5.06	4.61	3.96	4.35
10-year T-bond	6.44	6.35	4.81	4.53	4.85
Mortgage rate, 30-year fixed	7.80	7.60	6.72	6.71	6.86
Prime rate	8.27	8.44	8.49	8.12	7.75

INTERNATIONAL STATISTICS

Exchange Rates	Current level November 19, 1998	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.685	-0.5	-2.9
Yen-Dollar	119.7	-2.5	-6.0
Multilateral \$ (Mar. 1973=100)	95.49	-0.8	-1.1

International Comparisons ^{1/}	Real GDP growth (percent change last 4 quarters)	Unemployment rate (percent)	CPI inflation (percent change in index last 12 months)
United States	3.4 (Q3)	4.6 (Oct)	1.5 (Oct)
Canada	2.9 (Q2)	8.3 (Sept)	0.9 (Sept)
Japan	-1.8 (Q2)	4.4 (Sept)	-0.2 (Sept)
France	3.1 (Q2)	11.6 (Sept)	0.6 (Sept)
Germany	2.5 (Q2)	^{2/} 7.3 (Sept)	0.8 (Sept)
Italy	1.1 (Q2)	12.4 (Jul)	1.8 (Sept)
United Kingdom	2.5 (Q3)	6.3 (Jul)	3.2 (Sept)

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 September 1998 is 9.5 percent.

11-25-98

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THE WHITE HOUSE
WASHINGTON

November 24, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena KaganSUBJECT: DPC Weekly Reportcopied
Reed
Kagan
Padesta

good
agreement
for
continuing
to
2000

1. Education -- GAO Report on Goals 2000: Pursuant to a request from Congressmen Goodling, Hoekstra, and Riggs, the GAO issued a report last week on the implementation of Goals 2000. The findings of the report were very positive. The GAO found that states and school districts use Goals 2000 funds for a wide range of reforms based on high standards -- for example, to develop academic standards, update curriculum frameworks, provide professional development, and support technology acquisition and training. The GAO also reported that most state and local officials believe that the funding design in Goals 2000 is sufficiently flexible, and that many fear that proposals to fold Goals 2000 into a block grant will lead to a reduction in overall federal support of education reform.

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2. Education -- Class Size Implementation: After consulting with governors, mayors, state and local education officials, and members of Congress, the DPC and Department of Education have decided to issue guidance within the next month on the use of class size reduction funds. The guidance will give communities maximum flexibility in using the funds so that they can sensibly deal with local conditions, such as a scarcity of classroom facilities or qualified teachers. At the same time, the guidance will ensure that the states and school districts focus on our goal of reducing class size in the early grades and hire a critical mass of new teachers for the next school year. In issuing this guidance, we are rejecting the recommendation of Congressman Goodling to forego all federal guidance until Congress determines whether to extend the class size initiative beyond the next fiscal year. We have told Goodling that the guidance will spell out both the current funding commitment and our intent to seek its extension.

3. Education -- Rand Study of State Education Reforms: The National Education Goals Panel last week released a study it commissioned from the Rand Corporation on education reform strategies in North Carolina and Texas. The Panel selected these two states because of their strong records of improving student achievement: they had the largest average gains on NAEP reading and math assessments from 1992-1998, comparable gains on state achievement tests, and particular success among minority students. The study attributed success in these states to the kinds of education reform strategies that you have promoted. The study particularly noted the states' efforts to (1) set clear and demanding grade-by-grade academic standards for all students, (2) measure students against these standards each year,

X (3) hold schools accountable for results by rewarding success and intervening in low-performing districts, (4) increase local flexibility, (5) and target resources to schools with disadvantaged students.

4. Education -- ESEA Reauthorization: We are working with the Education Department to develop an ESEA reauthorization proposal for transmission to Congress in the first few months of next year. We are trying to ensure that the proposal maintains a strong focus on helping students reach high standards and that it improves on current law by more effectively ensuring that program funds support best practices, providing stronger accountability for results, and more vigorously promoting public school choice. As part of this standards-based effort, the proposal will place greater emphasis than does current law on improving the quality of teaching, especially in high-poverty schools. We are also working to ensure that positions you previously have taken on strengthening bilingual education and the Safe and Drug Free Schools Program are fully incorporated into the reauthorization proposal. The Department is currently behind schedule in formulating its proposals, but we hope to make all major policy decisions by Christmas.

5. Children and Families -- Adoption Registry: You and the First Lady will take part in an event on Tuesday to celebrate National Adoption Month, at which you will release an executive directive to HHS to expand the use of the Internet as a tool to find adoptive homes for the 100,000 children waiting in foster care for adoption. Under the directive, Secretary Shalala will report back to you in 60 days with a plan to develop this national Internet registry. The White House event will also serve as the venue for D.C. Adoption Day, an annual event in which the D.C. Superior Court finalizes a number of adoptions. About 20 new adoptive families from D.C. will attend the event.

6. Children and Families -- Violence Against Women: The National Institute of Justice and the Centers for Disease Control released a report on Tuesday showing disturbing rates of violence against women. The report found that 52 percent of women surveyed had been physically assaulted in their lifetime, with physical assault defined to include behaviors ranging from slapping and hitting to the use of a gun. This finding suggests that about two million women are physically assaulted annually in the United States. In addition, 18 percent of women surveyed said that someone had raped or attempted to rape them; of these women, 54 percent were under 17 years old when the rape attack occurred. Finally, the survey found that violence against women is primarily partner violence: of women who were raped or physically assaulted after the age of 18, more than 75 percent suffered at the hands of a date, cohabiting partner, or current or former husband.

7. Health -- Massachusetts HMOs: After HHS allowed Massachusetts HMOs participating in the Medicare program to revise their benefit packages (in response to Senator Kennedy's request and in order to prevent withdrawals from the program), the plans all chose to provide limited prescription drug benefits, with maximum payout provisions of between \$300 and \$800. As you recall, all but one of the HMOs had announced that they would

provide comprehensive drug benefits if the remaining HMO -- the Harvard Community Health Plan -- agreed to go along; Harvard, however, refused this offer, and all plans then decided to offer only a limited drug benefit. Although the HMOs are taking a public relations beating, they probably will hold to this position. Perhaps surprisingly, no one is criticizing HHS's decision to allow the plans to modify their benefit packages; apparently, most people understand that without this action, plans would have withdrawn entirely from the Medicare program.

8. Health -- Embryonic Stem Cell Research: Your National Bioethics Advisory Commission (NBAC) responded on Friday to your request that it consider the ethical, medical, and legal concerns arising from the fusion of a human cell with a cow egg. The letter stated that any attempt to create a child through this technique would raise "profound ethical concerns" and should not be permitted. It also expressed ethical concerns about the technique if it results in a human embryo, even if there is no attempt to bring that embryo to term. The letter suggested, however, that if the technique does not produce a human embryo, ethical concerns are at a minimum. The letter said that there is insufficient scientific information currently available to determine whether this technique in fact produces a human embryo. We and Neil Lane are drafting a separate memo to you to explain more fully NBAC's opinion.

THE WHITE HOUSE
WASHINGTON

November 20, 1998

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Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: JOHN PODESTA

Social Security Reform: On Monday (11/16), John Podesta, Larry Summers, Jack Lew, Ken Apfel and I met with a group of House Democrats, including Representative Gephardt, to discuss the process for achieving Social Security reform. The subject also got a lot of attention at Larry Stein's meeting with the Democratic Freshmen on Wednesday (11/18). The next day, Treasury Assistant Secretary David Wilcox appeared at a House Ways and Means Committee hearing on Social Security reform. At the staff level, work continued this week on analyzing reform options, measuring the fiscal impact of reform plans, and devising measures to reduce elderly poverty.

Korean Airlines: Dorothy Robyn of my staff worked with USTR and Commerce to ensure that Secretary Daley raised with his counterpart in Korea our desire to see the deal between Boeing and Korean Airlines completed. KAL bought six Boeing aircraft worth \$1 billion, but it has been unable to pay for or take delivery of the aircraft because of serious financial problems. Ex-Im Bank has agreed to loan KAL the necessary funds but wants a sovereign guarantee from the government of Korea. Treasury is comfortable with the GOK providing such a guarantee.

R & D Tax Credit: This week my staff met with members of the R & D Coalition on the extension of the research and experimentation tax credit. You will recall that the credit was extended in the omnibus bill until June 30, 1999. The industry representatives expressed gratitude for your commitment to the credit and made the case for including in the budget as long an extension as possible. My staff has been working with the Vice President's staff and Treasury on an extension and possible modification of the credit in the context of our budget process.

E-rate and Technology Literacy Challenge Fund: My staff is working with the Vice President's office to roll-out the "e-rate" for schools and libraries and the \$425 million Technology Literacy Challenge Fund (TLCF). The Vice President will make this announcement on Monday (11/23). This announcement will represent a giant step towards your goal of connecting every classroom and library to the Internet; the e-rate discounts will be worth \$1.9 billion over the next 18 months, and the TLCF will help with software, teacher training, and computers.



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

11-25-98

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November 20, 1998

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. *RSK for GTF, Jr.*

SUBJECT: CEQ WEEKLY REPORT

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Frampton
Podesta
~~[Redacted]~~
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PROTECTING COMMUNITIES FROM TOXICS

Yucca Mountain Nuclear Waste Storage

Two significant Administration actions on this issue are planned in the relatively near future that may affect the legislative debate in the 106th Congress. First, EPA is preparing a notice of proposed rulemaking as required by law to set emission standards for the Yucca Mountain site. This standard will have an impact on the ability to license a Yucca Mountain facility. Second, DOE's "viability assessment" of the Yucca site should be completed in late December/January.

As you recall, we have resisted legislation establishing an interim storage site in part because of the lack of scientific information. While the viability assessment will provide some additional science, it is an interim report and will not permit a final determination on the use of Yucca for permanent storage. It is likely, however, that it will trigger renewed calls for interim storage legislation and at the same time be used by opponents of that legislation to highlight potential risks of storage at Yucca. We will keep you posted on these developments and any need to review policy decisions in this area. Since it is virtually certain that we will face another attempt to pass interim storage legislation, we also are working with WH Legislative Affairs and other offices to analyze the impact of the election on the vote count from the last Congress.

Toxic Toys

Many toys sold in the U.S. contain a chemical compound, diisononyl phthalate (DINP) which is used to make toys more pliable. Environmental groups claim this chemical is harmful to children when they chew on the toys. This week, amid pressure from environmental groups, Toys-R-Us removed all "direct-to-mouth" toys for infants that contain DINP. Lego and Nike have pledged similar actions. Although the environmental community has applauded the decision by Toys-R-Us, it will not be satisfied unless toy manufacturers remove from their shelves all toys containing DINP. CEQ is working with NEC and DPC on a strategy to respond to this situation.

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SUSTAINABLE COMMUNITIES

Partnership for a New Generation of Vehicles

Newsweek's cover story this week was on the auto industry's progress in building environmental "Supercars" -- highly fuel efficient, clean automobiles. The story emphasized the advanced technologies that have been developed through the Administration's work with the industry in the Partnership for a New Generation of Vehicles (PNGV). It also featured an essay by the Vice President discussing the link between environmentally sound technologies and a strong economy.

This is the most significant coverage in the mass media to date of PNGV's advanced vehicle technology. It provides a valuable step toward educating consumers about the potential for these vehicles.



11-25-98

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

November 20, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *neal*
CC: JOHN PODESTA
SUBJECT: OSTP WEEKLY REPORT

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A Gene Therapy Success Story

Somewhat lost in all of the coverage this week of research on human stem cells was an exciting report that gene therapy had been used successfully to grow new blood vessels around the heart. Sixteen male volunteers, all of who previously had heart attacks because of blocked arteries and had undergone bypass surgery, some of them multiple times, participated in the experimental study. When the study began, all of the men had blocked arteries and were suffering excruciating chest pains, such that some of them were taking 60 nitroglycerin tablets daily.

Three months later, all have made substantial improvement, drastically reducing the number of pills they need to take (the average now is 2.5 pills a week). Six of the men are entirely pain-free. Even better news is that the injected gene appears to stop functioning after a week or two, so that the effect of the gene therapy has been strictly limited to the target tissue. This is the first example where gene therapy has lived up to its promise, and resulted in what appears to be a cure.

PNGV Continues Intact Despite Daimler/Chrysler Merger

DaimlerChrysler began operation as a merged company on November 17th. The Partnership for a New Generation of Vehicles (PNGV) continues to operate normally, in spite of the merger. The Tech Team meetings and other collaborative activities continue to function productively and normally. While the U.S. Consortium of Automotive Research (USCAR) has not made a final decision yet about any possible post-merger changes at USCAR, George Joy of DOC has been updated by all three companies that PNGV will most likely stay intact within USCAR. A final USCAR decision will be made in the coming weeks. DOC Counsel is currently undertaking a multi-agency review of the legal implications, as requested by OVP.

PCAST Meets

Your Committee of Advisors on Science and Technology (PCAST) met on Thursday, November 19 at the White House Conference Center. John Podesta and Secretary Richardson met informally with PCAST members and had productive discussions about the Administration's

continuing commitment to science and technology, and PCAST's future directions. I will be following up with two suggestions made by Podesta to have PCAST brief him, Reed and Kagan on their education report, and to have PCAST look into examining the adequacy of the public health care infrastructure.

During the afternoon public session John Yochelson, President of the Council on Competitiveness discussed the R&D efforts of our closest international competitors, and OMB Director Jack Lew discuss the realities of the current budget cycle and the S&T budget outlook for the 21st Century.

NASA Demonstrates New Environmental Research Aircraft

NASA's new solar-powered Centurion ultra-high altitude environmental research aircraft was demonstrated for the media on Thursday, November 19 at the Dryden Flight Research Center at Edwards Air Force Base, California, on a 1-1/2 hour flight. Centurion is the second in a series of prototype technology demonstrators for a future fleet of solar-powered aircraft that could stay airborne for weeks or months on scientific sampling and imaging missions. It is believed to be the first aircraft capable of achieving sustained horizontal flight at altitudes of 90,000 to 100,000 feet. Centurion has a wingspan of 206 ft. and is driven by fourteen 7-foot diameter propellers powered by solar cells covering the entire upper surface of the wings. Network coverage was very good for this kind of event, with feature stories on CBS, ABC, and CNN evening news.

Leonids Meteor Storm -- Nice Show, No Damage

The biggest meteor shower in decades, most made up of sand-sized particles, provided a brilliant show across the globe, but as expected caused little damage to the some 600 satellites orbiting earth, many of which had been reoriented to avoid the brunt of the sandblasting. Fears of satellite disruptions were spurred in part after a PanAmSat satellite failed in May, knocking out paging services across the United States and disrupting TV and radio transmissions.

11-25-98

THE WHITE HOUSE
WASHINGTON

'98 NOV 21 PM 11:13

November 21, 1998

MEMORANDUM FOR THE PRESIDENT

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

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Intermediate Planning

We have been working with scheduling and CoS offices on a strategic scheduling plan to go through the State of the Union. The first set of events will focus on major themes (Continuing to Strengthen the Economy, Saving Social Security) and moving forward with bi-partisan support on the unfinished agenda (Patients Bill of Rights, Minimum Wage, Campaign Finance).

The Electronic Commerce Event on November 30 is an excellent opportunity to demonstrate your leadership in the new economy. We are also working with John Koskinen and the Y2K Council on an event in December, ahead of the inevitable 'Here Comes 2000' stories, which will also show leadership and progress in this essential area.

We had a good meeting with Democratic Hill leadership on Friday. They are very interested in working with us on a unity message schedule, including a joint caucus with a united agenda similar to the event we did last year.

Amplification

Central America Relief Efforts. Information about our relief efforts in Central America, including Mrs. Gore's report to the President and the First Lady's announcement of expanded relief, were distributed to friends and through the outreach offices, including OPL and Legislative Affairs. We continue to work with NSC and Cabinet Affairs to ensure that new information and regular updates are also made available to interested constituencies.

The web site devoted to the Administration's relief efforts, which includes your recent radio address and updated fact sheets, is now available in English and Spanish. We have begun to circulate information to interest groups and friends to encourage them to check into the Web Site regularly for information.

We are now working on the briefing by Mrs. Clinton and Mrs. Gore for 100 NGOs, which will also include a policy briefing by USAID for reporters and specialty press.

Vice President's Events. Over the course of your trip, the Vice President held a number of successful events. On Friday, he announced new Welfare to Work grants with the Secretary of Labor; the event was amplified by seven members of the Cabinet holding events in other grant city sites. On Thursday, the Vice President did an event with a WNBA Mystics Player for National Smoke Out Day announcing over \$140 million for cancer research, with 500 kids in attendance.

State Tobacco Settlement Statement. We distributed talking points, a fact sheet and your remarks to our network of friends, and White House outreach offices for further dissemination. OPL desks distributed materials to 200 national African American organizations, 500 women's organizations, 150 women's health organizations and 70 religious groups.

Web

This week, we launched a site to support your trip to Asia which includes all Presidential remarks, press briefings, and photos from the trip.

We will hold a meeting on Monday to brainstorm for new ideas on how to better use the White House Web Site to communicate Administration achievements and objectives.

Special Projects

Americorps. We met with several Americorps staffers and staff members from the First Lady's office, Cabinet Affairs, and the DPC to discuss how we can work together to build on the success of Americorps, increase its visibility and increase membership and local recognition.

Speaking Engagements

Ann spoke at the Gerald Ford Library in Ann Arbor, Michigan this week on women and politics. Former President Ford led the day's events.

Handwritten note:
 100,000
 event on 100,000 Americans

THE WHITE HOUSE
WASHINGTON

*copied
Moore
Podesta*

November 20, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MINYON MOORE

SUBJECT: OFFICE OF PUBLIC LIAISON WEEKLY REPORT (Nov. 16-Nov. 20)

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

- **Tobacco:** OPL sent your remarks on the tobacco settlement along with talking points on your efforts to curb teen smoking to each of our constituency groups, reaching over 2,500 groups and individuals across the country.
- **Hurricane Mitch:** OPL is coordinating a briefing for key constituency groups, businesses, and relief organizations by the First Lady, Mrs. Gore and USAID on the hurricane devastation in Central America. The briefing will be held on Tuesday, November 24, and will include personal accounts of the devastation along with information on the U.S. relief efforts. OPL has also sent Mrs. Gore's report to you on the devastation to each of our constituency groups.

CONSTITUENT OUTREACH AND OTHER ISSUES

AFRICAN AMERICAN OUTREACH

- **National Alliance of Black School Educators (NABSE) Conference:** Ben Johnson addressed a group of black educators at a convention in San Diego sponsored by the NABSE. The Alliance worked tirelessly in support of your education initiatives this year and will likely play an influential role among black educators on the issue next year. The group is comprised of African American school superintendents, principals, teachers, and guidance counselors. They invited the White House to participate with them in strategic planning sessions aimed at building on this year's educational successes.
- **National Technical Association Briefing:** We hosted the National Technical Association, America's oldest minority technical association of predominantly African American scientists, engineers, architects, and mathematicians, on Thursday to highlight your Administration's Science and Technology Budget Accomplishments. The group received an update from OSTP, NEC, and CEQ on the many achievements by your Administration on your Health and Technology Research Agenda, Expanded Educational

Technology Initiative, and the Clean Water Action Plan.

- **Minister Farrakhan:** Minister Farrakhan is urging the Republican Congress to end its move to impeach you and get on with the "people's business." He said voters are tired of Republicans' impeachment talk and that there is a myriad of issues they should be focusing on other than these allegations. He is also calling for a reparations bill for African American descendants of slavery to be passed "just as they were for the Japanese".

BUSINESS OUTREACH

- **Meeting with DC Business Representatives:** On Tuesday, OPL hosted a meeting with representatives from the Washington offices of national corporations to discuss upcoming issues of concern to the business community for next year's budget, including general positions on social security reform. The representatives reported that Hill's majority leadership may look to international trade, financial services reform as a defining issues in the 106th Congress.
- **Meeting with Business Associations Leadership:** On Monday, OPL attended a meeting of Washington business association executives to broadly discuss the Administration's business agenda for the next two years. OPL agreed to continue and build upon its working relationship with their leadership by initiating a series of meetings with these leaders to consult with them on issues of importance to their members.

CHILDREN'S OUTREACH

- **FY 2000:** We are getting calls from across the country praising your record on childcare and encouraging you to fully fund childcare in FY 2000. Many advocates are following the lead of the Children's Defense Fund and asking for a \$1 billion increase for the 21st Century Grant program over 5 years and \$20 billion increase for the CDBG program over 5 years.

EDUCATION OUTREACH



• **School Vouchers:** There has been a lot of editorializing on the publicly funded vouchers programs in light of the Supreme Court's decision to let stand a ruling by Wisconsin's high court. The ruling upholds the constitutionality of a program in Milwaukee that provides publicly funded vouchers for low-income students to attend private schools, including religious schools. Conservative pundits note that supporters of school vouchers have not acted on the polling data indicating that many African Americans support school choice.

ETHNIC OUTREACH

- **Arab Reaction to Iraq:** Rob Malley and Joe Marty from NSC met with 20 leaders from the Arab-American community who are deeply distressed about the situation in Iraq. While they do not agree on a solution, they feel that economic sanctions have only served to hurt the Iraqi people and not to weaken Saddam Hussein. They also feel that we are allowing a double standard by enforcing these sanctions when other countries ignore them with impunity. There will be a follow-up meeting with NSC next week.

HISPANIC OUTREACH

- **Hispanic National Bar Association (HNBA) Briefing:** OPL hosted a briefing for the HNBA to address issues of judicial and non-judicial appointments, Census 2000, the recent budget victories, and the work ahead for 1999. Speakers included Maria Echaveste, Bob Nash, Karen Tramontano, Janet Murguia, Mark Childress, Veronica De La Garza, and Ida Castro. The members were fairly critical of the White House's and the Administration's number of Hispanic appointments and would like to work more closely with the Administration to ensure that Hispanic nominees get confirmed by the Senate. The HNBA's White House Liaison will continue to work with OPL to build a good working relationship between the Administration and the HNBA.

RELIGIOUS OUTREACH

- **National Conference of Catholic Bishops:** At the semi-annual meeting of the National Conference of Catholic Bishops, the Bishops issued an unprecedented call for priests and parishioners to become more active in issues involving the sanctity of life, specifically opposition to abortion and assisted suicide. The general consensus is that this action results from their dismay over late term abortion.
- **Iraq:** OPL has received letters from Churches for Middle East Peace and the National Council of Churches stating their deep concern about possible U.S. military action against Iraq. They express their strong preference for continued diplomatic pressure.
- **FY 2000 Appropriations:** OPL set up a meeting with Michael Deitch and advocates for homeless programs, including the Red Cross, the National Council of Churches, Catholic Charities USA, Second Harvest, Alliance to End Homelessness, and the National Law Center on Homelessness and Poverty. Because of significant increases in demands for their emergency food and shelter programs, which they attribute both to welfare reform and to the needs of the working poor, they are asking for an additional \$50 million in next year's budget for the Emergency Food and Shelter National Board Program, which is run through FEMA.

VETERANS OUTREACH

- **Long-term Care:** The Veterans groups are becoming increasingly concerned about long term care for veterans, particularly as the WWII veterans get older. Long term care is not mandated by Congress for the veterans to receive, but is provided by the VA if resources are available. This could become a hot item when the National Commanders meet with the Veterans Service Committee during their mid-winter conferences, which begin the last week in February.

WOMEN'S OFFICE OUTREACH

- **Vice President's Outreach:** The Women's office assisted the Vice President's office in setting up a meeting with his senior staff and 12 women leaders on Tuesday. The Vice President was very well received at the National Women's Law Center on Thursday evening where he spoke to the nearly 700 women assembled about the broad range of Administration accomplishments for women and the unfinished agenda and was very well received.

11-25-98

THE WHITE HOUSE
WASHINGTON

November 20, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. *TMJ*
KRIS BALDERSTON *KB*

SUBJECT: Summary of Cabinet Weekly Reports
November 14 - 27, 1998

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DEPARTMENT OF TREASURY

- **Indonesia:** Preparations are underway for the IMF's approximately \$900 million November disbursement. The IMF stated that the recent renewed political unrest in Jakarta has not destabilized the IMF program, but warned that continued upheaval could shake market confidence and underlying program assumptions. President Habibie has vowed swift action against those responsible for the violence, including those in the military, and he announced that presidential elections, currently scheduled for December 1999, may be advanced.
- **Brazil:** On November 13, the IMF and the U.S. announced an economic support package for Brazil. The package totals \$41.5 billion, including \$5 billion from the U.S., \$18 billion from the IMF, and \$9.5 from other bilateral donors. Market reaction to the announcement and other official support has been positive, with Brazil's stock market up 13 percent from November 13-17.
- **Japan:** On November 16, Japan announced a new fiscal stimulus package -- described as the largest ever -- worth nearly \$198 billion (\$148 billion in spending and loan measures and \$50 billion in corporate and personal tax cuts). However, this was largely a re-announcement of earlier agreed measures and only somewhat larger than Prime Minister Obuchi promised last August.
- **Russia:** On November 14, the Russian government published its economic plan. The plan offers no further details on how specific economic targets are to be achieved, provides no strategy for dealing with Russia's debt situation, and contains elements that represent a distinct step away from market-based economic policies. Although the plan

asserts a cut in the budget deficit to 3 percent of GDP in 1999. IMF analysis of the actual tax and spending measures suggests that it will worsen Russia's fiscal situation by producing an unfinanceable 1999 deficit of 7 percent of real GDP.

- **Mortgages in Indian Country:** On November 18, Treasury and HUD, together with the Navajo Nation, held an all-day public meeting on how to streamline the mortgage lending process in Indian Country. This is one component for addressing the Administration's effort to promote economic development in Indian country.

DEPARTMENT OF JUSTICE

- **COPS Grants:** On November 25, DOJ will announce the next round of grants to assist in community policing. The grants will be for 203 new officers affecting 93 jurisdictions. Total funding for this announcement is \$13.5 million.
- **Nursing Home Visitation Report:** In late November, DOJ will release a report on "Prenatal and Early Childhood Nursing Home Visitation." Studies indicate that the visitation program reduces the risks of early antisocial behavior and prevents problems associated with youth crime and delinquency.
- **Family Strengthening Report:** In late November, DOJ will release the first of their Family Strengthening Reports. Entitled, "Effective Family Strengthening Interventions," the report describes DOJ's Strengthening America's Families Initiative and examines the principles of effective family-focused intervention strategies in reducing risk factors and increasing protective factors for children. The research found that parent education or parent support approaches were considerably less effective than highly structured approaches such as behavioral parent training, family skills training, family therapy, or comprehensive support programs.
- **Border Patrol Agent Murder:** On November 9, a Mexican defendant was extradited from Mexico to the U.S. on murder and drug trafficking charges in connection with the shooting death of U.S. Border Patrol Agent Alexander Kirpnick. The defendant fled to Mexico and was later arrested and detained by Mexican law enforcement authorities.
- **Juvenile Correctional Facilities:** On November 5, DOJ sued the State of LA for not providing adequate care to more than 1,750 youth in the State's secure juvenile correctional centers. The suit alleges that juveniles in the facilities are at a substantial risk of harm due to unreasonable levels of violence from juvenile-on-juvenile assaults and the use of excessive force and abuse from staff.

DEPARTMENT OF INTERIOR

- **Yates Auditorium Dedication:** On November 24, DOI will honor Congressman Sidney R. Yates by dedicating the Main Interior Building Auditorium in his name.
- **Mammoth Tusk Excavation:** During the week of December 1, BLM will begin excavating a mammoth tusk in NM. Located on public lands in southeastern NM, the tusk was discovered by a hiker, who noticed it protruding from an arroyo wall.
- **Kennewick Man:** NPS has completed the general plan for documentation, analysis, and interpretation of the human remains recovered from Corps of Engineers land in Kennewick, WA. The Corps requested earlier this year that DOI accept responsibility for determining whether and how these remains should be dealt with under the Native American Graves Protection and Repatriation Act. Since then, DOI, the Corps, and DOJ have worked closely to prepare this document and plan. Indian tribes have been consulted during the development of the plan.
- **Arkansas River Shiner:** During the week of November 15, FWS will brief regional Congressional delegations on the listing of the Arkansas River shiner as a threatened species. Local interests are concerned that listing the species will affect water use in the region. The species once inhabited the main channels of wide, shallow, sandy-bottomed rivers throughout the Arkansas River Basin in KS, NM, OK, and TX.
- **National Park System:** As a result of recent legislation, the National Park System has grown to 378 units. The three most recent are the Oklahoma City National Memorial, the Little Rock Central High School National Historic Site, and the Tuskegee Airmen National Historic Site.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Trade Developments:** USDA trade and grain inspection officials in Mexico and the U.S. are working with their Mexican counterparts to lift the Mexican government's ban on a 24-car shipment of U.S. rice bound for the Mexican market. During the week ending November 12, USDA provided export subsidies making possible the sale of 452 metric tons of dairy products to customers in Asia, Russia, and Latin America.
- **Commodity Markets:** Wheat cash prices rose last week, as exporters raised bids in an effort to acquire wheat for shipment to Russia, but futures were almost unchanged. Corn cash and futures prices moved higher, helped by slow farmer sales and a jump in soybean prices. Soybeans advanced, still buoyed by a smaller-than-expected crop forecast by USDA on November 10. Rice futures were boosted by its inclusion in concessional sales to Russia, and cash prices remained firm. Cotton cash prices rose as the harvest in CA continues to face problems, while futures ended the week almost unchanged after sharp

fluctuations. Cattle prices fell, on lower cutout values. Hog cash prices edged up on inclement weather, but futures dropped across the board. Broiler prices were up fractionally on light demand. Butter prices declined to below \$2.00 per pound, as buyers continue to limit purchases in the face of considerable price uncertainty. Cheese prices were up slightly with larger milk supplies a limiting factor.

DEPARTMENT OF COMMERCE

- **Brazilian Steel:** On November 10, Brazil's Ambassador to the U.S., Paulo Tarso Flecha de Lima, met with Secretary Daley to discuss the Secretary's recent speech in Charlotte, NC, and the antidumping investigation on steel imports from Brazil. The meeting followed a letter to you from Brazilian President Cardoso expressing Brazil's concern with perceived protectionist sentiment in the U.S. steel industry that threatened to curtail Brazilian steel exports to the U.S.
- **India-Pakistan Sanctions:** On November 13, the Bureau of Export Administration (BXA) announced that the *Federal Register* will publish a list of Indian and Pakistani entities subject to export control sanctions. Listed government, private, and military entities in India and Pakistan will be subject to new stringent export license requirements. The *Federal Register* published these additions to the Entity List on November 19.
- **NWS Office Closures:** On November 6, the Assistant Administrator for the National Weather Service (NWS), forwarded a list of office closure notifications to the Under Secretary for Oceans and Atmosphere. The eight offices, endorsed by the Modernization Transition Committee for closure, bring the total number of NWS office closings to 140. Officials are waiting for closure approval for another eighty offices and twenty-four additional field offices will be closed under the NWS modernization plans.
- **Banana Import Regime:** On November 10, USTR published in the *Federal Register* the proposed list of products subject to 100 percent duties on imports from the EU. This action is in response to the EU maintenance of a WTO-inconsistent banana import regime. DOC staff developed the proposed list of products totaling \$2 billion in imports from the EU including wine, small food processors, paper products, and wool sweaters. After a public hearing on December 9, USTR will publish another *Federal Register* notice on December 15, which will include the final list of products on which prohibitive duties will be imposed.
- **U.S.-Turkey Business Development Committee (BDC) Meeting:** BXA worked with the chair of the U.S. side of the BDC defense subgroup to develop agenda items for the November 17 meeting. Turkey has announced that it plans to spend \$150 billion over the next 10 years on defense procurement. The subgroup will attempt to identify obstacles to procurements and recommend means to improve the environment for trade between U.S. and Turkey's defense industry.

- **Portland-Belfast MOU:** On November 19, the cities of Portland, ME and Belfast, Northern Ireland signed a MOU to conduct trade and investment activities as part of an Atlantic Rim trade strategy. Belfast Lord Mayor David Alderdice and a Belfast City Council delegation will join Senator Mitchell, Portland Mayor Kane, and Governor King to launch this agreement.
- **Chemical Weapons Convention (CWC) Implementation:** On November 12, BXA requested the National Security Council to convene an interagency working group regarding your delegation of authority to agencies involved in CWC implementation. DOD, ACDA, and DOC have been unable to resolve differences over the role of the National Authority (State Department role in international implementation issues) and the involvement of the National Authority on inspections. ACDA supports a more powerful role for the National Authority in CWC implementation, while DOD and DOC prefer that Lead Agencies (DOD and DOC roles in domestic implementation issues) be primarily responsible for military and industrial compliance with the Convention.

DEPARTMENT OF LABOR

- **ABC Strike:** The parties in the dispute have agreed to mediation and DOL will continue to facilitate their return to joint negotiations. Communication Workers of America representatives met with mediators on November 18, and representatives from ABC are scheduled to meet with mediators on November 20.
- **Women's Outreach:** On November 23, Secretary Herman will hold a media roundtable by telephone with reporters from women's magazines and regional media. The roundtable will focus on DOL initiatives to heighten women's awareness of new and existing health benefit protections under job-based health plans. Secretary Herman also will unveil educational material from the Pension and Welfare Benefits Administration to help women use these benefits and will explain existing laws that protect their rights to health benefits.
- **BLS Data Announcements:**
 - ▶ November 24 - Regional and State Employment and Unemployment (October).
 - ▶ December 2 - Metropolitan Area Employment and Unemployment (October).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Joint Institute for Food Safety:** On December 1, the Food and Drug Administration (FDA), along with other HHS agencies and USDA, are co-sponsoring a public meeting to solicit input from all interested individuals regarding the role of the new Joint Institute for Food Safety Research (JIFSR). Last summer, you directed HHS and USDA to create a joint Institute to reduce the incidence of foodborne illness to the greatest extent possible.

- **Smoking During Pregnancy:** On November 19, HHS released a report, "Smoking During Pregnancy, 1990-1996," prepared by the Centers for Disease Control and Prevention's (CDC) National Center for Health Statistics to coincide with the Great American Smoke-Out, and was being recognized by the Vice President and Secretary Shalala in public events. This report presents an analysis of the patterns and trends in smoking by age, race, and ethnic origin on a national basis and, for the first time, a state-by-state breakdown of smoking rates for each year, as well as the percent change from 1990 to 1996.
- **Joint U.S.-Israel Conference on Women's Health:** On December 2-3, HHS will convene the first "Bi-National Israel-U.S. Conference on Women's Health: Promoting Across the Generations" in Jerusalem. Approximately 400 people will attend, including U.S. and Israeli delegates, experts and leaders in the field.
- **Risks for HIV Infection Among Persons Living in the Rural Southeast--Selected Sites, 1995-1996:** CDC's *Morbidity and Mortality Weekly Report* for November 20 includes an article stating that the southern region of the U.S. accounts for the largest proportion of all reported AIDS cases (35 percent) and 55 percent of AIDS cases among persons residing in rural areas.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Fair Housing Initiative Program Grants:** Next week, HUD will announce \$15 million in grants to more than 40 grantees under the Fair Housing Initiatives Program. These Fair Housing Grants help promote your One America initiative by funding programs that enforce the Fair Housing Act and provide services that help prevent discriminatory practices.
- **HOPWA Grants:** On December 1, HUD is preparing to announce over \$200 million in Housing Opportunities for Persons with AIDS (HOPWA) grants as part of World AIDS Day. This program gives States and localities resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons living with HIV/AIDS or related diseases and their families.
- **Housing Aid Grants:** On November 11-12, HUD commenced a series of housing grant announcements that will lead to the distribution of \$696 million in aid to non-profit groups across America to create subsidized housing for poor senior citizens and people with disabilities. The HUD assistance will fund construction or rehabilitate apartments and will also provide rental assistance subsidies on all of these units for five years. The 202 Program is awarding \$563 million of the money and the 811 Program is awarding \$133 million. The assistance will create 6,563 apartment units for the elderly and 1,650 rental units for people with disabilities around the U.S., and will subsidize the units for five years.

- **Nationwide Housing Discrimination Audit:** On November 16, HUD announced the most comprehensive and sophisticated nationwide audit ever conducted to root out housing discrimination in urban, suburban, and rural communities around the nation. The audit will include 3,000-5,000 tests for housing discrimination. It will use African Americans, Hispanics, Asia-Pacific Islanders, and Native Americans to examine and evaluate patterns and trends in housing sales, rentals, and mortgage lending to minorities.

- **Youthbuild:** HUD is awarding \$33.1 million this month to local governments, housing authorities and non-profit groups to train high school drop-outs in the Youthbuild program. Youthbuild helps young people get general equivalency high school diplomas and provides social services and training in leadership skills, in addition to training as construction workers. By building and renovating low-income housing, the participants simultaneously earn a solid wage as construction workers and provide housing for people in need. More than 850 affordable houses and apartments will be built or renovated this year. Over \$170 million in grants have been made under Youthbuild since it began in 1993, enabling over 7,800 young people to take part in building or rehabilitating more than 3,650 affordable housing units in their communities.

DEPARTMENT OF TRANSPORTATION

- **Possible Federal Express Pilot Action:** On November 13, in response to the ongoing Federal Express pilot labor discussions, the FAA increased safety oversight of Federal Express, in accordance with established inspection procedures for carriers involved in labor discussions. There was no evidence of safety-related concerns during the FAA inspection and surveillance process. Both parties continue talks with the National Mediation Board (NMB). On November 16, discussions began with Federal Express and the NMB. A strike vote is expected on December 3.
- **Central America Relief Efforts:** On November 10, Coast Guard Cutter SENECA delivered more than one ton of food and clothing for victims of Hurricane Mitch in Honduras, donated by personnel stationed at Naval Station Guantanamo Bay, Cuba. On November 12-15, three Coast Guard C-130s delivered more than 36 tons of plastic sheeting, water, and food to Tegucigalpa and La Masa, Honduras. The Coast Guard also provided search and rescue assistance to Belize in connection with a missing sailing vessel. The Federal Highway Administration identified a technical team to assess highway and bridge damage and pinpoint the most critical links for repair or reconstruction.
- **Millennium Trails Initiative:** On November 13, Secretary Slater announced nearly \$4 million in projects for the National Millennium Trails Initiative. Through the Federal Highway Administration's Federal Lands Highways discretionary program, nine states received funds, including AZ, CA, ID, WA, NY, MA, RI, SC, and WY.

- **NAFTA:** On November 12, DOT spoke with representatives from the U.S. express delivery industry about the longstanding national treatment issue with Mexico. Parties agreed that a standstill on any new Mexican regulation, with broader operating authority for the use of large vehicles in movements between company facilities, would provide the foundation for resolution. On November 18, DOT briefed representatives from the AFL-CIO and Teamsters on recent events involving implementation of NAFTA's transport access provisions.

DEPARTMENT OF ENERGY

- **Heating Oil Prices:** The Energy Information Administration reports that low crude oil prices and strong gasoline production with heating oil produced as a by-product has resulted in stocks that are well above their average range. Thus, even a return to normal cold weather is unlikely to result in any price spikes in heating oil this winter.
- **Savannah River Partnership:** A partnership has been established between DOE, EPA, Savannah State University, and the Citizens for Environmental Justice to fund workshops and public involvement programs for adversely impacted communities near DOE's Savannah River Site. On November 7, EPA and DOE met with representatives from academic institutions and local community groups to discuss the design and implementation of a mechanism to provide environmental assistance to these communities.

DEPARTMENT OF EDUCATION

- **Boston Diversity Case:** On November 19, in a decision with broad implications for public schools across the country, the U.S. Court of Appeals for the First Circuit struck down Boston's new affirmative action program for admission to Boston Latin and its other prestigious exam schools. On May 28, a federal district judge had upheld the new policy, which admits half of the student body solely on the basis of test scores and grade point averages, and takes the racial composition of the applicant pool into account in admitting the other half of the student body. The new policy replaced a policy under which 35 percent of seats at the city's three exam schools were reserved for black and Hispanic students, and which was abandoned by the school board after a court challenge. On November 19, the appeals panel wrote that federal courts have not held that promoting diversity is a "compelling government interest" that justifies consideration of race in admissions. DOEd staff will analyze the decision and consider appropriate responses during the week of November 22.

E-Rate: On November 23, Secretary Riley is tentatively scheduled to participate with the Vice President in the first wave of E-Rate funding commitments at a DC-area school. Over 3,000 commitment letters are being mailed on November 20; up to 30,000 commitments will be mailed over the next 50 days.

- **MA Teacher Testing:** Only 55 percent of prospective MA teachers passed the mandated certification test, administered for a third time in October. MA teacher unions immediately questioned the validity of the test and suggested that such exams should be required earlier in the teacher preparation process.
- **Religion and Education Summit:** Secretary Riley will participate in a December 10-11 summit in Louisville, KY that is jointly sponsored with local religious organizations to mobilize local churches in support of schools.

VETERANS AFFAIRS

Major General Day Funeral: On November 2, over 600 people attended the funeral of retired Marine Corps Major General James L. Day. MG Day received the Medal of Honor this past January from you for his actions as a 19-year-old Corporal in the Battle of Sugar Loaf Hill in World War II. The recommendations for his Medal of Honor had been misplaced for 50 years. MG Day received 31 other decorations throughout his military career, including three Silver Stars, a Bronze Star, and six Purple Hearts.

- **Quality Award:** The Central Arkansas Veterans Healthcare System of Little Rock, AR, one of 57 businesses, industries, and healthcare facilities throughout AR that applied for the State's highest quality recognition, received the Arkansas Quality Commitment Award for its continuing efforts to improve quality.
- **Outpatient Clinics:** On November 13, the *Los Angeles Times* carried a story about VA outpatient clinics helping usher in wider care for veterans. The newspaper also plans to run a story about Y2K and medical devices.

ENVIRONMENTAL PROTECTION AGENCY

- **Right-to-Know on Mercury:** On November 16, as part of the Administration's public right-to-know initiatives, EPA announced that it will require coal-fired electric generating plants to make publicly available -- for the first time -- information concerning mercury pollution from smokestacks. EPA studies have found that, of all man-made sources of mercury pollution, coal-fired power plants are the largest source of mercury in the environment. EPA will begin collecting mercury emissions data on January 1, 1999 and use the data to assist in developing a strategy for controlling mercury pollution.
- **Drinking Water Standards:** By November 30, Administrator Browner will sign two rules that will provide significant new drinking water protections for the American people. The "Interim Enhanced Surface Water Treatment Rule" sets new public health standards for the filtration of drinking water and the elimination of microbials that can cause serious and possible fatal illnesses. The "Stage 1 Disinfectants and Disinfection Byproducts Rule" strengthens the public health standards for trihalomethanes.

CG
1 call
write
Lorge?

disinfection byproducts that are known carcinogens. These rules are the first drinking water standards issued under the Safe Drinking Water Amendments you signed in 1996.

UNITED NATIONS

- **Iraq:** The Security Council met throughout the weekend of November 13-16 concerning Iraq. Through a statement to the press by Ambassador Burleigh, Iraq has been told that its commitment to resume full, unconditional, and unfettered cooperation with UNSCOM and the IAEA will be tested in the near future on the ground. The Council will also discuss the Oil-for-Food program, possibly this week, to review the program and decide the question of extending it for another six months. The program expires on November 26.
- **Haiti:** On November 23, the Security Council will discuss the UN civilian police mission in Haiti and consider a resolution to authorize extension of the mission for one year. Russia and China continue to oppose an extension, although China is willing to consider a final four-or-five month extension.

UNITED STATES TRADE REPRESENTATIVE

- **Paraguay Intellectual Property Rights (IPR):** On November 17, Ambassador Barshefsky announced the conclusion of a comprehensive U.S.-Republic of Paraguay intellectual property agreement, resolving successfully outstanding IPR issues that had prompted a section 301 investigation of Paraguay.
- **APEC Ministerial:** The U.S. secured agreement among 16 APEC economies, including Japan, to move all nine EVSL sectors, including fish and forest products, into the WTO in order to broaden participation and limit "free riders."

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Law Enforcement Breakfast:** On December 1, Director McCaffrey will deliver opening remarks to executive directors from 30 NGOs (including International Association of Chiefs of Police, U.S. Conference of Mayors, National Sheriffs Association, National Association of Counties and National Troopers Association) taking part in ONDCP's Law Enforcement Focus Group. These representatives will then participate in a day-long series of briefings and focus group meetings to generate input for the 1999 *National Drug Control Strategy*.
- **Breakfast with DC Police Chief Ramsey:** On December 4, Director McCaffrey and Chief Warshaw will meet with Chief Ramsey for a working breakfast. Topics of discussion will include reducing drug-related crime and violence, federal-state-local cooperation, and the Washington-Baltimore HIDTA.

- **National Youth Anti-Drug Media Campaign:** As a result of the Media Campaign, phone calls for alcohol and drug information at the Drug Policy Information Clearinghouse have increased by 86 percent. An advertisement in the November 16 issue of *Parade* Magazine generated 3,200 calls in one day. Also, in mid to late December, ONDCP will award a major four-year contract to handle the media campaign. The Campaign includes the largest minority/ethnic outreach effort in the government.

SMALL BUSINESS ADMINISTRATION

- ***Parade* Magazine:** Administrator Alvarez is slated to appear on the cover of *Parade* on November 22. The story will focus on the Administrator's efforts to open doors of economic opportunity for all Americans, with aggressive outreach to women and minorities.
- **Small Disadvantaged Businesses:** SBA invited more than 4,000 small business community members to the Small Disadvantaged Business briefing scheduled for November 19-20 in Washington, DC. Members of Congress, local 8(a) firms, and other special guests were invited to attend.
- **Small Business Innovation Research:** SBA will hold several focus groups with technology firms nationwide in an effort to renew the Small Business Innovation Research (SBIR) program which expires September 30, 1999. Senator Kerry has offered to host the first focus group in Boston in early December. SBA will receive \$1 million as part of the FY99 Appropriations Act to initiate a matching grant program to assist rural states as they engage in outreach efforts to increase participation in the SBIR program.

OFFICE OF PERSONNEL MANAGEMENT

- **Leading Edge Award:** The Federal Section of the International Personnel Management Association awarded OPM's Employment Service this year's Leading Edge Award which is given annually to Federal employees to recognize significant achievements in the area of human resource management.
- **Welfare-to-Work:** On November 18, OPM issued proposed regulations that would allow worker-trainees to be promoted. OPM believes the new target grade levels keep the agency on track with the original intent of the worker-trainee program -- to provide an opportunity for "trainees" to acquire basic job skills -- while providing advancement opportunity. There is a 30-day comment period for these regulations.

UNITED STATES INFORMATION AGENCY

- **Wye Pact Poll:** Only about half (50 percent vs. 30 percent) the Jewish Israeli public registered satisfaction with the Wye agreement, according to a poll taken in late October prior to the latest terrorist bombings in Jerusalem. Among those voicing dissatisfaction, the plurality (48 percent) said they don't trust Chairman Arafat, the Palestinians, or Arabs generally, while about three-in-ten complained that Israel had given away too much land or that the Palestinians had gained more than Israel from the pact. Nonetheless, two-thirds endorse the Wye summit as helpful in moving along Israeli-Palestinian peace negotiations.
- **Japanese Economic Confidence:** Results from USIA's early November survey in Japan show that the public continues to have a grim view of its economic situation, with half expecting no change in economic conditions over the next twelve months and 42 percent believing things will actually get worse. Most (88 percent) also think their government is still doing a poor job handling the nation's economic crisis. A majority (54 percent) agree that "while the U.S. economic advice may be good, its tone is high-handed and irritating"; only a quarter think instead that "the U.S. talks to Japan as a friend and equal when it provides advice." The public also questions U.S. motives: two-thirds think "the U.S. is pressuring Japan only because it benefits America"; 16 percent believe that "the U.S. is sincerely interested in helping Japan."
- **Pakistanis Want Kashmir Settled:** Urban Pakistanis are caught between wanting to end the dispute with India over Kashmir, which threatens regional stability, and being unwilling for their country to withdraw support from Kashmiri separatists, according to the most recent USIA-sponsored poll available from that country. Most (72 percent) identify the Kashmir dispute as the main source of strain in its relations with India (72 percent) and say it is very important to settle the conflict in order to normalize bilateral ties (86 percent). They most often name the UN (42 percent), followed by the U.S. (31 percent) and China (15 percent), as the "country or organization" they think should play a role in resolving Kashmir. Yet they show little inclination to compromise on the issue that is most actively fueling the conflict as far as India is concerned.

SOCIAL SECURITY ADMINISTRATION

- **Prisoner Database:** As directed by your April 25 Executive Memorandum, next week SSA intends to send its report to you on the steps it has taken to ensure that Federal agencies that administer benefit programs have access to SSA's prisoner database. Systems capability is in place and DOEd, VA, DOL, and Food Stamp agencies acting as agents for USDA are working to have computer matching arrangements operational with SSA's prisoner database by May 1, 1999. SSA has had discussions with representatives of DOD, INS, Railroad Retirement Board, and DOJ to determine whether it would be appropriate for them to implement a computer match of the prisoner information.

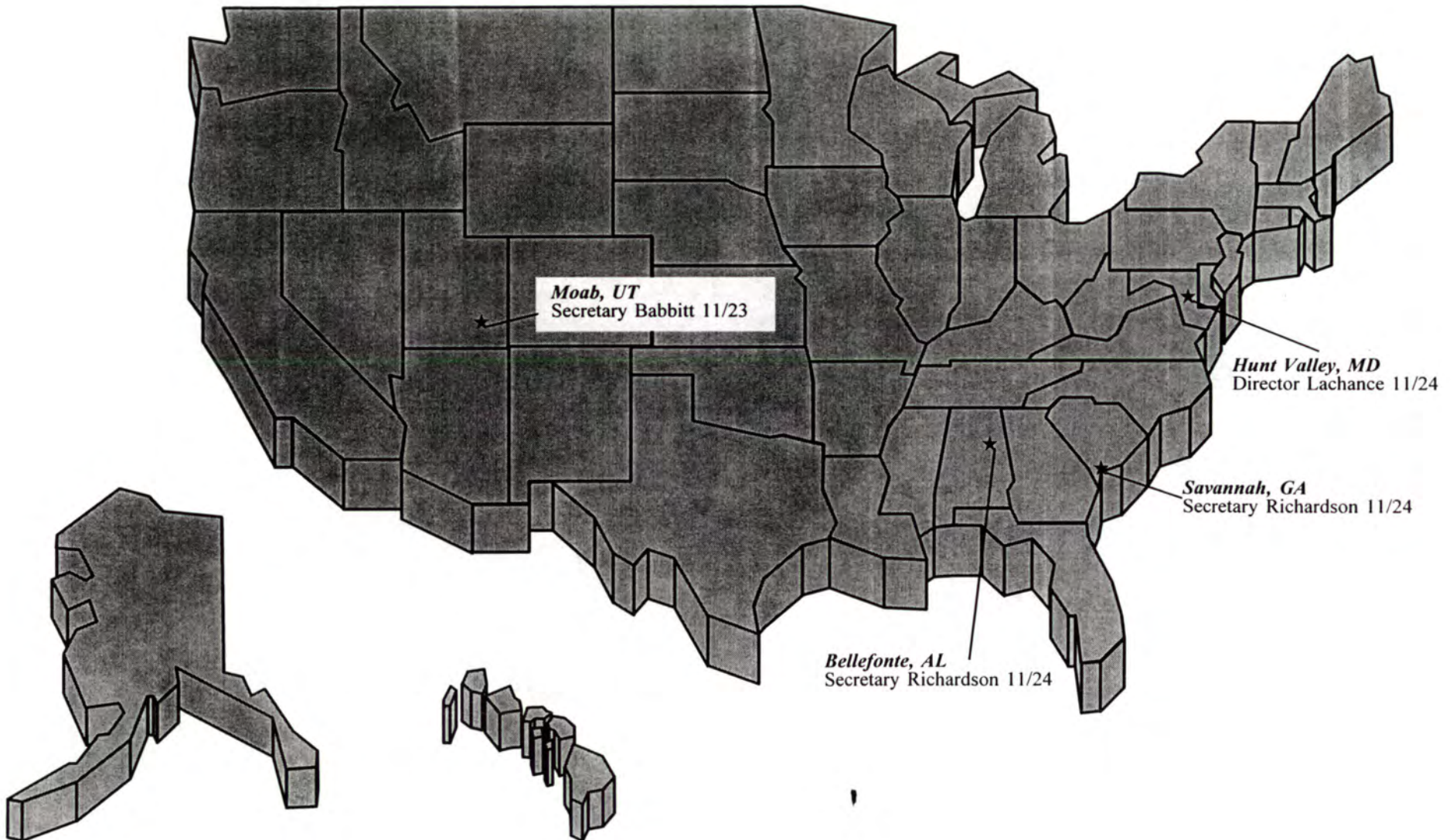
- **Symposium on SSI:** On December 3-4, SSA's Office of Policy and Howard University in Washington, DC. will hold a symposium on the Supplemental Security Income (SSI) program. Dr. Henry Louis Gates of Harvard University will be the keynote speaker. The symposium will explore future demographic trends and their potential effects on the SSI program and provide a forum for dialogue with researchers and scholars on related policy issues.
- **National Press Club Speech:** On December 1, Commissioner Apfel will speak at the National Press Club luncheon on "Save Social Security First."

cc:

The Vice President
 John Podesta
 Paul Begala
 Sandy Berger
 Sidney Blumenthal
 Maria Echaveste
 Mickey Ibarra
 Janis Kearney
 Ron Klain
 Neal Lane
 Jack Lew
 Ann Lewis
 Joe Lockhart
 George Frampton
 Minyon Moore
 Bruce Reed
 Steve Ricchetti
 Craig Smith
 Doug Sosnik
 Gene Sperling
 Larry Stein
 Melanne Verveer

Domestic Cabinet Travel

November 23 - November 27, 1998



11-25-95

Send to NSC?

Yes ☒

No ☐

(copy also sent to
gift unit)

11-25-95

Send to Burkhardt
(Gift Unit)

Yes ☐

No ☐

WHITE HOUSE GIFT REGISTER

GIFT INTENDED FOR

President

☒

Both/All

☐

First Lady

☐

Chelsea

☐

DONOR INFORMATION

11-25-98

Name: Andres Pastrana Arango

Send to Burkhardt
(Gift Unit)

Address: _____

President of Colombia 1

Yes _____
No _____

PRESENTATION

Date: 11-25-98 Event: _____

Handed to President

☐

Other Method

☐

Gift Description: Campaign button - President Kennedy

Send Gift and Register to OEOB, Room 457 x67133

Given to Betty Currie by Wendy Heistad. Gift given for thanks for State Visit.

Letter given to Staff Secretary.



Andrés Pastrana Arango
Presidente de la República de Colombia

Santafé de Bogotá, 4 November 1998

Dear Mr. President:

On behalf of Nohra, the members of my government and myself please accept our thanks for the warm welcome you and Mrs. Hillary Clinton provided during our State Visit last week.

This visit was an important moment in the common history of the United States and Colombia. We think this was the first step to reestablishing and strengthening the good relations that have existed between our two nations for so many years.

I am confident that a close relation between our governments will foster both friendship and better solutions to our common problems. The help of the United States is vital to Colombia in such areas as economic growth, the fight against illicit drugs, and strengthening our military to support the peace process and stop the tragic violence which has caused many casualties, in combats between the army and insurgent groups.



Andrés Pastrana Arango
Presidente de la República de Colombia

On behalf of Nohra, the people of Colombia and myself, thank you again for your support to Colombia. I hope that you will enjoy the campaign button that I am sending you as a token of the renewed friendship between our countries.

Finally, let me congratulate you on the outcome of yesterday's elections.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrés Pastrana", with a long, sweeping horizontal line extending to the right.

His Excellency
WILLIAM J. CLINTON
President of the United States of America

Handwritten initials/signature in top right corner.

Burton Elliott
2805 Shadybrook Cove, Fayetteville, Arkansas 72703



November 16, 1998

President William J. Clinton
The White House
Washington

*TO Burton Elliott
for reply*

*cc: Danny
Chirba*

'98 NOV 30 AM 8:14

Dear Mr. President,

We encourage you to grant Preston Bynum a full pardon. We have known Preston since he was a junior in high school and know him to be a person of excellent moral character who has been and will be a contributing member of our society.

His opportunity to lead a full life should not be limited because of circumstances that have caused him to be labeled a "felon." We think Preston deserves a pardon; we hope you agree.

We know that you are agonizing over injustices that are happening to you. We want you to know that we love and respect you as our friend and our president. Our thoughts and prayers are with you and Hillary.

Please remember that you are a president who is making a difference for the people of America and the people of our world. We are proud of you. Godspeed, Mr. President.

Sincerely,

Beverly & Burton
Burton and Beverly (Reed) Elliott

5/10/98

98 NOV 25 PM 4:41

**Greek
Orthodox Archdiocese of America
OFFICE OF THE ARCHBISHOP**

10 East 79th Street, New York, NY 10021

Voice: 212-570-3546

Fax: 212-570-3580



facsimile transmittal

To: President William Jefferson Clinton

**From: His Eminence
Archbishop Spyridon**

Facsimile number: 202-456-6703

11-25-98

To Burkhardt for reply?

Yes ☒ No ☐

Coordinate with NSC?

Yes ☒ No ☐

B.



GREEK ORTHODOX ARCHDIOCESE OF AMERICA

8-10 East 79TH Street, New York, NY 10021 Tel:(212) 570-3500 Fax:(212) 861-2183

November 12, 1998

President William Jefferson Clinton
The White House
Washington, DC 20500

Dear President Clinton:

We, the undersigned members of the Holy Eparchial Synod of the Greek Orthodox Archdiocese of America, call upon you as the leader of our nation and the leader of the free world. We call upon you to act decisively for liberty, for basic human rights, and for religious freedom. We call upon you to speak boldly on behalf of the Holy Mother Church of Orthodox Christianity worldwide, the Ecumenical Patriarchate of Constantinople.

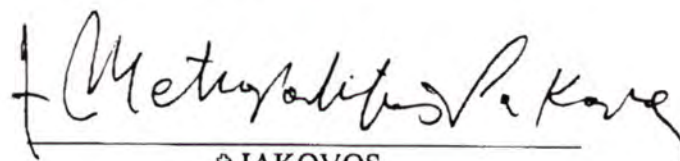
Last year, Mr. President, you received at the White House the spiritual leader of World Orthodoxy, His All Holiness Ecumenical Patriarch Bartholomew, as if he were a head of state. In fact, though, His All Holiness has no earthly or temporal power: he is purely a religious and spiritual leader. He has none of the protections of a political figure at his disposal, and this is precisely why you must act.

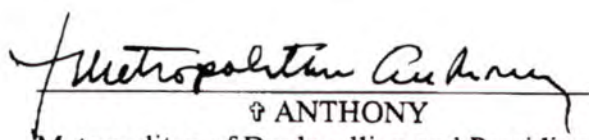
The remnant of the Greek Orthodox community in Turkey needs the help of the good people of the United States. This is not a matter of politics, much less of international relations. This is a matter of the basic and inalienable human rights that belong to a minority population, whether that minority is characterized by the color of their skin, their ethnic origin, their language, or their religious faith.

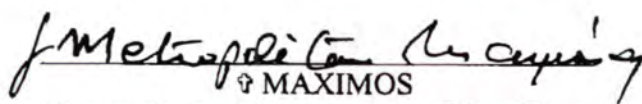
The recent arbitrary dismissal of the Board of Trustees of the Patriarchal Theological School of Halki by the Turkish government is yet another example of the continuing persecution of our Orthodox coreligionists in Turkey. Mr. President, we ask that you use your influence and extraordinary talents to rectify this situation and to work for stable conditions for the Ecumenical Patriarchate, free from harassment and threats. Speaking as representatives of the Greek Orthodox people of America from coast to coast, we know that you will have the full support of our community as you lead our country into the new millenium.

Praying for your good health and spiritual prosperity,

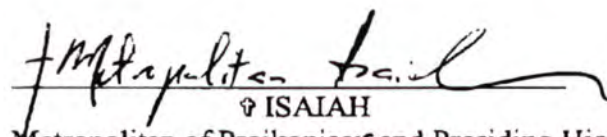

✠ SPYRIDON
Primate of the Greek Orthodox Church
in America


✠ IAKOVOS
Metropolitan of Krinis and Presiding Hierarch
of the Diocese of Chicago


✠ ANTHONY
Metropolitan of Dardanellion and Presiding Hierarch
of the Diocese of San Francisco


✠ MAXIMOS
Metropolitan of Aenos and Presiding Hierarch
of the Diocese of Pittsburgh


✠ METHODIOS
Metropolitan of Aneon and Presiding Hierarch
of the Diocese of Boston


✠ ISAIAH
Metropolitan of Proikonisos and Presiding Hierarch
of the Diocese of Denver

11-25-98

7862

'98 NOV 19 PM 7:22

Thurley
THE WHITE HOUSE
WASHINGTON

November 19, 1998

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *Sam B*
SUBJECT: Supreme Court Justice Kennedy and Russia

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Berger
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NSC West Wing
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You recently indicated that Justice Kennedy may have constructive ideas on Russia and suggested that we see him. Strobe called Kennedy last month, and Carlos Pascual and Bill Taylor (our new NIS assistance coordinator) had a long talk with him on November 12.

Justice Kennedy is very interested in Russia and strongly supports your policy of engagement. He traveled to Russia for the first time in late September with a Boston-based NGO, the Mentor Group, to participate in a forum with Russian jurists, legislators and other officials. He intends to return next September. He underscored repeatedly that supporting Russian reform is one of the great challenges of our time. He said he fears that the window of opportunity could close if we don't act quickly.

Kennedy had both practical and philosophical observations. He stressed the need to help Russians change public perceptions of the law -- and to get them to see it as a capital resource critical to unlocking Russia's potential. He also encouraged us to look for sources of stability and change in Russia's regions -- something the Vice President aggressively launched last year in his Binational Commission.

Bill and Carlos outlined for Kennedy many of our programs on the rule of law, regional development and leadership exchanges. Kennedy said his schedule is tight, but he agreed to meet with Russian officials and students when they come through Washington and talk to them about linkages between the law and economics. He also agreed to add a few days to his next Moscow trip for lectures that State and USIA will arrange at Russian universities.

cc: Vice President
Chief of Staff

THE WHITE HOUSE
WASHINGTON

DATE: November 25, 1998

NOTE FOR: The Honorable William M. Daley
Secretary
Department of Commerce

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

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

November 22, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: William M. Daley *WM Daley*
SUBJECT: Report on my trip to the Middle East

Last week I traveled to the Middle East to see how we can use the opening created by your tremendous achievement at Wye to make progress on the commercial issues confronting the region. In other strife-torn places – Northern Ireland, for example – improving real people's lives helped to create a powerful constituency for peace. I believe we must act quickly to show the people of the Middle East that peace will produce better jobs, and a better life, for those who have suffered for so long.

As you know, before the peace process stalled, we had put in place a number of initiatives to both improve the regional economic situation and to use trade and other economic interactions to bring people together. Ron Brown and his counterparts from Israel, the Palestinian Authority, Jordan, and Egypt began the Taba process – a series of meetings to consider and implement measures to break down trade barriers. The MENA (Middle East/North Africa) economic summit meetings brought together hundreds of businesspeople from the region, and other parts of the world, to discuss investment and other business opportunities. For the past two years, however, the political situation precluded virtually all interaction, and certainly any meaningful progress, on the economic front.

Wye plainly has created an opportunity to restart the process. I found a generally positive mood among government officials and the business community with respect to taking steps to put economic programs back on track. During my visit, I was able to bring together my counterparts from Israel, the Palestinian Authority, and Jordan for a frank two-hour discussion of the obstacles to increased economic interaction. We agreed to continue these discussions, and I believe that, with our prodding, there is an opportunity for real progress in eliminating, or at least reducing, a number of longstanding barriers. Indeed, three days after our meeting, the Palestinians and Israelis announced publicly their agreement (arrived at during our meeting) to allow over 2,000 Jordanian products into the West Bank/Gaza. My counterparts also identified a number of other steps that we could take to improve economic opportunity and increase regional economic ties.

This memorandum lays out my observations and some suggestions for future action.

*Security
Fg
✓*

11-25-98

*copied
Berger
Sec. Daley
Podesta
NSC W. Wing Desk*

Current Situation

Perhaps the most striking thing about each place I visited was the clear recognition that a more vibrant private sector and increased trade are the keys to economic success. In each country, I met with the head of state as well as the economic minister. Each leader talked about the need to create an environment friendly to international investors and the need to break down trade barriers. We also discussed the need for better regional cooperation. Currently, only 7 percent of trade in the Middle East is among Middle East countries. Compare this with Asia (30 percent) and Europe (60 percent). And, as you know, two of the U.S.' three largest trade partners are Mexico and Canada.

Jordan. The Jordanians appear quite concerned about their current economic circumstances (for example, 0.8 percent growth rather than 5 percent, as expected). Jordan recognizes that, as a small country, it must develop expanded markets through trade. But Jordan's trade with its neighbor to the East, Iraq, has dropped by half since the Gulf War. At the same time, the Jordanians have not been able to establish any real trading relationship with the Palestinians. They claim that a variety of practices put in place by the Israelis preclude any substantial trade. (As you know, the Israelis justify these practices principally by reference to security concerns.) We discussed these practices extensively, with all the parties, and identified possible approaches to ameliorating them. Jordan also is interested in looking beyond the traditional Middle East by establishing trade links with countries in Central Asia.

Israel. The Israelis are proud of the way they have retooled into a high-tech economy. They appear eager to assist Jordan in expanding its markets, and have proposed launching free trade negotiations between the two countries. (Israel raised the possibility of including the Palestinians in a trilateral free trade negotiation.) The Jordanians, however, believe that the political environment is not yet right for entering into those discussions. (They fear the impact on Jordan's \$700 million in trade with other Arab nations.) And the Israelis' eagerness to assist the Jordanians is tempered by the Israelis' reluctance to lower the barriers between Jordan and the Palestinians. More generally, Israelis appear to recognize that improving the Palestinians' economic situation benefits Israel, but the difficulties surrounding political communication between the two sides spill over into discussions regarding economic issues. And, even among the Israeli and Palestinian business communities, suggestions of joint activity are met with wariness rather than enthusiasm. I do not want to convey the impression that progress is impossible – we made some progress even in our single meeting. But progress will come only with our prodding even on matters that appear to be in both sides' economic interest.

Palestinian Authority. Difficult is the only word to describe the Palestinians' economic circumstances. There is a tremendous need for investment and for lowering of the barriers that block Palestinian trade. On the other hand, the Palestinians must improve their business climate – there are significant concerns about transparency, monopolies, intellectual property protection, and rule of law issues – for substantial investment to occur. They also need help in developing an international marketing strategy to attract investment. A number of businesspeople complained that we have not followed through

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on our commitments to the Palestinians, citing promises about ExIm and OPIC availability that supposedly have not been realized. (We are following up on those issues.)

Egypt. This country is making economic progress. By cutting red tape and promoting privatization, Egypt has made itself friendlier to foreign investors. Of course, many problems typical of developing economies remain – for example, slow decision making and a proliferation of bureaucratic requirements. The Egyptians' position vis-à-vis the Palestinians is similar to that of the Jordanians: there is a significant potential for trade that is now blocked. On the other hand, the Egyptians appeared quite reluctant to take any step (such as a joint meeting of trade ministers) that might be interpreted as assisting the peace process. As Wye begins to be implemented, I think we have a good chance of involving Egypt in our discussions concerning the elimination of trade barriers.

Lebanon. Not now involved in the peace process (although it clearly would like to be), Lebanon is focused on rebuilding its own infrastructure. Downtown Beirut is undergoing a \$13 billion reconstruction, and business interest is increasing. The President-elect is focused on the need to promote transparency and make other changes needed to attract new investment. Of course, the city – and country – still have significant security issues that must be resolved. But there is significant promise here, if the government is able to stay on course. As a result of Lebanon's traditional relationship with France, European businesses are well-positioned here. We will have to work hard to ensure opportunities for U.S. companies.

Future Action

This trip convinced me that a concentrated effort on these commercial issues, including work with the private sectors in the region and in the United States, could lead to real progress, hopefully providing a way for leaders to demonstrate the tangible benefits of peace. Following are our current plans to realize that goal:

- I would like to use your trip next month as a forcing event to get the parties to reach closure on a number of the trade barrier issues we discussed. Our plan is to convene staff-level meetings over the next few weeks, looking toward a second meeting with my three counterparts at which we would, I believe, be able to announce real progress on a number of fronts. Ideally, this meeting and announcement would take place in conjunction with your trip.
- ✓ Given the progress on Wye implementation, there is a reasonable chance of reconvening the Taba group, including Egypt. I plan to work toward that end, perhaps timed to follow your visit. I also would like to include the private sector of each member in such a meeting.
- ✓ We are working on the practical obstacles now preventing the Palestinians from making effective use of the ExIm and OPIC. Hopefully, a solution to those problems could be announced during your trip.

11-25-98

work done

I hope you will consider including in your December trip an address to group of Palestinian and Israeli business people to discuss the need for economic cooperation to promote peace. Another possibility would involve the Bethlehem 2000 group, which is hoping to jump-start Palestinian economic development through revenues generated by millions of visitors next year.

We plan to identify training and other assistance programs – for example, commercial law development, standards, and marketing – to help the Palestinians develop an attractive business climate.

- I have committed to a trade mission to the region in the first part of next year.

Although the challenges are great, there is a real possibility for change here. I plan to make this one of my top priorities for the next year.