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Monday, April 26, 1999

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Monday, April 26, 1999

THE PRESIDENT HAS SEEN
4-26-99

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This chart
+ our actions
are a factual response
to Envirs' attacks
BC

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Podesta

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SPECIAL ANALYSIS

The Forest or the Trees?

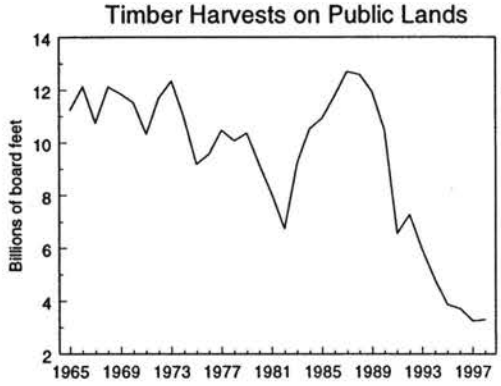
Recent policy debates over the Headwaters Forest in California and the Tongass National Forest in Alaska illustrate the need to reconcile competing visions of what makes forests valuable. Are they mainly commercial properties or are they more important as environmental systems with inherent value beyond their timber content?

Trees as capital. A traditional view in forestry is that the forest is a tree farm, with the unique feature that trees are very slow growing and are harvested only after decades of growth. Deciding when to harvest involves balancing the increased timber volume from letting the trees grow another year against the interest cost of waiting another year to receive the revenue and plant the next crop of trees.

The forest as capital. Increasingly, however, forests have come to be viewed as more than just tree farms. Standing forests produce valuable environmental services, such as habitat for endangered species, clean water, and carbon sequestration. They also provide recreational opportunities and scenic beauty. Taking these benefits of a standing forest into account shifts the optimal harvesting decision towards waiting longer or perhaps not harvesting at all.

Balancing the forest and the trees. Policymakers hoping to achieve an optimal balancing of the value of harvesting timber and the value of standing forests face a number of practical difficulties. First, private landowners generally do not appropriate much of the benefits of a standing forest, and without public policy intervention their decisions will mainly reflect the private benefits and costs of harvesting timber. Second, even on public lands, policies like below-cost timber sales conflict with the objective of recognizing the benefits of a standing forest. Third, valuation is problematical. While it is relatively straightforward to estimate the value of timber, economic valuation techniques are pushed to their limit (or beyond) when trying to answer questions like what is the value of preserving old growth redwoods in the Headwaters Forest or what is the value of preserving habitat for the spotted owl. Even when non-market valuation studies have been made, different interest groups may not agree that the resulting estimates of value are objective or accurate.

Timber Harvests on Public Lands



Division of labor. Faced with these difficulties, the United States seems to be moving toward specialization, with forests on public lands providing environmental services and forests on private land providing timber. While total U.S. domestic timber production has continued to grow, timber harvests from public lands have fallen dramatically over the past 10 years, from 12.6 billion board feet in 1988 to just 3.3 billion board feet in 1998 (see chart on previous page). Consistent with this trend, the Forest Service announced last week that it will put 234,000 acres of Alaska's Tongass National Forest in protected status and increase rotation times from 100 to 200 years on nearly half of the land that may be harvested.

Implications. Balancing the value of timber harvests against the value of standing forest is challenging. Management improvements can be made on public lands, for example, by eliminating below-cost timber harvests that are environmentally and economically harmful. Public policy intervention may also be necessary to protect forests on private lands that provide large environmental benefits. For example, the preservation of 10,000 acres of the Headwaters Forest was deemed to be sufficiently important to justify their purchase for $480 million. Another possible approach is to exchange public and private lands of equal commercial value in order to put the more environmentally valuable property under public management.

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THE WHITE HOUSE
WASHINGTON

April 23, 1999

MR. PRESIDENT:

The attached Berger/Sperling memo recommends that you adopt a new policy to exempt commercial sales of agricultural and medical supplies from future U.S. sanctions regimes and adopt a new case-by-case approach for proposed sales to certain currently restricted nations. *If you approve, you will announce the decision early next week.*

Background. The U.S. restricts the commercial sale of agricultural and medical supplies to six countries: Cuba, Iran, Iraq, Libya, North Korea, and Sudan. You generally have the authority to lift or modify these sanctions, except where Congress has codified them (*e.g.,* Cuba).

Action/Views. Your advisers recommend that you exempt commercial sales of agricultural commodities and products, medicine, and medical supplies (and commercial financing of those sales) from future U.S. economic sanctions regimes, *except* in cases where you specifically determine that restricting those sales is in the national interest. This new policy would also be extended as appropriate to existing sanctions regimes by employing case-by-case reviews of proposals to sell agricultural and medical supplies to restricted countries; however, your advisers recommend no change at this time to your Cuba policy. Treasury, State, Commerce, and USDA will work out the details and develop specific licensing criteria. *John Podesta* concurs in this recommendation.

Approve ✓ Disapprove ___ Discuss ___

Phil Caplan Phil
Sean Maloney PA

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THE WHITE HOUSE

WASHINGTON

April 17, 1999

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ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
GENE SPERLING GS

SUBJECT: Exempting Sales of Food and Medicine from Sanctions Regimes

Purpose

To propose a policy that would generally exempt sales of agricultural commodities and products, medicine and medical supplies from future economic sanctions regimes, and modify existing licensing policies with respect to currently embargoed countries to allow for case-by-case review of proposals for commercial sales of these items.

Background

On July 23, 1998, you stated that ". . . commercial exports of food should not be used as a tool of foreign policy except under the most compelling circumstances." You also urged Congress to provide you the necessary waiver authority to exempt food from legislatively imposed sanctions when it is in the national interest.

Existing Sanctions Regimes. The United States currently prohibits or restricts the commercial sale of agricultural commodities and products, medicine, and medical equipment to six countries: **Cuba, Iran, Iraq, Libya, North Korea, and Sudan.** (Humanitarian donations of articles intended to relieve human suffering are permitted to all of these countries.) There are a few exceptions to restrictions on such sales to the six countries identified above:

- **Iraq**. Commercial sales of agricultural commodities and products and some medicines and medical supplies to Iraq are permitted consistent with UNSCR 986 and subsequent resolutions (the "oil-for-food" program). The United States recently supported a significant expansion of that program.

cc: Vice President
Chief of Staff

THE PRESIDENT HAS SEEN
4-26-99

- **North Korea**. Pursuant to current licensing policy, Commerce's Bureau of Export Administration reviews applications for commercial sales of humanitarian items to North Korea on a case-by-case basis, and several licenses for sales of agricultural products have been granted in the past few years.

- **Cuba**. Some sales of medicine and medical supplies and equipment are permitted to Cuba, subject to certain specified conditions and end-use verification to guard against diversion to prohibited purposes or users. Also, on January 5 of this year you announced your decision to authorize case-by-case licensing of food and agricultural inputs to independent entities in Cuba. Commerce and Treasury OFAC currently are changing their regulations to implement this policy.

Legal Authority. Generally, if a sanctions regime is imposed by the President, and not by legislation, the executive branch may alter that regime without seeking legislation. The executive branch could change licensing policy to permit sales of agricultural products and commodities, medicine, and most medical supplies to each of the countries for which we have existing sanctions regimes **except Cuba**.

Sales of medicine, medical supplies and equipment to Cuba are governed by the Cuban Democracy Act. Any modifications to the existing regulatory scheme for these products could require new legislation. For food sales, there is a limitation on what the executive branch can do because the Helms-Burton Act "codified" the Cuban embargo. The executive branch view of this "codification" is that it does not freeze the embargo in place, but incorporates regulatory flexibility to make licensing changes. Nonetheless, the decision to allow even limited sales of food and agricultural inputs to Cuba has generated sharp criticism from some Members of Congress, who believe Helms-Burton precludes such sales. A change in licensing policy to permit broader sales of food to Cuba would at least be extremely controversial and could require additional legislation.

There are two other restrictions on executive branch authority of which you should be aware. First, although we could permit private sales of food and medicine, a number of restrictions in the Foreign Assistance Act and other legislation on assistance to terrorist list countries would prohibit U.S. Government *financing* of sales of food or medicine to those countries. Second, exports of certain medical equipment that is controlled for national security or foreign policy reasons could be prohibited under the Iran-Iraq Nonproliferation Act and other statutes.

Proposal. We propose that the U.S. Government generally exempt food and medicine from U.S. sanctions regimes. This would be consistent with your view that food -- and on the same theory other human necessities -- should not be used as a tool of foreign policy. Moreover, it would accord with your Administration's general effort to ensure that unilateral economic sanctions are effective and that the costs to ourselves of imposing sanctions are minimized. Sales of food and medicines do not generally contribute to a nation's capacity to pursue enhanced military capabilities or WMD and missile development programs or to support terrorism. Moreover, there is no evidence that restrictions on sales of these products have been effective in changing or influencing policies in any of the currently embargoed countries. Instead, these embargoes are perceived to affect primarily the general population rather than the decision-making elite, of targeted countries.

This policy change would allow you to *retain* the flexibility to impose sanctions -- even on food and medicine -- when circumstances warrant. However, we caution that doing so will require an affirmative decision to <u>include</u> food and medicine in any future sanctions regime. Such a decision would be controversial and may be politically difficult. Also, we believe the exemption would be a "net plus" on the Hill given the strong bi-partisan support from Members of Congress from grain states. However, some Members of Congress and lobby groups such as AIPAC will criticize the change because it allows expanded commercial ties with Iran and other pariah states.

Implementation. You would implement this policy with the following steps:

- Your Administration will exempt commercial sales of agricultural commodities and products, medicine, and medical equipment (except equipment that is controlled for national security reasons), and commercial financing of those sales, from future unilateral economic sanctions regimes, unless you conclude that including those items is in the national interest. Circumstances that might argue *against exempting* such items could include actual or potential armed conflict involving the United States or its allies; a situation in which a regime is diverting these imports to its armed forces or political supporters; or a situation in which the provision of such items would provide unjustifiable economic benefit to a regime or its officials (e.g., if a product is exported at a

THE PRESIDENT HAS SEEN
4-26-99

subsidized price, allowing regime officials to enrich themselves through resale of the product).

- We extend this principle to existing executive branch sanctions regimes by allowing for case-by-case review of proposals for commercial sales of agricultural commodities and products, medicine, and medical equipment.[1] This would require changes to Treasury and Commerce regulations (an Executive Order will not be necessary) for Iran, Libya and Sudan, and possibly -- to a lesser extent -- for North Korea and Iraq.

- You ask Treasury and Commerce, in consultation with State, expeditiously to develop country-specific licensing criteria to guide the case-by-case review process with respect to those countries to guard against unjustified benefits to the sanctioned governments or other unintended consequences, and to ensure that the sanctions remain consistent with U.S. policy toward the sanctioned countries. Examples of some possible licensing criteria are: authorizing sales only at market price or only to entities not affiliated with the government or a certain element of the government.

- We make no change at this time to our licensing policy on Cuba.

The Secretaries of State, Treasury, Commerce and Agriculture concur in this proposal. Secretary Rubin adds the caveat that he bases his support on an assumption that this effort will not preclude or take the place of a broader effort, which is underway, to reform the USG approach to sanctions and that we will not, by exempting sales of food and medicine from future sanctions regimes, "lower the bar" in a way that makes unilateral embargoes easier to impose in the future.

<u>RECOMMENDATION</u>

That you approve the proposal described above.

Approve ✓ ______________

Disapprove ______________

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[1] The relevant agencies, including State, Treasury, Commerce, and Agriculture, will work out the precise definitions of the products affected.

4-26-99

THE WHITE HOUSE
WASHINGTON

April 24, 1999

MR. PRESIDENT:

Attached are the following weekly reports:

(A) **Weekly Economic Briefing**

(B) **Update on Global Markets**

(C) **DPC**

(D) **NEC**

(E) **CEQ**

(F) **OSTP**

(G) **Legislative**

(H) **Communications**

(I) **Public Liaison**

(J) **Race Initiative**

(K) **Intergovernmental**

(L) **Cabinet Affairs**

(M) **Political Affairs**

Phil C[illegible]

Tab A - Entire Report: Yellen / Podesta
pg 4. - Sperling / Podesta
pg 6 - Sperling / Reed / Childress / Podesta
pg 7 - Berger / Steinberg / Podesta
Tab C - Reed / Kagan / Podesta
Tab D - Sperling / Podesta
Tab E - Frampton / Podesta
Tab G - Stein / Podesta
Tab H - Ucelli / Spector / Podesta / Lockhart
Tab J - Johnson / Podesta
Tab K - Ibarra / Podesta

Tab M not returned

4-26-99

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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

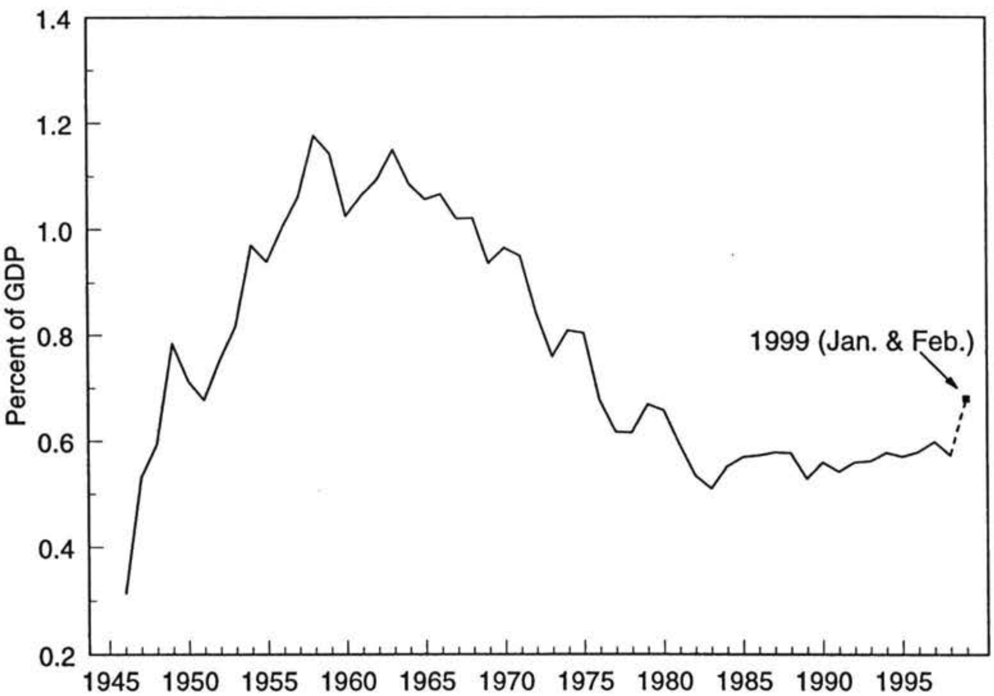
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

April 23, 1999

copied
Entire report
Yellen/Podesta
pg 4
Sperling/Podesta
pg 6
Sperling/Reed/
Childress/Podesta
pg 7
Berger/Steinberg/Podesta

CHART OF THE WEEK

Public Expenditure on Streets and Highways



Public expenditures on streets and highways jumped sharply in the first 2 months of 1999. Some of the increase appears to be due to unusually warm weather that allowed crews to work through the winter. In addition, state and local governments may be ramping up spending authorized in the 1997 transportation legislation. Even if the recent increase is sustained, however, this spending is much smaller as a share of GDP than it was when the country's highway infrastructure was being built in the 1950s and 1960s.

CONTENTS

TREND

SPECIAL ANALYSIS

ARTICLE

DEPARTMENTS

4-26-99

TREND

CEO Pay: Rewarding Performance?

Business Week (BW) recently released its 49th annual compilation of executive compensation in 365 of the largest U.S. companies. In general, the findings are familiar: executive compensation is huge relative to that of the average worker and it has been growing rapidly, raising anew the question of whether such compensation levels make economic sense.

Trends in CEO pay. The average CEO in the *BW* survey received $10.6 million in 1998, 36 percent more than in 1997 and more than 5 times higher than in 1990. The highest paid executive, Disney's Michael Eisner, received almost $5.8 million in salary and bonus and almost $570 million in long-term compensation (mostly from exercising stock options). Interestingly, the average salary and bonus component of executive pay fell for the second year in a row, to $2.1 million, while the average value of long-term compensation (mainly exercised stock options) rose sharply. The average pay of the 47 executives cited in the first *BW* survey in 1950 was $217,000, or less than 100 times the average worker's pay. The comparable ratio in 1998 was over 400.

Analysis. In principle, current compensation packages with moderate base pay and extensive use of stock options could provide the right incentives for CEOs to act in the best interests of shareholders and maximize the value of the company. Thus, the trend toward increasing reliance on options should be an encouraging trend. In practice, however, boards of directors may not act as adequate watchdogs for the interests of shareholders and may compensate executives excessively. Skeptics argue that actual compensation packages may have weak performance incentives due to factors like repricing of options when the company's stock falls in value, generous severance packages, and the ability of executives to cash out their company stock. The fact that option values are rarely indexed to general market performance (which would make them valuable only when the company's stock outperforms a relevant index) is offered as further evidence that the link between pay and performance remains weak even as options grow in importance.

Evidence. Several studies have found only a modest link between company performance and CEO pay. A typical result is that a CEO whose company achieved a 20 percent rate of return would, other things equal, be paid only about 1 to 1½ percent more than one whose company achieved only a 10 percent return. But these studies typically look at *current compensation.* A recent study that tracks changes in executives' *wealth* over time (including changes in the value of holdings of company stock and unexercised stock options) finds a much closer correlation between company performance and executive compensation. While such a finding does not prove that compensation packages are ideally structured, it does call into question claims that they are wildly inefficient because they do not link pay to performance.

4-26-99

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ARTICLE

Giving New Hope to the Working Poor

The New Hope Project—a voluntary, work-based anti-poverty initiative conducted in Milwaukee from 1994 to 1998—used a unique combination of benefits to ensure that a person who worked full time would not be poor. Recently released 2-year results show that New Hope modestly increased participants' employment, reduced poverty, and may have improved their children's classroom behavior.

The New Hope model. New Hope had unusually broad eligibility rules, extending to any adult with income at or below 150 percent of the poverty line who was willing to work full time. The program consisted of close to 700 participants and an equal number of control group members (the program was independently evaluated using a classical, random-assignment design). By working at least 30 hours per week, participants were eligible for the following benefits:

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- Earnings supplement. Monthly supplements, designed to complement state and Federal EITCs, raised family incomes of most full-time workers to the poverty line.

- Affordable health insurance. Low-cost health insurance, with a co-payment based on income, was available to those unable to obtain other coverage.

- Child care. Participants were allowed to find their own licensed child care. Most of the costs were subsidized, subject to a co-payment based on income.

- Short-term community service jobs (CSJs). Participants unable to find full-time work could apply for paid community service jobs with nonprofit organizations. With satisfactory attendance and job performance, participants could hold CSJs for a total of 12 months, though after 6 consecutive months in any one CSJ, a participant was required to look for a private sector job.

Concentrated earnings and employment gains. The effects of New Hope on earnings and employment differed according to whether or not participants were working full time when they entered the program.

- Positive impacts on those who were not working full time. Participants who were not working full time when they entered the program had better employment and earnings outcomes than comparable members of the control group. A smaller proportion never worked during the entire 2 years of the study (6 percent compared with 13 percent in the control group). Participants' earnings were about $1,400 (13 percent) higher and their overall income (including things like the earnings supplement, welfare payments, and the EITC) was about $2,650 (also 13 percent) greater. CSJs appear to have been an important contributor to the positive impact on employment and earnings.

- Little impact on those who were already working full time. Average employment and earnings did not increase among those who were already working full time when they entered New Hope. In fact, these participants reduced their work hours somewhat, mostly by cutting back on overtime and second jobs. Tentative survey evidence does, however, show an increase in parental monitoring, possibly because these participants were better able to balance work and family life. Also, New Hope participants who were working full time when they entered the program had 30 percent lower welfare payments (AFDC/TANF and Food Stamps) than comparable members of the control group in the second year.

Other key results. Although New Hope did not raise employment and earnings for all groups, it did boost the resources available to all participants through its provision of affordable child care and health insurance. In addition, about 60 percent of CSJ users found unsubsidized employment following their CSJ. New Hope's experience with CSJs provides encouraging evidence that such a subsidized employment program can be operated successfully, at least on this scale. Finally, there is some indication that the program improved boys' classroom behavior, school performance, and social competence.

Conclusion. New Hope's appeal lay in its balanced mix of supports and requirements and its premise that working people should not be poor. While the magnitudes of the results are somewhat disappointing, it is important to recognize that employment rates in the control group were almost surely being raised at the same time by the Wisconsin Works (W-2) program (and its precursor), which required work and work-related activities of every welfare recipient.

4-26-99

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

SBA Reports on Minorities in Business. In 1997, an estimated 3¼ million minority-owned businesses in the United States generated almost $500 billion in revenues and employed nearly 4 million workers, according to a new study by the Small Business Administration. About 1.4 million of these firms were Hispanic-owned (up 232 percent from 1987 levels), about 1.1 million were Asian-owned (up 180 percent), and about 900,000 were black-owned (up 108 percent). Substantial differences were evident among the three groups in average revenue per business. Although they represented just one-third of all minority-owned businesses, Asian-owned businesses accounted for 56 percent of revenues generated by these businesses in 1997; in contrast, black-owned businesses accounted for 27 percent of the businesses but just 12 percent of the revenues. These differences reflect disparate growth over the previous decade, as real revenues for Asian- and Hispanic-owned businesses increased by over 400 percent, while those of black-owned businesses rose by just over 100 percent.

Philip Morris Ships Fewer Cigarettes but Increases Its Market Share. In November, cigarette makers raised prices about 45 cents per pack to finance the settlement of tobacco-related health claims with the states. This week, Philip Morris (PM) and RJR Nabisco reported declining shipments and lower profits on domestic tobacco sales in the first quarter. PM shipped 9.6 percent fewer cigarettes than in the first quarter of 1998—slightly less than the overall industry decline of 9.7 percent—while RJR saw shipments fall 14 percent. Profits on domestic tobacco sales fell 7.3 percent at PM and 19 percent at RJR. At the retail level, PM increased its market share to almost 54 percent while RJR's fell below 25 percent. Shipments of PM's Marlboro, the top-selling brand, declined just 4.6 percent and their market share rose 2.2 percentage points to 38.8 percent of retail sales. International profits were up 0.9 percent at PM despite an 11.2 percent decline in shipments, but RJR suffered a 31 percent decline on its international tobacco business, which it is planning to sell.

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Do Higher Salaries Buy Better Teachers? Teacher salaries have only a modest impact on teacher mobility (decisions to change schools) and on student performance, according to a recent study using data for 1993 to 1996 from the University of Texas' Texas Schools Project. These data include teacher salaries, measures of teacher quality, and measures of student achievement. The study finds that teacher mobility is more affected by characteristics of students (income, race, and achievement) than by salary schedules. Also, teachers' salaries appear to be only weakly related to their performance on certification tests, which some evidence suggests are not an accurate measure of teacher quality in any case. The study's results are consistent with previous findings that teacher quality is more variable within schools (and thus within school districts) than among schools, suggesting that school and district-wide factors such as compensation may play only a minor role in determining teacher quality. The study concludes that salary policies, at least as currently implemented, do not offer much promise for improving student performance.

4-26-99

INTERNATIONAL ROUNDUP

IMF Breathes Easier over the State of the World Economy. For the first time since the beginning of the Asian financial crisis, the IMF has revised upward its forecast for world economic growth in 1999. Nevertheless, the newly released *World Economic Outlook* predicts that the world economy will expand by just 2.3 percent this year and 3.4 percent in 2000. This projected 1999 growth rate would still be the slowest since the last global slowdown in 1991. The Fund warns that the outlook for the world economy depends in part on whether the United States can move to more moderate growth rates without suffering a "hard landing" from increased inflation, a significant stock market correction, or a drop in domestic demand. It notes that world economic recovery would also be threatened if fiscal conditions in emerging market countries do not improve, if recent weakening of growth in the euro area is more than just transitory, or if Japan's recession worsens.

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World Bank Study Warns of Increasing Poverty in Russia. Up to a fifth of Russians may be living in extreme poverty by next year as the effects of last year's financial crisis take their full effect on growth and household incomes, according to a forthcoming World Bank study. The study projects that Russia's economy will contract by 8.3 percent (significantly more than in other organizations' forecasts). Under one set of assumptions the number of people in extreme poverty would rise 29 percent above its 1996 baseline level. (Extreme poverty is defined as consumption less than half the official subsistence minimum.) Under a different set of assumptions, in which the poor bear disproportionately less of the burden of contraction, the number of people living in extreme poverty still rises by 14 percent. The report suggests that the worst-affected Russians will be families with many children, particularly those living in small towns and rural areas.

Ratings Agency Warns of Stress on Global Financial Systems. A growing number of countries' financial systems are showing deteriorating credit quality in the face of excessive credit growth, weakening external funding profiles, and falling asset prices, according to a new study by Standard and Poor's. Of the 61 economies regularly monitored by S&P, deteriorating credit quality was observed in 24. Visible signs of weakness are already evident in nine economies (those of China, Colombia, the Czech Republic, Hong Kong, Japan, Malaysia, the Philippines, Romania and the Slovak Republic), while the others (which include Brazil and the United States) were described as vulnerable in the event of a reasonable worst-case slowdown.

Taiwan Gives U.S. Firm a Taste of Its Own Medicine. Although Taiwan has long been the target of dumping accusations, the island's semiconductor industry has recently turned the tables, charging a U.S. firm with selling chips below cost. According to press reports, the Taiwanese government is investigating the complaint against Micron Technologies, which last year won a similar action against Taiwanese companies in the United States and which has another case pending.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

The goods and services trade deficit was $19.4 billion in February; it was $16.8 billion in January.

MAJOR RELEASES NEXT WEEK

Consumer Confidence—Conference Board (Tuesday)
Advance Durable Shipments and Orders (Wednesday)
Employment Cost Index (Thursday)
Gross Domestic Product (Friday)

U.S. ECONOMIC STATISTICS

	1970-1993	1998	1998:2	1998:3	1998:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	4.3	1.8	3.7	6.0
GDP chain-type price index	5.4	0.9	0.9	1.0	0.8
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	2.7	0.3	2.5	4.6
Real compensation per hour:					
Using CPI	0.6	2.5	2.2	2.3	1.7
Using NFB deflator	1.3	3.7	3.5	3.4	3.4
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	11.0	11.2	10.9	11.0
Residential investment	4.5	4.3	4.3	4.4	4.5
Exports	8.2	11.3	11.3	11.0	11.3
Imports	9.2	13.0	13.1	12.9	13.1
Personal saving	5.2	0.3	0.3	0.1	-0.0
Federal surplus	-2.7	0.9	0.9	1.1	0.8

	1970-1993	1998	Jan. 1999	Feb. 1999	March 1999
Unemployment Rate (percent)	6.7**	4.5**	4.3	4.4	4.2
Payroll employment (thousands)					
increase per month			217	297	46
increase since Jan. 1993					18176
Inflation (percent per period)					
CPI	5.8	1.6	0.1	0.1	0.2
PPI-Finished goods	5.0	-0.1	0.5	-0.4	0.2

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

FINANCIAL STATISTICS

	1997	1998	Feb. 1999	March 1999	April 22, 1999
Dow-Jones Industrial Average	7441	8626	9323	9754	10727
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.44	4.44	4.28
10-year T-bond	6.35	5.26	5.00	5.23	5.25
Mortgage rate, 30-year fixed	7.60	6.94	6.81	7.04	6.88
Prime rate	8.44	8.35	7.75	7.75	7.75

INTERNATIONAL STATISTICS

Exchange Rates	**Current level April 22, 1999**	**Percent Change from** Week ago	Year ago
Euro (in U.S. dollars)	1.060	-1.1	N.A.
Yen (per U.S. dollar)	119.8	0.7	-8.4
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. $)	95.89	0.3	-0.0

International Comparisons [1]	**Real GDP growth** (percent change last 4 quarters)	**Unemployment rate** (percent)	**CPI inflation** (percent change in index last 12 months)
United States	4.3 (Q4)	4.2 (Mar)	1.7 (Mar)
Canada	2.8 (Q4)	7.8 (Feb)	0.8 (Feb)
Japan	-3.0 (Q4)	4.7 (Feb)	-0.1 (Feb)
France	2.8 (Q4)	11.4 (Jan)	0.3 (Feb)
Germany	1.8 (Q4)	[2] 7.2 (Feb)	0.2 (Feb)
Italy	0.9 (Q4)	12.3 (Jan)	1.4 (Feb)
United Kingdom	1.1 (Q4)	6.3 (Dec)	2.1 (Feb)

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

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for February was 9.0 percent.

THE PRESIDENT HAS SEEN
4-26-99

Gene's
for the argument
on Cap'l Gain (Bean)

ARTICLE

Giving New Hope to the Working Poor

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- Affordable health insurance. Low-cost health insurance, with a co-payment based on income, was available to those unable to obtain other coverage.

- Child care. Participants were allowed to find their own licensed child care. Most of the costs were subsidized, subject to a co-payment based on income.

- Short-term community service jobs (CSJs). Participants unable to find full-time work could apply for paid community service jobs with nonprofit organizations. With satisfactory attendance and job performance, participants could hold CSJs for a total of 12 months, though after 6 consecutive months in any one CSJ, a participant was required to look for a private sector job.

Concentrated earnings and employment gains. The effects of New Hope on earnings and employment differed according to whether or not participants were working full time when they entered the program.

- Positive impacts on those who were not working full time. Participants who were not working full time when they entered the program had better employment and earnings outcomes than comparable members of the control group. A smaller proportion never worked during the entire 2 years of the study (6 percent compared with 13 percent in the control group). Participants' earnings were about $1,400 (13 percent) higher and their overall income (including things like the earnings supplement, welfare payments, and the EITC) was about $2,650 (also 13 percent) greater. CSJs appear to have been an important contributor to the positive impact on employment and earnings.

THE PRESIDENT HAS SEEN
4-26-99

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

SBA Reports on Minorities in Business. In 1997, an estimated 3¼ million minority-owned businesses in the United States generated almost $500 billion in revenues and employed nearly 4 million workers, according to a new study by the Small Business Administration. About 1.4 million of these firms were Hispanic-owned (up 232 percent from 1987 levels), about 1.1 million were Asian-owned (up 180 percent), and about 900,000 were black-owned (up 108 percent). Substantial differences were evident among the three groups in average revenue per business. Although they represented just one-third of all minority-owned businesses, Asian-owned businesses accounted for 56 percent of revenues generated by these businesses in 1997; in contrast, black-owned businesses accounted for 27 percent of the businesses but just 12 percent of the revenues. These differences reflect disparate growth over the previous decade, as real revenues for Asian- and Hispanic-owned businesses increased by over 400 percent, while those of black-owned businesses rose by just over 100 percent.

Gene/Erskine/Chris/Council offs
Does this provide any support for affirmative action? BC

Philip Morris Ships Fewer Cigarettes but Increases Its Market Share. In November, cigarette makers raised prices about 45 cents per pack to finance the settlement of tobacco-related health claims with the states. This week, Philip Morris (PM) and RJR Nabisco reported declining shipments and lower profits on domestic tobacco sales in the first quarter. PM shipped 9.6 percent fewer cigarettes than in the first quarter of 1998—slightly less than the overall industry decline of 9.7 percent—while RJR saw shipments fall 14 percent. Profits on domestic tobacco sales fell 7.3 percent at PM and 19 percent at RJR. At the retail level, PM increased its market share to almost 54 percent while RJR's fell below 25 percent. Shipments of PM's Marlboro, the top-selling brand, declined just 4.6 percent and their market share rose 2.2 percentage points to 38.8 percent of retail sales. International profits were up 0.9 percent at PM despite an 11.2 percent decline in shipments, but RJR suffered a 31 percent decline on its international tobacco business, which it is planning to sell.

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Reed
Childress
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Do Higher Salaries Buy Better Teachers? Teacher salaries have only a modest impact on teacher mobility (decisions to change schools) and on student performance, according to a recent study using data for 1993 to 1996 from the University of Texas' Texas Schools Project. These data include teacher salaries, measures of teacher quality, and measures of student achievement. The study finds that teacher mobility is more affected by characteristics of students (income, race, and achievement) than by salary schedules. Also, teachers' salaries appear to be only weakly related to their performance on certification tests, which some evidence suggests are not an accurate measure of teacher quality in any case. The study's results are consistent with previous findings that teacher quality is more variable within schools (and thus within school districts) than among schools, suggesting that school and district-wide factors such as compensation may play only a minor role in determining teacher quality. The study concludes that salary policies, at least as currently implemented, do not offer much promise for improving student performance.

4-26-99

INTERNATIONAL ROUNDUP

IMF Breathes Easier over the State of the World Economy. For the first time since the beginning of the Asian financial crisis, the IMF has revised upward its forecast for world economic growth in 1999. Nevertheless, the newly released *World Economic Outlook* predicts that the world economy will expand by just 2.3 percent this year and 3.4 percent in 2000. This projected 1999 growth rate would still be the slowest since the last global slowdown in 1991. The Fund warns that the outlook for the world economy depends in part on whether the United States can move to more moderate growth rates without suffering a "hard landing" from increased inflation, a significant stock market correction, or a drop in domestic demand. It notes that world economic recovery would also be threatened if fiscal conditions in emerging market countries do not improve, if recent weakening of growth in the euro area is more than just transitory, or if Japan's recession worsens.

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cc:
Sandy/Stein
USS

World Bank Study Warns of Increasing Poverty in Russia. Up to a fifth of Russians may be living in extreme poverty by next year as the effects of last year's financial crisis take their full effect on growth and household incomes, according to a forthcoming World Bank study. The study projects that Russia's economy will contract by 8.3 percent (significantly more than in other organizations' forecasts). Under one set of assumptions the number of people in extreme poverty would rise 29 percent above its 1996 baseline level. (Extreme poverty is defined as consumption less than half the official subsistence minimum.) Under a different set of assumptions, in which the poor bear disproportionately less of the burden of contraction, the number of people living in extreme poverty still rises by 14 percent. The report suggests that the worst-affected Russians will be families with many children, particularly those living in small towns and rural areas.

Ratings Agency Warns of Stress on Global Financial Systems. A growing number of countries' financial systems are showing deteriorating credit quality in the face of excessive credit growth, weakening external funding profiles, and falling asset prices, according to a new study by Standard and Poor's. Of the 61 economies regularly monitored by S&P, deteriorating credit quality was observed in 24. Visible signs of weakness are already evident in nine economies (those of China, Colombia, the Czech Republic, Hong Kong, Japan, Malaysia, the Philippines, Romania and the Slovak Republic), while the others (which include Brazil and the United States) were described as vulnerable in the event of a reasonable worst-case slowdown.

Taiwan Gives U.S. Firm a Taste of Its Own Medicine. Although Taiwan has long been the target of dumping accusations, the island's semiconductor industry has recently turned the tables, charging a U.S. firm with selling chips below cost. According to press reports, the Taiwanese government is investigating the complaint against Micron Technologies, which last year won a similar action against Taiwanese companies in the United States and which has another case pending.

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4-26-99

THE WHITE HOUSE

WASHINGTON

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Kagan
Podesta

April 23, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Crime -- School Safety Legislation: On Monday, you are scheduled to announce the details of our legislation to reauthorize the Safe and Drug-Free Schools program. This proposal will include a number of changes you have already called for: formally authorizing $12 million a year for our FEMA-like emergency response teams; requiring participating schools to adopt comprehensive school safety plans; and reforming the overall program to require competitive funding at both the state and federal level. In addition, it is likely to include the following new proposals: increased funding for more mental health counselors; allowing schools to use federal funds to teach gun violence education and safety; and strengthening the current zero-tolerance policy -- which mandates expulsion, but nothing else -- to require schools to report students who bring a gun to school to law enforcement, and to provide mandatory counseling before returning them to the classroom. If we can find the funds, we will also recommend that you expand funds for character education programs and alternative placements for disruptive youth.

2. Crime -- Gun Legislation: On Tuesday, you are scheduled to announce the details of comprehensive youth gun crime legislation. As you know, the bill will make permanent the Brady waiting period, close the gun show loophole, ban violent juveniles from owning guns for life, require that gun dealers provide child safety locks with every gun sold; and hold adults criminally responsible for allowing kids easy access to firearms. In addition, we are considering the following new proposals: requiring Brady background checks for the purchase of all explosives; requiring gun dealers to keep records of used gun sales, so that these weapons can also be traced; increasing the number of cities engaged in comprehensive gun tracing from 37 to 75; banning the importation of large capacity clips manufactured before passage of the assault weapons ban; and generally banning the juvenile possession of all long guns, with certain exceptions.

(like a lot but we need to discuss (change) about some)

4-26-99

3. Education -- Ed-Flex: On Wednesday, Congress passed the Ed-Flex bill by a vote of 368-57 in the House and 98-1 in the Senate. In addition to strengthening the accountability provisions and dropping the Senate IDEA/class size amendment, conferees agreed to include a rural fix that we and Senate Democrats had sought for the class size program, to provide more flexibility for communities that don't qualify for enough money to hire a full teacher. You are tentatively scheduled to sign the Ed-Flex bill on Thursday, April 29.

4. Education -- Social Promotion: We made considerable progress this week in our negotiations with civil rights leaders on the social promotion provisions of ESEA, but some organizations are still pressing for more changes and we are not yet confident that we can nail down the community's support. The compromise includes language suggested by the Leadership Conference to highlight and describe in more detail the need for early identification, intervention, and other efforts designed to minimize the number of students retained in grade, but it maintains our bottom-line requirement that students meet challenging standards at three key transition points in order to move up and graduate. Senator Kennedy will likely support our compromise, even if the civil rights community ultimately does not. You are currently scheduled to introduce ESEA the first week of May.

5. Education -- Teacher Pay and Teacher Quality: At your request, we have asked NEA and AFT to prepare an analysis of what states are doing on teacher pay, and what they could do now that so many states have surpluses. Meanwhile, a panel of 52 governors, educators, and researchers -- including William Bennett and Governors Engler and Ridge -- have just issued an on-line manifesto that includes proposals to give school principals more authority to recruit and hire teachers who do not meet traditional licensure standards and to fire teachers whose students perform poorly on assessments. This manifesto is highly critical of federal and state approaches to teacher quality that focus on improving teaching colleges and toughening licensure standards.

6. Health Care -- New CBO Cost Estimate on Patients Bill of Rights: On Friday, CBO is scheduled to release its latest estimates on the cost impact of the Daschle-Kennedy-Dingell Patients Bill of Rights, as well as the Republican legislation that passed out of the Labor Committee on a party line vote three weeks ago. CBO previously estimated that the Democratic proposal would raise premiums by approximately 4 percent increase in 10 years about $7 a month overall and only $2 a month for the employee. Recently, CBO had indicated that it would increase its projection to 6 percent, largely because of the new estimates surrounding the bill's medical necessity and liability provisions. Democratic leadership staff met with CBO Director Crippen, who agreed to lower the new estimate to below 5 percent if certain relatively non-substantive modifications to the legislation were made. Nonetheless, Senate Republicans will use any increase as evidence that these protections are too expensive and would lead to an increase in the number of uninsured. We are coordinating with the Democrats to portray the new CBO numbers as further proof that these protections are affordable.

7. Health Care -- Medicare Update: On Tuesday, Senators Kennedy and Rockefeller and Congressmen Dingell, Stark, and Waxman held a press conference to announce the general outlines of the Medicare prescription drug coverage act of 1999. Because of concerns that their original benefit design was too modest, they modified and significantly expanded their benefit to provide for a $200 deductible with a 80% coverage up to $1500 of incurred drug costs. If beneficiaries exceed $3000 of incurred drug costs, the new benefit will provide 100% coverage of any costs over that amount. Lastly, their proposal provides for Medicaid wrap-around coverage for those beneficiaries at or below 135% FPL (somewhat similar to the Breaux-Thomas Medicaid provision). Clearly, this legislation will be significantly more expensive than anything we are currently contemplating, as might be expected since Senator Kennedy is not restricted by having to lay out specific offsets.

8. Tobacco -- Recoupment: We are working with public health groups and others to try to draw attention to the failure of many states to devote tobacco settlement dollars to preventing youth smoking. Public health advocates are preparing a report on state action to date, which they may release as soon as next week. On Tuesday, ABC reported some of the worst examples: Rhode Island has a proposal to use the tobacco money to cut the car tax; New York, to retire state debt; Michigan, to provide college scholarships; Oklahoma, to fund teacher retirement; Louisiana, to improve sewer systems; and Los Angeles, to upgrade sidewalks. In the meantime, the Florida legislature is planning to cut the state's much praised program -- which helped cut smoking among middle school students by 19 percent last year -- so deeply that Governor Bush has come to its defense. In the meantime, we are urging appropriators to drop the Senate supplemental provision letting states keep all settlement funds without funding anti-smoking programs, and meeting with the NGA and other state proponents (including Senator Graham) to see if they would support an acceptable compromise.

9. Welfare -- Teen Pregnancy Prevention Events: On April 29, the Vice President will release encouraging new data showing that teen birth rates continue to decline in every state, ~~and that the national rate has declined for the 6th year in a row, by a total of 16 percent~~ since 1991. On April 28, the First Lady and Secretary Shalala will host a White House reception to honor individuals and groups selected by the National Campaign to Prevent Teen Pregnancy. In addition, the Campaign will release several publications highlighting the important role that peer influence plays in teen pregnancy, including recent research findings and practical advice from teens to their parents and to other teens.

10. Immigration -- Public Charge Issue. In the next few weeks, the Department of Justice (DOJ) will promulgate a proposed regulation to define "public charge" -- for purposes of exclusion, adjustment of status and deportation -- as an immigrant who is likely to become primarily dependent on government for subsistence, as demonstrated by either the receipt of: (1) public cash assistance for income maintenance or (2) institutionalization for long-term care at government expense. In addition, the proposed regulation will clarify that immigrants

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who receive Medicaid, Children Health Insurance Program (CHIP), and a variety of other benefits will not be considered a public charge. Recent studies and anecdotal evidence indicate that legal immigrants and even U.S. citizen children who are eligible to receive federal public benefits such as Medicaid and CHIP have not applied for these benefits for fear that they will be penalized under immigration laws. California CHIP outreach efforts have been significantly undermined because of the public charge issue. This proposed regulation has been long-awaited and will be well received. We are looking for an opportunity for you or the Vice President to announce the proposed regulation, perhaps in California.

4-26-99

THE WHITE HOUSE

WASHINGTON

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April 25, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEC WEEKLY REPORTS

cc: JOHN PODESTA

Budget: On Thursday (4/22), the Senate by a 54 to 45 vote failed to get the 60 votes necessary to invoke cloture on the Abraham-Domenici Social Security "lock box" amendment, which our staff argued in briefings on the Hill would have threatened debt crises and the payment of benefits, including Social Security. Meanwhile, on the appropriations front, Chairman Young is rumored to be planning to start negotiations within the Appropriations Committee next week regarding how the Committee may allocate among its subcommittees the funds it controls under the budget resolution.

***Social Security**: On* Monday (4/19), John Podesta, Chris Jennings, Larry Stein and I met with Horace Deets from the AARP to discuss his letter to Speaker Hastert commending the House Budget Resolution. On Tuesday (4/20), your economic advisors met to discuss how to respond to Senator Barbara Mikulski's request for distributional analysis of Social Security reform options on women and low-earners. We concluded that the best way to respond to her request is to provide her with data rather than written analysis that might be interpreted as Administration positions on these issues. We are hoping to meet with you next to focus on possible end-game strategies that include scenarios both with and without Social Security reform completed this year.

Shaw-Archer Plan: Congressmen Shaw and Archer are expected to release their Social Security plan next week. The plan is rumored to involve a refundable tax credit equal to 2 percent of payroll -- not "carved out" of the existing 12.4 percent contributions supporting Social Security, but funded out of the Social Security surplus -- that would be deposited in individual accounts. The accounts would be invested in stocks and bonds. If an account-holder were to die before retirement, heirs would receive the funds. Upon retirement, the Social Security Administration would convert the holdings into annuities, and reduce Social Security benefits by somewhere between 75 and 100 percent of the value of the account. (Rumors vary on the degree of this "claw-back" feature.) The Social Security Administration would then merge the remaining Social Security benefits (if any) and account annuities into a single monthly check.

4-26-99

(want to know when we propose to go to Mass separate from —)

New Markets: NEC is working with COS and OPL to prepare for the CEO Roundtable and New Markets trip scheduled for May 5th. We have identified dozens of CEOs that we think have a strong interest in the issue and will want to participate and help promote your initiative. On the legislative front, members from both parties have expressed interest in sponsoring the three pieces of legislation creating APICs, New Market Venture Capital firms, and the New Market Tax Credit, including: Representatives Rangel, Velazquez, Houghton, Lewis, and Ramstad and Senators Rockefeller, Robb, Chaffee, Jeffords, Sarbanes, Edwards, and Kerry. Draft legislation on APICs and NMVCs will shortly be cleared; however, the Ways and Means Committee must draft the tax credit legislation, which they have delayed in order to complete work on the school construction bill. However, we hope to schedule soon an event for you to roll-out the three pieces of legislation flanked by the Republican and Democratic members who will sponsor the various bills.

School Construction: Representative Rangel is preparing his school construction bill for introduction. Rangel's bill will include a Davis-Bacon requirement. It will also require the State and local entities receiving school construction money to: (1) Provide a training program to train workers in the construction of public school facilities; (2) Give priority to contractors who have employees who reside in the local community; and (3) Require contractors to give preference in new-hires to individuals who reside in the local community were the construction takes place. This proposal is likely to satisfy the primary concerns of the labor movement. The three new requirements limit local flexibility, but they are Rangel's price for adding Davis-Bacon. The training proposal is not consistent with the Workforce Investment Act's focus on consolidation, local flexibility and a market-driven approach. We will continue to address the issue, but Rangel may not be willing to make significant changes.

U.S.-Japan Sub-Cabinet Meeting: On Wednesday (4/21) Lael Brainard chaired the U.S.-Japan Sub-Cabinet Meeting that focused on the macroeconomic situation in Japan, the need for deregulation and structural reforms there, and your upcoming summit with Mr. Obuchi. The Japanese side was more open and introspective about their economic problems than we had expected. In the economics-deregulation areas, we hope to be able to announce at the summit agreement that we will cooperate on antitrust matters and an agreement on the U.S.-Japan Investment Initiative. Trade agreements in telecommunications, housing, and pharmaceuticals are also likely. The team raised the issues of flat glass, insurance, and government procurement for possible action before the summit, but Japanese resistance makes progress in these areas less likely.

Financial Architecture Announcements: On Tuesday (4/20) you previewed a series of specific proposals for reforming the world financial system. On Wednesday (4/21) Secretary Rubin elaborated on these in a speech at Johns Hopkins. The financial markets have the viewed our proposal to reduce IMF bailouts for countries that maintain pegged exchange rates as most significant. In fact, the lead story in yesterday's Financial Times highlighted this proposal in its reporting of Secretary Rubin's speech. Our other proposals are being described as constructive but incremental. We will try to win G-7 support for our proposals during the May 1-2 sherpa meeting in Canada.

Hushkits: As you know, on March 29, the EU agreed to delay the Council vote on the hushkit regulation until April 29. The week of April 19, Ambassador Aaron met with EU officials in London, Bonn, Paris and Brussels to make what we truly believe is a "win-win" proposal: The US and EU would sit down and agree on a tough new ICAO noise standard, including a phase-out of the current standard. (This is meaningful because U.S. industry previously resisted cooperating on a new standard.) In exchange, the EU would forego adopting or applying the hushkit regulation. The EU officials also expressed interest in discussing a new ICAO standard but not the quid pro quo. Their counterproposal was to negotiate ways to address fundamentally the adverse impact the regulation would have on U.S. companies. That's potentially promising, if it could lead to what would amount to non-application of the regulation. Unfortunately, yesterday, we learned, from a conversation Ambassador Aaron had with the European Commission's Transportation Director General, Robert Coleman, that the regulation would be fully applied while those negotiations were proceeding. That clarification empties the EU proposal of meaningful content; it would without question be unacceptable to U.S. industry and key Congressional members such as Rep. Oberstar and Sen. Hollings. The NEC, State, the NSC, and Commerce are in the process of clearing a cable that says the EU proposal, given Coleman's clarification, is not acceptable to the U.S. and would require a response. The cable urges them to find an approach that avoids applying the regulation altogether. The plan is to have the demarche delivered early Monday, before a key meeting of transport ministers later that day.

China WTO: As you know, our staff negotiators went back to Beijing to resume negotiations this week. As expected, (staff level) negotiations started walking back many of the items that we had already resolved leading up to Zhu's recent visit, especially in areas of telecommunications and insurance, and we have made no further progress on unresolved protocol issues. At this point, it is unclear how to interpret these developments as they have all taken place at a fairly low level in the Chinese bureaucracy. Our Embassy believes that the Chinese negotiators are stalling until they get instruction from a politburo meeting that is expected to happen in the next few days. For the moment, we will simply ask our negotiators to stay the course to make sure that any walk-backs on any resolved issues are acceptable and to keep pressing on any unresolved issues. We will need to reconsider our position as developments unfold.

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

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Podesta

April 22, 1999

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. RSK for

SUBJECT: CEQ WEEKLY REPORT

EARTH DAY

Administration Message

Today marks the 30th anniversary of Earth Day. To help celebrate this event and to highlight the Administration's efforts to preserve special places across America, you issued a statement and the Vice President and Carol Browner traveled to Shenandoah National Park. In addition, the Cabinet amplified your message by holding separate events across the country. For example, Secretary Babbitt traveled to Gettysburg National Military Park to speak about Land and Water Conservation Fund, Secretary Daley was in San Francisco to reinforce our Livability and Lands Legacy message, and Secretary Riley was at a national wildlife refuge in South Carolina to talk about environmental education.

Vice President's Regional Haze Announcement

Today, the Vice President, accompanied by Administrator Browner, announced the release of EPA's final rule on "regional haze". Over the last several decades, our nation's scenic vistas have been seriously degraded from haze caused by air pollution. Almost all national parks have been affected, including treasures like the Grand Canyon, Yosemite, Yellowstone, Mount Rainier, and the Great Smoky Mountains.

Haze is caused by air pollution from various sources, such as utilities, industry, and truck and auto emissions. Pollution from these sources generally spans broad geographic areas and can be transported significant distances. As required by the Clean Air Act, over the last several years EPA has worked with states, industry, and environmental groups to develop a national strategy to reduce regional haze. The final rule announced by the Vice President sets the year 2064 as the timeframe for eliminating all man-made visibility impairment at more than 150 national parks and wilderness areas, and requires states to develop 10-year plans to achieve reasonable progress toward that goal. In addition to improving visibility, this rule will also protect public health by reducing the air pollution that contributes to respiratory diseases such as bronchitis and asthma.

4-26-99

We expect the rule to be enthusiastically supported by national and regional environmental groups. Governors in the Western and Northeastern states also will be supportive. The Administration has received letters urging issuance of the rule from Gray Davis, Angus King and Jean Shaheen. Midwestern and Southeastern states are likely to be less supportive, but their opposition should be muted. There is likely to be opposition from some in the utility industry as well as the mining and petroleum industries in the West. However, Phelps Dodge Mining and Pacificorp (a western utility) have worked with the Western Governors on their recommendations and Phelps Dodge will publicly support the rule.

National Park Week

The Administration's Earth Day message was reinforced by the fact that you issued a proclamation declaring this week as National Park Week. In observation of this week, the National Parks and Conservation Association released its list of the 10 most endangered national parks on Tuesday. Among the parks included in the report are the Grand Canyon, Yellowstone, and Great Smoky Mountains National Parks. The group cited a variety of Congressional attacks and a lack of funding for maintenance as some of the largest problems facing the park system. In addition to the new Lands Legacy initiative, the Administration's budget for FY 2000 provides for increased funding for national parks to help meet this backlog of needs. Unfortunately, the recently enacted Republican Budget Resolution will make it almost impossible to fund these needs and the Lands Legacy initiative.

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THE WHITE HOUSE

WASHINGTON

April 23, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: **LARRY STEIN** LS

SUBJECT: **LEGISLATIVE WEEKLY REPORT**

- **Ed-Flex Conference Report:** The House approved (368-57) and the Senate passed (98-1) the Conference Report to H.R. 800, the Education Flexibility Act, clearing the bill for your signature. The House and Senate are planning an enrolling ceremony for Tuesday, April 27. The White House should receive the bill soon thereafter. The Conference report includes strong accountability provisions. The most contentious issue, the Lott Amendment, which would have allowed States to divert FY99 federal class size reduction dollars to fund IDEA was dropped. Instead, the Conferees agreed to a provision sought by Sen. Murray (D-WA) that will make the class size program more attractive to small states and small school districts.

- **Supplemental Appropriations:** On Thursday, the House voted (414-0) to agree to the Obey motion to instruct conferees on H.R. 1141, the Central America/Jordan/Agriculture supplemental emergency appropriations bill. The non-binding motion instructed House conferees to disagree with Senate bill provisions that cut certain critical emergency funds in last year's omnibus appropriations bill (the provisions in question imposed across-the-board reductions of about 43 percent in funds appropriated for programs such as embassy security, domestic disaster assistance, Y2K compliance, anti-terrorism, and DOE's efforts to reduce plutonium and uranium in Russia). There is a possibility that House and Senate conferees on this bill will have at least a ceremonial meeting late next week. This conference could also become the vehicle for the Kosovo supplemental funding request following House passage; at this time, the Senate does not plan to consider the Kosovo measure separately.

- **Kosovo Appropriations:** On Wednesday, the House Defense Appropriations Subcommittee held a hearing with Secretary Cohen, General Shelton and Comptroller Lynn, to review the Administration's supplemental request for Kosovo. On pay, Appropriations Chairman Young (R-FL) noted that he had asked OMB before the package was submitted to include a pay package; as you know, they did not. Secretary Cohen defended the Administration's policy and the request in question. Secretary Cohen indicated he was aware that Congress was considering including a pay package and stated that Congress would need to decide what they wanted to do. Additionally, he asserted that troop morale is high. The committee appears to be on course for a mark-up next week.

  There has been no action to date by the Senate Appropriations Committee. However, the committee is scheduled to hold a hearing next Tuesday on the Kosovo supplemental.

- **China WTO Briefings:** Throughout this week, Ambassador Barshefsky and White House Legislative Affairs met with Majority Leader Lott (R-MS), the Senate Democratic Caucus, the House International Relations Committee, and the House Agriculture Committee to discuss China's accession to the WTO. Most Members expressed support for the package, with the exception of concerns over human rights and espionage issues.

- **Rosa Parks Gold Medal:** On Monday, the Senate passed (86-0) and on Tuesday, the House concurred (voice vote) with S. 531, a bill to authorize you to award a gold medal on behalf of Congress to Rosa Parks in recognition of her contributions to the Nation.

- **School Safety Legislation:** Next week, Senator Robb (D-VA) is planning to unveil a new bill to promote school safety. Senator Robb has played a major role in securing funding under the COPS program for these grants. In addition, Representative Carolyn McCarthy (D-NY) is pressing the Republican Leadership to bring her children's gun violence legislation to the floor.

House of Representatives

- **Earthquake Hazards Reductions:** On Wednesday, the House passed (414-3) H.R. 1184, the Earthquake Hazards Reduction Authorization Act of 1999. The bill would authorize appropriations for earthquake preparedness and research activities under the Earthquake Hazards Reductions Act of 1977. The Administration issued a Statement of Administrative Policy in support of the bill but will seek amendments in order to conform the authorization with your FY2000 Budget levels.

- **Beaches and Environmental Assessment:** On Thursday, the House approved by voice vote, H.R. 999, the Beaches Environmental Assessment, Cleanup, and Health Act of 1999. The bill advances some of the elements of your Clean Water Action Plan. However, the Administration has concerns about the funding source for this program and will work in the Senate to identify an appropriate funding mechanism.

The Week Ahead

- **House Schedule:** On Monday, the House will convene for a *pro forma* session. On Tuesday, the House will consider several noncontroversial bills under Suspension of the Rules. On Wednesday and Thursday, the House will consider H.R.1480, the Water Resources Development Act. On Wednesday, April 21, Secretary Babbitt transmitted a letter to Transportation Chairman Shuster (R-PA), stating if the bill was presented to you in its current form, he would recommend that you veto the bill. The House is also scheduled to consider H.R.833, the Bankruptcy Reform Act of 1999 (the bill is expected to be reported out of committee next Tuesday). The bill to be considered on the floor will likely be as flawed as last year's conference report, in which OMB Director Lew recommended you veto. Possible action is also expected on a motion to go to Conference on H.R.4, a bill to declare it to be the policy of the United States to deploy a national missile defense.

- **Kosovo Resolutions:** It is possible on Wednesday or Thursday that the House will consider a Campbell (R-CA) resolution (H.Con.Res. 82), directing you to remove United States Armed Forces from their positions in connection with the present operations in Yugoslavia. The following week, the House is expected to consider a second Campbell resolution (H.J.Res. 44), declaring a state of war between the United States and the Government of the Federal Republic of Yugoslavia.

4-26-99

United States Senate

- **Lockbox Proposal:** The Senate began consideration of S. 557, the Budget Process bill. On Thursday, the Senate failed to invoke cloture (54-45) on a Senator Abraham (R-MI) amendment regarding the Republican lockbox proposal. Finance Chairman Roth (R-DE) was the only Senator voting against party-line. The Republican proposal established declining statutory debt limits, enforced by 60-vote points of order, designed to enforce the reserving of Social Security surpluses for debt reduction. Because of the potential for gridlock in requiring a supermajority for debt limit legislation and because of the failure of the legislation to recognize the possibility of errors in the projected debt limits, Secretary Rubin strongly opposed the legislation and the Administration issued a Senior Advisers' veto threat. No further action on this measure is expected at this time.

- **Y2K Legislation:** On Thursday, Majority Leader Lott (R-MS) moved to proceed to Senator McCain's (R-AZ) revised bill on Y2K liability, allowing debate on the bill next week. Senator Hollings (D-SC) objected to the motion to proceed, requiring a cloture vote on Monday; cloture is expected to be invoked, allowing debate on the bill to occur. So far, only one Democrat, Senator Wyden (D-OR) is a co-sponsor of S. 96, but Senators Lieberman (D-CT) and Feinstein (D-CA) are likely to sign on. Senator McCain's bill has been altered to meet some criticisms raised by the Justice Department but still raises serious concerns. The bill caps punitive damages and changes state joint and several liability rules. Senator Dodd (D-CT) has his own bill that does not go as far as the McCain bill in altering state contract and tort law. Senator Dodd remains opposed to the McCain bill. Most Democrats, and up to five Republicans with strong beliefs in states' rights, are looking for a compromise position but find that even the Dodd bill goes too far. We expect a compromise proposal to be offered as an amendment and are working to ensure that we have our own ideas to share with the likely sponsor, Senator John Kerry (D-MA).

The Week Ahead

- **Senate Schedule:** On Monday and for the remainder of the week, the Senate will resume debate on S. 96, the Y2K Act and may consider any other legislative or executive items cleared for action.

Only for Y2K cases?
What's statute of limitations?

cc: The Vice President
John Podesta
Steve Ricchetti
Maria Echaveste
Doug Sosnik
Ann Lewis

'99 APR 23 PM5:57

4-26-99

THE WHITE HOUSE

WASHINGTON

April 23, 1999

copied
Ucelli
Spector
Podesta
Lockhardt

TO: **THE PRESIDENT**

FROM: **LORETTA UCELLI**
STACIE SPECTOR

Subject: Communications Weekly Report

COLORADO SCHOOL SHOOTING

In response to the Colorado tragedy, we are coordinating with the Office of the Chief of Staff, the Press office, DPC, Cabinet Affairs, Legislative Affairs and the Outreach offices on a plan to convey and reinforce the Administration's work and commitment to reducing school violence. This plan began with your Rose Garden statement and your discussion with the T.C. Williams High School students that reinforced your commitment to increasing school safety and assured the American people that our schools are still among the safest places. Your session with the students was broadcast live by Channel 1, a classroom cable network, to 8 million students and 500,000 educators in 12,000 schools nationwide and on all the major cable networks as well as NBC and Fox.

Your remarks were distributed to the Outreach offices, to religious organizations and leaders, state and local elected officials, Cabinet members and Big Seven Organizations. They were also posted on the web-site.

On Sunday, the Vice President will attend a memorial service in Colorado. We are arranging a possible event for Monday where Attorney General Reno and Secretary Riley will join you in calling for the reauthorization of the Safe and Drug Free School initiative. For Tuesday, we are arranging an event with members of Congress to gather and demonstrate support for the tough new gun legislation you are sending to Capitol Hill.

We are also working with the Press office and Cabinet Affairs to place Administration officials on Sunday news programs.

KOSOVO

We are continuing to work with the NSC, the Press office, the Outreach offices, Cabinet Affairs and Legislative Affairs to communicate developments regarding Kosovo and strengthen public support for US and NATO action in the Balkans. Through the announcement of the supplemental budget, we emphasized the need for bipartisan support to fund important military operations and humanitarian relief efforts.

Need to get some refugees news here for media interviews

Talking points, a fact sheet and a press release were distributed to the Outreach offices, 500 African American organizations, religious leaders, state and local elected officials and Cabinet members.

TEACHER OF THE YEAR

We worked with the Press office to focus regional media attention on the 1999 state teachers of the year. Additionally, your remarks and a list of the teachers were distributed to over 200 education organizations, state and local elected officials, and the Cabinet.

EARTH DAY

Your statement was distributed to our Outreach offices and posted on the web-site.

4-26-99

'99 APR 22 PM 7:10

THE WHITE HOUSE

WASHINGTON

copied
Johnson
Podesta

April 22, 1999

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: BEN JOHNSON

SUBJECT: OFFICE ON THE PRESIDENT'S INITIATIVE FOR ONE AMERICA WEEKLY REPORT

ACTIONS

Police Practices: Following the release of a study of vehicle stops by NJ state troopers, Governor Whitman and her Attorney General conceded that racial profiling was "real - not imagined". Some troopers singled out Black and Hispanic drivers on the highway and once they were pulled over, minority motorists were more than three times as likely as whites to be subjected to searches. The study numbers indicated that fully 77 % or more of drivers asked to consent to a vehicle search during a stop were minorities.

Additionally, after reviewing the logs of 164 troopers, investigators have found that some troopers routinely falsified the race of drivers they stopped. They are alleged to have singled out black and Hispanic motorists for traffic stops and then falsified documents to make it appear that some of the minority motorists they had stopped were white. Investigators called the practice "ghosting", where the arrest records are illegally altered to conceal the disproportionate number of minorities that were stopped.

As many as 10 troopers could face criminal charges along with the two troopers that sparked the investigation. The two troopers recently shot three unarmed minority men during a traffic stop. They are now facing 19 additional charges connected to the ghosting practice. The Black and Latino Caucus of the New Jersey State Legislature will hold hearings on Tuesday and are expected to call former troopers and motorists to testify about discrimination and profiling.

Lawyers and Racial Justice: We met with a diverse group of leaders from the legal profession and DOJ Deputy Attorney General Eric Holder and Associate Attorney General Ray Fisher to discuss a proposal to get the legal sector more involved in racial justice and diversity initiatives. All minority bar associations were represented along with the chair of the American Bar Association, representatives from law schools, the private bar, the legal networks and the Lawyers' Committee for Civil Rights.

They are proposing that you host a meeting with the leaders of all national Bar associations and prominent members of the bar and issue a "Presidential Call to Action" for racial justice and diversity, to the legal sector. They are proposing the event be held on June 21st, the anniversary of President Kennedy's historic call to action in 1963 to the legal community that led to the creation of the Lawyers' Committee for Civil Rights.

Ad Council: We hosted a conference call with executives from the Ad Council and Griffin Bacall, the ad agency that created the PSA's for your Race Initiative, to discuss ways to generate visibility and energy for a pro-diversity, anti-hate media message. We talked about production, placement and the need to craft a short, telegenic message -- a base thought that is seen over and over -- similar to the slogans "Just Say No" and "Just Do It". The message will thus be a symbol, an icon for tolerance that appeals to the greatest number and is easily recognized, like a famous label.

The Ad Council and Griffin Bacall agreed to work on a proposal and meet back with us in a few weeks to fine tune the ideas. We will then follow up with meetings with key Internet providers such as America On Line (AOL) to gather support for an Internet campaign against hate.

Agency Participation: We attended the Agency Chiefs of Staff meeting and repeated our request for memorandums on agency goals aimed at closing the opportunity gap (however small) that they can accomplish over the next six months. So far only 7 agencies have responded. We will continue working with Cabinet Affairs to assure Agency response to this latest request.

We also distributed copies of your Promising Practices compendium and the One America Dialogue guide and shared information on the successful efforts at GSA and the Park Service to promote diversity and tolerance.

<u>CONSTITUENT OUTREACH</u>

Minority AIDS Council: We met with representatives of the Minority AIDS Council to discuss ways to develop a more focused educational campaign in minority communities to fight AIDS. They pressed us hard to find funds for an educational campaign against the spread of AIDS, similar to the advertising campaign to fight drugs among our youth.

Congress of National Black Churches: I met with the Board of Directors of the Congress of National Black Churches to ask their assistance in mobilizing their member denominations and congregations in support of the "One America" budget initiatives outlined in your proposals to Congress. They voiced support for the education proposals and plan to assist in the battle to end racial disparities in health. They gave me an earful about the 4th Judicial Circuit's lack of minority representation and asked that the administration continue looking for people of color to appoint to the federal court.

In addition, they voiced strong opposition to the combination of kids and guns. They and want legislation that will take the guns off the street and away from children. In light of recent events and the racial undertones, they feel there is a strong need for and are calling for a national day of prayer and reconciliation.

CABINET RACE INITIATIVE WEEKLY REPORT

Department of Agriculture

Civil Rights Initiative: During a keynote luncheon speech to the Rainbow/Push Coalition in Chicago, IL on April 16, Secretary Glickman addressed the progress of his civil rights initiative, including the settlement of the class action suit alleging discrimination in USDA's lending programs. He will make similar remarks to the Conference of Black Mayors on April 23.

Department of Education

School Desegregation: On April 19, a trial began in Charlotte, NC, that challenges school desegregation policies established 30 years ago in Swann v. Charlotte-Mecklenburg Board of Education, the nation's second most important desegregation ruling. The 1969 decision, upheld by the Supreme Court two years later, allowed schools to bus students far away from their homes in order to eliminate segregated schools. A U.S. District Judge decided to revisit the Swann ruling after a Charlotte parent filed a suit alleging that his daughter -- classified by a newspaper article as half Anglo and half Hispanic -- was refused admission to a magnet school because she is non-black.

Social Promotion: "Taking Responsibility for Ending Social Promotion: A Guide for Educators and State and Local Leaders" is being prepared for publication, printing, and to be put up on the web, awaiting release by the White House. The guide offers promising examples and resources to help end the practice of social promotion.

Department of Health and Human Services

National Electronic Telecommunications System for Surveillance (NETSS), 1994-1997: Reporting race/ethnicity variables in public health surveillance systems is critical in making informed public health policy decisions about minority groups and measuring the impact of health interventions within these populations. A national health objective for 2000 is to improve race/ethnicity data collection in public health surveillance and data systems.

To determine progress toward meeting this goal in NETSS, the percentage of information that are reported to the CDC and Prevention through NETSS which included race/ethnicity data was calculated for 1994-1997.
The analysis suggests that proportions of race/ethnicity reporting are low and have not

improved over time, possibly because of data collection practices at the reporting source, existence of multiple standards for collecting data, and lower prioritization by State, local, and Federal public health practitioners on the collection and use of these data.

Department of Justice

African American Farmers Suits: On April 14, District Judge Paul L. Friedman approved the Consent Decree agreed upon by the parties to settle two class actions Pigford v. Glickman (DC) and Brewington v. Glickman (DC) brought by African American farmers alleging that the Department of Agriculture failed to investigate and/or properly respond to their complaints of discrimination in USDA farm credit and non-credit benefit programs.

The Consent Decree affords class members an opportunity to obtain relief for discrimination that they can prove they experienced. Class members may seek relief under one of two tracks: Track A enables class members who present substantial evidence of discrimination to recover $50,000 plus forgiveness of outstanding USDA debt related to discrimination; Track B enables class members who establish by a preponderance of evidence that they experienced discrimination to recover actual damages as well as forgiveness of outstanding USDA debt related to discrimination.

Hate Crimes: The Senate Judiciary Committee has scheduled a hearing on hate crimes for April 28. Deputy Attorney General Eric Holder will testify on behalf of the Administration.

Native American Conference: The United States Attorneys in the Eastern and Western Districts of WA, OR, MT, ID, and AK are sponsoring the Seventh Annual Northwest Region Native American Conference April 26-29, 1999, in Spokane, WA. The conference will focus on juvenile issues and offer ideas for community and family-oriented programs. The attendees will assess the value of the programs to their respective communities.

Department of Labor

Indian and Native American Programs: In the next few weeks, the first evaluation of the Indian and Native American program since the inception of DOL's Employment and Training Administration (ETA) will be released. The evaluation was conducted with the services of a Native American subcontractor who collected field data in 50 tribal communities throughout the country, including remote areas. Grantee goal statements and service designs revealed a strong client-centered orientation that focuses on shorter term economic needs of participants.

The recent partnership initiative undertaken by ETA's Division of Indian and Native American Programs received high marks by the evaluators for creating an atmosphere of trust and mutual respect. Recommendations included DOL continuing to work in partnership with the grantee community and that the grantee should expand outreach and focus more on long term needs of participants through training and work experience.

Office of Personnel Management

Hispanic Federal Employees: On April 21, Director Lachance and Deputy Director Sepulveda spoke at the Hispanic Federal Executives Summit. They spoke about the Administration's efforts to create a government workforce that reflects the diversity of America.

Department of Veterans Affairs

Hispanic Federal Executive Summit II (Summit II): In partnership with the National Association of Hispanic Federal Executives (NAHFE), Secretary West hosted the Summit II on April 21-22 in Arlington, VA. Summit II is an executive training forum that strengthens the Department's collective efforts to increase the number of Hispanics in the Senior Executive Service and higher GS grades. Participation is encouraged from career and non-career Hispanic Federal Senior Executives and other Federal executives interested in increasing the representation of Hispanics in the executive ranks.

4-26-99

THE WHITE HOUSE

WASHINGTON

Copied
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Podesta

'99 A

April 23, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra Mickey

SUBJECT: Office of Intergovernmental Affairs Weekly Report - April 19 - 23, 1999

COLORADO SCHOOL SHOOTING

- We have worked closely with the Office of Cabinet Affairs to coordinate our federal response to key Colorado elected officials following the tragic school shooting April 20. We have provided briefings to Governor Owens (R-CO), Attorney General Ken Salazar (D-CO), Senate Minority Leader Mike Feeley (D-CO), State Senator Norma Anderson (R-CO), Commissioner Patricia Holloway (R-Jefferson County), School Board President Jon DeStefano (NP-Jefferson County) and Mayor Wellington Webb (D-Denver).

CENSUS 2000

- We received three additional letters of support for our Census 2000 plan from governors; Locke (D-WA), Kitzhaber (D-OR), and Siegelman (D-AL). These letters, addressed to Members of Congress, make a total of 11 Democratic governors who are supporting the Administration's position on Census 2000.

TOBACCO

- On Monday, April 19, Governor Rowland (R-CT), joined by Senator Hutchison (R-TX) and Senator Graham (D-FL), held a press conference urging Congress to include tobacco recoupment prevention legislation in the emergency supplemental. We continue to deliver the message to states that the Administration wants assurances that a portion of the settlement will be spent on youth anti-smoking initiatives and other programs, and have highlighted how state legislatures in Texas and Florida have dramatically curtailed tobacco prevention initiatives. The NGA called this week to express interest in meeting with Bruce Reed.

4-26-99

GOVERNORS & EDUCATION

- Governors from both parties are pleased with the agreement on Ed-Flex, and are eager to participate in a signing ceremony. On ESEA, IGA and DOEd held a bipartisan consultation with representatives of the NGA ESEA Task Force. Many of the governors' staff view our proposal, particularly the accountability provisions, as a significant shift in the Federal role in education, and are likely to oppose our legislative proposal.

URBAN PARKS

- Mayors DeeDee Corradini (D-Salt Lake City, UT), Marc Morial (D-New Orleans, LA) and Kirk Watson (D-Austin, TX); County Officials Jane Hague (R-King County, WA) and C. Vernon Gray (D-Howard County, MD), visited the White House at my invitation on Tuesday, April 20 to meet with John Podesta, George Frampton and Interior officials to urge increased funding for urban parks. The delegation also met with Speaker Hastert and other legislators on the Hill to advocate for more park resources on behalf of NACo and USCM.

NATIONAL CONFERENCE OF BLACK MAYORS

- Barbara Bostick-Hunt traveled to Denver to participate in the National Conference of Black Mayor's conference and to advocate for support of our Census 2000 plan April 21-23. She also coordinated with the Department of Labor staff to ensure that Secretary Herman was briefed on the nearby Littleton shootings before her keynote address April 22. (Sec. Richardson and Sec. Glickman canceled their trip due to snow.)

WH CONFERENCE ON MENTAL HEALTH

- On Monday, April 19, IGA set up a meeting with Marsha Scott and representatives from the Big Seven organizations of elected officials to discuss preparations for the WH Conference on Mental Health in June. The representatives were extremely interested and assured us that they will reach out to their constituents in order to ensure their participation.

INSULAR AFFAIRS

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- Virgin Islands: Fred DuVal led a four agency federal task force to meet with Governor Turnbull (D-VI) and his task force on the future finances of the Virgin Islands. The current outstanding debt of the Virgin Islands is over one billion dollars, while their annual budget is just under 500 million. They missed payroll two weeks ago and projected tourist revenues are down this year. The federal team has rejected the Virgin Islands request for a cancellation of the outstanding FEMA loans, but was able to secure some postponement of loan repayments to help their cash flow. We will assemble a budget team here to review other ways we might help them, but we have expressly tied any new federal budget relief to explicit budget reforms on the island that will require hard choices involving layoffs and tax increases. In the meantime, we are moving forward with proposed legislation, sponsored by the Department of Interior, that would facilitate improvements and expansion of their National Park, which would help the long-term growth of their tourist industry.

- Fatal Bombing Accident in Puerto Rico: A Marine bomber missed the target in Vieques, Puerto Rico killing a local contract employee and wounding four others on Navy land. The accident ignited a public firestorm among Puerto Ricans. Governor Pedro Rossello (D), Congressman Carlos Romero-Barcelo (D), and the legislature called for ending live ammunition practice on the island municipality. San Juan Mayor Sila Calderon (I-San Juan) called for ending all military activities on Vieques. Navy Secretary Danzig apologized for the accident and initiated an investigation. We are working with NSC and the Navy on the situation.

- New Guam Election Ordered: The Ninth Circuit Court of Appeals upheld the Guam District Court's order of a run-off election for last year's gubernatorial election in Guam. It agreed that disputed ballots should be counted and Governor Carl Gutierrez (D) and Lieutenant Governor Madeleine Bordallo (D) did not obtain the over 50% of the total vote that is required for election by Federal law. Gutierrez and Bordallo are appealing to the Supreme Court.

- China: A boat load of suspected Chinese citizens was intercepted early today and diverted from Guam to the Northern Mariana Islands—this is the second boat of Chinese people intercepted in a week. Governor Tenorio agreed to accept both. A third boat arrived undetected. Guam Governor Gutierrez and Congressman Robert Underwood (D) are asking for reimbursement for Guam's cost of housing 600 Chinese who have illegally entered so far this year and have the migrants moved from Guam as soon as possible. We are continuing to work with NSC and an interagency group on the problem. We are seeking help from the Chinese government also.

WEEK AHEAD

- On Wednesday, April 28, Sally Katzen and I will be hosting another Federalism executive order consultation with the Big Seven organizations of elected officials. Chuck Ruff, Thurgood Marshall Jr., and I will meet with members of Congress to explore a united Olympic agenda.

Gateways Hospital and Mental Health Centers

cc: Pres Corres
Staff Sec

FACSIMILE TRANSMITTAL SHEET

'99 APR 26 PM2:57

TO:	Chief of Staff to the President	FAX #: (202) 456-2883
ATTN:	John Pedesta	
FROM:	*Fran Pierce Jackson, Director of Development* Fran P. Jackson	
DATE AND TIME:	*April 22, 1999*	
NO. OF PAGES	*7 (including cover page)*	

COMMENTS:

Invitation to be placed on Honorary Committee and provide a Proclamation or letter to Lou Ziskind for June 6, 1999. We would appreciate hearing from you as soon as possible.

THANK YOU.

Please call	*(213)644-2000, ext 228*
Please fax to:	*(213)666-1417*

☐ to confirm receipt of this fax ☐ if there is any problem with transmission

4-26-99

Came in interoffice mail.

Send to Burkhardt

Yes ✓

no

GATEWAYS HOSPITAL
AND MENTAL HEALTH CENTERS

1891 Effie Street
Los Angeles, CA 90026
Ph 213. 644. 2000
Fax 213. 666. 1417

VIA FAX (202) 456-2883

April 22, 1999

President Bill Clinton
White House
Washington, 20500

Dear President Clinton:

We feel most privileged to have the opportunity to write to you about the Gateways Hospital Rededication honoring the Ziskind family, founders of Gateways Hospital and Mental Health Center. We have set the date for Sunday, June 6, 1999 at 11:00 AM. We would very much appreciate receiving a Proclamation or letter from you to be presented to Lou Ziskind that day.

Gateways Hospital and Mental Health Center, a constituent agency of the Jewish Federation of Greater Los Angeles and a United Way agency, is a non-profit behavioral health care agency providing comprehensive services designed to restore health and well-being to the emotionally and mentally ill. Gateways opened its doors in 1961. Eleanor Roosevelt dedicated the hospital at that time. Enclosed are photos of this special moment. Gateways was founded by Lou Ziskind, a Licensed Clinical Social Worker who is recognized as a pioneer in community based treatment of the mentally ill, his brother Dr. Eugene Ziskind (a well known Psychiatrist), Dave Ziskind, Lou's brother and a prominent attorney, and Gene's wife, Dr. Esther Sommerfeld (also a Psychiatrist). Lou Ziskind has just turned 90, and we very much want to honor him and this outstanding family for their commitment to mental health, the community and those less fortunate. Appropriately, we are dedicating the main campus of the hospital in downtown Los Angeles as the "The Ziskind Family Campus" of Gateways Hospital and Mental Health Center.

In 1953 at a time when mental illness was not a topic talked about Lou Ziskind went into the community to find support for mental health and the first Gateways opened its doors on Hoover Street. In the late 50's the hospital was able to expand to its present 5 ½ acre location in Echo Park thanks to federal Hill-Burton funds and generous contributions from the Los Angeles Jewish community. Today we operate 6 sites - Gateways Hospital, Gateways Beit T'Shuvah, Gateways

Westside Geriatric Center, Gateways Forensic Programs which includes Gateways Mentally Ill Offenders Program, Gateways Community Correction Center, and Gateways Conditional Release Programs. Together these sites offer a range of behavioral health services to the medically indigent, Medi-Cal and Medi-Care populations. Most of our caseload comes to us through contracts with the Federal Bureau of Prisons, the Los Angeles County Department of Mental Health, and the State Conditional Release Program.

The Ziskind family's desire to bring high quality, low cost mental health care to those lacking resources, dates back to the 1940's. The Ziskind family name is regaled throughout the mental health and criminal justice community in the U.S. and other parts of the world. Gateways was also among the first organizations to use psychotropic medication. Today we continue to honor the tradition of providing compassionate high quality, low cost behavioral health services that was the guiding principle of our founding first family. In 1998 Lou received a lifetime achievement award from the Jewish Federation for his efforts in founding Gateways.

You would greatly honor Gateways by allowing us to place your name on the Honorary Committee. We await your early positive response so that we can properly prepare this Rededication memorializing an outstanding family.

Thank you for your consideration.

Sincerely,

Saul Goldfarb Fran Pierce Jackson

Saul Goldfarb
President
and Chief Executive Officer

Fran Pierce Jackson
Director of Development

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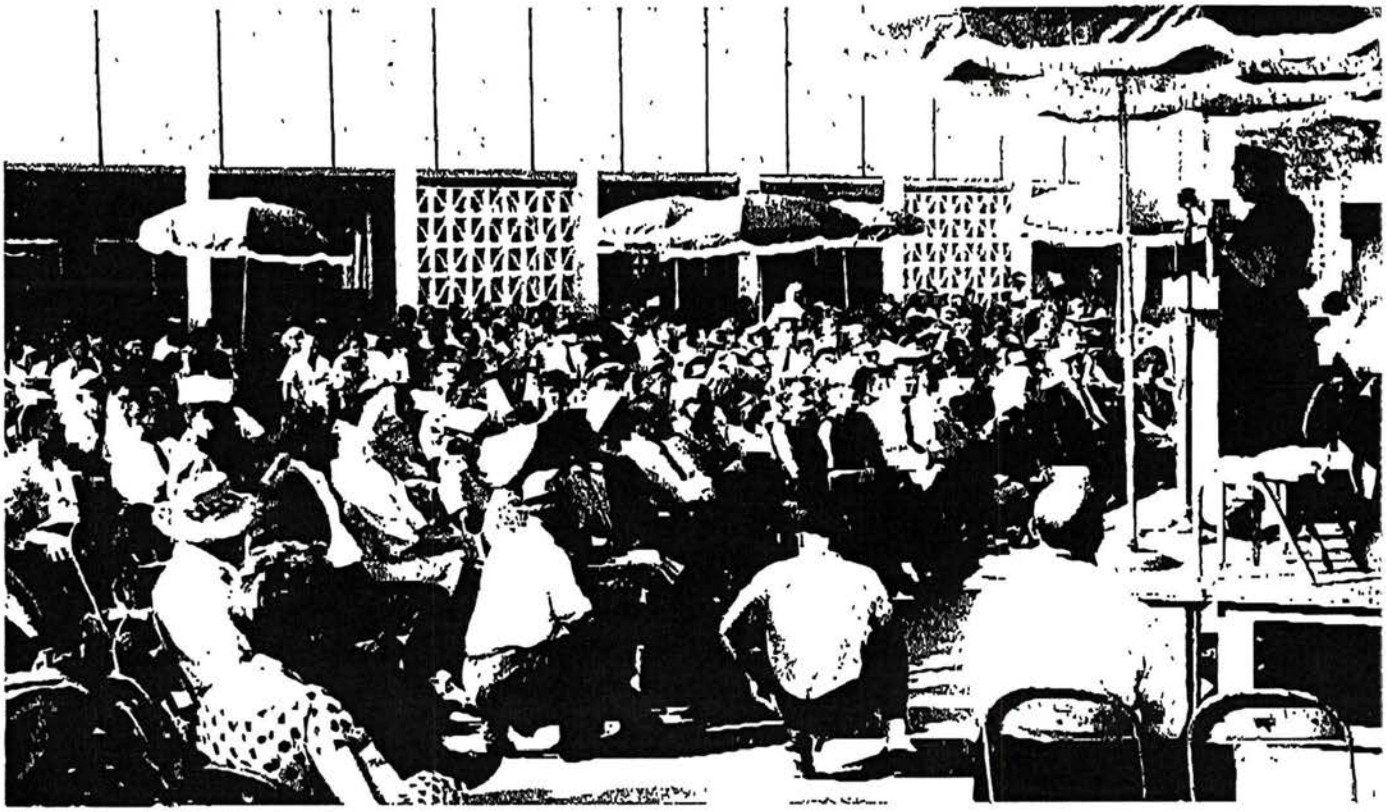
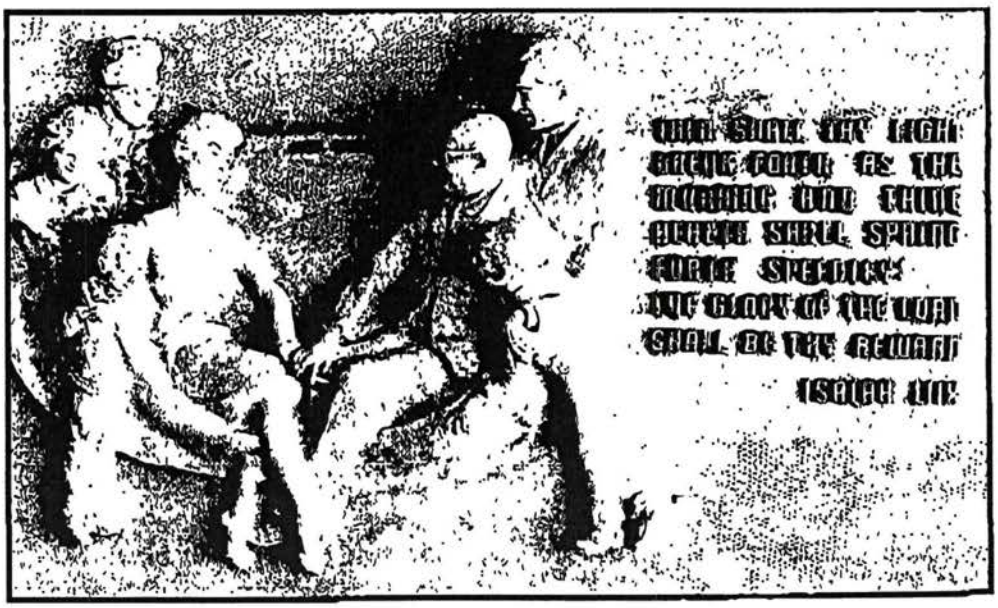


The courtyard is packed to hear Eleanor Roosevelt at dedication ceremonies in October 15 1961



Rabbi Edgar F. Magnin, left, Mrs. Roosevelt, Dr. Jacob Karpf, and Congressman James Roosevelt.

Gateways Executive Director Louis Ziskind, left, Mrs. Roosevelt, Gateways Medical Director, Dr. Solon D. Samuels, and Dr. David G. Gaede, chief of the Bureau of Private Institutions, State Dept. of Mental Hygiene

Councilman James Brown, left, and Supervisor Ernest E. Debs with Mrs. Roosevelt.

Dr. Sylvan Goldberg, left, and Judge Irving Hill spend a few minutes with Mrs. Roosevelt

"How Would You Like A Quarter Of A Million Dollars?..."

Gateways Hospital did not happen all at once.

It took years of devotion to a plan, hard work by dedicated men and women engaged in activities of the Jewish Committee for Personal Service before $10,000 had been raised to purchase a 50-foot lot at 437 North Hoover Street and construct a 10-bed hospital.

It was revolutionary for 1953.

Men and women were housed in the same building. There were no locked doors. Beds folded out of sight during the day and doubled as sitting and reading rooms. The dining area was also the recreation room.

Within two years, Gateways Hospital was bursting at the seams. It had grown to 27 beds and into two small adjoining bungalows and rented apartments in an apartment house next door, and administrators were looking around for the means to future growth.

Over lunch, John Factor asked Louis Ziskind, then executive director and now Gateways' vice president emeritus, "How would you like a quarter of a million dollars gift for the building of a new hospital?"

Inspired by this act of generosity, Gateways' board of directors launched a fund-raising drive under the direction of George Olincy. Other memorable leaders of the Jewish community who supported the effort included an omnipresent JCPS "founding angel," Rabbi Edgar F. Magnin, Victor M. Carter, Ben Heller, Tilden Norton, Virginia Olincy, Rella Factor, Andrew Norman, and Leo J. Seidenberg.

Some $1,500,000 was raised, sufficient to purchase four acres of land in the Echo Park-Elysian Park area and build the 55,000 square foot complex dedicated by Eleanor Roosevelt on October 15, 1961.

Those who crowded in to hear the remarkable widow of the late President Franklin Delano Roosevelt remember her remarks, delivered under a blazing 107 degree sun, as "stirring" and "inspirational."

Gateways Hospital comprised two major buildings, with the main T-shaped structure housing 64 beds in two wings and the administrative units in its two-level stem. The second building was a two-story activities center comprising offices for out-patient services, an auditorium, gymnasium, snack bar, chapel, and recreation patio. Also on the grounds: a dozen sheltered residential cottages, basically an "open" unit suited to the care of voluntary patients.

From the onset, there has been no age, sex, race, religious or residential barrier to admission. Patients are limited to those requiring hospitalization or able to profit by a short stay in an open or restricted setting. A non-profit agency, any fees or special charges are based on a patient's ability to pay.

Lou Ziskind has recalled, "We selected the Effie Street location because it was centrally located to the entire community via the freeway systems...but mostly because it was available at a price we could afford."

What happens next in the unfolding saga of a hospital determined to provide expanded service to the community in the years ahead?

There's a Year 2000 plan that offers clues to that future.

And, hopefully, prayerfully, others like John Factor wondering if...

'99 APR 26 PM6:28

THE PRESIDENT HAS SEEN
4-26-99

THE WHITE HOUSE

WASHINGTON

April 26, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM Bruce Reed
Jose Cerda III

RE: Outstanding Gun Issues

Below please find the follow-up information you requested on tomorrow's announcements. As soon as you make a decision, we are prepared to incorporate either of these two provisions into your proposed firearms legislation.

One-Gun-A-Month

We spoke with Senator Robb's office to confirm his position on this issue. He supported Governor Wilder's efforts to pass one-gun-a-month legislation in Virginia, and he strongly supports Senator Lautenberg's bill to enact the same limit on handgun purchases at the federal level. In fact, he is currently a cosponsor of the bill. Senator Robb's staff expects that George Allen will strongly oppose this measure, pointing out that while Governor he even vetoed legislation that would ban gun possession in schools and recreation centers.

__✓__ Include this provision ____ Do not include this provision ____ Let's discuss

Raising the Age of Handgun Ownership

As part of the 1994 Crime Act, you signed into law the Youth Handgun Safety Act, which generally banned the possession of handguns by juveniles under the age of 18, and prohibited adults from transferring handguns to a juvenile -- except for in limited circumstances (i.e., while on the job, or hunting and ranching with written parental consent). A separate provision of the 1968 Gun Control Act also prohibits federal gun dealers from selling handguns to any one under 21 years of age. However, it is perfectly legal for 18-20 year olds to possess handguns -- and even to buy them from unlicensed sellers, such as a from a neighbor who is a private collector.

Gun control advocates would like to close this loophole. They point out that ATF's trace data show that the two most ~~frequent ages of crime gun~~ possession are 18 and 19 years old, and that 18 to 20 year-olds make up 22 percent of all murder arrests. Additionally, more than 80 percent of the crime guns traced to young adults (18 to 24 year-olds) are handguns. We agree with the gun control advocates on this issue, and recommend that you support closing this loophole on the possession of handguns by 18 to 21 year-olds.

__✓__ Include this provision ____ Do not include this provision ____ Let's discuss

~~[illegible]~~
but we need to keep these provisions [illegible]?

4-26-99

THE WHITE HOUSE

WASHINGTON

April 24, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: PHILLIP CAPLAN Phil
SEAN MALONEY

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Sec'y Rubin Memo on Hedge Funds and LTCM** -- next Thursday your Working Group on Financial Markets plans to release its report, "Hedge Funds, Leverage, and Lessons of Long-Term Capital Manage... greater public disclosures by ... institutions concerning their ... institutions; improving so-ca... institutions; encouraging bet... firms; making capital charge... the unregulated affiliates of ... financial contract netting in t... incentives for offshore financ...

Tab B – cover page 1 + memo.
Burkhardt/Podesta

Tab C – cover page 1 + memo
memo only Thurman / Podesta + B. Reed

Tab F – cover page 2 + memo
Burkhardt (for reply) / Podes

Tab G – cover page 2 + memo
Burkhardt (for reply) / Podest

Tab H – cover page 2 + memo
Koskinen / Lew / Podesta

(B) **VFW Letter in Support of K...** VFW, the nation's largest co... has changed its position and n... NSC have the letter, which th... released.

Dory for meeting

(C) **Sandy Thurman Report on AIDS in Africa** -- Sandy has sent you a detailed report on her recent mission to sub-Saharan Africa; among her findings: AIDS is ravaging the region, causing "unfathomable" human suffering, jeopardizing economies and civil society; however, determined leadership has made a tremendous difference in some areas (*e.g.*, Uganda); Sandy recommends the formation of a Global AIDS Emergency Working Group to make specific policy recommendations; the group would include Sandy's office, NSC, OMB, OVP, USAID, Peace Corps, DOD, State, Treasury, and HHS; John Podesta has also asked Bruce Reed to work with Sandy to organize and sharpen the Group's efforts. *Please see memo for details.*

Follow up

(D) **Lew/Stein Memo on FY2000 Veterans Affairs Budget** -- the medical care budget for the VA has come under fire from veterans groups and others who believe the budget commits the VA to expand services and treat more veterans without providing an increase in funding over the previous year; negative statements by VA officials have fueled such criticisms; over the next 10 years, your budget actually provides $2B more than the

4-26-99

House resolution and almost equals the Senate resolution; over the last 5 years, veterans service organizations (VSO's) have asked Congress to provide $3B annually above your VA medical care requests; OMB will consult with VSO's and Congress and continue to look at alternatives as we approach year-end budget negotiations.

(E) **Two Updates from Neal Lane** -- (1) Research Suspension at Los Angeles VA Hospitals -- responds to your question about whether UCLA can help fix problems in the VA Greater Los Angeles Health Care System, where all research has been halted due to bioethics procedural violations; the VA and UCLA are taking steps to address the problems (*e.g.,* investigators are conducting interviews and reviewing records; a high-level interim management team has taken over the programs; new VA and UCLA boards will review the projects; UCLA may move some suspended projects out of VA facilities and onto its campus); (2) Human Genome Project -- MOU negotiations between Celera and the Human Genome Project are ongoing, but now hinge on Celera's willingness to make its DNA sequencing data publicly available at no charge; recently Celera founder Craig Venter implied that access to his company's data would be by subscription only; efforts are underway to clarify Celera's policy; separately this week, a consortium of 10 drug companies announced they would fund five leading gene laboratories to help create a new public database of genetic markers called "snips" or SNP's, the common variations in DNA that make us unique individuals.

To TY

(F) **Note from Jim Harmon on Ex-Im Bank Developments in Africa** -- passes along the "good news" that the Ex-Im Bank will soon open for business in 10 additional sub-Saharan African countries and expand its existing programs in six additional nations; Ex-Im expects to re-commence business in Nigeria after a 12-year lapse; says, "None of this would have happened without your African Initiative."

No reply

(G) **Letter from Carl Whillock on Agricultural Crisis via Nancy** -- says farmers and ranchers are facing "ruinous situations" and "many will not be able to obtain loans to make a crop or raise livestock this year." Whillock lists the "culprits" including: low prices, harmful weather, and crop disease; says we need to do a better job of keeping family farmers and ranchers working on their land; per Sally Katzen, Carl is a part of the NEC-led interagency/USDA team that has been working on farm crisis responses.

(H) **Monthly Y2K Summary from John Koskinen** -- says most vital national services (*e.g.,* electric power, telecommunications, banking) are on track to have their mission-critical systems ready for the Year 2000; he's concerned about the health care sector, where Y2K compliance is still relatively low and disruptions in provider payment systems could force some smaller facilities to shut down; the Council's focus next month will be to collect more information about critical areas such as pharmaceuticals, food, hospital supplies, and mass transit; John also forwards a copy of the Council's Second Summary of Assessment Information, a detailed compilation of industry and government data on the status of Y2K efforts; *we have the report on file in our office.*

4-26-99

THE WHITE HOUSE

WASHINGTON

April 24, 1999

copied
Burkhardt
(for reply)
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: PHILLIP CAPLAN Phil
SEAN MALONEY

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Sec'y Rubin Memo on Hedge Funds and LTCM** -- next Thursday your Working Group on Financial Markets plans to release its report, "Hedge Funds, Leverage, and Lessons of Long-Term Capital Management." The Group will recommend: requiring greater public disclosures by hedge funds and by public companies and financial institutions concerning their exposure to hedge funds and other highly leveraged institutions; improving so-called "counterparty risk management" by financial institutions; encouraging better risk-management systems among regulated financial firms; making capital charges more sensitive to risk; expanding risk reporting related to the unregulated affiliates of broker-dealers and futures commission merchants; improving financial contract netting in the U.S. in the event of bankruptcy; and creating stronger incentives for offshore financial centers to comply with international standards.

Note for history

(B) **VFW Letter in Support of Kosovo Action with Note from Hershel Gober** -- the VFW, the nation's largest combat veterans organization with some 2 million members, has changed its position and now supports the Kosovo operation; our press office and the NSC have the letter, which the VFW also released.

Follow up

(C) **Sandy Thurman Report on AIDS in Africa** -- Sandy has sent you a detailed report on her recent mission to sub-Saharan Africa; among her findings: AIDS is ravaging the region, causing "unfathomable" human suffering, jeopardizing economies and civil society; however, determined leadership has made a tremendous difference in some areas (*e.g.*, Uganda); Sandy recommends the formation of a Global AIDS Emergency Working Group to make specific policy recommendations; the group would include Sandy's office, NSC, OMB, OVP, USAID, Peace Corps, DOD, State, Treasury, and HHS; John Podesta has also asked Bruce Reed to work with Sandy to organize and sharpen the Group's efforts. *Please see memo for details.*

(D) **Lew/Stein Memo on FY2000 Veterans Affairs Budget** -- the medical care budget for the VA has come under fire from veterans groups and others who believe the budget commits the VA to expand services and treat more veterans without providing an increase in funding over the previous year; negative statements by VA officials have fueled such criticisms; over the next 10 years, your budget actually provides $2B more than the

4-26-99

DEPARTMENT OF VETERANS AFFAIRS
Office of the Deputy Secretary

4-20 19 99

SUSP: __________ 19 ____

→ ~~THRU~~ TO: The President
AND Sandy Burger, NAT'L Security Advisor

- [ ] PREPARE REPLY FOR MY SIGNATURE
- [ ] COMMENTS AND RECOMMENDATIONS
- [ ] REPLY–COPY TO ME
- [ ] FOR STAFF DISTRIBUTION AND FILE
- [ ] SIGNED
- [ ] FOR YOUR INFORMATION AND FILE
- [ ] FOR NECESSARY ACTION (Staff Coordination) (Staff Distribution)
- [ ] PLEASE NOTE AND RETURN
- [ ] APPROVED–PROCEED
- [ ] PLEASE SEE ME/PHONE ME
- [ ] SPECIAL HANDLING–EXPEDITE
- [ ] NOTED–THANK YOU

COMMENTS

This is good news. The VFW, the largest Combat Vet. organization with 2 million members has changed their position and now supports the operation in Kosovo. They ~~[illegible]~~ publish a press release (attached)

Hershel Gober

VETERANS OF FOREIGN WARS OF THE UNITED STATES

'99 APR 20 PM2:35

April 1999

The President
The White House
Washington, DC 20500

Dear Mr. President:

The Veterans of Foreign Wars of the United States is gravely concerned about the worsening situation in the Balkans. As the combat veterans who for the last 100 years have fought all of our country's wars, we have until now opposed the deployment of U. S. forces to the former Yugoslavia. Our opposition was based on our concern for the safety of our servicemen and women in the midst of the Yugoslav civil war. Also, we have been uncertain what vital U. S. national security interests were at stake in that country's conflict.

Since we took that position, however, the situation has changed. In the past few weeks Serbian leaders have used their military and paramilitary forces to overrun Kosovo, destroy the social and economic fabric of the province and terrorize the populace into flight.

Despite, and in defiance of NATO's diplomatic efforts and its air campaign, Serbia now has achieved its objectives in Kosovo. By doing so it has raised the stakes in this conflict. Having waged unrestricted war on the people and province of Kosovo, NATO's credibility and U. S. leadership have been directly challenged by Serbia. NATO will neither continue as a credible, unified alliance, nor will the U. S. retain its world leadership role if the Serbian challenge goes unmet and Serb aggression is not stopped.

Many of our members are deeply troubled by the situation we face. Some realize the long history of this conflict, the skill of our adversaries, the inhospitable weather and terrain and the political difficulty of maintaining alliance unity are important factors that will affect our actions and there outcomes. Others are mindful of the lessons of past wars. The gradual applications of force that allow adversaries to seize their objectives before our power peaks and the limits placed on the use of our military power which can

COPY

★ WASHINGTON OFFICE ★
VFW MEMORIAL BUILDING ● 200 MARYLAND AVENUE, N.E. ● WASHINGTON, D.C. 20002-5799
AREA CODE 202-543-2239 ● FAX 202-543-6719

prolong conflicts, increase casualties and erode public support are lessons that seem to some to apply equally to today as to yesterday.

Nonetheless, in consideration of the current situation, the Veterans of Foreign Wars of the United States is resolved that in order to bring this conflict to a rapid and successful conclusion on terms favorable to NATO, we will support the United States acting as part of the NATO Alliance, taking decisive action with the full range of overwhelming military power to eject, remove or otherwise force the withdrawal of Serbian military and paramilitary forces and to restore Kosavars to their homes.

We also believe that careful consideration should be given to the formation of a NATO peacekeeping force to guarantee Kosovars' freedom from further oppression and the right to its self-determination.

Finally, Mr. President, with such important questions before us we believe and urge you to ensure first that the American people are behind this effort and then to take this issue to the United States Congress for its advice and consent.

Sincerely,

THOMAS A. POULIOT
Commander-in-Chief

APR 20 '99 11:00 VFW-WASH OFFICE P.1/1

Post-it® Fax Note 7671	Date 4/20	# of pages ▶ 1
To Gunner Kent	From Bill Smith	
Co./Dept. VA	Co. VFW	
Phone #	Phone # 543-2239	
Fax # 273-4876	Fax #	

Bill Smith
(202) 543-2239

VFW BACKS FULL USE OF NATO MILITARY POWER AGAINST SERBIA

WASHINGTON, D.C., April 19, 1999 -- The Veterans of Foreign Wars today, previously opposed to the deployment of U.S. forces to the former Yugoslavia, advised the president that the VFW would support the NATO alliance taking decisive action "to eject, remove, or otherwise force the withdrawal of Serbian military and paramilitary forces and to restore Kosovars to their homes."

In a letter to President Clinton, VFW Commander in Chief Thomas A. Pouliot, of Helena, Mont., said, "In the past few weeks Serbian leaders have used their military and paramilitary forces to overrun Kosovo, destroy the social and economic fabric of the province and terrorized the populace into flight. Ignoring NATO diplomatic efforts to resolve the issue and instead waging war on Kosovo has changed the situation and raised the stakes in the conflict.

"NATO's credibility and U. S. leadership have been directly challenged by Serbia. NATO will not continue as a credible, unified alliance if the Serbian challenge goes unmet and Serb aggression is not stopped," Pouliot noted.

The Veterans of Foreign Wars of the United States is resolved that in order to bring this conflict to a rapid and successful conclusion on terms favorable to NATO, we will support the United States acting as part of the NATO alliance, taking decisive action with the full range of overwhelming military power."

The VFW leader said that careful consideration should be given to the formation of a NATO peacekeeping force to guarantee Kosovars' freedom from further oppression and the right to its self-determination.

Pouliot also urged the president to ensure first, that the American people are behind this effort and then, to take this issue to the United States Congress for its advice and consent.

-30-

4-26-99

THE WHITE HOUSE

WASHINGTON

April 24, 1999

copied
Thurman
Podesta
Reed
Echaveste (6-22)

MEMORANDUM FOR THE PRESIDENT

FROM: PHILLIP CAPLAN Phil
SEAN MALONEY

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Dory for memory

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'99 APR 21 PM5:25

4-26-99

THE WHITE HOUSE

WASHINGTON

April ~~16~~,1999
21

This is very good — Maybe working group involved the entire agency

B

MEMORANDUM TO THE PRESIDENT

FROM: Sandra Thurman, Director, Office of National AIDS Policy

SUBJECT: Report on Presidential Mission Looking at Children Orphaned by AIDS in sub-Saharan Africa

---

This memorandum will provide findings and recommendations that arise from a Presidential Mission to sub-Saharan Africa looking at children orphaned by AIDS.

Summary

- In the next decade, 40 million children will be orphaned as a result of losing one or both parents to AIDS.
- AIDS is not just taking lives, it is threatening economics, stability, and civil society.
- AIDS is wiping out decades of progress on a variety of development fronts, including per capita GNP, infant mortality, and life expectancy.
- Leadership and investment can help, and has helped, to turn the tide.
- Political support for a more aggressive United States response is building.
- As goes Africa, so will go India, Asia, and the new Soviet states, and by 2005, more than 100 million people worldwide will be HIV+.

Background

This past World AIDS Day, you highlighted the growing global tragedy of children orphaned by AIDS in sub-Saharan Africa. At that time, you directed me to lead a fact-finding mission to the region and to report back to you with recommendations for productive action. From March 27 through April 5, I led a Presidential Delegation to Zambia, Uganda, and South Africa. I was accompanied by Representatives Jackson-Lee, Kilpatrick, and Lee, and senior staff from the offices of Senators Hatch, Helms, and Kennedy, and Representative Pelosi. We were also joined by a select group of individuals from outside of government including Mayor Dinkins, Bishop Felton May, and William Harris. [Attachment A: Manifest]

The goals of the trip were: to heighten awareness, promote leadership, and identify promising interventions. In Zambia and Uganda, we met with the Presidents and a variety of government ministers (health, welfare, community development, finance, etc.). In each country we visited a host of community-based programs serving children and families affected by AIDS, and talked with donors, experts, providers, and consumers about actions taken, lessons learned, and barriers to further progress.

Findings

AIDS is ravaging sub-Saharan Africa, shattering families and placing extraordinary burdens on the extended family and village systems that have been the backbone of African child rearing tradition.

AIDS in sub-Saharan Africa, notes the UN, is the "worst infectious disease catastrophe since the bubonic plague." While sub-Saharan Africa accounts for only one tenth of the global population, it now carries 80-95% of the AIDS burden. In the region, 21 million people are already living with HIV, and every day, 11,000 additional people are infected. Since your press conference on World AIDS Day, 225,000 people in South Africa alone have become HIV infected, 150,000 of whom are teenagers. Nearly 10 million people in the region have died of AIDS and each day AIDS buries another 5,500. By 2005, the daily death toll will reach nearly 13,000.

While numbers vary from country to country, in nine sub-Saharan Africa countries, between one-fifth and one-third of all children are already orphaned by AIDS. Further, throughout the region, one-quarter of all children are already living with an HIV+ parent. During the next decade, more than 38 million children in sub-Saharan Africa will be orphaned by AIDS, causing unprecedented threats to child welfare. This vulnerability includes decreased access to food, education, health care, housing, and clothing and increased psychosocial distress brought on by death, isolation, and stigma. These children are also at extraordinary risk of physical and sexual abuse as well as child labor exploitation. This "slow burn disaster" is not expected to peak until at least 2O3O, leaving an entire generation in jeopardy.

AIDS is wiping out decades of progress on a host of development objectives. After hundreds of millions of dollars of donor investment and well-documented results, AIDS is now turning back the development clock to the 1960s. In the coming decade in sub-Saharan Africa, infant mortality (infants under the age of 1) will double and child mortality (children ages 1 to 5) will triple. In addition, despite steady increases in access to education, children caught in the crossfire of this epidemic will continue to drop out of school to work the fields and care for their dying parents, and far too few will find their way back. Finally, according to the US Census Bureau, AIDS has already reduced life expectancy in Zimbabwe by a quarter of a century and in Zambia from 56 to 37 years old. In the next few years, AIDS will reduce life expectancy in South Africa by a third, from 60 years old to 40.

AIDS is not only causing unfathomable human suffering, it is jeopardizing the economies, stability, and civil society of many sub-Saharan African nations.

AIDS is a trade and investment issue. At the recent meeting with African trade and finance ministers, Professor Jeffrey Sachs, director of the Harvard Institute for International Development, stated that, "a frontal attack on AIDS in Africa may now be the single most important strategy for economic development." According to the *Economist*, "a recent study in Namibia estimated that AIDS cost the country almost 8% of GNP in 1996" and "Kenya's GNP will be 14.5% smaller in 2005 than it would have been without AIDS, and the per capita income will be 10% lower." AIDS has hit professionals hard in sub-Saharan Africa, particularly civil servants, engineers, teachers, miners, and military personnel. According to a World Bank study, 34% of people with post- secondary education were HIV positive, compared to 18% of those with primary education, and civil servants were more than three times more likely to be HIV positive than farmers. Finally, increased benefits and training costs, and disruption due to sick and bereavement leave are seriously affecting both the private and public sectors. Companies like British Petroleum and Barclay Bank told us that they are now hiring two employees for every one skilled job, assuming that one will die of AIDS.

AIDS is a security issue. According to the Economist, "the estimated HIV prevalence in the seven armies embroiled in the Congo range from 50% for the Angolans to 80% in Zimbabweans". Recent reports confirm that 40% of the South African military is also already HIV positive. US military and intelligence officials have raised this as a serious stability concern. According to a DCI classified document: "Extremely high levels of HIV infection among senior officers lead to rapid turnover in those positions. In countries where the military plays a central or strong role in government, such rapid turnover could weaken central government authority or bring to the fore a military commander opposed to the government. In countries in political transition, instability in the military and security forces could slow or even reverse the process."

AIDS is a crime issue. A South African anti-crime institute has linked the growing number of children orphaned by AIDS to future increases in crime and civil unrest. The assumption is that as the number of disaffected and undereducated young people increases, many sub-Saharan African countries may face serious threats to their social stability. Without appropriate intervention, many of the 2 million children projected to be orphaned by AIDS in South Africa alone, will raise themselves on the streets, often turning to crime, drugs, commercial sex, and gangs to survive. This not only seriously affects stability but also promotes the spread of HIV.

Determined leadership and partnership have made, and can continue to make, an extraordinary difference -- and save millions of lives.

Leadership matters. Amidst the tragedy of AIDS, there is opportunity. Uganda has shown that even a country with limited resources and a low literacy level can turn the tide on this burgeoning epidemic. President Museveni demonstrated bold leadership early on by making every government ministry take the problem seriously, requiring them to develop and implement a plan to reduce stigma and transmission, and care for those who became sick. As a result, Uganda created an "enabling environment" for donors to assist in this effort. Over the past decade, the US invested $46 million in HIV prevention, care and support in Uganda and HIV rates among pregnant women dropped from 30% in 1991 to 15% in 1995 to 8% in 1998.

Effective solutions are community-based and multi-sectoral. In the longstanding African tradition, communities are searching for creative ways to support "the village" in its efforts to raise its children, but many of these villages are already overwhelmed by the growing number of young deaths and orphaned children. With support of non-governmental organizations (NGOs), communities are mobilizing to deal with school fees, food assistance, immunization and oral re-hydration, counseling, and the range of other services these children need. Through FINCA and other micro-finance programs, women are receiving loans, starting small businesses, and with increased household incomes, taking in children orphaned by AIDS. These efforts are low cost strategies designed to empower women (many of whom are HIV positive), protect children, and support extended families and communities in caring for their own. This community-based approach is universally preferred to the use of orphanages, a solution that can never keep pace with this burgeoning epidemic.

For a small fraction of the cost of one orphanage bed, many more vulnerable children can receive care in a family setting. The problem is, only a very tiny fraction of those children in need receive even this modest level of support.

A focus on children can be a catalyst. The only way to slow the number of children orphaned by AIDS is to reduce the transmission of HIV. Until there is an available vaccine, this means more aggressive prevention efforts. In addition, the delivery of nutritional counseling and low cost treatments for opportunistic infections, STDs, and TB to parents with AIDS can help them to live longer and better lives and enable them to plan for the future of their children. Finally, community mobilization to save orphans empowers those involved and enables them to believe that they can change their circumstances for the better. It brings home the very real consequences of HIV, something that is too often denied due to the long latency period and the "conspiracy of silence" that surrounds this illness. These additional benefits of orphan work have far reaching implications for the epidemic, and for development at large.

As the awareness of the disaster of AIDS in Africa intensifies, so does the politics push for a more aggressive United States response.

A recent Peter Hart Research poll finds major support for increased US assistance for AIDS in Africa among African American voters, and among voters generally. Although only 19% of voters said that they have heard or read a lot about the AIDS in Africa, two-thirds of voters believe it is a serious problem, that is not under control, and three-fourths of voters think that AIDS in Africa will directly affect people in the US. Despite the fact that most voters believe we are spending far more on foreign aid than we actually are, by nearly a two-to-one margin (54% - 29%), voters favor a proposal to increase US assistance to fight AIDS in Africa. This support is particularly intense in the African American community where 83% favor such a proposal (55% favor it strongly). [Attachment B: Poll to appear in an upcoming *USA Today* feature series on AIDS in Africa]

Rev. Leon Sullivan is organizing African American and other leaders to join in the fight against AIDS in Africa. As with Rev. Sullivan's anti-apartheid campaign, he is circulating "Sullivan Principles" for development in Africa. These principles, including our response to AIDS in Africa, will be at the top of the agenda at the African-African American Summit in Ghana in May. Political, religious, and other leaders from across the US will participate in the summit, including more than 100 mayors. Rev. Jackson also seeks to actively engage in this issue.

Within the Congressional Black Caucus, there is a growing sense that the time to act is now. Given the magnitude of the crisis described above, the issue of children orphaned by AIDS, and AIDS in Africa generally, is getting increased attention within the CBC. While AIDS will clearly kill more people in Africa than all previous wars combined, most believe that our response is not on "a war footing." The CBC is anxious to escalate our efforts.

Representative Jesse Jackson, Jr. has focused on the link between trade and AIDS. The Jackson HOPE for Africa alternative to the Administration's Economic Growth and Opportunity Act has received increased attention within the CBC, including Representative Clyburn, the new CBC Chair. His premise, not an unfounded one, is that given the impact of AIDS on African economies and the African work force, AIDS <u>is</u> an economic development issue.

He believes, as do many, that it is impossible to promote trade without an effective strategy for dealing with AIDS. While his bill is unlikely to be enacted, his general principle finds fertile ground among a growing number of political leaders and intellectuals. Representative Sheila Jackson Lee plans to lay out this linkage in her address at the Corporate Council on Africa Summit in Houston next week.

Former Congressman Ron Dellums is vigorously pushing a "Marshall Plan for AIDS in Africa." For Dellums, this is a moral crusade. He has been making the rounds in Washington and throughout the country asking, "Will we stand idly by and watch the biggest human tragedy in history, knowing there is much more that can be done? If we do, what will we tell our children?" He recently joined the board of AIDS Action in Washington and plans to invest considerable energy in this fight. His initial proposal was for a partnership with the pharmaceutical industry in an effort to bring anti-retroviral therapies to Africa. Given the lack of health care infrastructure in Africa, we do not believe that this is the most effective action at this time. However, his efforts are likely to call for a much more vigorous US response.

Among others in the Congress, there is a shared sense of foreboding that this issue could explode into the American consciousness and onto the political scene at any moment. Both Representative Pelosi and Senator Leahy (ranking Democrats, Foreign Operations Appropriations) are extremely interested in securing new money for our global AIDS program in FY2000. It was Pelosi who got the $10 million increase for children orphaned by AIDS, and Representatives Kilpatrick and Jackson are also now on the subcommittee and will be pushing hard for more action. Further, Hatch and Kennedy staff accompanied us on this trip, and returned motivated to do something. Hatch has helped to make AIDS a bipartisan issue and his staff is seeking to put together a Republican working group on AIDS in Africa. Finally, while on Rep. Gephardt's Congressional Delegation to India, Representatives McDermott and DeLauro circulated information on AIDS in India, making the case that the AIDS related suffering and instability now gripping Africa will soon hit India, Asia, and the emerging Soviet states. They too believe we need to act now to avoid catastrophe.

Recommendations

Throughout our travel in Africa, it was clear that your "Partnership with Africa" has made hope a reality, even at the village level. From the children in Kitwe, Zambia to the women with HIV in Soweto who greeted us with a song entitled "President Clinton never loose your power," people across Africa know of this historic alliance, and many were anxious to show their gratitude. Unfortunately, AIDS threatens to decimate this partnership, as it has decimated everything in its path. To protect and defend this legacy, and the children and families who depend on it, an aggressive AIDS initiative, involving concrete action both here at home and abroad, is needed.

Given the magnitude of the AIDS pandemic and its devastating impact on economic development, trade, regional stability, and civil society in Africa today, and in India tomorrow, I recommend that the we establish a Global AIDS Emergency Working Group to include the National Security Council, Office of Management and Budget, Office of the Vice President, USAID, Peace Corps and the Departments of Defense, State, Treasury, and HHS to make specific recommendations to you for an invigorated US response within the next forty-five days. This effort would be coordinated by the Office of National AIDS Policy. Areas of consideration would include the following.

New funding. The US global AIDS budget has been level funded at approximately $120 million since 1993, in the face of a 300% rise in annual HIV incidence and the explosion of the epidemic in sub-Saharan Africa. USAID estimates that funds from all donors and host countries combined reach less than 10% of the at-risk or in-need population. If we are serious about promoting economic growth and opportunity in Africa and achieving our other development objectives, the Administration should push for an investment in the battle against AIDS that is more commensurate with the magnitude of the unfolding horror. While this was not accounted for in our FY2000 budget, there are reasons to be optimistic that viewing a new investment through the lenses of millions of children orphaned by AIDS, and as an element of free trade and political stability, may engender more bipartisan support. Given the importance of a multi-sectoral response to AIDS, it is essential that this be new money, not be taken from other USAID development accounts. Such an approach would be counterproductive to our overall development goals.

Debt swap for AIDS. In keeping with your goal to "ensure that no country committed to reform is left with a debt burden that keeps it from meeting its people's needs and spurring economic growth," the Administration should explore a mechanism for allowing African countries to shift some of their debt payment toward an increased domestic investment in fighting AIDS. Target countries could be required to develop an AIDS action plan, with the debt swap agreement based on movement toward performance goals delineated in the plan.

Public-private partnerships. The Administration should promote a broad-based response to AIDS in Africa that engages multi-national corporations, labor, non-governmental organizations, universities, and the religious community. A few courageous leaders have stepped forward, but much more needs to be done. Such an effort would not only extend the reach of government funding, but could provide a much-needed source of expertise, training and technical assistance. Rev. Jackson, our appointed Envoy to Africa, could be enlisted in this effort.

Speaking with one voice. The Administration should adopt its own multi-sectoral response and instruct all of its agents in dialogue with African leaders to include a discussion about the importance of leadership on AIDS to the full range of other development objectives.

Mobilizing other donors. The Administration should raise the AIDS profile among the G-8 nations, and consider recommending their engagement in an AIDS debt swap program. While the French have pushed for a "therapeutic solidarity fund," mobilizing resources for orphans, basic AIDS care, and prevention is a far more realistic goal.

Encouraging African leadership. The Administration should promote an AIDS summit for African Presidents or First Ladies. We know from Frank Greer's recent appearance at an election summit in Southern Africa that this issue in increasingly on the radar screen of top African political leaders. President and Mrs. Museveni certainly have much they could share with their colleagues. Reports from Zambia are that following our visit, President Chiluba has broken his silence and become an advocate now calling for the world to "combine resources to defeat AIDS as we did to defeat Hitler." Participation in an Africa leaders summit by you, the Vice President, or Mrs. Clinton would ensure a major turnout and would reinforce our high level partnership with Africa.

ATTACHMENT A

PRESIDENTIAL MISSION TO AFRICA
MARCH 27, 1999 – APRIL 5, 1999

MEMBERS OF CONGRESS

Rep. Carolyn Kilpatrick, Foreign Operations Subcommittee, Appropriations,
Congressional Black Caucus
Rep. Barbara Lee, Africa Subcommittee, International Relations,
Congressional Black Caucus
Rep. Sheila Jackson Lee, Founder and Chair, Congressional Children's Caucus,
Congressional Black Caucus

CONGRESSIONAL STAFF

Bruce Artim, Health Staff, Senator Hatch
Mary Lynn Qurnell, Legislative Assistant, Senator Helms
Stephanie Robinson, General Counsel, Senator Kennedy
Carolyn Bartholomew, Legislative Director, Rep. Pelosi,
Minority Staff, Foreign Operations Subcommittee, Appropriations

NON-GOVERNMENTAL PARTICIPANTS

William Harris, President, Children's Education and Research Institute
Bishop Felton May, General Board of Global Ministries, United Methodist Church
David Dinkins, Chair, Black Leadership Coalition on AIDS
Dr. Jacob Gayle, World Bank
Rory Kennedy, Documentary filmmaker
Nick Doob, Documentary filmmaker

ADMINISTRATION OFFICIALS

Sandy Thurman, Director, Office of National AIDS Policy
Michael Iskowitz, Consultant, USAID
Dr. Paul DeLay, Director, HIV/AIDS Programs, USAID
Maria Sotiropoulos, Protocol Officer, State Department
Phil Drouin, Africa Bureau, State Department

MILITARY PERSONNEL

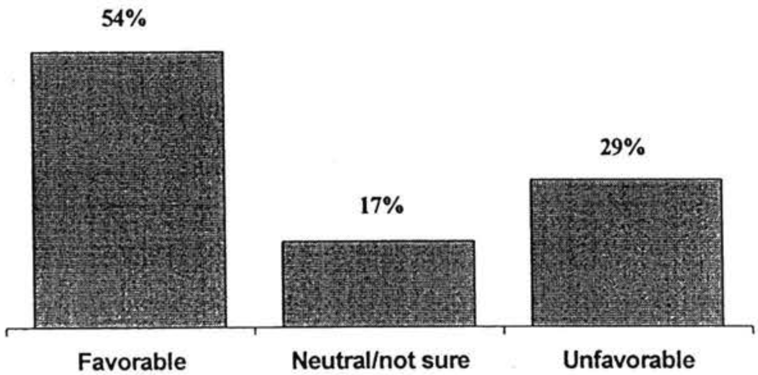
Lt. Commander James Erskine
Dr. Anthony Barile
Brenda Geist, Director Congressional Travel

ATTACHMENT B

Peter D. Hart Research Associates, Inc.

1724 Connecticut Avenue, N.W
Washington, D.C. 20009
202-234-5570
202-232-8134 FAX

Increase U.S. Assistance to Fight AIDS in Africa



Peter D. Hart Research Associates surveyed 1,411 registered voters, including 310 African Americans, by telephone between February 20 and 26, 1999, for the Children's Research and Education Institute.

American voters view the spread of AIDS in Africa as a serious problem. Although many voters have not heard much about the issue, they nonetheless believe that it is likely to have an impact here at home. A majority of Americans have a favorable view of a proposal to increase U.S. government assistance for international AIDS programs in Africa.

- The spread of AIDS in Africa is viewed as a serious problem by two-thirds (67%) of American voters, with 45% saying that it is an extremely serious problem and an additional 22% describing it as a quite serious problem.
- The same proportion (67%) believe that it is false to say that the global AIDS crisis is coming under control.
- In addition, three-quarters (75%) of voters believe that the AIDS epidemic in Africa will affect people in the United States.
- Although the issue is important, only 19% of voters say that they have read or heard a lot about it. Nearly half (48%) say that they have heard little or nothing about it.
- A 54% majority are favorable to a proposal to increase government assistance for international efforts to fight the spread of AIDS in Africa. Only 29% are unfavorable.
  - An overwhelming 83% majority of African Americans are favorable (55% strongly favorable), and only 10% are unfavorable.
- Support for greater assistance increases when it is placed in the context of an international effort. Three-quarters (76%) of voters say that they would be more likely to support assistance to help Africa deal with the AIDS epidemic if they knew that it would be a part of a larger international effort with Europe, Japan, and other countries doing their share.

Study #5408
CREI/Social Issues
Interviews: 1411 voters, including 310 African Americans
Dates: February 20-26, 1999

AIDS in Africa

I'm going to mention some different issues, and I'd like to find out how serious a problem you consider each one to be in our country today. For each one, please tell me whether you consider it to be an extremely serious problem, a quite serious problem, a somewhat serious problem, or not that serious a problem.

	Extremely Serious Problem	Quite Serious Problem	Somewhat Serious Problem	Not That Serious A Problem	Not Sure
The spread of AIDS in Africa	45	22	13	8	12

Now I'm going to read you another list of statements. For each statement, please tell me whether you're sure it's true, think it's probably true, think it's probably false, or are sure it's false.

	Sure It's True	Think It's Probably True	Think It's Probably False	Sure It's False	Not Sure
The global AIDS crisis is coming under control	2	20	37	30	11

Now, I'm going to mention several proposals and I'd like to get your reaction. For each proposal I read, please tell me whether your reaction is very favorable, somewhat favorable, neutral, somewhat unfavorable, or very unfavorable.

	Very Favorable	Somewhat Favorable	Neutral	Somewhat Unfavorable	Very Unfavorable	Not Sure
Increasing U.S. government assistance for international efforts to fight the spread of AIDS in Africa						
ALL VOTERS	23	31	15	14	15	2
African Americans	55	28	6	5	5	1

How much have you heard or read about the issue of AIDS in Africa -- a lot, some, just a little, or not very much? **

	ALL VOTERS	African Americans
Heard/Read		
A lot	19	31
Some	32	28
Just a little	22	22
Have not heard/read very much	23	16
Heard/read nothing (VOL)	3	1
Not sure	1	2

** Asked of one-half the respondents (FORM B).

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AIDS in Africa

Do you think that the AIDS epidemic in Africa will affect people in the United States, or not? **

	ALL VOTERS	African Americans
Yes, will affect people in the U.S.	75	83
No, will not affect people in the U.S	16	10
Not sure	9	7

** Asked of one-half the respondents (FORM B).

If you knew that the U.S. assistance to help Africa deal with the AIDS epidemic would be part of a larger international effort with Europe, Japan, and other countries doing their share, would you be much more likely to support it, somewhat more likely to support it, or no more likely to support it? **

	ALL VOTERS	African Americans
Much more likely to support	37	49
Somewhat more likely to support	39	35
No more likely to support	20	12
Less likely to support (VOL)	1	-
Not sure	3	4

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CREI/Social Issues
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AIDS in Africa

Now I am going to read you some reasons that people might give for supporting increased U.S. government assistance to fight the spread of AIDS in Africa . For each one, please tell me how convincing a reason it is to support increased assistance -- very convincing, fairly convincing, only somewhat convincing, or not that convincing. **

	Very Convincing	Fairly Convincing	Only Somewhat Convincing	Not That Convincing	Not Sure
We all live on one planet, and the whole world benefits from fighting the spread of AIDS--if the epidemic has spread that much in Africa, we are fooling ourselves if we think that it won't affect the U.S.--it will, unless we do something now					
ALL VOTERS	44	14	21	16	5
African Americans	67	12	11	7	3
The AIDS epidemic is creating millions of orphans that are overwhelming the capacities of orphanages and churches, and filling the streets of many African cities. An estimated forty million children will lose a parent to AIDS by 2010					
ALL VOTERS	40	15	23	15	7
African Americans	56	18	17	6	3

4-26-99

House resolution and almost equals the Senate resolution; over the last 5 years, veterans service organizations (VSO's) have asked Congress to provide $3B annually above your VA medical care requests; OMB will consult with VSO's and Congress and continue to look at alternatives as we approach year-end budget negotiations.

(E) **Two Updates from Neal Lane** -- (1) Research Suspension at Los Angeles VA Hospitals -- responds to your question about whether UCLA can help fix problems in the VA Greater Los Angeles Health Care System, where all research has been halted due to bioethics procedural violations; the VA and UCLA are taking steps to address the problems (*e.g.,* investigators are conducting interviews and reviewing records; a high-level interim management team has taken over the programs; new VA and UCLA boards will review the projects; UCLA may move some suspended projects out of VA facilities and onto its campus); (2) Human Genome Project -- MOU negotiations between Celera and the Human Genome Project are ongoing, but now hinge on Celera's willingness to make its DNA sequencing data publicly available at no charge; recently Celera founder Craig Venter implied that access to his company's data would be by subscription only; efforts are underway to clarify Celera's policy; separately this week, a consortium of 10 drug companies announced they would fund five leading gene laboratories to help create a new public database of genetic markers called "snips" or SNP's, the common variations in DNA that make us unique individuals.

To Ty

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No Reply

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Copied
Burkhardt
(for reply)
Podesta

4-26-99

'99 APR 20 PM3:36

JAMES A. HARMON
PRESIDENT AND CHAIRMAN

EXPORT-IMPORT BANK
OF THE UNITED STATES

April 16, 1999

The President
The White House
Washington, DC 20500

Dear Mr. President:

Most reports that you and I receive are crisis related – so, I thought I might share some good news with you.

Since your trip to Africa and my follow-on trip to sub-Saharan Africa, Ex-Im Bank has been working to expand our support for trade with Africa. We have been making steady progress in the past nine months. This year Ex-Im Bank will support substantially more exports to sub-Saharan Africa than in any prior year. But, most important, sometime in the next month, I expect to announce that after many, many years, Ex-Im Bank will open for business in 10 additional countries in sub-Saharan Africa and will expand our existing programs in six more countries. In addition, Ex-Im Bank expects to commence business in Nigeria after almost 12 years of being closed. None of this would have happened if not for your African Initiative.

One of the many legacies of your Administration may well be the significant increase in trade and development between the U.S. and sub-Saharan Africa. In this regard, I am pleased that Ex-Im Bank is playing a constructive role in expanding this relationship.

I shall keep you posted on our progress.

Best regards,

Sincerely,

Jim

P.S. I was sorry to receive the response from your scheduler that declined our request for you to speak at our Annual Conference. Brazilian President Cardoso will be the keynote speaker on May 11. Would you consider stopping by (Washington Hilton) any time on the 10th or 11th to say even a few words about Ex-Im Bank and our role in the global crisis? This is our 65th Anniversary year.

PHONE (202) 565-3500 FAX (202) 565-3513
811 VERMONT AVENUE, N.W. WASHINGTON, D.C. 20571

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Copied
Burkhardt
Podesta

· Burkhardt
for Reply
(BC SIG)

PMC

4/14

4-26-99

Shannon -
BC Sig ASAP.
Tx
D

4-14

Phil - Mrs. Whitlock
visitors office) by
brought this ob
4/6 on behalf of Carl '
per her husband 'close
both old friend of
Potus
1x [illegible]

Office of the
Secretary

1400 Independence
Avenue, SW

Washington, DC
20250-0100

President William
The White House
Washington, DC 20500

Dear Mr. President:

Many farmers and ranchers across America are facing ruinous situations. The disaster assistance and other aid approved by you and Congress provided some much needed help, including the additional funds Congress provided after you vetoed the original more limited assistance. But even with that, many will not be able to obtain loans to make a crop or raise livestock this year.

Dan -
Please expedite
per Nancy's note
Thx
PET

The culprits that caused these problems are:

1. Low prices for what farmers and ranchers produced, (See attached chart)

2. Harmful weather in some parts of the country, and

3. Disease in crops in some parts of the country.

Even if the weather is normal in 1999 and 2000 and the disease problems are no worse than in 1998, I believe low prices this year and next year will continue to cause many farmers and ranchers financial hardships they cannot overcome. They will have to quit farming.

It is my belief that the national interest justifies keeping as many of them on the farm as we can. Based on statements you have made, I think you support this position.

If we are to keep the family farmers and ranchers as a part of our rural economy, then I think something must be done to get them through the next two or three years, which will be critical.

I hear that one bank in eastern Arkansas last year made 157 operating loans to farmers and that at this time, 146 of those loans are in default. Of the 11 that are not in default, some of the farmers mortgaged their land on which there had not been a mortgage. This was the only way they could get the money to make their loans current. In order to get loans for their 1999 operations, they will have to mortgage their lands even more. Because of time lags, many of the statistics that are available do not show that kind of situation. I think it is widespread through farm/ranch communities throughout the country.

With many of the farmers and ranchers, it is as if they were in a river that is flooded and their boat capsized and they are floating down the river trying to save themselves. In a situation like that, as Senator Dooley Womack told David Pryor when he was governor, a person will grab any old root he can get hold of to save himself. That is the way I see the situation for many of these people today. If that is the case, it really does not matter much about the philosophy of the aid that is furnished to them. They need help and crop insurance reform is not enough . Something must be done and done quickly just for the next few years. Secretary Glickman will have a proposal to you shortly.

In the years from 1955 to 1995, while we as a government were doing many things to save the family farmers and ranchers, we lost on average, 75,000 of them each year. We went from approximately five million to two million. At the end of 1997, there were only 1,912,000 of them left. We need to do a better job of keeping the family farmers and ranchers working on their land.

Sincerely,

Carl Whillock

CARL S. WHILLOCK
Special Assistant to the President
for Agricultural Trade and Food Assistance

Attachment

MAJOR COMMODITY PRICES: AVERAGE MARKET, CASH, NEW CROP FUTURES

Item	Wheat	Corn	Soybeans	Upland Cotton	Rice	Steers	Hogs	Broilers	BFP Milk 1/
	$ per bushel	$ per bushel	$ per bushel	cents per pound	$ per cwt	$ per cwt	$ per cwt	cents per pound	$ per cwt
Average Market 2/									
1992/93	3.24	2.07	5.56	53.7	5.89	76.36	48.17	55.20	12.51
1993/94	3.26	2.50	6.40	58.1	7.98	68.84	42.00	55.80	11.38
1994/95	3.45	2.26	5.48	72.0	6.78	66.26	44.62	56.40	12.91
1995/96	4.55	3.24	6.72	75.4	9.15	64.98	56.53	59.72	11.34
1996/97	4.30	2.71	7.35	69.3	9.96	66.16	54.30	57.54	13.29
1997/98	3.45	2.60	6.50	66.9	9.75	61.49	34.72	62.30	17.34
5-year Average	3.80	2.66	6.49	68.34	8.72	65.55	46.43	58.35	13.25
					Cash Prices				
Market Location	Kansas City	Central IL	Central IL	Spot	Arkansas	Omaha	Live	Delmarva	
Description	#1 HRW Ord.	#2 Yellow	#1 Yellow	SLM 1-1/16"	Rough Rice	Choice 1100-1300	Equivalent 3/	Multidrop	BFP 4/
Price (March 26, 1999)	3.04	2.17	4.76	58.14	8.13	64.14	30.28	52.44	10.27
Change Between Cash Price & 5-yr Avg. Price	-0.76	-0.49	-1.73	-10.20	-0.59	-1.41	-16.15	-5.91	-2.98
				New Crop Futures Prices					
Exchange 5/	KCBT	CBOT	CBOT	NYCE	CBOT	CME	CME	N.A.	CME
Contract Month-Year	May-99	May-99	May-99	May-99	May-99	Apr-99	Apr-99		Apr-99
Description	#2 HRW	#2 Yellow	#1 Yellow	SLM 1-1/16"	Rough Rice #2	Live Cattle	Lean Hogs		BFP
Close (March 26, 1999)	3.1500	2.3225	4.9675	61.29	7.62	66.62	32.52 5/		11.28

1/ Basic formula price starting May, 1995, annual average of monthly values. Prior to that is the Minnesota-Wisconsin manufacturing grade milk price, 3.5% butterfat.

2/ Average price received by farmers reported by the National Agricultural Statistics Service. Calendar year average price for steers, hogs, milk, and broilers (last year of split year).

3/ Based on 51-52 percent lean plant-delivered carcass

4/ February 1999 from *Dairy Market News.*

5/ CBOT=Chicago Board of Trade; KCBT=Kansas City Board of Trade; NYCE=New York Commodity Exchange; CME= Chicago Mercantile Exchange

6/ Live hog equivalent.

N.A. = No futures market

THE PRESIDENT HAS SEEN

4-26-99

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copied
Koskinen
Lew
Podesta

4-26-99

PRESIDENT'S COUNCIL ON YEAR 2000 CONVERSION

CHAIR

April 23, 1999

MEMORANDUM TO THE PRESIDENT

FROM: John A. Koskinen JAK

'99 APR 23 AM10:07

CC: Jacob J. Lew

SUBJ: Year 2000 Computer Problem -- Monthly Summary

This week, the President's Council on Year 2000 Conversion released the attached *Second Summary of Assessment Information*, a compilation of industry and government data on the status of efforts within key sectors to prepare computers for the Year 2000 (Y2K) date change.

In short, the data compiled show that, nationally, sectors involved in the provision of vital infrastructure services -- such as electric power, telecommunications, and banking -- are on track to have their mission-critical systems ready for the Year 2000. Many sectors have set June 30, 1999 as a target date for completing Y2K work on critical systems, and we continue to believe the evidence indicates the United States will not experience national failures in vital infrastructure areas during the date change.

But much work remains to be done. We are particularly concerned about the health care sector, where the number of Y2K compliant systems is still relatively low and disruptions in provider payment systems could force some smaller health care facilities to shut down. Some State and local governments have thus far adopted a "wait-and-see" attitude to fixing systems that threatens the provision of basic services to millions of Americans. Internationally, a number of countries who got a late start on the problem are virtually certain to experience Y2K-related failures in key infrastructures that will have some impact on the United States.

Our focus in the next month will be to collect more information about critical areas such as pharmaceuticals, food and hospital supplies and mass transit. With the exception of mass transit, we are particularly interested in learning more about how these industries are prepared to handle sudden increases in demand the Y2K problem could create. We will also be announcing next month a "Y2K Community Conversations" initiative through which the Council and its industry partners will encourage local businesses and governments to share information about the status of their Y2K efforts with customers and constituents. This information, combined with the data the Council is providing on national Y2K readiness, will be critical to helping people prepare appropriately for the Year 2000 without overreacting.

ROOM 216 • OEOB • WASHINGTON, D.C. 20502 • (202)456-7171 • FAX(202)456-7172