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Wednesday, April 21, 1999

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THE PRESIDENT HAS SEEN

4-21-99

THE WHITE HOUSE

WASHINGTON

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April 20, 1999

'99 APR 21 AM 9:02

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Jose Cerda III

SUBJECT: Policy Response to School Shootings

Here are some actions and legislative initiatives the Administration can undertake when the response to the Littleton shootings inevitably turns to questions of federal policy:

✓ 1. **Announce Grants for 600 School Resource Officers.** Anytime this week or next, you can announce Justice Department grants under the COPS program to help local school districts hire some 600 police officers to work in schools. These will be the first such officers awarded under the program you announced at the White House Conference on School Safety in October, where we pledged to provide funds for up to 2,000 police officers in schools in FY99. You could also announce that schools and communities have until June 1 to apply for nearly \$100 million in Safe Schools grants to 50 cities that put together comprehensive school safety strategies -- another initiative you unveiled at the School Safety Conference.

✓ 2. **Announce Legislation to Reform and Reauthorize Safe and Drug-Free Schools.** Anytime this week or next, you can unveil our Safe and Drug-Free Schools legislation that will be included as part of the ESEA reauthorization. This proposal formally authorizes \$12 million a year for our FEMA-like emergency response teams; requires participating schools to adopt comprehensive school safety plans; and renews the requirement that schools adopt "Zero Tolerance" policies for guns. It also reforms the overall program to require competitive funding at both the state and federal level. As details emerge from the Littleton shooting, we will review this proposal to see whether any additional provisions are appropriate -- such as increased funding for guidance counselors for troubled kids; gun violence education programs; and alternative schools for disruptive and expelled students.

✓ 3. **Announce Tough New Gun Legislation.** Sometime next week -- and just days before the NRA's national convention takes place in Denver (April 30 through May 2) -- you can unveil a Youth Gun Crime Enforcement Act that includes gun initiatives you have already announced (cracking down on gun shows and gun trafficking, extending the Brady waiting period, increasing prosecution of gun crimes, tougher gun penalties, and a new provision to ban the importation of large-capacity magazines), as well as several new or previously unnoticed provisions targeted at juvenile gun violence:

- Amending the juvenile handgun ban to include semiautomatic assault rifles manufactured before the assault weapons ban went into place. Currently, an 18-year-old can legally possess rifles, including assault rifles manufactured before Sept. 13, 1994. This provision, from Rep. McCarthy's bill, would generally ban the possession of such assault rifles until the age of 21.
- Increasing the penalty for youth handgun or assault weapon possession to a felony. Under current law, this offense is a misdemeanor, punishable by mandatory probation. As a result, federal prosecutors have brought few of these cases.
- Increasing the penalty for giving or selling a handgun or assault weapon to a juvenile for use in a violent crime. This provision from our juvenile crime bill would establish a mandatory minimum penalty of 3 years, but maintain the current maximum of 10 years.
- Holding adults criminally responsible for giving juveniles access to certain firearms. You called for this in the wake of the Jonesboro shootings, but we have never before submitted our own proposal. Justice has signed off on a version to create a federal felony that is narrowly tailored to target the most egregious cases of parental recklessness.
- Expanding our Youth Crime Gun Interdiction Initiative. Our program to trace juvenile gun crimes is currently in place in 27 cities. Our FY 2000 budget includes a total of \$45 million, which will enable us to increase that number to 37. We could add Rep. McCarthy's proposal to double the number of cities to 75 by 2003.
- Juvenile Brady: This proposal from our juvenile crime bill would ban the possession of handguns by violent juveniles when they turn 21.
- Child Safety Locks: This proposal, also from our original juvenile crime bill, would require federal gun dealers to issue triggerlocks with every gun sold.

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WASHINGTON

'99 APR 20 PM 7:20

April 20, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Forstmann Voucher Proposal

This Wednesday, a private philanthropy called the Children's Scholarship Fund, headed by Ted Forstmann and John Walton, will announce the results of a lottery to award four-year educational vouchers to 40,000 students in kindergarten through eighth grade. The organization claims that 1 million low-income parents around the country applied for the scholarships.

Forstmann and Walton fund a school voucher program here in Washington that gave modest scholarships (\$600 to \$1,600 a year) to about 1,000 children last year. Two years ago, you met in the Oval Office with a group of poor families who were receiving those scholarships.

Forstmann admits that his long-term motive is to increase the public appetite for publicly funded vouchers, and many voucher opponents have criticized it for that reason. Because this effort is entirely private, however, Forstmann has been able to line up significant Democratic support. Henry Cisneros, Tom Daschle, Andrew Young, and Erskine are all on the board of the Children's Scholarship Fund.

If asked, we plan to say that the Administration's objection to vouchers has always been over the use of federal funds, not local funds (you have said that a community could choose to run its own program) and certainly not private money.

On a related subject, I will send you a more detailed memo on Gov. Jeb Bush's voucher plan for students in failing schools, which passed the House last month and is being debated this week in the Senate. We'll also include the background you asked for on accountability provisions in Texas.

Agree - This could be
a good idea
to try to limit
the number of
vouchers

THE WHITE HOUSE
WASHINGTON

April 21, 1999

Mrs. Norma Schmitt
Rural Rte No. 2, Box 25
Hawkeye, IA 52147

Dear Mrs. Schmitt:

Thank you for your letter and friendly offer to supply signing pens for the President's use. After checking with the appropriate office, I'm told that they are not seeking new vendors. However, they have kept a copy of your letter on hand should the need for a new vendor arise.

On behalf of the President, I send best wishes and great appreciation for extending this proposal to him.

Sincerely,

A handwritten signature in black ink, appearing to read 'Phil Caplan', with a stylized flourish extending to the right.

Phil Caplan
Assistant to the President and
Staff Secretary

Thank you for your letter and friendly offer to supply signing pens for the use of the President's use. After checking with the appropriate office, I was told that currently they are not seeking new vendors. However, they have kept a copy of your letter on hand should the need for a new vendor arise.

On behalf of the President, I send best wishes and great appreciation for extending this proposal to him.

I BASICALLY FOLLOWED
THE EXAMPLE...

7/20

Ok -
make edits, put in address, etc.

7W

APRIL 21, '71

NORMA SCHMITT
RURAL RTE NO. 2 BOX 25
HAWKEYE, IOWA 52147

DEAR MRS. SCHMITT,

SINCERELY,

Daniel W. Burkhardt

04/20/99 12:44:45 PM

'99 APR 20 PM2:16

Record Type: Record

To: Phillip Caplan/WHO/EOP

cc:

Subject: vendor language

Thank you for your letter and your offer to supply signing pens for the President's use. I have checked with the office responsible for procuring those pens, and they tell me that they are not currently looking for new vendors. They do have a copy of your letter, however, and will keep it on hand should they need to contact you.

On behalf of the President, I send best wishes and appreciation for letting him know of your proposal.

4/20

Phil -

We didn't really have good language for this situation. Checked with Brooks in OA and created the above based on that discussion.

If you think it works, let me know and I'll email to you.

D

Drew -
Can you draft up
a letter based on this
language?
Thanks,
Phil

Don not logged
& is out of
tickler - We
have no language
on this - - - -
Strictly OA (we
would send this
mail like this
to them) Jan

Phil - 4-15-99
Send to Apuzzo?

Yes _____

No me ✓ _____

Don -
Do you have
any standard
language you could send me
regarding people who
want to sell things to
the WHA.
Phil

4/19

Writing on language from

Deise.

99 APR 15 PM 3:20

Norma Schmitt

RURAL ROUTE NO. 2, BOX 25

HAWKEYE, IOWA 52147

April 9, 1999

Mr. Caplan,

I am a farmwife who sells Advertising Specialties part time the past 15 plus years.

I noticed President Clinton on TV, signing important documents with a row of dark colored pens alongside. Are they imprinted or plain? Either way, I have access to almost any pen made. There is a minimum, from 100 and up - depending on the individual pen. The more expensive ones have smaller minimums.

Lead time - 4 to 6 weeks after receipt of order, especially first-time orders.

I would appreciate a chance to be your supplier. Let me know what type pens you use, color, how many, and I can get you a price quote. Also, the copy wanted. Some pens can be laser engraved. Please send a phone number where I can reach you quickly, if necessary.

Sincerely,

Norma Schmitt

phone (319) 427-3462

P.S. Or might there be anything else I could

NORMA SCHMITT
RURAL ROUTE NO. 2, BOX 25
HAWKEYE, IOWA 52147

ROUTE 2

Norma Schmitt
NATIONAL PRESS LINE
ADVERTISING SPECIALTIES
BUSINESS PRINTING MATCHBOOKS

HAWKEYE, IA 52147

(319) 427-3462



Phillip Caplan
Staff Secretary
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

DENISE M. DIORIO

04/19/99 01:06:42 PM

Record Type: Record

To: Daniel W. Burkhardt/WHO/EOP

cc:

Subject: language for letter

Dan -

I stopped by your office. You were out so I figured I would e-mail you.

I did some research to try to find language for the letter you asked me about this morning. Our office does not have any language that pertains directly to this situation. So, I called Dan Holt in OA. They do not really deal with these types of letters but he did suggest that perhaps this person could contact the Procurement Office in the NEOB. Then I called Brooks Scoville in room 146 to see if she had any language. She said she receives phone calls like this all the time but does not do correspondence. She did suggested putting in the letter what she tells them by phone which is something to the effect of.....We appreciate your interest in _____ however at this time we are not in need of any new vendors. She also added that if you want you could also say that we would keep their name in our files just in case the need for _____ arises. Brooks would rather us contact them then putting in the letter.....if you wish you may contact..... (So the Procurement Office may not apply)

I will also drop off two form letters from our office - just in case.

If you need me do anything else, please let me.

thanks, Denise
x65534

4-21-99
THE WHITE HOUSE
WASHINGTON

April 20, 1999

MEMORANDUM FOR THE PRESIDENT

From: Joe Lockhart
Press Secretary

Subject: NATO Press Operations

99 APR 20 11:47

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Lockhart
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This memo is to update you on efforts to help strengthen the NATO press operation.

Last week, Alastair Campbell, Press Secretary for PM Blair, organized a conference call with spokespeople from NATO and key countries to discuss how the NATO press operation could be improved. It was decided on that call that Alastair Campbell would travel to Brussels to review the NATO press operation and make recommendations as to how the US and other NATO countries can assist the press operation. [It is important to note NATO's strong belief that this effort be viewed as a British -- rather than US -- led project so as to not feed media assertions that Operation Allied Force is a de facto US controlled operation.]

In our analysis of the current operation, we found the NATO press office in Brussels and the SACUER press office in Mons to be grossly overextended and understaffed. In addition, we concluded that coordination between the civilian and military sides needs to be strengthened as does coordination with the press offices for the NATO countries. Finally, we noted that the NATO press operation lacked the staff resources necessary to develop and execute a proactive message and effective response operation.

To address these problems, we have formed a NATO Media Strategy Group consisting of Shea, Campbell, the French and German press secretaries, and myself. We have instituted twice daily conference calls to coordinate press/message for each day. These calls have already helped improve coordination among NATO and key NATO capitals. In addition, each country has agreed to help staff a "media War Room" in Brussels that would develop a long term message "grid" to link up message needs with media opportunities in Brussels and NATO capitals; develop a rapid rebuttal effort to refute misinformation; coordinate op-ed drafting and placement in NATO countries; develop surrogates from all NATO countries to do television and other press; and better monitor and counter the Serb media.

From the US, we have sent an interagency team including Col. PJ Crowley (NSC Press Office), Jonathan Prince, Nanda Chitre (White House Press Office), and Lee McClenee (State Department Press Office) to assist in the War Room operation. The Pentagon is also assigning two people to be stationed with our team. Now that our team is on the ground in Brussels, it will

4-21-99

make a full assessment of how it can best support our effort to improve the NATO and SACEUR press offices. Theoretically, however, I expect the delegation to have six missions:

- 1) Develop more coherent messages and themes for daily briefings in Brussels and the NATO capitals.
- 2) Help prepare Jamie Shea and Gen. Wesley Clark for daily briefings.
- 3) Provide critically needed information to me and other US spokespeople for daily briefings in the US.
- 4) Informally brief US and international reporters covering the story from the region to give the US perspective.
- 5) Facilitate "cross-pollination" of NATO leaders and message by sharing resources with other NATO countries. For example, this past Sunday we recruited PM Blair to appear on *Face the Nation* and Chancellor Gerhard Schroeder to appear on *CNN Late Edition*, and placed a Clinton op-ed in London's *Financial Times*.
- 6) Provide general support to assist Campbell in the media War Room.

I am hopeful that this press effort will help us achieve a more effective and better-coordinated press strategy. I will keep you abreast of our efforts as they evolve.

also get more
Katoosa stories
out → get more
airtime on our
TV in US + Europe

the tenure track should they take maternity leave.

The complaint is that though the of talented men to work the way to an example, university majors of Yet there we uate student male profes blames the women from at MIT. "We call it microdiscrimination, the feeling of not having your work valued as much as other colleagues," she says. "Those things kind of mount up. . . . Many women along the line have said, 'Why bother?'"

Slippery footing. Such discriminatory practices take place unconsciously, the MIT report found. Virginia Valian, a professor of psychology and linguistics at Hunter College in New York and author of *Why So Slow? The Advancement of Women*, says people in academia tend to favor males for advancement. Though men and women may start their careers on equal footing, men are more likely to be promoted faster and to receive plum assignments. When asked to pick leaders or rising stars, she says, senior faculty will most often select a male over a female because "they see a man as somebody who looks right for the job, who's in charge of things." It's a kind of discrimination found even in liberal arts departments, where the male-female ratio is less skewed, says Martha West, a member of the AAUP committee and a law professor at the University of California-Davis.

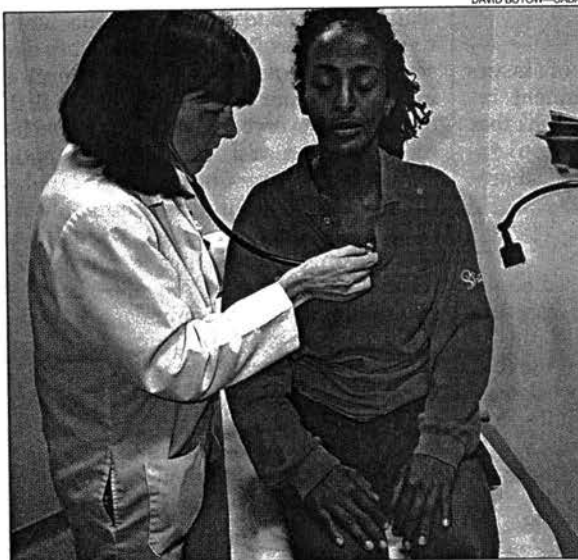
But the situation is not hopeless, Valian adds, pointing to the Johns Hopkins University department of medicine as a success story. Between 1990 and 1995, the number of female associate professors grew from four to 26, mainly because senior faculty were encouraged to advise women on the school's promotion criteria—a service previously performed almost exclusively for men. At MIT, modest change is underway, and the School of Science will increase the number of tenured female faculty by 40 percent this year—although even at this rate it will take 40 years before 40 percent of the school's faculty is female. Administrators and committee members alike say they also hope the publicity surrounding the report will make pleading ignorance impossible. Says Lotte Bailyn, MIT's faculty chair: "By making it explicit, by making people aware, people can't still deny it exists."

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No time for the poor

Physicians dependent on managed care provide less assistance to the uninsured



DAVID BUTOW—SABA

Free clinics struggle to provide care to the uninsured.

BY JOSEPH P. SHAPIRO

The more doctors depend upon managed care for their income, the less likely they are to fill their traditional role of providing free care to the poor. That conclusion comes as no surprise to critics of managed care. Evidence of the trend, documented in a new survey of nearly 10,000 doctors, is striking, even though the fraying of the health care safety net cannot be blamed on managed care alone.

Doctors who get at least 85 percent of their income from managed care provide 40 percent less charity care than those who get no more than one fifth of their income from managed care, according to a study published last week in the *Journal of the American Medical Association*. The majority of doctors—77 percent—still provide some free or reduced-fee care, averaging 10 hours a month. But the report's author, Peter Cunningham of the Center for Studying Health System Change, says that "the holes in the safety net may be getting bigger."

Indeed, there are 45 million Americans without health insurance, and their ranks are growing by 1 million a year. At the same time, doctors are struggling to

deal with radical changes in how they practice and how they are paid. Before the surge of managed care, when doctors in fee-for-service medicine set the price and the insurer paid the bills, it was easy for a physician to provide free care for an uninsured patient and make up the lost income by charging an insured patient more. That kind of "cost shifting" is more difficult to do under managed care, where doctors are paid set rates for each patient. And employers who contract with managed-care companies want them to keep premiums low for their workers and do not want to subsidize the care of others.

dize the care of others.

More affordable. For its part, the managed-care industry says that it has lifted many people from the ranks of the uninsured by making health care more affordable. One 1997 study concluded that up to 5 million more Americans would be uninsured today if not for managed care's success in keeping prices down. Still, managed care can do only so much, says

Karen Ignagni, president of the American Association of Health Plans, the industry's

Washington lobby. The traditional sources of indigent care—free clinics, and public and teaching hospitals—also have limits. They could not serve everyone before, and are even more burdened now. The uninsured, Cunningham has found in a second study, are less likely to get free care if they live in communities where the number of people without insurance is relatively high.

Cunningham and Ignagni agree that it will take renewed political will to reduce the number of the uninsured. A *JAMA* editorial accompanying Cunningham's article suggests one solution: a tax on managed-care companies and other insurers to create a government-managed pool of money to cover the cost of ministering to the uninsured.

HEALTH CARE

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Texas Offers Hard Lessons on School Tests

By CLAUDIA KOLKER
TIMES STAFF WRITER

HOUSTON—At some schools they're throwing pep rallies, complete with marching bands, cheerleaders and custom-written chants to whip up student spirit. On other campuses, principals throw school-wide pizza bashes, pledging to repeat the favor if their pupils do them proud. At one school, children got movie passes in successful practice sessions and heard murmured coaching from their teachers during the real thing.

This is not football. This is high-stakes testing, and throughout Texas it is dominating school life because its consequences are

Please see TESTS, A11

TESTS

Continued from A1

so great.

Though cheaters are the minority among Texas school districts, concern over the Texas Assessment of Academic Skills, or TAAS, recently hit an extreme in Austin, where officials at five schools allegedly changed student data to hide 16 low scores. Last week, in a highly unusual step, a grand jury indicted the entire Austin Independent School District, which could face fines of up to \$160,000, for document tampering. The deputy superintendent, who was also indicted, faces fines and up to one year in jail if found guilty.

Only days earlier, a probe of erased test answers prompted demands from school officials for the resignation of three teachers in Houston and a principal and teacher in nearby Fort Bend.

At a time when states, including California, are studiously mimicking Texas' system of rigorous accountability tests, the Texas TAAS scandals have prompted grim I-told-you-so's from some in the education field. The problem, they say, is not testing itself, but the mighty influence the results now wield on school funding, curriculum and the very jobs of employees.

"We are not against testing. Of course not. You have to have some sort of standard," said Annette Cootes, a spokeswoman for the Texas State Teachers Assn. "But when it becomes so high-stakes that principals are being told wholesale, 'you will get the scores up or you will be fired' . . . when you have that much pressure, [cheating] is bound to happen."

A national pioneer in school accountability testing, Texas got its first push from none other than Ross Perot. Chairing a school reform commission in the early 1980s, Perot goaded Texas business leaders to back a performance-based approach to public schools, modeled on business principles. Success would be quantified by results: hence the annual standardized TAAS tests.

Initiated in 1990, the program has shown signs of dramatic success. Since the most rigorous testing began in 1994, the percentage of Texas students passing all parts of the test rose from 56% to 78% by last year. In 1995, the test results classed 34 Texas school districts as "exemplary"; last year, that number dropped to four.

The idea has spread to schools across the country. Currently, only Iowa has accountability or achievement tests, close to 20 have mandatory graduation exit tests and the same number of states pose sanctions or rewards depending on performance.

Texas schoolchildren, who scribble in their first TAAS answer bubble in the third grade, don't really feel its effects for several years, at which point passing becomes a graduation requirement.

But for school administrators, the consequences of high scores—or failure—are immediate. Poor showings can mean funding cutbacks, public humiliation, potential school closures. In districts including Houston, principals of low-scoring schools have been demoted and can face dismissal. If a school's TAAS scores are low, even gym teachers now can suffer lowered job evaluations.

Schools that rate the coveted "exemplary," of four possible rankings, by contrast, trumpet the news on marquees. Teachers receive bonuses of up to \$650. They are lionized by TV news and grateful parents and lauded by local officials. And triumphant administrators can net serious bonuses, such as the \$25,000 available to Houston superintendent Rod Paige if his district excels.

Not surprisingly, TAAS pressure now shapes the cur-

riculum for Texas 7,000 public schools. Students take frequent practice tests, with tutorials and remedial classes for those who do badly. Urging them forward, some principals throw raucous pep rallies or pledge certificates for McDonald's if school scores shine.

Educators differ on whether the pressure is positive.

Darvin Winick, a Texas management consultant who has helped California install its own accountability system, praises TAAS' influence. If the pressure is destructive, he argues rhetorically, then schools should also abandon competitions like debate team and football.

"There is no evidence of damage to the school system from the TAAS," he said. "They can say that tests don't measure everything—that's absolutely true. But if kids can't read, do other things matter?"

Economist Laurence Toenjes, a test analyst at the University of Houston, also supports the tests' widespread influence. "My bottom line for the system is that school districts and schools that historically haven't done too well are now getting exposed," he said. "Without a testing system, there was no way the public could really know."

But detractors complain the pressure to quantify success is distorting schools' ethical and academic values. Texas' disgraced educators, they contend, are only the rattle of a pressure cooker at full boil.

"Instead of a full curriculum, you get the part of the curriculum that teachers or principals or superintendents know is going to get tested," said Monty Neill of the Center for Clear and Open Testing in Massachusetts, which calls for less emphasis on test scores. "There are certainly a lot of practices which, if they are not cheating, are borderline."

At one Houston school, for example, a principal who stressed test-taking "strategies" such as highlighting key words doled out movie tickets and popcorn to students who used the technique on practice tests. During the actual test, school investigators learned, teachers would whisper "Use the strategies," to children not following the method.

Gayle Fallon, president of Houston's Federation of Teachers, said her organization had heard reports for years about fallout from TAAS pressure. Teachers at Kashmere Gardens Elementary School, whose principal was asked to resign after a cheating investigation, "were calling us and saying kids they knew couldn't read at all were scoring in the 90th percentile," Fallon said. "They were talking about special education kids, and kids who were absent on the day of the test, who came up with great scores."

Texas is not the only state where standardized tests have raised questions. Federal officials are now investigating whether sharp improvements on test scores in Kentucky and other states were distorted because special education students were excluded.

In California, an accountability law passed this year requires most public schools to be ranked according to new indices by July 1. The indices will set improvement targets for each school based on test scores, attendance rates for pupils and teachers and graduation rates.

The rankings will make the lowest-performing schools eligible for assistance programs, but consistent failure to meet improvement targets can also mean staff reassignment or the principal's removal.

The California Teachers Assn. opposed the law, saying mechanisms are not yet in place to collect all the data. "We have serious concerns about making test results too much the focus of such a high-stakes accountability tool," said Mike Myslinksi of the CTA.

The new ranking system will rely heavily on results from the Stanford 9 test already in use. Though each school district polices its own testing with help from publisher Harcourt Educational Measurement, state officials say a preregistration mechanism helps thwart potential tampering.

Times staff writer Duke Helfand contributed to this story.

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4-21-99

By Reed
our 10 minutes about
light - they can be a very
good thing - BX

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Private School Choice Plan Draws a Million Aid-Seekers

A1

By ANEMONA HARTOCOLLIS

A billionaire Wall Street financier who raised \$170 million in scholarships to send low-income children to private schools said yesterday that more than a million families had responded to his offer, or nearly one out of every 50 schoolchildren in America.

The financier, Theodore J. Forstmann, better known for his leveraged buyouts of companies like Gulfstream Aerospace, Dr. Pepper and General Instruments, said he had turned his business savvy to helping thousands of children escape failing public schools and go to private and religious schools. But the response to his offer surprised even him, he said, and it has added fuel to the debate over efforts to use taxpayer money to send children to private schools.

Although the scholarships were open to students now enrolled in either public or private schools, the majority of applicants came from public schools, indicating a deep dissatisfaction among parents with the education their children are getting, Mr. Forstmann said. The 40,000 winners, chosen over the last few days by a computerized lottery, are to be announced today at simultaneous ceremonies in New York and Los Angeles.

In capturing public attention for his cause, Mr. Forstmann was armed with an obvious fervor, immense wealth, and a well-oiled public relations machine that generated public service announcements by the baseball star Sammy Sosa, the poet Maya Angelou and the actor Will Smith. In February, Mr. Forstmann benefited from a dollop of Oprah Winfrey, who instructed viewers to turn off their vacuum cleaners while she interviewed him. A Republican, Mr. Forstmann assembled a board decked out with public figures in both parties, from Senator Daniel Patrick Moynihan, Democrat of New York, to Gen. Colin L. Powell, a Republican.

Mr. Forstmann said the number of applicants — 1,237,360, including nearly one out of three qualified students in New York City, Newark, New Orleans, Philadelphia and Washington — was even more compelling given that the scholarships will amount to only \$600 to \$1,600 a year for four years, not enough to cover even the \$2,500 tuition at most parochial schools, and that the winners will be required to make a matching contribution from their own pockets averaging \$1,000 a year.

He called the response "a cry from the heart." Noting that the applicants were, in effect, turning down a free education from the government, he added, "So they're quite impoverished, they get their product for nothing and they're lining up around the corner to pay \$1,000."

But critics said that Mr. Forstmann is more interested in undermining public schools, building enrollment in financially troubled parochial schools and advancing a crusade to obtain public financing of religious and secular private schools than in improving education for the poor. The very poorest and most troubled children cannot afford the program, they said, and schools are free to reject those they do not want.

But by mobilizing the public behind their scholarship plan, Mr. Forstmann and his associates could become a powerful tool in pushing state legislatures toward the adoption of taxpayer financing of vouchers to send children to private and religious schools. Mr. Forstmann, who is Roman Catholic, denied that he has any interest in pursuing vouchers. He has supported Catholic-school scholarships in the past, and critics of voucher proposals noted yesterday that his partner, John Walton, owns stock in a profit-making corporation, Tesseract Group, that manages charter schools.

"It's clearly become a stalking horse for vouchers," Sandra Feldman, president of the American Federation of Teachers, said yesterday. "Raising money for private and parochial schools is a longtime tradition in the U.S. But now you've got people telling parents over and over again that their kids can do better than what they do now. It's all over television; it's on Oprah. When you listen carefully there's something going on about getting kids out of the public schools, and that's terribly unfortunate."

But even the opposition acknowledges that Mr. Forstmann has elevated the debate over whether the public schools are fulfilling their mission of providing an equal education to all, especially black, Hispanic and immigrant children in the inner city as well as children in rural areas. Using an idea that would warm the heart of a free-market economist — leveraging scholarships to help thousands of children seek a better education — Mr. Forstmann has tapped into the deepest fears and hopes of parents about the future of their children.

Most of the applicants came from New York City, the nation's largest school system, where 168,184 students applied, or 29 percent of the 587,092 public and private school student who met the eligibility guidelines. Students were eligible, officials said, if their family income was just above the cutoff for the Federal reduced-price lunch program, a measure of poverty. (Parents could apply through the mail, E-mail or a toll-free telephone number.)

Chicago had the next highest number, with 59,186 applicants, or 26 percent of those eligible. Los Angeles had 54,444 applicants, or 18 percent. In Baltimore, 44 percent, or 46,011, of those eligible applied, the highest percentage in the country.

Winners were notified this week. The largest number of scholarships, 3,750, will be awarded in Los Angeles; New York and Chicago will get 2,500 each and other cities will get hundreds. The numbers reflect the amount of money donated to the program from each of those cities.

"I think at some point the public schools start to fail our children, and I think the third grade is that cutoff," said Shelitha Harrelson, a New Yorker whose daughter, Brittney Tucker, was told this week that she is one of the 40,000 winners.

Ms. Harrelson, whose name was provided by the fund, has a daughter in third grade at P.S. 279 in Canarsie,

Brooklyn. She said she hoped to use her stipend to help pay the costs at Marymount, a Manhattan private school where she said tuition is \$12,000 a year, or Epiphany, another school, where she said it would cost \$4,000. Ms. Harrelson, an administrative coordinator at Polo Ralph Lauren and a single mother, met the income criterion of \$29,295 for a family of two.

New York City's Schools Chancellor, Rudy Crew, who threatened to resign last month when Mayor Rudolph W. Giuliani began lobbying for a government-financed voucher program, said he had no quarrel with the fund, as long as it used private money.

"I have never claimed the public school system is a perfect system," Dr. Crew said. "I think this is only natural; it's going to happen. It is a sign that there are people who want choice." Dr. Crew said he was trying to meet that demand as well with a push to create charter schools independent of the Board of Education and some union rules.

In Chicago, Paul Vallas, the chief executive of the public schools, said:

"I'm all for it. Here you have people from the private sector pooling their money to help make a child's education better. How can you be against that?"

At today's ceremonies, Mr. Forstmann, Mr. Walton and Andrew Young, the civil rights leader and former ambassador to the United Nations, are to preside in New York, at the main public library, while Michael S. Ovitz, the former president of Walt Disney, Ronald W. Burkle, managing partner of the Yucaipa Companies, and Eli Broad, chairman and chief executive of Sun America Inc., are to announce the winners in Los Angeles.

Mr. Forstmann and Mr. Walton started the program, called the Children's Scholarship Fund, eight months ago by contributing \$50 million each, and said they have since raised an additional \$70 million from other donors around the country.

The program is the largest privately financed scholarship program in the country, Mr. Forstmann and his associates said, and also dwarfs experiments with taxpayer-financed voucher programs to send poor children to private schools in Milwaukee and Cleveland. Neither Milwaukee nor Cleveland are among the cities receiving scholarships, according to a list released yesterday.

Several members of the fund's national board of advisers, including Senator Moynihan and Representative Charles B. Rangel, Democrat of Manhattan, said they had signed on to the program because they saw it as a chance for children to attend better schools than the ones they were in, not as an attack on the public-school system.

"I'm against vouchers," Mr. Rangel said.

"I support scholarships for public schools, private schools, and any other kind of schools."

The New York Times

WEDNESDAY, APRIL 21, 1999

Clinton's Moves to Repair Global Economic Crisis Bring Mixed Grades for Successes and Setbacks

By MICHAEL M. PHILLIPS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—When the world financial system was unraveling last fall, President Clinton asked his advisers to come up with bold steps he could announce to calm the panic and repair the damage.

Since then, the sense of impending doom has receded in financial markets. The global economic slowdown, while severe, seems to have bottomed out. And the administration has pushed through most, though not all, of the steps promised by Mr. Clinton to deal with "the biggest financial challenge facing the world in a half-century."

But it has also become apparent that the president's plan was more modest than aggressive. Indeed, it was the administration's most traditional response—lending big money to Brazil and other troubled developing countries—that has most helped ease the crisis. And new steps to remodel the global financial system to prevent and shorten future crises, which Treasury Secretary Robert Rubin will announce today, are likely to take effect only slowly, especially with Washington's attention focused on the war in the Balkans.

Tepid Assessment

"In terms of performance to date, I'd be inclined to give a grade of B-plus or so," says Barry Eichengreen, an economist at the University of California at Berkeley. "They've focused on the right issues. But it's like a midterm exam where a student analyzes the problems correctly, but doesn't have the answer quite right."

On the plus side, Mr. Clinton persuaded Congress to provide \$18 billion to replenish the International Monetary Fund, the global financial fireman. And the IMF, with substantial U.S. backing, led a \$41.5 billion rescue for Brazil that seems to have restored investor confidence and stopped the spread of financial panic in the developing world, no small feat given the precarious economic state of the world last fall.

President Clinton hasn't been shy about taking credit for that. Just yesterday, he told a gathering of economic officials that seven months after he first laid out his strategy, "we see a growing number of signs that those steps have taken hold. Some economies once in crisis are beginning to turn the corner—but substantial risks and challenges remain."

Lending Agencies

In another Clinton initiative, the Export-Import Bank of the U.S. provided \$3 billion in trade financing for South Korea, Thailand and Indonesia. And, as the president urged, the World Bank and Inter-American Development Bank formed new emergency-lending programs, which are being used to help Argentina and Brazil.

The World Bank also tripled its loans to assist Asia's poor, and yesterday approved a \$2 billion pilot program to provide partial guarantees to allow deserving countries to secure private financing.

As Washington prepares for next week's meetings of the World Bank, the IMF and the Group of Seven major industrialized nations, the IMF will create a new preapproved credit line to help countries that pursue sound economic policies fend off financial contagion.

Preapproved Credit Line

But there have been some setbacks for the administration as well. The preapproved credit line, though left vague when Mr. Clinton proposed it, has turned out to be less innovative than it first appeared. And while the president called the credit line "a powerful new tool to help reduce the risk posed by the current financial crisis," it took so long for the U.S. to persuade its allies, particularly Germany, to accept such an idea that its first use will probably be to stave off the next crisis.

Mr. Clinton's economic team also has made limited progress coming up with a plan to help debt-ridden Asian companies restructure and get back to work. So far, only Thai concerns appear to be in line to receive such assistance. "It has not gone as quickly as you would have liked . . . but on the other hand things have happened," says Mr. Rubin.

And the administration's success has been mixed in achieving its top goal: restoring and preserving growth in the industrialized countries. On the bright side, the U.S. economy continues to stun the world with its dynamism, and Japan has taken serious steps to clean up its banking system.

Just the fact that Mr. Clinton made such high-profile statements last fall helped convince his G-7 counterparts to shift their emphasis from containing inflation to spurring growth.

But U.S. officials have been less successful in prodding the Europeans to re-vamp restrictive labor laws and the Japanese to break out of nearly 10 years of stagnant economic performance.

Just yesterday, the IMF projected that Japan's economy will shrink 1.4% this year and grow just 0.3% in 2000. The euro-area countries will eke out just 2% growth this year, with Germany and Britain lagging behind even further.

Slow Progress

In addition to his urgent crisis-containment steps, Mr. Clinton said last fall that his economic team would continue seeking ways to redesign the global financial system to prevent future crises. The president and his advisers warned that the work would take a long time. Sure enough, progress has been slow.

Mr. Clinton said yesterday, however, that those long-term steps are his next priority in global economic policy, and Mr. Rubin is expected to lay out the details in a speech today, with an eye toward gathering support for them at the June summit of G-7 leaders approaches. "This is not a mo-

ment for complacency—it is a moment to act to prevent financial crises from reaching catastrophic stages in the future," Mr. Clinton said.

Mr. Clinton's proposals will include several areas of financial-system reform, including ways to make sure private banks and investors help cover the costs of international rescue packages.

U.S. Treasury officials don't want taxpayer money rushing into a crisis country—say, Pakistan or Ukraine—if those funds just allow the government to pay off private creditors, who then flee the country. Nor does the U.S. want to impose such high losses on investors that they stop doing business in emerging markets. That is a tough balance to strike. So far, the Clinton administration, its allies and the IMF are taking a cautious, case-by-case approach.

U.S. officials and their G-7 counterparts are also hammering out more common standards for corporate accounting, bank supervision, hedge funds, offshore banking and other areas. These are designed to allow investors to make sounder judgments about which countries and companies are good bets.

Pushed by the U.S. and others, the IMF has also made its operations more transparent, giving investors more information about which countries are the biggest risks.

But progress in improving financial standards and economic transparency is likely to be incremental. Says Prof. Eichengreen: "Reforming the international financial system is like changing the direction of a supertanker."

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THE PRESIDENT HAS SEEN
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Latest tragedy in 'safest place' renews search for answers

By Kevin Johnson
and Richard Willing
USA TODAY

The mass murder at Colorado's Columbine High School on Tuesday brought a horrifying end to the relative calm that had prevailed this year on school campuses throughout the nation.

Just three weeks ago, Education Secretary Richard Riley was attributing the peace to increased personal involvement by parents and community leaders.

But Tuesday's deadly shootings underscored the often explosive and unpredictable nature of youth violence. And the disaster refocused attention on the interlocking issues of school safety and teen-agers' access to guns.

"Schools are still the safest places for kids to be," says June Arnette, associate director of the National School Safety Center. "But it's still hard to predict."

The Columbine killings seemed likely to prompt calls for renewed attention to school

security. In 1997, a study by the Atlanta-based Centers for Disease Control and Prevention found that one in five high-school students had carried a weapon in recent months.

Columbine, in the quiet Denver suburb of Littleton, had a policy against weapons, an official says. But in keeping with the lone the school tried to set, it was not enforced with metal detectors or other highly visible forms of security.

Jefferson County School District spokeswoman Kay Pride says the school does not allow any type of weapon, even fake ones.

But "we do not run our schools like a prison," she says.

The Colorado tragedy also is bound to rekindle the debate over whether juveniles should be dealt with more harshly by the criminal justice system. Juveniles under 18 were responsible for nearly one in six of all violent crimes that were solved with an arrest in 1996, according to figures compiled by the FBI.

Since 1994, laws in 43 states have been changed to make it

DEATH GOES TO SCHOOL

The Denver-area high school shooting Tuesday was the latest in a series of incidents at schools across the USA in the past 18 months. At least 14 people have been killed; another 46 were wounded.

► **May 21, 1998, Springfield, Ore.** — A 15-year-old student shot and killed two students and wounded 22 when he opened fire at Thurston High School.

► **May 19, 1998, Fayette-**

ville, Tenn. — An 18-year-old senior at Lincoln County High School shot and killed Robert Creson, 18.

► **April 25, 1998, Edinboro, Pa.** — A 14-year-old Parker Middle School student shot and killed teacher John Gillette; two boys were hurt.

► **March 24, 1998, Jonesboro, Ark.** — Two boys, ages 11 and 13, shot and killed a teacher and four girls at Westside Middle School; nine girls and another teacher

were wounded.

► **Dec. 1, 1997, Paducah, Ky.** — A 14-year-old boy shot and killed three girls at Heath High School; five others were wounded.

► **Oct. 1, 1997, Pearl, Miss.** — A 16-year-old student shot and killed his ex-girlfriend and another girl at Pearl High School after slitting his mother's throat; seven other students were wounded.

From wire reports

easier to prosecute juveniles as adults.

"If the attempts to rehabilitate juveniles are unsuccessful, then we should treat habitual and violent offenders as adults," says Harry Shorstein, a prosecutor in Jacksonville, Fla.

A bill to substantially increase penalties for juveniles prosecuted under federal law stalled in Congress last year. It

has been reintroduced.

The multiple deaths in Colorado were the first school killings since last July, when a Fort Lauderdale, Fla., man shot his wife, a teacher, in a school parking lot. The man later turned his gun on himself.

But a string of high-profile incidents had preceded that. In 1997 and 1998, students committed multiple killings six times within an eight-month pe-

riod, leaving 14 dead and 46 wounded. All the shootings took place in rural settings, at schools in Mississippi, Kentucky, Arkansas, Pennsylvania, Tennessee and Oregon.

The bloodshed drew unprecedented focus to the issue of youth violence.

Last October, President Clinton hosted a White House conference on youth violence. A wide array of approaches was

considered, from school uniforms to anger-management courses.

On April 1, Riley and Attorney General Janel Reno outlined a plan that would award more than \$300 million in grants to 50 communities to help prevent future school violence.

Initial grants, aimed at truancy prevention, conflict resolution, the purchase of security equipment and promoting after-school activities, were scheduled to be awarded by the start of the next school year.

"Law enforcement alone cannot prevent tragedies like those in Paducah (Ky.), Jonesboro (Ark.) and Springfield (Ore.)," Reno said at the time.

"But when law enforcement works in partnership with our schools and our health professionals and with parents and the whole community, we can prevent violence before it occurs."

The most recent Justice Department study found a decline in the overall crime rate on school campuses since 1993 and a drop in the number of

students carrying weapons to school.

Forty-three percent of schools reported no incidents of crime.

As happened after past episodes, the Colorado killings provoked a public search for explanations. As in past episodes, experts tried their best, even if words seemed to fall in the face of such horror.

"Murders are committed by children who internalize some sort of melodramatic image," says James Garbarino, co-director of the Family Development Center at Cornell University in Ithaca, N.Y. "They are in a spiritual vacuum. Their images of righteousness are wrongly internalized."

University of Alabama-Birmingham sociologist Kevin Fitzpatrick says: "We are continuing to find children who don't have the right skills to effectively express their emotions and to work through their frustrations. This incident exemplifies why school violence prevention programs are so important to teach children how to deal with anger."

THE PRESIDENT HAS SEEN

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Energy Department Removes Its Security Chief

By JOHN J. FIALKA

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The Energy Department, already scrambling to address lapses that may have allowed China to obtain U.S. nuclear-weapons technology, faces a new security problem and has put its director of safeguards on administrative leave, pending an inquiry into charges that he disclosed government secrets.

Edward McCallum, head of DOE's Office of Security and Safeguards, was quietly removed from his post Monday. The move, which DOE officials say is unrelated to the department's investigation of Chinese espionage, nevertheless is likely to deepen the agency's security crisis. Mr. McCallum functioned as one of DOE's internal critics. During most of the 1990s, he regularly wrote reports faulting agency budget cuts, saying they seriously weakened security forces assigned to protect weapons-related facilities and to screen foreign visitors.

Brooke Anderson, a DOE spokeswoman, said Mr. McCallum's removal involved "a possible unauthorized disclosure of classified information." She wouldn't elaborate. While his case is under examination by the Federal Bureau of Investigation, Mr. McCallum will continue to receive full pay and benefits and hold his security clearance.

The McCallum case is one more headache for Energy Secretary Bill Richardson, who already has felt the fury of congressional Republicans. He is likely to feel more today when retired Navy Adm. David Jeremiah is expected to release a report, requested by the Central Intelligence

Agency, on damage done to U.S. security by Chinese spying at DOE labs.

One of the more controversial aspects of the damage is how the U.S. found out about it. Officials say a Chinese spy brought a large stack of Chinese military documents to U.S. diplomats in Taiwan in 1995. They showed the plans for modernizing China's nuclear arsenal and included information based on six U.S. nuclear-warhead designs.

With the exception of two secrets involving the Navy's newest nuclear-missile warhead, the W-88, most of the other information was taken from obscure, but publicly available sources, an official added. A year later, U.S. intelligence sources discovered that the spy, called "The Walk In," wasn't a defector, but had probably been sent to the U.S. by China's spy agency to deliver a message.

While China tested warheads resembling the W-88 in the early 1990s, U.S. officials have seen no evidence that any of the weapons disclosed in the Chinese documents, which were written in 1988, are being developed. China's newest missile system, a mobile land-based weapon called the DF-31, doesn't appear to have a warhead based on the W-88, which is significant for its light weight.

Several officials said that the U.S. may never know the full extent of the use of stolen U.S. weapons secrets, but said that the secret information of the W-88 was the most troubling sign that sensitive information had been stolen.

Mr. McCallum refused to comment on his case. Associates of the former Army Special Forces officer, however, found the charges hard to believe. "I can tell you this

would certainly be out of character for him," said Maj. Gen. George L. McFadden, who retired from the DOE last year as director of security affairs. He was Mr. McCallum's boss. "He is a true professional as far as security is concerned. He is very, very tight with national security."

Democratic Rep. John Dingell of Michigan, a longtime critic of security problems at the DOE's nuclear-weapons facilities, asked for an immediate briefing on the case. "Retaliation is not unprecedented in the Department of Energy."

Although neither the DOE nor Mr. McCallum would comment on it, the inquiry involving him was launched after the transcript of a taped telephone call between Mr. McCallum and a former security official at DOE's facility in Rocky Flats, Colo., was placed on the Internet by the Government Accountability Project, a nonprofit public-interest group.

According to the transcript, there was a discussion about how a terrorist group might overwhelm guards at Rocky Flats, located just outside Denver, and capture quantities of plutonium oxide, a powdered form of the explosive metal used to make nuclear warheads. The most realistic threat, Mr. McCallum explains in the transcript, would be to put it in a makeshift bomb and blow it up at the lab.

"Put some [high explosive] on top of it and boost it up—you don't need to take it in [to] the middle of Denver, it's going in the middle of Denver anyway," he says in the transcript.

Tom Carpenter, who directs the Seattle office of the Government Accountability Project, said the group placed the transcript on the Internet as part of its efforts to defend two people working for a DOE contractor who also were worried about security at Rocky Flats. He said he had been unable to contact Mr. McCallum, but felt that Mr. McCallum "was as worried about security out there" as the contractor employees.

THE WALL STREET JOURNAL

WEDNESDAY, APRIL 21, 1999

Misreading the Enemy

By Robert S. McNamara

WASHINGTON will the war in Kosovo become another Vietnam? After barely a month of bombing Yugoslavia, it is far too soon to make such analogies. Nevertheless, there is a widespread fear that the two sides will be caught in a cycle of escalation, as occurred in Vietnam. As awful as Kosovo is now, the odds of a long-term tragedy will be far greater if we don't apply the lessons the Vietnam conflict taught us.

In fact, my great concern is that we and our adversaries may have already made mistakes that might have been avoided had we learned from experience. Studying the lessons of Vietnam may allow us to end this war earlier; ignoring them may result in catastrophe.

Over the past four years, a number of us from the Kennedy and Johnson Administrations, and some of America's top scholars, have been involved in an unprecedented series of dialogues with North Vietnamese officials. Our task: to identify missed opportunities, if any existed, to avoid the war altogether or to terminate it before it became a tragedy that claimed the lives of more than 3.5 million Vietnamese and more than 58,000 Americans.

Our dialogues revealed many dimensions of mutual misunderstanding, some of which may resemble the current tragedy in the Balkans. Indeed, there are some alarming parallels, as well as some important distinctions. For example, in Vietnam each side miscalculated by repeatedly underestimating the costs and risks its adversary was willing to accept. The failure of the United States to anticipate the almost incredible losses absorbed by Vietnamese Communists, both north and south, is well known.

But we learned in our dialogues that the North Vietnamese were prepared to absorb far greater punishment than was ever delivered by the American bombing. Likewise, the Hanoi Government, in a series of disastrous miscalculations made from 1961 to 1965, repeatedly underestimated America's willingness to prosecute the war in the South on the ground, and in the North via the bombing.

In Vietnam neither side understood the bottom line of the other with regard to how South Vietnam should be governed, by whom and for how long. Each side, American and Vietnamese, discovered during the course of our dialogues that its former adversary

was much more open to negotiations — to a neutral, coalition government in Saigon — than was believed at the time.

The point is this: These mutual misjudgments were not preordained by some process of escalation that, as is implied by many who see the Balkans through the prism of Vietnam, was beyond human control. Both the

Vietnam's tragic lesson: wasted chances for peace.

Americans and Vietnamese in the dialogues, who for the first time had access to one another's real intentions at the time, concluded that many opportunities existed along the way for leaders to do what they should have done — lead! — rather than ignore the Vietnam crisis in slow motion. There is at least one lesson from Vietnam that can be applied immediately. A Pentagon Papers-like project should already be under way within the United States Government so that historians will have the adequate raw material to identify the missed opportunities on the road to the Balkans War.

It is not always easy to constructively draw lessons from history. Indeed, many in the Balkans have used history and the lessons they draw from it to justify the carnage we have seen over the past several years.

We may be drawing the wrong lessons from Vietnam, too, if we believe that we should avoid ground troops at all costs or avoid applying military force in support of political or diplomatic ends. All the more reason to reconsider Vietnam and begin our consideration of what has happened in the Balkans.

This century has been the bloodiest in history. Over 160 million human beings have been killed in various conflicts, and that number rises each day. It is a dark history, but unless we look at it and seek to learn from it, it will only get darker.

My views are in no way meant to be critical, but I am not at all sure that we have learned from experience, and I worry that we will end up making the same mistakes again and again. It was once famously said that the United States did not have 10 years of experience in Vietnam, but one year of experience 10 times over. Will we say the same about the Balkans? □

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WEDNESDAY, APRIL 21, 1999

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NATO Builds 'Slaughterhouse' Case

Britain Begins Gathering Evidence of Alleged War Crimes in Kosovo

By T.R. REID
Washington Post Foreign Service

LONDON, April 20—With the British government taking the lead, NATO today focused its attention on alleged Serbian atrocities against ethnic Albanians in Kosovo, and Western leaders vowed to bring Serbian leaders to trial before an international war crimes tribunal.

British Foreign Secretary Robin Cook said he would give United Nations prosecutors intelligence reports detailing more than 50 atrocities committed over the past month. "It is a rare step to release intelligence material," Cook said. "We have taken it because we are determined that those responsible for turning Kosovo into a slaughterhouse should be brought to justice."

The British Foreign Office declined to make the material public. But Louise Arbour, who serves as chief prosecutor of the U.N. International Criminal Tribunal for the Former Yugoslavia, told Britain's Channel 4 TV network that NATO has gathered "substantial evidence" of "war crimes of the greatest magnitude."

Much of the evidence comes from the hundreds of thousands of ethnic Albanian refugees who have been forced out of Kosovo to neighboring Albania, Macedonia and Montenegro, Serbia's sister republic

in the Yugoslav federation. Kosovo is a province of Serbia. "Each of these refugees ... has been a potential witness to a war crime," Cook said.

Another key source of information, reportedly, is a clandestine squad of British military intelligence agents who have infiltrated Kosovo and Serbia in groups of two or three over the past few weeks. Officials here suggested that dozens of soldiers from Special Air Service undercover units have made their way into Yugoslavia.

The SAS is legendary in Britain, much as the U.S. Army Green Berets were during the Vietnam War. The British government never confirms or denies whether SAS units are at work. But last week, the chief of the British Defense Staff, Gen. Charles Guthrie, said that NATO intelligence on Yugoslav army movements was "much better" than at the start of allied airstrikes against Yugoslavia last month, thanks in part to new information relayed "from the ground."

The SAS units are said to be pinpointing Yugoslav troop movements and military installations, such as tank refueling stations and temporary bivouacs. They can then relay specific map coordinates by radio to help allied pilots aim their weapons.

But another potential use of undercover forces would be to gather

information on atrocities. Arbour said reports from undercover agents could be informative, but might be difficult to introduce in court.

"What we need to achieve," Arbour said, "is developing access to products of intelligence efforts, including military intelligence, which are of course products that are not standardly tendered, even in domestic courts. So I don't underestimate the challenge."

Arbour agreed with Cook that any prosecution should target senior officials in the Yugoslav government. "I believe the mandate of the tribunal is in fact to scrutinize personal criminal liability for war crimes at the highest level," she said. "I believe that's why we were created, and not merely to bring to account low-level perpetrators."

Cook gave specifics of a few of the atrocities the British have records of: "The bodies of 24 Kosovar Albanians found in and around a minibus riddled with bullets; one Albanian killed by grenades thrown in a cafe; three dead [ethnic] Albanians found in a car ... all with gunshot wounds; three [ethnic] Albanians killed by a grenade thrown into a shop."

The Serbs have denied committing atrocities. They say that ethnic Albanians have been killed during fighting initiated by rebel guerrillas.

The Washington Post

WEDNESDAY, APRIL 21, 1999

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WASHINGTON

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April 20, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Jose Cerda III

SUBJECT: Rep. Carolyn McCarthy's Gun Legislation

Rep. McCarthy has introduced omnibus gun legislation, much of which we can probably support. As noted below, a few provisions of her bill involving federal regulation of gun manufacturing and safety may be more controversial and less likely to be enacted than your existing proposals in those areas.

As we outline in a separate memo on potential policy responses to the Littleton shootings, we were already finishing up a comprehensive gun bill for you to announce as part of your 21st Century crime initiative. We will incorporate as many of Rep. McCarthy's provisions as possible, as well as any other solid proposals that may emerge as we learn the facts of this case.

The provisions in Rep. McCarthy's bill that most directly affect juveniles are:

- Expanding our Youth Crime Gun Interdiction Initiative to 75 cities by 2003. This program is currently in place in 27 cities. Our FY 2000 budget would increase that number to 37. Her bill also authorizes grants for additional ATF and law enforcement personnel to combat illegal gun trafficking, which we also fund in our FY 2000 budget.
- Amending the juvenile handgun ban to include semiautomatic assault rifles manufactured before the assault weapons ban went into place. Currently, an 18-year-old can legally possess rifles, including assault rifles manufactured before Sept. 13, 1994. This provision would generally ban the possession of such assault rifles until the age of 21. As part of your crime bill, we also plan to reintroduce a provision that would make a violation of this statute a felony offense. Since existing law only provides for mandatory probation, federal prosecutors have been reluctant to bring any of these cases.
- Increasing the penalty for giving or selling a handgun or assault weapon to a juvenile for use in a violent crime. Her bill would increase the maximum penalty for this offense from the current 10 years to 20 years. In our crime bill, we planned to reintroduce the provision from your juvenile crime bill that would establish a mandatory minimum penalty of 3 years, but would maintain the current maximum of 10 years.

- Creating criminal penalties for adults who give juveniles access to certain firearms. This is similar to Durbin's "Child Access Prevention" (CAP) legislation, which we supported in principle in the wake of the Jonesboro shootings. Our crime bill will include a narrowly tailored version of this provision, which reflects Justice's concerns that a federal CAP statute should only target the most egregious cases of parental recklessness, and accordingly should be a felony offense with a stiffer penalty. The McCarthy and Durbin legislation, on the other hand, would simply make it a federal misdemeanor offense for adults to allow negligent access to firearms.

● Creating a \$50 million grant program for children's gun violence prevention education in schools. This would authorize grants to local education agencies to work with law enforcement to educate children about preventing gun violence. We will look at whether we can incorporate this kind of education into our Safe and Drug-Free Schools proposal.

Rep. McCarthy's bill includes three other provisions that the Administration could conceivably support, but which are more controversial and less likely to be enacted than your own proposals in these areas:

- Prohibiting the manufacture and importation of "unsafe guns". The legislation would give Treasury broad regulatory authority to ensure that guns are designed to be child-proof or that they include safety devices that make them so. Our child triggerlock legislation requires federal gun dealers to provide a child safety-locking device with every gun sold, but does not seek any new regulatory authority over how guns or gun-safety devices are made.

Not stated
in bill

- Requiring a Consumer Products Safety Commission study on handgun safety. The legislation would authorize up to \$1.5 million for a CPSC review of how to prevent the unauthorized use or discharge of handguns by children. ATF would be in a better position to conduct such a study, since the CPSC is currently prohibited from studying any firearms issues and there is little support in Congress for giving them this authority.

- Establishing a CDC program to maintain a children's firearm-related injury surveillance system. The legislation would give CDC authority to award \$5 million a year in grants to state and local governments to establish comprehensive data bases on the nature of gun-related injuries to youths under the age of 21 in their communities. Your existing youth gun crime tracing initiative is already spurring communities to gather much of this data in ways more likely to reduce gun violence.

4-21-99

THE WHITE HOUSE
WASHINGTON

April 19, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING^{GBS}
SANDY BERGER

SUBJECT: International Financial Architecture

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Attached is a memorandum from Secretary Rubin describing proposals to reform the international financial system. Secretary Rubin will present these proposals to his G-7 counterparts at meetings on the margins of the April 26-7 IMF/World Bank spring meetings, and seek to build agreement around them in the coming weeks in preparation for the Cologne G-7/8 Summit. We are working to identify an opportunity next Monday or Tuesday for you to make a statement framing these proposals in the context of our overall strategy on the international financial crisis. Secretary Rubin would follow on Wednesday with a speech detailing the specifics of the proposals. On a parallel track, we are exploring options for a summit on financial architecture, bringing together leaders from emerging markets and G-7 countries.

Although most of the financial architecture proposals individually are modest and incremental, taken as a group they represent meaningful and appropriate next steps in our response to the crisis. Remaking the international financial system is an evolutionary rather than revolutionary process. Taking into account the work begun at Halifax, we can credibly present these proposals as part of a series of improvements that is steadily reducing systemic risks.

The most newsworthy parts of the plan are as follows:

- Discouraging Short-term Biases: We will discourage over dependence by emerging markets on short-term capital, especially those with weak financial institutions. Operationally, we will encourage such countries to develop prudential regulation of bank borrowing and debt management policies that discourage excess short-term borrowing, including through disclosure and IMF review, and consider making home-country financial supervision a determinant in permitting foreign entities to operate in the U.S. financial market. Additionally, whereas in the past we have opposed measures that interfere with private-sector capital flows, *now we will recognize the possible utility of Chilean-style inflow taxes on short-term flows* as a transitional mechanism while countries put in place stronger regulatory and supervisory regimes.

- Fixed Exchange Rates: *We will call for an end of large-scale IMF bailout packages to support "unsustainable exchange rate regimes."* The implication is that countries should be moving toward a floating exchange rate system, unless they are willing to go all the way to a currency board or similar, credible system. This issue is so sensitive that we will have to use subdued language to avoid roiling the markets and creating damaging uncertainty around countries that could be considered to be in the fixed exchange rate camp, such as China. *Need leave the \$ to negotiator it will be best in the end.*
- Bailing-in the Private Sector: We will seek broader private-sector involvement in debt workouts. All creditors, including bondholders, will be expected to "take a haircut" when a country cannot meet its foreign debt obligations. Traditionally, government and bank lenders have taken the hit when debt has been rescheduled or written down, while bondholders have tended to receive their money in full. The Treasury plan is to use moral suasion to encourage inclusion of all creditors in debt rescheduling negotiations. The bond market will not like this, but it goes some way in addressing the moral hazard problem.
- Discouraging Excessive Leverage and Excessive Capital Flows: We will recommend that industrial countries increase regulation of bank exposure to hedge funds and other highly leveraged institutions and develop stronger disclosure requirements for such highly leveraged operations. We will also press offshore financial centers to adopt international standards. In addition, the Basle Capital Accord would be revised to induce banks to more accurately reflect the riskiness of different investments.
- Protecting the Vulnerable: We will encourage the IMF and World Bank to pay more attention to social safety nets -- pushing countries to lay strong foundations during good times and maintain adequate protections during bad times. This implies that during moments of crisis, budgets for core social programs should be maintained at pre-crisis levels or at minimum not disproportionately cut, and further that the IMF should take into account the need to maintain adequate social spending when it sets overall fiscal targets. While there is widespread support for this in the NGO community, this will require a new dimension of thinking at the IMF in particular, which will see it as a constraint on its program formulations. This will be a major theme in Cologne.



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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

April 12, 1999

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *R. E. R.*
Lawrence H. Summers *LS*

SUBJECT: Reforming the International Financial Architecture

There has been an enormous amount of work, especially over the past year and a half, toward changing the way the international system functions, to reduce susceptibility to crisis and deal better with crisis if it occurs. This is all within the context of understanding and expanding the market-based economic system and internationalization that on balance is likely to best promote global economic well being.

As we have all discussed, the global financial crisis that began in the summer of 1997 has brought heightened focus on the risks associated with the globalization of international capital markets -- risks that you had already addressed at the Naples and Halifax G-7 Leaders meetings. But this should not obscure the important benefits of stronger growth and higher living standards that movement toward market-based economies and globalization have brought to a large number of developing countries, even after allowing for the effects of the crisis. The issues involved in architectural reform are mostly very complex, with strong competing considerations. Reform will take place in pieces over a considerable time rather than in one Bretton Woods-type event. However, the total effect should be very substantial. Following up on the key themes in your Council on Foreign Relations speech, we have already embarked on a number of these changes -- the World Bank is lending more for social safety nets and corporate sector restructuring, the IMF contingent line of credit, the new Financial Stability Forum, various transparency measures, and, on a case by basis, greater private sector burden sharing.

The attached paper builds on the agenda that you and the other G-7 Leaders set out in your October 30th statement. It makes recommendations for the next stage in reforming the architecture. We have also attached a short list of our main proposals for action.

At the IMF, World Bank and G-7 Finance Ministers and Central Bank Governors meetings later this month, we plan to continue to build support around U.S. proposals ahead of the Cologne Summit. Beyond that, there will be an important, continuing need for political leadership and a broader dialogue to build consensus around common goals. A Leaders' Summit for a larger group of countries could be a central step in this process. We have sent a proposal to Gene and Sandy for a meeting that you could host this fall, and we are discussing our ideas with them.

Proposals for Reform Beyond Changes Already Underway

Action is needed on many fronts.

- A. We need to reinforce the framework to induce creditors and investors from industrial countries to make sound lending decisions. We propose:
- Greater transparency and disclosure by countries, market participants, and the IFI's to focus creditors' and investors' attention on policy decisions by emerging markets and on the creditors' and investors' own exposures to other market participants.
 - Revisions in the Basle Capital Accord for banks' capital standards to promote sounder decision-making by banks.
 - Appropriate and more effective oversight of risk management and risk taking by financial market participants, including those with significant exposure to highly-leveraged institutions.
 - A series of measures to address issues of systemic risk relating to excess leverage by certain financial market participants, which we plan to publish shortly in a report of the President's Working Group on Financial Markets related to hedge funds.
- B. Sound policies in emerging markets are critical. Weak policies leave them vulnerable to shifts in market sentiment and have spillover effects on the rest of the world. Where major problems have developed, there have often been important and unwise policy biases in favor of short term capital flows. We should press countries to strengthen their financial systems and make sound choices – particularly the choice of exchange rate regimes. In this key area, the most practical solution seems to be for emerging markets either to choose flexible rates, or to fix rates under very strong institutional arrangements (e.g. currency boards). Finally, because market failures cause important gaps, we should encourage governments to place the necessary emphasis on social policy and on putting in place sensible safety nets. We propose the following:
- Actively discouraging emerging market economies from reaching for short term flows, rather than the longer-term investment needed for growth. Promoting guidelines to encourage sovereign borrowers to do a better job of managing their debt to guard against periods of market volatility.
 - Pressing countries to strengthen domestic financial systems and prudential regulation and supervision, especially to manage the risks that inflows of shorter-term foreign capital create for their banking systems.

- Seeking changes so that large amounts of IMF resources are not used to defend pegged exchange rates, which have been at the center of many recent crises, except where there is substantial systemic risk.
- We do not support capital controls on outflows, and we are agnostic on disincentives to short term inflows, but we do have concerns that they may also often be treated as an alternative to reform.

Incentives for making these kinds of changes need to be reinforced and new ones created.

- The new IMF facility that you called for last fall provides an effective way for the international financial institutions to have an impact on developing countries' behavior prior to crisis through "pre-qualification." Countries' use of it should be linked to the sustainability of exchange rate regimes, debt management practices, adherence to standards and codes, and cooperation with private creditors.
- Loan conditionality more generally should also focus on establishing adequate social safety nets and ensuring that adequate levels of social spending are maintained in a crisis.
- We suggest an *International Financial and Economic Policy Standards Accord* to draw attention to countries' progress in adopting a broad range of standards.
- We believe U.S. and other industrial country regulators should be ready to consider countries' progress in meeting relevant standards when determining if foreign banks can enter our markets.
- We continue to promote greater transparency, disclosure, and adoption of high quality international accounting standards, to enable market discipline to work better.

C. These steps will not prevent all crises from happening, although they should help make them less frequent. Other measures are needed to face those crises that do occur. We have made important strides in establishing new forms of official finance through the new facilities at the IMF and the World Bank, and we are close to agreement on the new contingent credit line in the IMF. Finding appropriate ways to involve the private sector in resolving crises will be essential.

- As we move forward, we must not undermine the obligation of countries to meet their debts, otherwise private sector investments and cash flows to developing countries that are critical to growth may diminish, perhaps greatly, and the risk of contagion will greatly increase. On the other hand, market discipline will only work if creditors and investors bear the consequences of the risks they take. Reconciling these competing principles is very difficult. But the high yields on many emerging market debt reflect private creditors' expectation that some debts

may not be paid on time. We will suggest steps towards a system that allows this to happen in an orderly way, minimizing the threat of contagion.

- The approaches the U.S. has taken in recent country cases (e.g. Ukraine and Pakistan) have established a growing body of case law. We will continue to make these judgements on a case by case basis, in the context of this overall framework. We believe this is the best way to develop clearer operating principles, without market disruption.
- D. In response to our pressure, the international financial institutions are becoming more accountable and open about their operations and decision-making processes. We believe further changes are needed, in particular in areas that are new for them like financial sector reform and promoting the adoption of international standards.
- E. Finally, following your initiative in calling a meeting that reached beyond the G-7 and included the G-22 countries, a broader dialogue needs to be established. It should consider economic and financial issues and build consensus around common goals. We suggest a new International Group on Economics and Finance, outside of the existing Interim Committee and Development Committee.
- Finance ministers and central bank governors from a broad group of countries would meet at the ministerial level once a year.
 - Representation would be based loosely on constituencies of the IMF and the World Bank, although the existing constituencies are in need of reform.

There have been a whole host of more dramatic proposals, but in our view they all have serious defects on further examination, and they do seem to be losing support as they receive more focus. There are also major debates around the causes of the recent crisis, and the actions and proposals we have supported reflect our views.

cc: M. Albright
S. Berger
G. Sperling

Attachments

U.S. PROPOSALS TO STRENGTHEN THE FINANCIAL ARCHITECTURE

TRANSPARENCY AND DISCLOSURE

1. Provide a better picture of countries' true condition with improved international standards for the disclosure of key financial and economic data
2. Encourage countries wanting to raise money in our capital markets to disclose whether or not they meet international disclosure standards

PRUDENTIAL REGULATION IN INDUSTRIAL COUNTRIES

3. Tighten regulation of bank exposure to highly leveraged institutions, to reduce the risk that highly leveraged institutions will create dangers for our financial system. Develop stronger disclosure requirements for financial market participants, including hedge funds
4. Reform Basle Capital Accord to correct biases that favor riskier types of lending. Also continue exploring innovative ways to use market based mechanisms to improve the effectiveness of risk management and bank supervision and to increase market discipline through greater disclosure.
5. Press offshore financial centers to adopt international standards

EMERGING MARKET PRUDENTIAL REGULATION AND FINANCIAL SYSTEMS

6. Discourage emerging market economies from reaching for short-term capital rather than long-term investment, by eliminating policies biased in favor of short-term borrowing and by improving prudential regulation, including of banks' foreign currency borrowing, especially short-term borrowing
7. Develop guidelines for management of the public debt, to discourage governments from taking on too much short-term debt and to promote the use of sophisticated financial products that can help protect a country in the event of an adverse shock
8. Create a new *International Financial and Economic Policy Standards Accord*. This would provide a single, easily-accessible source for countries' commitments to meet various international standards and international judgements about whether or not a country is meeting its commitments
9. Use relevant standards as one consideration in determining if foreign banks can enter U.S. markets

EXCHANGE RATES

10. Provide large-scale financing from the official sector only to countries with sustainable exchange rate regimes. These are likely to be countries that either have currencies that float

or countries that have committed themselves in some effective fashion to the discipline necessary for a fixed exchange rate system to work, for example through a currency board

11. Strengthen international surveillance of all exchange rate regimes; and put more pressure on countries to change unsustainable exchange rate regimes before they prompt a crisis

CRISIS RESPONSE

12. Obtain G-7 agreement on framework to be used in considering appropriate private sector involvement. Given risks and complexities of this issue, need to stress importance of a flexible approach based on circumstances of each case
13. Encourage the use of forms of finance that provide greater protection against adverse shocks and the adoption of contractual provisions that would create a better legal framework for restructuring of sovereign debts
14. Support improvements in national bankruptcy laws and the administration of justice, and the adoption of the UNCITRAL model law for cross-border bankruptcy proceedings
15. Improve the link between official finance and efforts at crisis prevention, by tying access to new IMF contingent credit line to a country's efforts to adopt the range of policies needed to reduce susceptibility to crisis
16. Extend IMF monitoring to the entire period when an IMF loan is outstanding, not just the period when the loan is being given out

SOCIAL POLICY TO PROTECT THE MOST VULNERABLE

17. Support international principles of good practice in social policy, covering the provision of core social services, creation of appropriate safety nets and support for core labor standards
18. Encourage the international financial institutions to promote these principles in both good times and times of crises, and promote adequate spending on core social programs during times of crisis

INSTITUTIONAL REFORMS

19. Support institutional changes in the IMF/World Bank to improve surveillance and monitoring of the financial sector, and to strengthen the design of financial sector programs

COORDINATION AND POLICY DIALOGUE

20. Create a new forum for dialogue between a broader range of countries to build consensus on policy issues that affect the global financial system. This forum should meet once a year at Ministers and Governors level, with membership based on IMF and World Bank constituencies (but existing constituencies need to be reformed)

April 12, 1999

Strengthening the Architecture of the Global Financial System

Private capital flows from industrial economies to emerging market economies bring new expertise and needed investment to emerging economies and provide the opportunity for investors in industrial economies to increase returns and diversify risks. The dynamic development of international capital markets has allowed more countries to access more finance than before, bringing tremendous opportunities to many. But events over the past year and a half have reminded us that the growth in international capital markets has also brought new risks. The costs of crisis are severe for the countries affected. Moreover, they can have important spillover effects. Governments around the world need to do more to safeguard the benefits of globalization, while minimizing the risks that come with the speed and dynamism of modern markets and addressing the dislocations that are the inevitable result of openness to change. This requires policies to reduce countries' long-run vulnerability to crises and to make the international financial system more resilient. Changes are needed to help markets channel capital safely to productive uses in good times and to provide a more effective response to crises in bad times. But, these changes must be made with sensitivity to differences amongst nations and with recognition that different countries may apply the same principles in different ways.

In October, the G-7 leaders set the goal of developing concrete policy recommendations to reduce the susceptibility of the international financial system to financial instability and to equip the international community to respond better to crises that do occur. Ministers and Governors were called on to develop concrete recommendations. This report outlines steps taken so far to respond to this challenge and further measures that we believe will advance this goal.

I. Transparency and Disclosure

We have made important achievements in the areas of transparency and disclosure. These steps can improve the functioning of markets and promote sounder policies by promoting good governance in the public sector. We will continue to move forward in this area.

Summary of steps taken and further measures proposed

We support:

- *Progress made to date in implementing and further efforts to advance the IMF's Special Data Dissemination Standard (SDDS). The initial transition period has now ended and the focus now turns to country compliance. Utility has also been enhanced by requiring hyperlinks to country data.*

- *Agreement to enhance the reserves standard under the SDDS effective April 1, 2000. Enhanced standards for reporting of external debt, and indicators of financial soundness, should be agreed by the end of this year.*
- *Progress toward implementation of the IMF's Code of Good Practice on Fiscal Transparency and progress on developing a Code of Good Practice on Monetary and Financial Policy Transparency.*

Enhancing market discipline through further measures to strengthen transparency and disclosure

To work well, markets need access to the information required to make informed judgements about risk. By signaling developments as they occur, regular disclosure of basic economic and financial data can help to reduce the severity of crises. Experience has demonstrated that hiding unpleasant information only augments the scale of the adjustment when markets discover a firm or country's true condition. This is why the international community has placed a priority on developing and implementing stronger international disclosure standards over the past two years and why enhanced transparency and disclosure must remain a crucial focus of efforts to strengthen the international financial system.

We have achieved real progress in many key areas. Strong standards for the disclosure of countries' international reserves and related short-term liabilities have been agreed and will go into effect in April, 2000 under the IMF's SDDS. If this information had been available earlier, it could have helped to mitigate the scope of several recent crises. But there is room to further enhance these standards.

It is important to reach rapid agreement on improved reporting of a country's outstanding external debt and indicators of financial sector soundness. While such reporting poses a number of technical issues, we encourage action by the IMF to enhance the standards for reporting of this data in the SDDS by the end of the year.

We also should consider steps to draw attention to the information that countries are disclosing. Securities regulators and listing authorities in the major stock exchanges should encourage sovereign issuers to provide information on their adherence to international disclosure standards when they seek to obtain a listing on a stock exchange or meet registration requirements for new securities. We also encourage the securities regulators and listing authorities to review their requirements for the disclosure of existing debts, to promote investors' easy access to relevant information about debtors' existing external obligations.

Work on the SDDS has also contributed to a more fundamental appreciation of the value of transparency in economic management. The IMF is taking direct actions to promote this goal by developing codes of good practice of transparency in economic policy making. The Code of Good Practice on Fiscal Policy Transparency and the proposed Code of Good Practice on

Monetary and Financial Policy Transparency will provide important benchmarks for all countries.

II. Strengthening Prudential Regulation in Industrial Countries

The past year and a half has reminded us that investors often tend to underestimate risks as they reach for yield in periods of market euphoria. Measures to induce creditors and investors in industrial countries to act with greater discipline – i.e., to analyze and weigh risks appropriately in their lending and investment decisions – could help dampen this tendency. We believe that there is a need to strengthen the regime governing capital flows to emerging market economies and to take measures to limit systemic risk, which is closely linked to the question of leverage. As events in the fall of 1998 demonstrated, the amount of leverage in the system can greatly magnify the negative effects of any shock.

Summary of steps taken and further measures proposed

We support:

- *The new Financial Stability Forum, to bring together the various national and international authorities involved in financial issues.*
- *Redesigning and strengthening the Basle Capital Accord's risk weighted capital system to capture better differences in lending risks.*
- *Stronger focus by regulatory and supervisory authorities on risk management practices of the institutions they regulate, including exposure to highly-leveraged institutions.*
- *Enhanced regulatory reporting and disclosure for financial market participants, including highly-leveraged institutions. Development of a template of public disclosure by financial market participants.*
- *Developing ways to encourage offshore centers to comply with international standards.*

Financial Stability Forum

Critical work is being done by a variety of groups to establish regulations and best practices that will promote international financial stability. The G-7 has established the Financial Stability Forum to support more effective coordination of the work of national and international authorities, relevant international supervisory bodies, and other groups of experts to promote international financial stability, improve the functioning of markets, and reduce systemic risk.

The Forum will meet regularly to assess issues and vulnerabilities affecting the global financial system and coordinate the actions needed to address them. Where appropriate, it will encourage the development or strengthening of international best practices and standards and define priorities for addressing and implementing them. Underlying standards will continue to be developed by the relevant standard-setting bodies. The Financial Stability Forum will generally involve authorities from other key relevant countries in its work on particular issues.

New capital requirements to guard against risk

One important area for work is bank capital requirements. In the near term, the system of risk weights used to determine the minimum amount of banks' capital should be revised so that it better reflects the risks associated with different activities. We are pressing for the Basle Committee on Banking Supervision to update the 1988 Basle Capital Accord, including through expanding the number of credit-risk categories and revising the current OECD/non-OECD classification system for sovereign lending.

The Basle Capital Accord provides the basis for the existing regime governing the amount of capital a bank must hold against the full range of its activities, not just lending to emerging market economies. Over the longer term, we should encourage the Basle Committee to undertake a comprehensive revision of the Capital Accord so that it more fully allows for the sophisticated risk measurement and management techniques used by international banks and to explore reforms to strengthen the roles of supervisory review and market discipline in promoting sound lending decisions by banks.

Strengthening the regulatory focus on risk management practices

Events in the fall of 1998 revealed a need for many financial institutions to strengthen their risk management practices to reflect better the real risks associated with their on and off balance sheet exposure to highly leveraged institutions.

Supervisory authorities should require regulated financial institutions to review their procedures for estimating the potential credit exposures created by their derivatives and trading activities, including their exposure to highly leveraged institutions, and to enhance their stress testing as necessary. Regulated financial institutions should pursue the policies recently outlined in the Basle Committee's January 1999 paper on *Banks' Interactions with Highly Leveraged Institutions*, and the paper on *Sound Practices for Banks' Interactions with Highly Leveraged Institutions*. These include better credit analysis practices; overall credit limits for bank lending to highly-leveraged institutions; and closer monitoring of credit exposure related to highly-leveraged institutions by taking into account trading activities, risk concentration, leverage, and risk management practices.

Enhanced transparency and disclosure, including sensible disclosure requirements for highly leveraged institutions.

The sophistication of major financial markets demands a sophisticated framework for reporting and disclosure that provides counterparties, creditors and investors with the type of information they need to assess risks properly. We should consider, in coordination with international regulatory bodies, enhancing the existing regulatory reporting and disclosure framework for financial market participants, including highly-leveraged institutions.

Various international bodies are currently reviewing issues of transparency and disclosure. IOSCO's hedge fund task force is reviewing the advisability and feasibility of imposing transparency and disclosure requirements on leveraged firms. Similarly, the Committee on the Global Financial System (formerly the Euro-Currency Standing Committee) has created two working groups to consider proposals for enhancing transparency and disclosure, and a third group is reviewing the adequacy of risk models.

Recently, a new private sector group of 12 firms (from the U.S., UK, Germany, and Switzerland) have formed the Counterparty Risk Management Policy Group (CRMPG) to enhance risk management practices. This new private group is also considering, among other issues, enhanced reporting and disclosure that may include derivatives exposures.

The potential mechanisms for obtaining improved reporting and disclosure are numerous. The fundamental aim should be to provide counterparties, creditors, and investors with the means to make informed decisions.

More powerful incentives for offshore financial centers to comply with international norms and best practices

As international standards and best practices continue to be developed, it will become increasingly important to find ways to encourage offshore financial centers to adopt and comply with "core" international principles for sound regulation. A variety of incentives could be used.

A higher risk weight on counterparty transactions for banks doing business with a financial entity operating out of an offshore jurisdiction that does not comply with Basle Core Principles.

Offshore financial centers' ability to join Basle-sponsored working groups and IOSCO should be made contingent on their compliance with international standards.

Countries with close relations to offshore financial centers should press these centers to comply with international norms. In this regard, we note the recent actions of the UK to assess and strengthen supervision of its offshore financial centers.

III. Strengthening emerging market risk management, prudential regulation, and financial systems

Sound policies at the national level are a necessary foundation for all steps to promote financial stability. Since policy mistakes in one country can have profound consequences on other countries, the international community has a stake in encouraging all countries to adopt the sound policies and structural reforms required to benefit fully and safely from global capital flows. Creating a safer, more sustainable regime for global capital flows requires emerging market economies to strengthen their own “risk management policies,” so that they are better equipped to cope with the challenges they will face. Policy actions across the broad range of areas now understood to be crucial to financial stability are needed, and international surveillance in these areas should be enhanced.

Recent crises have also demonstrated the particular risks and vulnerabilities linked to excessive short-term borrowing, particularly in foreign currencies. It is critical that emerging market economies should not create biases towards short-term private flows rather than longer-term investment; that they maintain an appropriate structure for their sovereign debt that minimizes as far as possible short-term foreign borrowing; and that they make clear the limits of governmental guarantees for the external obligations of other domestic borrowers. The unique risks associated with foreign currency borrowing of national banking systems may demand improved prudential regulation of the short-term foreign liabilities of the banking system.

Summary of steps taken and further measures proposed

We support:

- *Correcting policy biases that favor short-term capital flows.*
- *Strong prudential regulation on the foreign currency exposure of emerging market countries' banking systems.*
- *Steps to encourage sound debt management, including:*
 - *more vigilant international supervision of risk management policies, to discourage countries from reaching for volatile short-term flows;*
 - *international guidelines for sound debt management;*
 - *explicit limits on government guarantees of foreign borrowing.*
- *Establishment of an International Financial and Economic Policy Standards Accord to promote and monitor efforts by emerging markets to strengthen the “infrastructure” of*

their domestic financial systems by adopting international standards across a range of economic and financial areas.

- *Enhanced focus by financial regulators in major markets on adherence to a wide range of international standards as they assess the quality of home country supervision by emerging markets.*
- *Strengthened efforts, including through consideration of new institutional structures, to monitor and make public assessments of country compliance with internationally agreed standards for the financial sector.*

Accelerated efforts to strengthen domestic financial markets and stronger prudential regulation of the foreign currency exposure of financial systems

Strong, stable, and well functioning capital markets promote higher growth in emerging market countries and allow investors in industrial countries to diversify risks. The most mature developed countries have all benefitted from removing controls. However, recent financial crises in emerging market countries have demonstrated that these benefits are accompanied by significant risks, which must be dealt with appropriately if the potential benefits of the flow of capital are to be realized.

The process of liberalizing international capital flows goes hand in hand with the development of more market-based domestic financial systems. Maintaining excessive controls on the domestic financial system is costly for emerging market economies, which should move gradually over time toward the more sophisticated risk management systems common in industrialized countries. However, the process of liberalization must be accompanied by measures to strengthen domestic financial systems as well as prudential regulation and supervision.

In particular, countries need to be vigilant about excessive dependence on short term capital. Where major problems have developed, there have often been important and unwise policy biases in favor of short term capital flows. Such biases have included government over-reliance on borrowing in hard currencies at short maturities, broad liberalization of short term debt-creating flows while restrictions are maintained on direct investment, equity and other portfolio flows and tax regimes that encourage the private sector to borrow at short rather than longer terms. Correcting these biases is often a critical first step in building stronger systems to handle capital flows.

In addition, financial market participants have often sought to profit by borrowing abroad in foreign currency and relending at higher rates in domestic currency, often underestimating the exchange rate risks, particularly in pegged-but-adjustable exchange rate regimes.

The banking system is a source of particular vulnerability because of the government safety net and because of its inherent reliance on short-term liabilities. Where financial systems and supervisory regimes are underdeveloped, countries should be encouraged to rely on explicit rules to limit foreign currency exposure of the banking system, while moving toward more sophisticated systems of risk management. Such rules might include:

- high reserve or liquidity requirements for foreign-currency liabilities;
- limits on net open foreign currency positions and foreign-currency assets;
- higher risk weights for foreign-currency loans in the country's capital standards.

Priority should also be given to strengthening regulatory systems and, more broadly, to legal and other infrastructure for the financial sector. The scope of the safety net should be precisely defined and should not be changed *ex post*. This policy should be clearly articulated and should be a subject of review in IMF surveillance activities. There should also be appropriate regulation of activities of non-bank financial institutions that are covered by government guarantees.

The use of Chilean-style capital inflow taxes, which effectively tax short-term flows more heavily than long-term, may provide some benefits, and some countries will choose to use such taxes during a transitional period as their economies develop. However, such measures also carry risks and must not be a substitute for reform or for steps to liberalize and strengthen financial systems.

Some countries may introduce controls on capital outflows as an *ad hoc* measure to try to prevent or respond to a crisis. Most experience suggests that controls on capital outflows are likely to be ineffective and to do long term damage to countries capacity to attract foreign investment. They are often used to avoid or delay undertaking fundamental reforms.

International guidelines for sound debt management

Better debt management could strengthen the resilience of emerging market economies to periods of market volatility. In practice, this means that emerging markets borrowers, and governments in particular, will need to pay more in normal times to maintain a debt structure that provides greater "insurance" against the risk of crisis. The most straightforward form of insurance is quite simple: issuing longer term debt. But emerging market borrowers should also consider new financial structures that provide greater risk sharing between borrowers and lenders. Innovative financial arrangements could provide a better match between a debtor's future foreign currency revenues and its foreign currency obligations.

Since those at greatest risk are often tempted to under-insure, there is a need to bolster incentives to encourage countries to protect themselves adequately against the risk of temporary market disruptions. The development of international guidelines that outline best practices in

debt management could help disseminate modern risk management practices and provide the needed incentives. Such guidelines should:

- discourage governments in emerging markets from borrowing excessively at short-maturities and in foreign currencies;
- encourage the creation of deeper domestic bond markets to facilitate long-term domestic currency debt financing and the maintenance of a debt profile that provides substantial protection against temporary market disruptions;
- encourage governments that are dependent on commodities for a substantial fraction of their revenue to use modern risk management techniques to hedge their exposure to commodity price volatility;
- promote debt management that minimizes its exposure to liquidity risk, including rollover risk, rather than minimizes short-term borrowing costs. Provisions in sovereign debt that can augment balance of payments pressure in a crisis, like put options, should be avoided.
- promote the use of contractual provisions in offshore sovereign bond documentation that facilitate orderly restructuring and discourage disruptive creditor action, should a restructuring prove to be unavoidable.

An International Financial and Economic Policy Standards Accord to help improve countries' performance across a range of economic and financial areas.

Action is also needed across a much broader range of areas to strengthen the “infrastructure” of countries’ domestic financial systems. We support a strong push to encourage emerging market countries to adopt international standards in areas critical to building stronger, more resilient and more efficient financial systems. In over twenty different areas, work has been completed or is underway to develop standards, principles and sets of international “best practices.” However, until now there has been no single, readily accessible and consolidated source of information that shows whether and how a country complies with these various sets of “standards.”

Two immediate steps are needed to make these international standards more meaningful and to strengthen incentives to comply with their provisions.

- First, these various financial and economic policy standards, including the Basle Core Principles, IOSCO’s Statement of Objectives and Principles, and the IMF’s SDDS, should be compiled into an *International Financial and Economic Policy Standards Accord*. This should build upon the work of the IMF in cataloguing the international standards that either now exist or are being developed.

- Second, countries should be encouraged to subscribe to the *Accord*, committing themselves to adhere to some or all of the sets of standards it contains. Subscription to the Accord should be reflected in a matrix that includes specific judgements about the state of a country's compliance to the underlying standard. Such a clear, public indication of a country's performance relative to standards in the *International Financial and Economic Policy Standards Accord* would give an important boost to efforts to promulgate these standards. The matrix could help focus the attention of markets, regulators and the international financial institutions on how a country measures up to existing international norms across a range of economic and financial areas.

We plan on proposing the establishment of an *International Financial and Economic Policy Standards Accord* and calling on other countries to join us in subscribing to such an accord. The U.S., along with other G-7 countries, also could ask the IMF and the World Bank to take the lead in developing a strategy to provide technical assistance to help emerging markets improve their capacity to meet stronger international standards.

Institutional reforms to enhance international monitoring of countries' efforts to strengthen their financial systems

The job of monitoring countries' efforts to strengthen their domestic financial systems falls naturally to the IMF and World Bank. This requires enhanced international surveillance over the broad range of policies now understood to be crucial to financial stability. Attention needs to be focused on countries' efforts to adopt international standards, on countries' risk management policies, on their debt management policies, and on foreign currency exposure of the domestic banking system.

The capacity of existing international institutions to undertake this type of surveillance and support these efforts needs to be upgraded. Results of this surveillance should be highlighted as part of policy reviews by the IMF and World Bank. Rapid progress towards full compliance with existing international codes should be part of IMF and World Bank conditionality when they extend loans or credits. IMF programs should contain an explicit timetable for steps to conform with standards.

Enhanced focus by national regulators on adherence to international standards

Financial regulators in our own countries also recognize the impact of a country's measures to strengthen domestic financial and economic frameworks on the soundness of the country's financial market participants. This kind of judgment is already reflected in the assessments many regulators make about the caliber of home country supervision as part of the prudential criteria that is used when permitting foreign banks to enter a market. Regulators should consider a country's adherence to the range of relevant international standards, including international standards for banking supervision, in determining market entry. We support a focus on adherence to relevant standards in making these judgements.

IV. Maintaining sustainable exchange rate regimes backed by macroeconomic policies that promote stability

Exchange rate regime choices are crucial to the stability of the international financial system. An inappropriate regime can impose significant costs on the country itself and on the international community.

Summary of steps taken and further measures proposed

We support:

- *Recognizing that sound macroeconomic and financial policies are the basis for the stability of all exchange rate regimes;*
- *Paying greater attention to the consistency of economic policies and exchange rate regimes, with a general presumption towards floating rates or fixed rates backed by strong institutional arrangements.*
- *Limiting the availability of large-scale Fund support for countries that maintain fixed rates except in a set of quite limited circumstances, such as currency boards, post-inflationary stabilization programs, or those where failure to provide support from these instruments could cause serious contagion.*
- *Greater international focus on the surveillance of exchange rate regimes, strong pressure to encourage countries to alter unsustainable regimes, and greater scrutiny of countries with fixed rates for the kinds of policy weaknesses that could precipitate crises.*

G-7 Countries

We believe that the G-7 should recognize its special responsibility for improving the conditions for proper functioning of the international financial and monetary system. In particular, this requires enhancing sound fundamentals necessary for exchange rate stability. The countries of the G-7 should maintain strong cooperation to promote stability of the international monetary system and implement domestic policies conducive to exchange rate stability.

The choice of exchange rate regime for emerging market economies

The most fundamental principle in the choice of an exchange rate regime is that policy choices should be consistent and sustainable. To achieve this, sound policies are critical, regardless of the regime -- including monetary and fiscal discipline, moderate current account balances, reasonable reserve coverage, a sensible debt structure and a sound financial system.

While both fixed and flexible rate regimes have been successful and unsuccessful in different countries at different times, there should be a general presumption towards flexibility or fixing under a strong institutional regime. Floating rates generally allow more monetary policy independence, greater flexibility in response to shocks, and probably less risk of financial crisis. Where countries choose to fix rates, very strong institutional mechanisms like currency boards provide the soundest framework.

The international community has a major stake in the choice of exchange rate regimes because the costs of inappropriate regimes that fail are significant not only for the countries involved but also for others perceived by the market to be in similar peril, and because the international official sector can be drawn into financing countries in crisis.

At the center of each recent crisis has been an exchange rate regime – fixed but adjustable – that proved ultimately unsustainable. However, a preference for exchange rate stability is not unreasonable. We should recognize and accept that many countries will continue to choose pegs. Countries doing so should recognize the costs and tradeoffs associated with fixed rates, however, along with the more demanding policy discipline required to maintain fixed rates, including a willingness, if needed, to subordinate other policy goals to that of fixing the rate.

IMF surveillance should focus more carefully and consistently on a country's choice of exchange rate regime, and especially on its sustainability in the context of a country's overall policy approach. The IMF should also exert early and strong pressure to encourage countries to adjust regimes which are likely to prove unsustainable. The availability of large-scale Fund support (SRF and/or CCL) for countries that maintain fixed rates should generally be limited to the following circumstances:

- cases with robust institutional arrangements in support of fixed rates (e.g. currency boards);
- short duration stabilization programs in which exchange rate fixity is used as a nominal anchor to end hyperinflation (and which should include an exit strategy); and
- cases in which provision of large scale support is judged essential to stave off serious contagion.

This would provide incentives for countries to move towards flexible rates, or -- if they choose to remain fixed -- to maintain the necessary policy vigilance. It would also reduce the use of international resources for supporting *ex post* the riskier policy of fixing rates. It should be one of the considerations in the CCL and integrated into the SRF by indicating that we would be reluctant to agree to programs supporting fixed exchange rate regimes except as noted above.

V. An Improved System for Crisis Response

We recognize that, even if all of the measures cited above are adopted, financial crises will still occur. Our approach to resolving financial crises will provide for an appropriate combination of financial assistance and policy adjustment, while maintaining incentives for prudent private credit and investment decisions. Appropriate private sector involvement will be critical. Our approach will remain flexible and focused on restoring and preserving financial stability in the country experiencing the crisis as well as on the stability of the international system more generally as a basis for growth and recovery. We have made important strides in developing new forms of official finance that will allow us to respond to situations that call for the provision of large-scale official finance to respond to capital account disruptions and to countries' immediate financing needs.

Summary of steps taken and further measures proposed

We support:

- *A framework for responding to crises that balances the need for appropriate private sector involvement in crisis resolution with the need to avoid creating a system that prompts creditors to rush for the exits at the first hint of trouble.*
- *Actions by emerging market countries to reduce the likelihood that adverse market developments endanger their ability to service debts and measures to facilitate creditor coordination in exceptional circumstances where a restructuring of sovereign obligations is needed.*
- *Strengthening of national insolvency regimes for orderly resolution of the debt servicing problems of private entities.*
- *Important steps already taken to augment the resources available to the IMF through the quota increase and the New Arrangements to Borrow, and innovations in provision of official finance under the SRF.*
- *Creation of the new Contingent Credit Line in the IMF to help countries with sound policies insulate themselves from contagion. A range of factors reflecting the soundness of the policy framework should be considered in judging countries' eligibility for support under the CCL and in deciding whether to agree to a request for activation, including the macro framework, debt management, adherence to standards, and sustainability of the exchange rate regime.*
- *Consideration of more effective incentives for countries to maintain sound policies while IMF financing is outstanding.*

Appropriate private sector involvement in crisis response

The actions of private sector creditors will always be critical in resolving a financial crisis. When official finance is provided, the question of the appropriate role of private creditors, and how this should be achieved, will be examined on a case by case basis. This is a practical, not an ideological, matter. Countries have an obligation to meet their debts in full and on time, whenever possible, and to adhere to their contractual obligations. However, we should recognize that high yields on many emerging market debt instruments reflect private creditors' expectation of some incidence of non-payment, and we should be moving towards a system in which such outcomes are not seen to pose a major threat to the stability of the system.

In some cases, countries cannot realistically be expected to be able to meet their obligations, even over time. Here, debt reduction is needed, and the full spectrum of private sector obligations will potentially be involved, as circumstances require.

In other cases, it may be unclear whether the country can be expected to be able to meet its obligations over time, i.e., its debt may need rescheduling / refinancing to meet immediate cash flow needs but not reduction. Here, a judgement will need to be made on whether it is appropriate to require specific actions from private sector creditors.

In both these cases, we need to recognize that bonds, and other securitized instruments, are not immune, and in some circumstances may need to be restructured on comparable terms with other debt instruments to establish a sustainable debt profile.

We must seek the most effective way of promoting economic recovery and stability in the individual country while minimizing the elements of instability that are introduced into the system.

- This will require balancing the potential short-run benefit from limiting debt service payments to the private sector (and the corresponding reduction in the amount of finance that must be provided by the official sector) against the longer term impact that such measures may have on the country's ability to attract new private capital flows. In some cases, it may be appropriate to require maintenance of exposure levels or to seek to restructure or refinance private debt obligations, including bonds.
- It also will require balancing the potential gains to the country of limiting its debt service payments against the impact such measures may have on the system in general through contagion effects.

Our decisions will set important precedents, even if the specifics of individual cases will differ. We will face three considerations that could have broad effects for the system and will need to be balanced in determining our approach to each case:

- to avoid undermining incentives for investors to make disciplined lending decisions that reflect the true balance of risks and return on their investments and the use of official resources to subsidize payments to private creditors (lenders' moral hazard);
- to sustain the important commitment of countries to meet their obligations in full and on time and their incentive to borrow responsibly (borrowers' moral hazard);
- to avoid creating contagion by prompting a general withdrawal of private finance from emerging markets, generating incentives for private creditors to pull out of a country preemptively at the first sign of vulnerability, or discouraging countries from approaching the IMF.

Strengthening debtor-creditor relationships and the framework for orderly crisis resolution

In all cases, sovereign borrowers should develop and maintain close relationships with creditors based on full and accurate information. Countries should take *ex ante* steps to facilitate the orderly and cooperative resolution of crises that may occur.

- The use of innovative financial arrangements that provide greater contractual risk sharing between creditors and debtors should be expanded (reducing the risk that adverse shocks would lead countries to be unable to meet their obligations).
- Contractual provisions should be used in offshore bond issues to facilitate creditor coordination and discourage disruptive legal action in the event of a restructuring.
- If a country's payments difficulties necessitate a debt restructuring or refinancing, it is in the interest of all parties that this process be cooperative and orderly.

It is also important to provide the basis for orderly resolution of debt servicing difficulties of private entities. To this end, priority should be put on strengthening national insolvency regimes, and adopting legal changes to facilitate the efficient resolution of cross-border insolvencies. This should be a high priority. The IFIs are supporting countries' efforts to improve transparency, predictability, and equity in insolvency regimes, with a particular focus on non-discriminatory treatment between domestic and foreign creditors in insolvency proceedings. The existence of strong national legal institutions is an important counterpart to such steps. We also support adoption of the Model Law on Cross-Border Insolvency developed by the UN (the UNCITRAL Model Law) to facilitate the resolution of increasingly complex cases of insolvency, where companies have assets in several jurisdictions at once. The United States has proposed a revision to the U.S. bankruptcy law that would incorporate the UNCITRAL provisions.

Recognizing the potential importance of greater use of contractual provisions to facilitate creditor coordination in times of crisis, we recommend the following measures to encourage progress in this area:

- making use of such contractual provisions a component of international best practices in debt management;
- focusing attention on the use of these provisions in international surveillance;
- making the use of collective action clauses a consideration in IMF conditionality, as appropriate; and
- considering incorporating these clauses into sovereign debt that is enhanced by the multilateral development banks, and in sovereign debt restructured with official support.

New forms of official finance, adapted to the demands created by modern financial crises

Modern capital account crises often require the provision of more financing, more quickly than has been typical previously. We have made substantial progress in shaping the provision of official finance to reflect these new realities. This will allow for the rapid delivery of funds to countries in crisis and reinforce the importance of the immediate introduction of needed policy reforms.

The quota increase and the New Arrangements to Borrow have augmented the resources available for the IMF, equipping it with the capacity it needs to provide emergency financing to help catalyze the restoration of confidence and normal market access during financial crises.

To resolve crises stemming from a sudden loss of confidence and large outflows in the capital account, the IMF has created a new facility, the SRF, which allows for the temporary provision of large quantities of finance. SRF financing is provided at premium interest rates to address moral hazard and encourage rapid implementation of policy reforms to restore normal market access.

Recent events also have underscored the reality of the threat of contagion. To equip the international community to better respond to this threat and help countries with sound policies insulate themselves from contagion, the G-7 last October announced agreement to create a new mechanism to provide a contingent line of credit. We are close to agreement in the IMF Board on creating a new Contingent Credit Line (CCL). Disbursement of this line of credit will remain conditioned on adoption of any additional policy reforms needed. This new mechanism is an important element in our continuing efforts to link the provision of official finance with the prevention of crises. In addition to helping to better insulate countries with sound policies from contagion, it will strengthen incentives for countries to adopt sound policies.

A range of factors should be considered on a case by case basis in determining which countries should be able to take advantage of the CCL's presumptive access to large-scale financing: the soundness of a country's macroeconomic policy regime and performance; the

sustainability of its exchange rate regime; its adherence or compliance with standards and codes; its debt management practices; and its active efforts to have or seek close cooperation with private creditors. Sound debt management will provide for a degree of risk sharing between debtors and creditors, and thus automatically shift some of the burden of adverse shocks on to creditors

Countries whose performance does not meet international expectations for a sound policy regime but which nonetheless face capital account crises would not be eligible for financing under the CCL, but would continue to be eligible for access to the SRF.

It is also important to create more effective incentives to maintain sound policies. The IMF should examine its policies on country performance during the entire period that funds are outstanding with a view to strengthening its ability to secure good policy performance in borrowing countries while borrowing remains outstanding but after program conditionality has ended.

VI. Policies that better protect the most vulnerable

For the new financial architecture to function at its optimal level, during financial crisis and "non-crisis" periods, countries should adopt social policies which protect the poor and vulnerable members of society, as well as provide a system that will help to maximize the productivity of all workers. Governments in all countries at every level of development should adopt macroeconomic policies that provide for broad-based economic growth and social policies that provide for the basic human needs of their populations. These policies will also make their economies more resilient in the event of a crisis. During crisis periods, care should be taken to maintain social expenditures at adequate levels and to strengthen social safety nets.

Summary of steps taken and further measures proposed

We support:

- *Development of international principles of good practice in social policy, covering the provision of core social services, the creation of social safety nets consistent with countries' levels of development, and support for core labor standards.*
- *Reinforcement of the IFI's commitment to promote these principles and to consider countries' adherence to them when designing financial support programs.*
- *Ensuring that adequate social spending levels will be maintained under IFI-supported programs to respond to economic crisis.*

Social Policies to protect the most vulnerable during normal and "crisis" periods

In putting in place social policies in non-crisis periods, governments should be guided by internationally accepted principles of good practice in social policy to make their economies more resilient in the event of a crisis. The principles being drafted by the World Bank should form the basis of consensus in this area. Three key areas that need to be addressed are:

- provision of core social services, such as a public health service, basic education, clean water and other similar services;
- creation of a social safety net consistent with the level of economic development;
- support for core labor standards.

The principles should also be used as a guide by multilateral and bilateral donors in the development of assistance programs for individual countries. MDBs should commit a substantial portion of their lending to the social sector, particularly to help governments establish functioning social safety nets. This is tied to the MDB's basic mandate to reduce the level of poverty in their borrowers. In making decisions on the provision of resources and establishment of programs, MDBs and the IMF should take into account whether a country is providing an adequate social safety net and other social programs for its population, consistent with the principles of good practice. To inform this process, the World Bank and the IMF should strengthen their cooperation on the preparation of public expenditure reviews.

The World Bank and the regional MDBs should analyze the social programs and policies of their major emerging market economy borrowers to determine to what extent they are consistent with the recommended principles. Future lending to these countries should aim at addressing the gaps that are identified.

Maintaining adequate levels of social spending during times of economic and financial crisis is also critically important. We believe that:

- Budgets for core social programs such as education and health should be maintained at pre-crisis levels, or at least not disproportionately cut in relation to other budget priorities.
- In designing a macroeconomic framework for a crisis country, the IMF needs to take into consideration the degree to which the prescribed fiscal stance provides for adequate spending in the social area.
- The IMF should consult with the World Bank and other relevant MDBs in setting fiscal priorities for crisis countries, to ensure that social sector needs are adequately taken into account.

- Both the IMF and MDBs should ensure that proper conditionality related to social programs is a part of their crisis-related programs.

VII. Strengthening the institutional structure

Effective international institutions are crucial to the success of efforts to strengthen the international financial architecture in all of the areas we have identified. Steps to increase transparency of the international financial institutions themselves and promote other reforms are an important element of this effort. But, it is also crucial to strengthen structures for economic and financial policy consultation, coordination and cooperation. We will seek changes that promote better accountability, legitimacy, openness, comprehensiveness and efficiency in the system.

Summary of steps taken and further measures proposed

We support:

- *Steps being taken to enhance the accountability of the IFIs through greater transparency, and continuing work to promote other reforms in the terms and conditions of IMF loans.*
- *Clearer delineation of the roles of and better coordination among the IMF, the World Bank, and the regional MDBs so that their efforts complement and reinforce one another.*
- *Institutional changes to promote more effective cooperation in promoting financial sector reform and monitoring countries' progress in enhancing their financial sector policies.*

Increasing transparency and promoting other reforms

The IMF and the other IFIs are taking steps to enhance accountability and openness through greater transparency about their operations, objectives, and decision-making processes. An important element of this is the adoption of a presumption in favor of the release of information (except where release might compromise confidentiality), which is being realized through Public Information Notices (PINs), broader publication of Letters of Intent (LOI) and Policy Framework Papers (PFPs), and more public information on and overall evaluations of the IMF's operations and policies. The World Bank will now release country assistance strategies (unless confidentiality is justified by exceptional circumstances) and undertake a review to determine additional documents for publication. More broadly, after the events of the past two years it may be appropriate to have a review of conditionality in the IMF and other IFIs. We would support reforms to allow the IMF to enhance the effectiveness of its programs by:

- liberalization of restrictions on trade in goods and services, consistent with international trade agreements,

- elimination of systemic practices or policies of government-directed lending on non-commercial terms and other market distorting subsidies, and
- non-discriminatory treatment in insolvency proceedings between domestic and foreign creditors.

More clear delineation of the roles of the IMF and World Bank and institutional change to support new challenges

One of the lessons of recent crises is the interconnection between macroeconomic stability, the health of the financial sector and structural reform (particularly in the social sector). This lesson should be reflected in ongoing work of the IMF and World Bank. Yet they should not duplicate each other's work. The effectiveness of both institutions would be enhanced if their respective roles were delineated more, with each taking the lead in its areas of comparative advantage, while together pursuing a more coordinated approach within countries, including cross-conditionality where appropriate. We support the following approaches:

The IMF should concentrate on maintaining international financial stability and enhance both its legal and financial capacity to respond to severe international financial disturbance. IMF surveillance and programs should focus on the sustainability of the exchange rate regime, balance of payments, and monetary and fiscal policy. Non-ESAF financing should be on market-related terms to the extent possible.

The World Bank should concentrate on medium- and long-term sectoral reform and project finance, focused in particular on laying the basis for sustained poverty reduction -- including health, education, environment, core labor standards, and social safety net as well as basic infrastructure necessary for development (roads, power, agriculture, water/sanitation). The World Bank would continue to provide higher-priced emergency lending to address the structural causes of economic and financial crises, with an emphasis on the social and financial sectors.

The World Bank should take the lead on most structural issues. When structural reform is fundamental to the success of IMF stabilization programs, the conditions for access to Fund resources should be linked to appropriate structural reform actions. The design of detailed reform measures should be primarily be the responsibility of the World Bank as part of SAL, SECAL or emergency lending programs.

A fundamental area where more effective collaboration is needed between the IMF and World Bank is in the financial sector, particularly when action must be taken in response to financial crises. The growing international consensus around the need to support and reinforce countries' efforts to adopt policies that promote financial sector soundness calls for more concrete changes. In addition to providing policy advice and technical assistance, we call on the IFIs to take steps to improve their monitoring and the public dissemination of their assessments

of financial sector soundness in individual countries, including assessments of country compliance with internationally agreed standards in the financial sector.

VIII. Enhancing Coordination and Policy Dialogue

Broad-based international consultation on international financial and economic reforms is crucial to building the support required for their effective implementation. International consensus on many architecture issues increasingly is being developed in ways that provide for the participation of systemically significant emerging market economies. We need to continue to provide appropriate fora for such consultation, both by creating a new forum for informal dialogue and by making existing fora for the governance of the international financial institutions more effective.

Summary of steps taken and further measures proposed

We support:

- *A new International Group on Economics and Finance to meet once a year at the ministerial level. This would promote dialogue between a broader, more representative range of countries on international economic, financial and development issues.*
- *Steps to increase the effectiveness of the Interim and Development Committees and promote more effective communication between the two committees.*

Promoting dialogue between systemically important countries

We believe there is a need for informal dialogue among country representatives, separate from the existing international financial institutions, to share views on developments in the world economy, financial markets and social development and to build consensus on policy issues that affect the system as a whole. In this regard, we highly value the dialogue that our Deputies have had with their counterparts from a broad range of countries through the two seminars held this spring, as well as the earlier G-22. These discussions have provided valuable input into the development of our proposals for reforming the financial architecture. To fulfill the continuing need for this type of broad dialogue, while preserving and making more effective the existing governance structure of the international institutions, we propose the creation of a new ministerial-level International Group on Economics and Finance.

- This group would meet once a year, though it could meet more often if needed. The chair would rotate among all members. The Ministers and Governors could call on deputies or experts to meet on an ad hoc basis as needed.
- The group's mandate would be comprehensive. It could take up the full range of issues in the international economic, financial or development realms. However,

detailed matters of implementation would be the responsibility of the governing bodies of the IFIs, whose current responsibilities would be preserved.

- Representation would likely be based on constituencies of the IMF and World Bank, although existing constituencies are in need of reform.
- The IMF, World Bank, the Financial Stability Forum, and the OECD would be included as observers.

Increasing the effectiveness of the Interim Committee and the Development Committee

To enhance the oversight of the IMF and World Bank, we call for pragmatic steps to increase the effectiveness of the Interim and Development Committees, including consideration of reform of the relevant constituencies. This should provide more effective oversight of the institutions, allowing for a more substantive engagement by policymakers to bring vitality to the discussions of both committees, and provide a greater opportunity for frank exchanges of views. These objectives could be accomplished by:

- holding annual meetings at the Minister/Governor level only once a year, at the time of the Annual Meetings. Deputies could take responsibility for the meetings in the spring in order to provide stronger working-level engagement throughout the year;
- giving the World Bank and the international regulatory bodies a more active role as observers in the discussions of the Interim Committee, with the World Bank having the right to speak;
- holding joint sessions of the Interim and Development Committees when appropriate to consider matters of mutual interest;
- defining the role for committee chairmen more clearly, and considering limiting terms for the IC and DC Chairmen to enhance accountability for delivering results;
- considering reform of constituencies to provide for better balance.

Educational Advisory
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Executive Director

DC Public Library System
Maria Salvadore
Coordinator of
Children's Service

International Reading
Association
Joan Irwin
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National Alliance of Black
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www.bookadventure.com

March 29, 1999

The Honorable William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue N W
Washington, DC 20015

Dear Mr. President:

It was a great honor and a pleasure to be part of the Wasatch Group. I especially enjoyed about Book Adventure, an organization that is helping people. As you requested, I was there during the dinner, and I am very involved in the involvement.

As our country's "First Parent" parents must play in encouraging their children in helping parents and educators. The creation of a new, free resource would be a great help to child literacy. This new resource is being recognized by our nation's foremost experts that it is not enough to teach children to read; children must *choose* to read on their own if they are to become interested, engaged, lifelong readers.

Book Adventure is the first non-profit organization dedicated exclusively to motivating children to read. Using the Internet, Book Adventure delivers a fun, motivational reading game to schools, libraries and homes – and it's completely free of charge. In addition, Book Adventure:

- is endorsed by prestigious literacy organizations including Reading Is Fundamental, the International Reading Association, the National Association of Elementary School Principals, the Center for Family Literacy and others.
- is an instrument that measures how well a child understands the books s/he's read, providing an important assessment tool to parents and teachers.
- fully leverages the power of the Internet to captivate children's interest and to make the game easily accessible to every child in the United States.
- adds a motivational component to supplement existing literacy-focused tutoring and mentoring programs.

continued

cc: Phil Caplan
for several
issues
School
Press
Covers
(Booker)

4-21-99

103

Phil -
Real issue - shall
we send him this copy.

also >

Yes —

No —

Sent to
Dan B. - they're
working on it, Phil

Today, despite the myriad efforts underway to read to children and to teach children to read, no major organization has dedicated itself to helping kids *want* to read for themselves – until now. Book Adventure is a unique new initiative that infuses exciting Web technology into the always newsworthy topic of reading. In addition, Book Adventure is setting a precedent for the kind of corporate/non-profit partnerships that will define the future of American philanthropy.

The Book Adventure organization and its literacy partners will begin in April 1999 to implement a comprehensive range of advertising and publicity efforts. We are hopeful you and the First Lady will lend your support in generating awareness of this valuable educational resource among educators, families and young people.

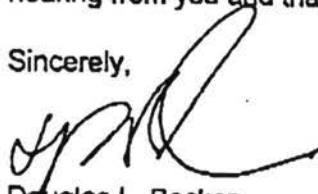
Specifically, I would like to propose a number of ways in which you might support the Book Adventure program. These include:

1. The possibility of you and Mrs. Clinton, America's "First Parents," serving as Honorary Chairs of the non-profit Book Adventure organization, which exists exclusively to maintain and promote the Book Adventure program.
2. Appearing at a press conference to introduce the program. Currently this event is scheduled for Wednesday, April 21, 1999 at 12:30 p.m., but we would, of course, reschedule it to suit your schedule. Also, we would be delighted to hold the event at the White House, if possible.
3. Announcing at the press conference the creation of a contest and reward for Book Adventure's "frequent readers" – children who have met a challenge to read a certain number of books. This reward could be a recognition event with the President, a tour of the White House or a similar incentive.
4. Making brief remarks in support of Book Adventure at one or more of your scheduled appearances in the Spring at which it would be appropriate.

Should you deem it appropriate, we would be delighted if the Vice President and Mrs. Gore were able to support the program in any of the ways listed above. In addition, we are hopeful that Secretary Riley will be able to be present at the April 21 press conference and issue a statement in support of Book Adventure.

We stand ready to provide any additional information that you and your staff may need to assist in your decision making. We look forward to hearing from you and thank you for giving this invitation your consideration.

Sincerely,



Douglas L. Becker
President, Sylvan Learning Foundation
Co-Chief Executive Officer, Sylvan Learning Systems, Inc.

Copy: Sylvia Matthews, Deputy Director, Office of Management and Budget

NATIONAL JUNETEENTH

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ce of the NJOF Permanent Programme Unit:

Jubilee Extravaganza's Planning Committee

Dr. R.S. Pritchard, Chairman

20 April 1999

Scheduling

Ms. BETTY CURRIE -
SEC. TO THE PRES
TELEFAX #202-456-2883

Mr. Arnold Goldstein
Superintendent
National Capital Parks-Cent
Washington D.C.

Transmitted via telefax to:

Dear Mr. Goldstein:

This is to acknowledge
dated 19 April 1999 and cc

Though We have forwar
National Juneteenth Obser
Counsel for as expedition
... We nonetheless hasten
writing" misconception an
that We as a private pers
the first "officially recognized" observ
"Juneteenth" as American's 2nd Independence Day.

Rather, did We (in Our capacity as a member of the
Board of Directors of the National Juneteenth
Observance Foundation; and Chairman of the Foundation's
Planning Committee ... as represented by our
Foundation's Legal Counsel, Ms. Marilyn Williams-
Thornton, Esq.) submit the Foundation's application for
the use of the Lincoln Memorial Mall for the 134th
Juneteenth Observance (which We are proud to add, was
"officially recognized" by the successful passage of
Senate Resolution Number 11 and House Resolution Res.
#56 shepherded by Senate Majority Leader, The
Honourable Trent Lott and former Speaker of the House,
The Honourable Newt Gingrich, respectively).

Whilst We most deeply regret the negative
character, tenor and divisive racist-dynamics of the
'mal-histoires' which have emanated from the office of
the National Capital Parks-Central ... a-veritas over
the predictable issue of the great numbers of American
Citizens of African descent who are prepared to arrive
in Washington D.C. on 19 June 1999, whether or not the
NJOF's planned "all-day-concert" of world famous Black
performing artists of the cinema, radio, TV and
recordings takes place ... We even more deeply regret
that certain of your staffers initially verbally lied

The National Juneteenth Observance Foundation is a not-for-profit eleemosynary organization

Sponsor of America's first "officially recognized" National Juneteenth Jubilee Celebration to be premiered in Washington, D.C. on June Nineteenth, 1996

4-21-99

*To Scheduling after you
have seen?*

Yes ☒ No ☐

B.

-2-

to our Foundation's representatives, in all too obvious attempts to justify your office's rejection of our Foundation's application for use of the Lincoln Memorial Mall (a-veritas, because of their stated comparision of what should have been regarded as our "NON-CONTROVERSIAL" ONE-AMERICA 2nd Independence Day Event with the unfortunately mis-referenced, "Million Man March" as a controversial assemblage of Americans of African descent.

Mr. Goldstein, since it has never been Our wont to mis-use and abuse Our American right to freedom of speech by precipitously and thoughtlessly positing highly sensitive, controversial and divisive subject matters onto the public arena prior to an in-person exchange of views with either Our actual or perceived personal or institutional adversaries ... We propose such a meeting at your and your staff's earliest convenience.

If you and your staff (of course, particularly including both Mr. Richard Merriman and Ms. Robin Owen, et al) are amenable to such a meeting ... We would recommend that you make your intentions and availability known to Our Aide-de-Camp, Mr. W.J. Ruidl (telephone Number 202-487-4143; telefax number: 703-536-3773) at your most expeditious convenience.

Mr. Goldstein ... as We have thusfar unintentionally (but also unavoidably) subjected Your Goodself to what the international collectors of Our letters generally refer to as a "typically Pritchardian letter of Wagner Opera, Bruckner and Mahler Symphonic length" ... permit Us to apologize for the same, as We concomittantly extend to you Our feliciations of this day.

"Sine Cere"



R.S. Pritchard II

Chmn.: NJOF's Planning Committee;
and Main NGO Representative to the United Nations' Economic and Social Council headquartered in New York City, New York; Geneva, Switzerland; Vienna, Austria; Santiago, Chile; Addis Ababa, Ethiopia; Amman, Jordan and Bangkok, Thailand

Direct Telephone Numbers: (202)-487-4142 or 487-4143
Direct Telefax Number: (703)-536-3773

cc: The Rev. Ronald V. Myers, Chmn.
(and Mbrs. of the Bd. of Dir.);
Ms. Marilyn Williams-Thornton, Fndt. Legal Counsel;
Senate Majority Leader: The Hon. Trent Lott
c/o: Mr. Bradford Robinson;
Mbrs. of the Congressional Black Caucus;
Washington D.C. Mayor, The Hon. Anthony Williams;
Ms. Betty Currie, Secretary to the President, The Hon. W.J. Clinton;
Secretary of the Interior, The Hon. Bruce Babbitt;
The RNC & DNC



IN REPLY REFER TO:

United States Department of the Interior

NATIONAL PARK SERVICE

National Capital Region
1100 Ohio Drive, S.W.
Washington, D.C. 20242

APR 19 1999

COPY

FYI

W24 (NACC-PP)

Dr. Robert Prichard
National Juneteenth Foundation, Inc.
7115 Leesburg Pike, #207
Falls Church, Virginia 22043

Dear Dr. Prichard:

This responds to your permit application to hold a special event on behalf of the National Juneteenth Foundation, Inc. on June 19, 1999. Specifically, you propose to the use of the Lincoln Memorial and the entire National Mall for between 600,000 to 1,000,000, between June 14-21, for a "celebration in recognition of America's second Independence Day." After careful review, we are unable to grant you a permit for your proposed event due to the size of the proposed event and because much of the park areas have already been scheduled for other events.

The National Park Service reviews applications for special events and demonstrations based on 36 CFR § 7.96 (g). To begin with, we are concerned about the huge size of your proposed request. Due to the fact that most of the park areas you requested are already under permit for other events, as well as your estimated crowd size, the areas you requested is not reasonably suited for your special event. As such pursuant to 36 CFR § 7.96(g)(5)(vi)(B)(C), and 36 CFR § 7.96(g)(4)(iii)(A)(C), your application for a permit for the National Mall and Lincoln Memorial must be denied.

If you wish to consider reducing the size and scope of your activity, we are willing to consider your use of a portion of the National Mall that is located between 3rd and 7th Streets. This area could be available for your proposed time frame but only if your anticipated number of participants is between 50,000 to 75,000. If this area is acceptable, we must first meet to discuss this matter with you. In this regard, please feel free to contact me or Ms. Robbin Owen of our Park Programs Office at (202) 619-7225.

Finally, any successful large-scale activity requires careful planning and coordination with many agencies to adequately ensure public safety. Within the Park Service, these include our Maintenance Department, Concessions Department, and the United States Park Police. It also requires careful planning and coordination with other law enforcement and emergency operations

agencies such as the Metropolitan Police Department along with your proposed outside contractors. Based on our experience dealing with large-scale events, and the time remaining, we request that you meet with us immediately if you want us to consider your use of the alternative location.

However, in the event you do not want to reduce the size and scope of your proposed activity, you may wish to contact RPK Stadium, or the District of Columbia government for venues under their jurisdiction.

Sincerely,



Superintendent, National Capital Parks-Central

NATIONAL JUNETEENTH OBSERVANCE FOUNDATION

201 N. George Lee Avenue • P.O. Box 29 • Belzoni, Mississippi 39038

Tel: (601) 247-1471
Fax: (601) 247-1384

www.19thofJune.com
www.actom.com/19thofJune

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Office of the NJOF Permanent Programme Unit:

The National Juneteenth Jubilee Extravaganza's Planning Committee

Dr. R.S. Pritchard, Chairman

COPY

FYI

MEMORANDUM

7 April 1999

TO: Requestees for an Executive Summary of the
"National Juneteenth Jubilee Observance-
Extravaganza".

FROM: R.S. Pritchard II
Chairman: NJO Planning Committee

RE: Digest presentation of the programme of the
first "officially recognized" National
Juneteenth Jubilee Observance.

PROGRAMME RAISON D'ETRE:

As Americans of all colours, creeds, cultures and countries-of-origin share in a common love of and respect for "Freedom" (as well as in a determination to protect the democratic institutions via which the "tenets-of-freedom" are guaranteed and protected) ... it should come as no surprise to the majority Euro-American population, that the fervor of their identity with the annually occurring "4th of July Independence Day Celebration", is no less than that of the fervor of the Black American national community with the 19th of June celebration of the end of Slavery in the United States. For whilst Thomas Jefferson's Declaration of Independence guaranteed "Freedom" for "Euro-Americans Only" ... it was not until 19 June 1865 that the '1 January 1863' Emancipation Proclamation was announced in Galveston, Texas, and became the freedom-from-slavery-guaranteeing-instrument of as significant importance to the enslaved Africans in America, as the Declaration-of-Independence had 89 years earlier been to Euro-Americans.

Those who are familiar with the oft repeated maxim, i.e., "Until All are Free, None are Free" ... will also comfortably understand that the national African-American leadership of the first 'officially recognized' National Juneteenth Observance, regards the 19 June 1999 "Juneteenth Jubilee Celebration" of the Independence of the enslaved fore-fathers and fore-

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and

Sponsor of America's first "officially recognized" National Juneteenth Jubilee Celebration to be premiered in Washington, D.C. on June Nineteenth, 1999.

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mothers of today's Americans of African descent, as both an Independence Day Celebration of African-Americans ... and also of "All" citizens of our "E Pluribus Unum" society.

Whilst indubitably the hundreds of thousands of Juneteenth Celebrants who will attend the National Juneteenth Jubilee Celebration-Extravaganza (proposed to be premiered on the Washington D.C. Lincoln Memorial Mall) will be Americans of African descent ... it is also expected that the entire multi-racial, multi-ethnic, multi-religious and multi-cultural segments of the American citizenry will so enlarge the Juneteenth celebration-audience, that America's Second Independence Day celebration could accurately be described as an event which gave recognition to the fact that the 19 June 1865 first Juneteenth Observance was one which served to complete the American "Cycle of Independence Movement" which was initiated with the 4th of July Declaration-of-Independence (albeit for "Euro-Americans Only").

Indeed, that reality is particularly underscored by the fact that it was via the bipartisan cooperation of the African-American former Congresswoman, The Hon. Barbara Collins (D-Michigan); the Black American Senator Carol Moseley-Braun (D-Illinois); the Black American Congressman J.C. Watts (R-Oklahoma); former House Speaker, The Hon. Newt Gingrich (R-Georgia); Senate Majority Leader, The Hon. Trent Lott (R-Mississippi) and Senate Minority Leader, The Hon. Tom Daschle (D-South Dakota) ... that "Senate Joint Resolution 11" and the House "H.J. Res. 56" was successfully shepherded through both Houses of Congress ... in a successful effort to officially recognize Juneteenth as the Independence Day Observance of Americans of African descent.

The National Juneteenth Observance Foundation will debut its first National Juneteenth Jubilee Celebration-Extravaganza before a throng of Juneteenth Celebrants (rivaling the numbers associated with the "controversial" Million Man March) in a celebration of America's movement towards a "One America" which will be advanced by new and pragmatic racial-healing dialogues which will emphasize the in-common characteristics of all of the racial, ethnic, cultural and religious sectors of the American population in a positively oriented programme devoted to racial healing.

The Foundation's inaugural Juneteenth Jubilee Celebration-Extravaganza will be presented in the following two concert performance-events:

PROGRAMME I: (Saturday, 19 June 1999) ... (Proposed Venue: The Lincoln Memorial Mall, Washington D.C.)

10:00 AM - 5:30 PM day-long National Juneteenth Jubilee-Celebration Concert Extravaganza which will feature high profile radio, TV, cinema and recording "Pop, Jazz, Blues and Gospel" solo and ensemble, vocal and instrumental performing artists.

Interspersed between the themed-programme sections will be brief statements presented by African-American and Euro-American solons whose contributions to converting the Juneteenth family and community celebration into an "officially recognized" Observance as the Independence Day Observance of Americans of African descent. In addition, a select list of

=3=

education and religious leaders will set forth the history of the state-by-state movement to achieve official recognition of Juneteenth as a state holiday. Moreover, other dignitaries will address our Nation's urgent need for new racial-healing-dialogues which would issue from such pragmatically oriented concerns as "Equity of Access to Equality of Economic Development and International Trade Opportunities" for Americans of all colours, creeds, cultures and countries-of-origin, as a much needed addition to the traditional Civil Rights oriented socio-cultural themes.

To this latter point, the attention of the Juneteenth Jubilee Observance's Celebrants would be drawn via one of the speakers reference to the deeper meaning inherent in the "economic homily" that We in Our capacity as the Founder of the "Black History Month Observance" annually recite to Our month-of-February schedule of appearances before "inclusive" audiences in universities, TV guest interviews, during AAHM-FC sponsored African Ambassadorial "Good-Will" tours of American industrial and agricultural centers, and within the AAHM's parent foundation's occasional international trade conferences (which are organized in a manner which encourages the initiation of actual transactions "on the conference floor" itself).

Succinctly put, We have observed that:

"Just as blood is necessary to the health and welfare of the physical body ... so is the equitable distribution of the wealth of nation necessary to the health and welfare of the nation.

If the extremities of the body are deprive of their necessary supply of blood, the extremities will eventual atrophy ... and the body will die.

Similarly, if the equitable distribution flow of a nation's wealth is restricted from any sector of the population ... disillusionment, discontent and discord will sooner or later develop and cause such social, political and economic upheavals, that like ancient Rome and other societies of the past ... the society will eventually subcumb to the pressures within and die."

Several "Juneteenth Sankofa Awards" will be presented to outstanding Americans who have pragmatically addressed the issues of racial healing in business; in the professions; in local, state and federal government; in preferred urban and suburban neighborhoods; in Black inner-city communities; etc.

PROGRAMME II:... (Proposed Venue: Howard University Concert Auditorium; Saturday, 8:15 PM)

For the evening of 19 June 1999 ... We have proposed that the "Black Tie" Juneteenth Celebrants be feted to presentations of classical music masterpieces at Washington D.C.'s "Howard University's Crampton Auditorium" (or at some other suitable campus venue). Howard University is one of the oldest and most distinguished institutions of higher learning which were originally established as one of the Historically Black Colleges and Universities which were and still are committed to the education of

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Americans of African descent. The evening's formal concert will include classical solo-instrumental, choral, and symphonic music oeuvres ... and ballet and modern dance theatre presentations, in an unique programme of the great classical music oeuvres of African-American, African-European, Afro-Luso-Brazilian and continental African composers.

Moreover, Juneteenth Observance "Sankofa Awards" for distinguished service to the Arts will be presented to those esteemed working and retired African-American performing artists, whose public careers and private lives have served as an inspiration for present and future generations of Our African-American "talented tenth" young performing and creative artist-geniuses. Juneteenth "Sankofa Awards" will also be posthumously presented.

A particularly dramatic feature of the Juneteenth Celebration, will be the dedication of a "Monument to the Innominate Slave", which will be executed by the UN "cut-sculpture" laureate artist-in-residence of The Panamerican-Panafrican Association, Inc., Mr. Kevin John Powell. It was Mr. Powell who also created the "cut-sculpture-painting" which was presented to Texas State Legislator, The Hon. Al Edwards, honouring Mr. Edward's contribution to the successfully shepherding (through the Texas State Legislature) of the bill establishing Juneteenth as a Texas State Holiday.

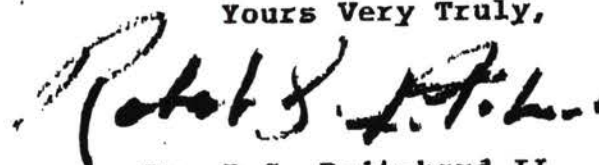
PROPOSED PROGRAMME III:.... National Cathedral, Washington D.C. Sunday evening (6:00 PM) 20 June 1999.

Choral-Symphonic performance of the "Missa in Fa" by Lobo de Mesquita for full chorus; SATB soloists and HBCU student symphony orchestra ... and the "Laudate Pueri" by Padre Jose Nunes Garcia.

Composers Lobo de Mesquita and Padre Jose Nunes Garcia are two of the major Black Baroque and Pre-Classical Era Brazilian composers (from the Minas Geras Province) whose choral and symphonic masterpieces were discovered by the co-founder of the Panamerican-Panafrican Association, the late Dr. Francisco Curt Lange, Chm. of the Instituto Interamericano de Musicologia (Att: The Ministry of Foreign Affairs ... Montevideo, Uruguay).

It should be needless for Us to say, that We would indeed welcome your comments, suggestions and critiques.

Yours Very Truly,



Dr. R.S. Pritchard II
Chairman: NJO Planning Committee;
Founder: The "Black History Month Observance";
Main NGO Representative to the UN / ECOSOC

Direct Telephone Numbers: (202)-487-4142 or (202)-487-4143
Direct Telefax Number: (703)-536-3773

cc: Mr. William James Ruidl, Executive Liaison
Mr. Earl Williams, Assistant-Liaison
Ms. Marilyn Williams-Thornton, Legal Counsel

The Teetering Balkans

Bombings by NATO May Be Destabilizing
A Region Where Peace Has Cost So Much

By BLAINE HARDEN

News Analysis SARAJEVO, Bosnia and Herzegovina, April 14 — NATO's bombing of Yugoslavia is destabilizing neighboring regions in which the United States and Europe have stationed tens of thousands of troops, spent billions of dollars and invested years of work in trying to secure peace, build democracy and improve moribund economies.

Since the bombing started on March 24, the 32,000 NATO-led troops who keep Bosnia's shaky peace have faced numerous attacks from Serbs and are on high alert in the worst tension since the end of war in 1995. The Government put in place by the West is frozen and inactive. In Montenegro, a President who has won backing from Washington and other foreign capitals is devoting all his energies to averting a coup backed by the army of Yugoslav President Slobodan Milosevic.

Macedonia, already coping with hundreds of thousands of Kosovo refugees, is worried about tens of thousands more arriving, and Croatia's tourist-dependent economy faces a bleak summer of empty hotels and beaches.

For involved foreigners and locals, the real fear is that prolonged NATO bombing of the Serbs will reopen all the wounds still festering from the Balkan wars of this past decade.

"The security situation is stable, but the longer the bombing goes on the more difficult it will be to control the situation," said Lieut. Gen. Mike Wilcocks, a British officer who is the deputy commander of the Stabilization Force in Bosnia, the NATO-led peacekeepers known here by the acronym SFOR. "We are watching the situation like a hawk."

In Bosnia and Montenegro, the best face that diplomats or military officials have put on the Serbian fury stoked by three weeks of bombing is that they should be able to contain it until Mr. Milosevic is defeated. At that point, they suggest, prospects for democratic development in the region will soar.

"If getting rid of Milosevic fails, then everything else fails," said Carlos Westendorp, the top international official charged with keeping peace in Bosnia. "That is the condition we need for full development of the region, respect of borders and democracy."

He and other Western officials concur, however, that the longer the bombing campaign continues, the more difficult it will be for peacekeeping forces in Bosnia to hold back Serbian radicals and for the elected government in Montenegro to escape a coup that could spark a civil war.

The bombing has halted efforts to rebuild infrastructure or return Bosnians who fled the war to their old homes. Hundreds of Westerners have evacuated what is called Republika Srpska, as the Bosnian Serbs' 49 percent of Bosnia is known. Mr. Westendorp has ordered the elected Serb assembly not to hold any sessions until the Kosovo war is

over. "What I am doing is freezing the situation," Mr. Westendorp, the high representative enforcing the 1995 Dayton peace accords, said here today. "The hard-liners are constantly harassing the moderates. It would do a lot of harm to have the assembly meet."

Next door, fears of a coup in Montenegro, a Yugoslav republic where the American Government is making significant diplomatic and financial investments, have paralyzed the economy while backing elected leaders into a corner. They are struggling to stop the Yugoslav Army from taking over the news media, conscripting senior officials in the republic and fomenting street violence.

The bombing also scuttled a bid to improve relations between Montenegro and its neighbor, Croatia.

According to a Western diplomat, Montenegro had been planning before the bombing to apologize to Croatia for Montenegrin forces that in 1991 and 1992 shelled the historic coastal city of Dubrovnik, the jewel

of Croatia's Adriatic coastline and once a major tourist draw.

While Croatia has supported the bombing of its old foe Serbia, the assaults appear to have shattered prospects for the country's tourist industry this year. Most summer hotel bookings up and down the Adriatic coast have been canceled, hotel owners said.

In the former Yugoslav republic of Macedonia, too, there is widespread concern that the flood of refugees from Kosovo could destabilize a government that has been receptive to Western influence.

The West has the most control where it has the most military muscle. That is in Bosnia, where peacekeepers from 37 countries, including 6,200 American troops, are heavily armed and have more than three years' experience dealing with the terrain and managing the anger of local Serbs.

After the bombing began on March 24, General Wilcocks said he ordered a ban on the training and movement of local armies across Bosnia. SFOR troops have been ordered to wear body armor in the field at all times and not to travel in groups of less than three.

In the week after the bombings began, there was a sharp increase in Serbian attacks on SFOR troops, including several incidents when hand grenades were thrown at soldiers from moving cars. General Wilcocks said no troops have been injured in the attacks.

The general said in an interview that forces in Bosnia "have nothing to do with NATO." But the credibility of that distinction, if it ever held much weight among Bosnian Serbs, took a severe blow on April 3, when SFOR troops, acting on orders from Washington, blew up a stretch of railroad that connects Belgrade with Montenegro.

The tracks were destroyed in a stretch of the railroad that cuts across a tip of Bosnia. Western diplo-

mats here said SFOR troops were ordered to take immediate action because of information that a trainload of armed Serbian paramilitary forces was headed to Montenegro to make trouble for the pro-Western government there.

The destruction of the tracks, during which SFOR troops killed a local watchman who fired at them, gave Serbian nationalists in Bosnia a reason to argue that their country was being occupied by the same forces that are bombing Serbia.

The NATO bombing, moreover, exacerbated an already severe political crisis in Republika Srpska.

Earlier in March, Mr. Westendorp in effect fired the elected President of the Serbian republic, Nikola Poplasen, a radical Serbian nationalist who had refused for months to work with the government's moderate prime minister.

On that same day, an arbitrator in Vienna denied the Serbs exclusive control of a city, Brcko, that connects two parts of their territory. Many Serbs regard the city as an essential link for the survival of their government inside Bosnia, a loosely federated country they share with the Muslim-Croat Federation that covers 51 percent of Bosnian territory.

The bombing, then, was perceived as part of a triple whammy by the West against Serbs and has sharply raised the risks of violence, said Bryan Hopkinson, director of the Sarajevo-based Bosnia project of the International Crisis Group, a think tank financed by European governments and Western foundations.

"At worst, the capacity might soon exist to mount an armed secessionist movement, at least for that part of Republika Srpska east of Brcko, perhaps using paramilitaries so that the political instigators would not be directly implicated," Mr. Hopkinson, a former British Ambassador to Bosnia, wrote in a report last week. "The public, in its present baffled and enraged state, would probably not be hostile."

Mr. Hopkinson said in an interview that any move by the Bosnian Serbs to secede would be easily handled by peacekeepers.

"They might lose a few men, but if SFOR is determined to resist an insurrection, they could," Mr. Hopkinson said.

In neighboring Montenegro, however, Western diplomats are not at all certain that the elected government could resist an army coup. The army has tanks and artillery, while the republic's police, although well trained and believed to be highly motivated, do not.

The President of Montenegro, Milo Djukanovic, has told American diplomats that he was confident that he could avoid bloodshed in Montenegro while challenging Mr. Milosevic's authority, but only if the West refrained from bombing.

Since the bombs started to fall, Mr. Djukanovic has said in interviews that his police would prevail in a fight against the army, but he and other officials have conceded that such a fight could ignite a civil war among his heavily armed population.

THE PRESIDENT HAS SEEN

4-21-99

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Sergey
Podesta

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The New York Times

THURSDAY, APRIL 15, 1999

HONORARY PARTICIPATION REQUEST

Please return to Neal Sharma, Room 97

Today's Date: April 15, 1999

'99 APR 21 PM3:37

Date of Request: 2/9/99
Request for: POTUS
Type of Request: Honorary Chairman
Requestor Name: Rabbi Arthur Schneier
Title: President
Organization: Appeal of Conscience Foundation
119 West 57th Street
New York, New York 10019
Contact Tel. #: 212-535-5800
Event Date: 4/27/99
Event Description: The World Statesman Award Dinner
Notes: The Appeal of Conscience Foundation will honor Henry Kissinger and Percy Barnevik at its annual awards dinner. The President agreed to serve as Honorary Chairman for last year's awards dinner, and Steve Naplan of NSC recommends the President accept. The Foundation does have 501(c)(3) status, and a NEXIS search revealed no reason why the President should not accept.

The President should ACCEPT.

Recommendation:

PC *[Signature]*
(Unless otherwise noted, a yes answer will automatically generate a message as well as acceptance of the honorary position).

Comments:

cc: Amy Comstock, 136



APPEAL OF CONSCIENCE FOUNDATION

119 WEST 57TH STREET, SUITE 820
NEW YORK, NY 10019
212 535 5800 • FAX 212 628 2513

April 14, 1999

To:	Neal Sharma
Fax:	202 456 5426 2993
From:	Ann Marie Duross
Pages:	3

It was nice speaking with you.

Attached, please find a copy of the original request made by Rabbi Schneier asking for permission to list the President as Honorary Chair of our event. In the letter, he also requests a message.

I am also forwarding a copy of the message sent by the President in support of our 1998 dinner, FYI.

Please let me know if there is anything I can do!

Thanks so much.

APPEAL OF CONSCIENCE FOUNDATION

RABBI ARTHUR SCHEINER, D.D.
PRESIDENT

February 9, 1999

Dear President Clinton,

You will be pleased to learn that the Honorable Henry A. Kissinger and Percy Barnevik, Chairman of the Board of Investor AB, Asea Brown Boveri Ltd. and Sandvik AB will be honored by the Appeal of Conscience Foundation at our Annual Awards Dinner on Tuesday, April 27, 1999, at 7:00 p.m., the New York Hilton Hotel.

Because of your personal commitment to advance human rights and religious freedom, it would be a source of encouragement for you to be the Honorary Chairman of the Dinner and to send a message which will be read on this occasion.

Dr. Kissinger will be honored with the World Statesman Award for his contributions to U.S. foreign policy and his vision in international affairs. Mr. Barnevik, one of Europe's leading industrialists, will receive the Appeal of Conscience Award for advancing international cooperation, mutual understanding and tolerance. The Awards will be presented to Dr. Kissinger and Mr. Barnevik at a formal dinner before over 800 international leaders of business, religious and public life.

Since 1965, our inter-religious foundation has worked on behalf of human rights and tolerance in the former Soviet Union, Eastern Europe, China and continue our work for conciliation and the resolution of ethnic conflicts in the former Yugoslavia, including Kosovo.

With best wishes, I remain

Sincerely yours,



The Honorable Bill Clinton
President of the United States
The White House
Washington DC 20500