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World politics

What it all hinges on

THE PIVOTAL STATES: A NEW FRAMEWORK FOR U.S. POLICY IN THE DEVELOPING WORLD. Edited by Robert Chase, Emily Hill and Paul Kennedy. Norton; 448 pages; \$35. John Wiley; £23

IT IS, on the face of it, not a bad idea at all. Most people reckon they can draw up a list of the world's great powers—the United States, China, Japan, Europe, Russia (well, the brow furrows when you reach the last two or three, but let that pass for the moment). But how do you work out which of the rest of the world's 190-odd countries matter more than the others, especially if you are one of the people who have to take tough decisions about foreign policy?

In 1996, the three editors of this book came up, in an article in *Foreign Affairs*, with the idea of “pivotal states”. They then collected 17 essayists to write a book looking at their nine selected pivots, and at some interconnecting themes; and discovered, as they honourably admit in their postscript, that matters were a bit more complicated than they had thought.

Part of the problem, though not all the essay-writers realise it, is that “pivotal” can mean two quite different things. Four or five of the nine countries dealt with in this book need watching because they are both big and, in their politics or their economics, distinctly wobbly. As events have shown, a collapse of Mexico's finances can rattle all of the Americas. The same sort of thing in Brazil is currently sharpening the danger of a global recession. Corruption and political blindness in Indonesia have sent a pall of smoke, literal and metaphoric, over much of South-East Asia. If South Africa goes wrong, one more hope of calming sub-Saharan Africa will have vanished. If Egypt were to collapse, the reverberations would be felt throughout the Middle East.

These are the pivots that move up and down, and whose “plunging” can make other countries plunge. They do matter. But they matter less than the second sort of pivot, the kind that moves from side to side. Four of this book's nine countries—India, Algeria, Turkey and Pakistan—are in a different category because, in addition to the potential subsidence-effect they share with the others, they can also change the pattern of geopolitics by shifting their allegiances: by choosing to side with one big power against another, or just standing unhelpfully by when help is needed.

If India could be cajoled into working more closely with the West, it would be a valuable new counterweight to the emerging



power of China. If Algeria's fundamentalist guerrillas won that country's civil war, they might set off a series of imitations along the coast of North Africa, including even Egypt, and thereby create an explosively hostile new power just across the Mediterranean from Europe. If Turkey went either wildly Islamist or foolishly military-authoritarian, it would cease to be a useful ally of the West in coping with the turbulence of the Muslim world. If Pakistan became coherently democratic, on the other hand, it might be able to take over that role from Turkey.

Nothing so geopolitically pattern-changing is likely to emerge from Brazil or Mexico, tucked away in the Americas, or from South Africa, down there at the bottom of its own continent, or even from relatively remote Indonesia. Where you sit in the world decides, to no small extent, how much impact you have on it.

The trouble is that, to work out which the truly pivotal states are, it is necessary to know what big powers they may be pivoting between. This is a little clearer now than it was three years ago, when that *Foreign Affairs* article appeared.

The United States is for the moment the only really global power. It will almost certainly be joined in the next decade or two by China, whose need for energy and food will turn its foreign-policy eyes, now directed mainly at its Pacific periphery, westward to central Asia and maybe northward to Russia as well. Europe will probably be there, either as a collection of separate states or as an intended union, and either allied to America or trying to hold aloof from it (the two choices may be linked). Russia is unlikely to be a serious contender for some time. Japan will have to choose among staying under America's wing, nestling up under China's, and a perilous bid for a distinct superpowerdom of its own.

If this is roughly the big-power pattern of the 2020s, the list of pivotal states needs to

THE ECONOMIST REVIEW

be both sharpened and lengthened. India goes right to the top: in a strong-China, weak-Russia world, the Atlantic democracies' next priority may well be to draw India into some sort of strategic partnership (while persuading India to stay a democracy itself). They will also need the aid of Turkey and/or Pakistan to keep Muslim, energy-rich central Asia open to the West. What happens in Algeria will help to decide how closely Europe holds on to America. But other pivots begin to emerge, too.

Iran, dismissed in this book's prologue as a “rogue state”, is one of these: if President Khatami wins his fight with that country's ideologues, Iran will be the quickest and cheapest route for getting central Asia's oil and gas to the outside

world, as well as a calming influence on this whole stretch of Islam. The Philippines and Vietnam may be joint candidates, if the shipping-lanes of the South China Sea need to be protected by naval force. And bear in mind that, in some circumstances, apparently non-pivotal states can suddenly become pivotal ones. That nagging thought applies, in different ways, to both Japan and Russia.

Come to think of it, in this signing-off year of the millennium, what about Iraq and Yugoslavia? If Saddam Hussein can be visibly stopped from making mass-destruction weapons, and if Slobodan Milosevic can be made to accept that a “sovereign ruler” is not entitled to brutalise the people who live under his rule, the world will be a very different place from what it would otherwise have been. Some countries are born pivotal, some achieve it: but some, with luck, have pivotality thrust upon them.

Russia and America Both sides

AFTER THE COLLAPSE. By Dimitri Simes. Simon & Schuster; 272 pages; \$25

MORE than most observers of the Russian-American standoff, Dimitri Simes can claim to know how things appear on both sides of the looking glass. Before he left Moscow in 1973, he was a keen young Soviet analyst of international affairs at the IMEMO institute in the heart of the Soviet foreign-policy establishment; his emigration to Washington transformed him into a somewhat better known Sovietologist, interpreting the land of his birth to American policymakers—especially Republicans, whose unexalted, big-power approach is instinctively preferred by graduates of a hard Sovi-



et school. At a time when the superpowers were doing battle on many fronts—from Berlin and Angola to the rocket-science laboratory—he was one of the few people who could imagine how Nixon's America appeared to Brezhnev's Soviet Union, as well as vice-versa. And since the Soviet collapse, he has provided valuable insights into how the world looks to his old acquaintances who now form the post-Soviet political class; he understands the strong interest they have in salvaging whatever possible (in terms of geopolitical prizes or individual gain) from the Soviet wreckage.

He also has some unusual insights into the human dimensions of the cold-war policy-making. Just like Yevgeny Primakov, a former IMEMO director who is now prime minister of Russia, Mr Simes has personal experience of how it feels for a multilingual sophisticate of Jewish origin to work for two sets of tough, capricious masters with more than a twinge of anti-Semitism. And he put that knowledge to good effect in the world of smokescreens and two-way mirrors which he inhabited for many years. So when, after emigrating, he found out that Mr Primakov was bad-mouthing him, Mr Simes took a sweet form of revenge. Guessing that his old mentor was trying to protect himself from guilt by association with a treacherous émigré, he wrote Mr Primakov a sugary letter (which the KGB was also bound to see) in which he expressed warm thanks to the older academic for his past help and continuing interest in an ex-protégé's career. The bad-mouthing duly stopped.

A similar moment of multi-layered irony occurred in March 1991 when Mr Simes, as personal adviser to the elderly, but still sharp-minded, Richard Nixon, introduced his American boss to Vladimir Kryuchkov, the last head of the Soviet KGB. Mr Kryuchkov, as Mr Simes explains in a footnote, warned to Nixon as a law-and-order man who, like him, felt browbeaten by the "liberal Jewish" media. In this atmosphere of healthy mutual respect, Mr Kryuchkov felt emboldened to confide to Nixon that his re-

lations with President Gorbachev were deteriorating. As Mr Simes observes, the Bush administration would have been better prepared for the August 1991 coup, masterminded by Mr Kryuchkov, if it had taken notice of these signals.

In this new book, Mr Simes analyses developments in his homeland since 1991, partly in the light of several visits to Russia with Nixon before his death in 1994. As Russia-watchers, Nixon and Mr Simes make a formidable pair—if only because both have such a keen eye for hidden motives and unacknowledged agendas. (Nixon, as Mr Simes discloses, knew a smattering of Russian and could read body language well.) While the Soviet Union's mostly peaceful dissolution in December 1991 was hailed in some western quarters as the end of the last colonial empire, Mr Simes picked up Boris Yeltsin's confidence that events would take a different course: the non-Russian republics would soon "come crawling back" to their elder brother.

His broad conclusion (and the posthumously delivered verdict of Nixon) is that American policy towards post-Soviet Russia has at once been too soft and too tough. Too tough in the sense that it tried too hard to fine-tune Russia's internal developments, by insisting that Russia follow a specific route towards market economics and liberal democracy; and too soft in the sense that it failed to anticipate that post-Soviet Russia would have interests of its own that diverge from those of America.

Justice and memory Their town

MARTYRED VILLAGE: COMMEMORATING THE 1944 MASSACRE AT ORADOUR-SUR-GLANE. By Sarah Farmer. University of California Press; 324 pages; \$24.95. John Wiley; £19.95

SARAH FARMER has written an engrossing account of one town's place in France's national memory that illuminates the bitter post-war debates over justice and collaboration. Like much of German-occupied France, Oradour-sur-Glane, a small town in the Limousin, was spared the worst violence for most of the war. But that changed brutally on June 10th 1944, when a company of soldiers from the Reich division of the Waffen-SS swept in and slaughtered 642 men, women and children before dynamiting and burning the village down. To this day, historians cannot agree on why the German army singled out Oradour.

After the liberation, the town's few survivors pressed to make a memorial from the ruins, and in 1946 the French state did declare the entire village a national preserve. This action honoured the local dead. But it

also turned Oradour into a looser symbol of national suffering, a sort of martyrs' memorial for the country as a whole. And that, as Ms Farmer explains, proved to be an awkward and complicated burden.

Politicians of right and left turned the memory of Oradour to their own contemporary ends. Charles de Gaulle, France's war-time resistance leader and first post-war prime minister, wanted his country accepted as a victorious ally. He visited Oradour to underscore French unity and innocence—even though the Vichy government had collaborated with France's occupiers and abetted the deportation of close on 80,000 French Jews. The Communist left had played a vital part in creating the resistance in the Limousin but was now struggling to maintain its political footing in peacetime. It treated the atrocity as a microcosm of capitalist war and class aggression.

When 21 of the perpetrators finally went on trial in 1953, it turned out that 14 of them had been French-speaking conscripts from Alsace. From Oradour survivors came calls for the death penalty, from Alsace, pleas for clemency. The political climate favoured forgiving and forgetting: of 40,000 French men and women charged with occupation crimes in 1945, less than 2,000 were still in prison by 1953. Tilting to leniency and reconciliation, the Oradour court returned light sentences (by 1958 all those convicted had been amnestied).

The news was greeted as "a second martyrdom" for Oradour and survivors gave back decorations bestowed after the war. Years of protest followed in which they refused to place the ashes of their dead in a government-built crypt and displayed contemptuous posters with the names of politicians who had approved the amnesty.

Much later, France slowly became more open with itself about the Vichy years. Tourists visiting Oradour nowadays might well be puzzled that so powerful a memorial could have once been so divisive. With both sympathy and political understanding, Ms Farmer explains how.



- Tab A - Yellen / Podesta
- Tab C - Reed / Kagan / Podesta
- Tab D - Sperling / Podesta
- Tab E - Fraxmpton / Podesta
- Tab F - Lane / Podesta - entire report
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- Tab C - Stern / Podesta
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- Tab J - Cahill / Podesta
- Tab K - Johnson / Podesta
- Tab L - Ibarra / Podesta
- Tab M - Cutler / Podesta
- Tab N - Marshall / Balderston /
Podesta
- Tab O - Moore / Podesta

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

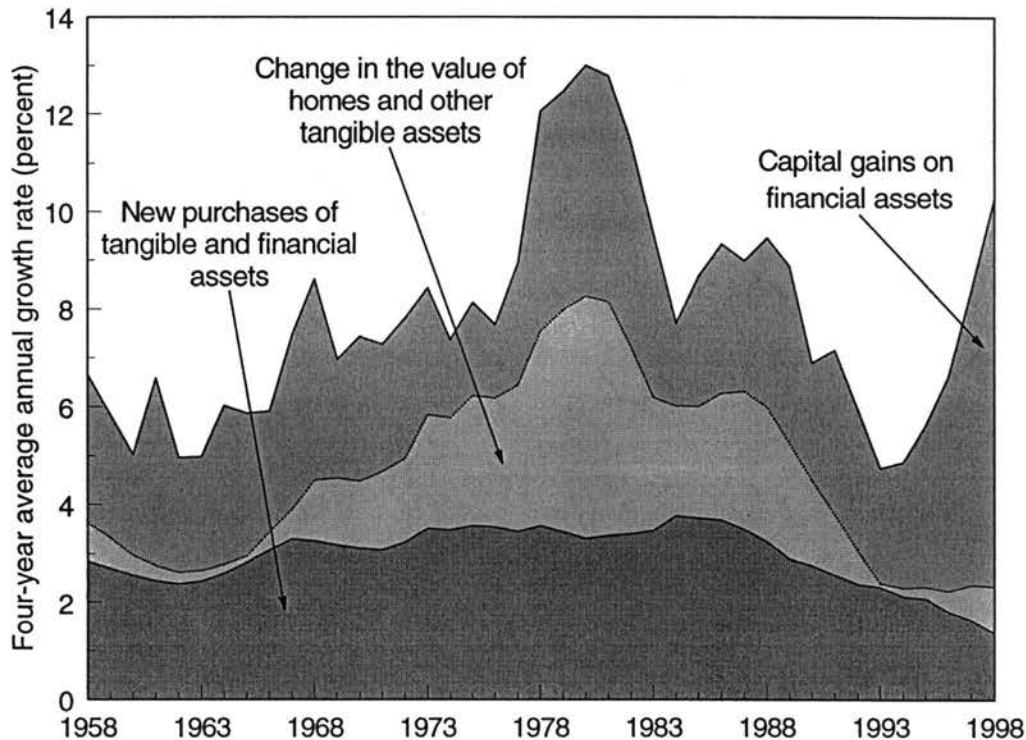
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

May 7, 1999

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Yellow
Podesta

CHART OF THE WEEK

Contributions to Changes in Household Net Worth



Sharp increases in capital gains on financial assets have been the main contributor to increases in household net worth in recent years. In the 1994-98 period, for example, (the last data point) this component contributed about 8 percentage points to the average annual growth in net worth of 10 percent per year. Increases in the value of housing and other tangible assets have been much less important than financial gains. Saving (purchases of tangible and financial assets) has also been relatively unimportant.

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SPECIAL ANALYSES

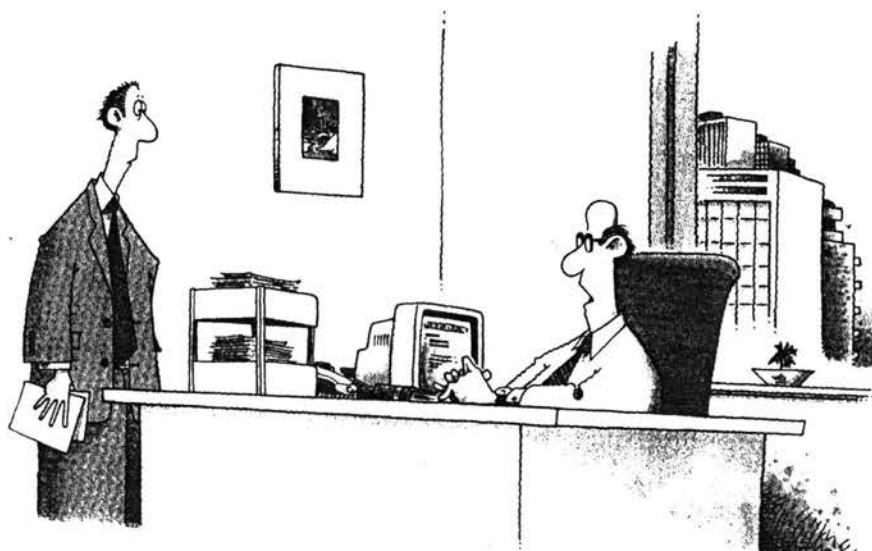
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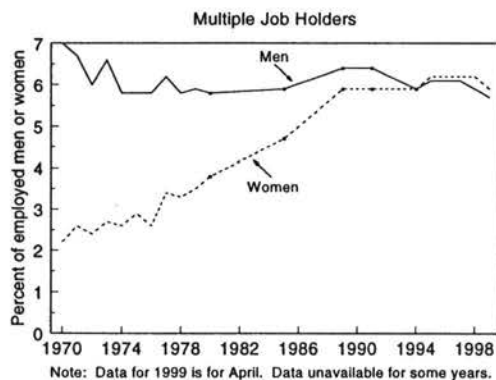
"Special assignment, Chaswick. I need you to test our severance package."

SPECIAL ANALYSIS

Moonlighting

Many people view multiple job holding as a problem, on the assumption that workers would prefer to work longer hours at their primary job rather than to hold two jobs—or that workers are forced to moonlight because of low wages in their primary job. (Thus the joke, “The expansion has created millions of new jobs and I’ve got three of them.”) If these assumptions were true, one would expect moonlighting to decrease in an expansion, as job opportunities and wages increased. But multiple job holding has remained fairly steady in the 1990s, suggesting that many moonlighters hold second jobs by choice. This view is supported by the demographics of moonlighters, as well as by new evidence on why people moonlight.

Trends. Women’s increasing attachment to the labor market resulted in a steady rise in their multiple job holding during the 1970s and 1980s—so much so that rates are now similar among men and women. Among all workers, moonlighting has remained fairly constant since 1994. About 6 percent of employed men (4.0 million) and 6 percent of women (3.6 million) worked multiple jobs in April 1999.



Demographics. Census data from 1995 (the most recent data on moonlighters’ characteristics) show that the percentage of workers holding multiple jobs increases with education. For example, 3 percent of workers with less than a high school education had multiple jobs, compared with 10 percent of those with a

Ph.D. Also, moonlighting decreases only slightly among higher earners, contrary to the idea that most workers hold second jobs to meet basic living expenses. Finally, those holding primary jobs in professional specialty, technician, and well-paid service occupations (such as police and firefighters) were most likely to hold multiple jobs.

New evidence. A recent study uses 1984 data from the Survey of Income and Program Participation (SIPP) to investigate whether workers moonlight because of constraints on working hours in their primary jobs (due to workweek restrictions, economic conditions, or other institutional factors) or because they prefer to have multiple jobs. The study finds that many workers, but not all, face constraints in their primary jobs, and it concludes that both explanations for moonlighting are probably true: some would prefer having only one job, while others would not.

Implications. These results may explain why, during the current expansion, the trend in moonlighting has held steady. While some workers with greater constraints may have been able to quit their second jobs as employment opportunities expanded, others may have taken advantage of the strong economy and chosen to moonlight.

SPECIAL ANALYSIS

Do Firms Pay Women Less for the Same Job?

Past research on gender pay differences found that the gap between men's and women's wages is reduced to about 12 percent once a variety of factors are taken into account—education, labor market experience, broad industry and occupation, and union status. Some evidence suggested that the remaining gap mostly reflects job segregation (women tending to work in lower paying firms and occupations within firms). But a new study, using better data, finds that a significant share of women may still get paid less than men in the *same* occupation in the *same* firm.

New data... The new study uses confidential Bureau of the Census data to link characteristics of workers to characteristics of the establishments where they work. The sample is not random, however; manufacturing plants are over-represented and retail stores are under-represented. Nevertheless, it covers a much broader range of industries and occupations nationwide than the data used in previous studies.

...lead to new findings. Previous efforts to estimate within-job, within-establishment wage gaps found that most of the difference between women's and men's wages was explained by gender segregation within and across firms. The new study, while finding an unadjusted gap of roughly the same size as in previous studies, finds a 9 to 10 percent gap even within similar jobs at the same firm, after controlling for a number of firm and individual characteristics. In other words a significant amount of the within-job, within-firm difference remains unexplained.

Why the difference in results? The sizable within-job, within-establishment wage gap persists no matter how the data are analyzed. The authors conclude that their findings may differ from the earlier studies because they use the Census household survey instead of an employer survey. They observe that employers might be unlikely to report data showing gender pay differences within jobs, since that could be a violation of the Equal Pay Act. Alternatively, employers may classify similar "male" and "female" jobs as separate "occupations," but the Census may combine them into a single occupational category.

Implications. If, as the earlier studies had found, virtually all of the male-female pay difference arises from job segregation, the Equal Pay Act could not have much effect. However, the new study suggests that Equal Pay Act enforcement can play an important role in reducing the gender pay gap. It also demonstrates the importance of having pay data for narrowly defined occupations, as well as information about workers' education and experience, when measuring the gender pay gap within firm and occupation. In the new study, for example, this gap was twice as large when occupations were broadly defined and "human capital" differences were not taken into account as it was with more narrowly defined occupations and controls for education and experience.

ARTICLE

The Economics of Urban Sprawl

The General Accounting Office has just released a study of “urban sprawl” focusing on the role of Federal policies in contributing to the suburbanization of America since the end of World War II. Those hoping for decisive findings will be disappointed with the report’s conclusion that the Federal influence is unclear. But such a finding reflects the fact that the overall causes and consequences of sprawling, low-density, fragmented, and automobile-dependent development are very complicated and only imperfectly understood. Even when the problems are clearly identified, the policy coordination necessary to effect a solution may be difficult to achieve.

Sprawl’s private attraction... Research cited by GAO points to the advantages gained by moving out of the city, including increased home ownership and new, sometimes lower-cost locations for businesses. Suburbanites are likely to breathe cleaner air, have more space, live in housing that is newer (with lower risk of exposure to lead and asbestos), have better schools, and experience less crime. As roads and highways have improved and cars have become less costly to operate, people are able to live farther away from cities. (Automobile operating costs have fallen from 21.3 cents per mile in 1950 to 10.1 cents per mile in 1996.) In general, sprawl is encouraged to the extent that people can enjoy the benefits of cities while escaping their major disadvantages.

...and public failure. But these private benefits involve social costs as well. Suburban development consumes open space and farm land, poses challenges to central city finances, can increase pollution, and can be aesthetically unpleasing. An economic analysis of urban sprawl sees sprawl as emerging from classic market failures in which households and firms do not receive all the benefits or incur all the costs of their locational decisions. For example, researchers estimate that the full social cost of vehicle travel could be as high as a dollar per mile (compared with total private costs of about 66 cents per mile). Similarly, private developers and new home buyers may not bear the full social costs of developing unused land, including building access roads, utility connections, and schools, and providing for police and fire protection. People might put a higher premium on reducing the amount of driving they do or making more intensive use of already developed land if they faced the full costs of sprawl.

Coordination and federalism issues. Appropriate government action can, in principle, bring private and social costs more closely into alignment. However, many of the market failures associated with sprawl cut across jurisdictions, and difficult coordination problems may stand in the way of effective government solutions. For example, open land in a particular community may provide substantial benefits to that community, but many of the environmental, recreational, and aesthetic services of open land accrue to people outside the community. Decisions about providing and

maintaining mass transportation networks are probably best made by regional authorities that must coordinate among different local jurisdictions and sometimes different states.

One approach to addressing these coordination issues is to encourage more voluntary co-operation. Unfortunately, the incentives that give rise to uncoordinated sprawl in the first place are likely to work against the long-run success of such efforts. More formal regional arrangements have the advantage of spelling out responsibilities more clearly, but local governments may be reluctant to cede the necessary power to make them effective. The Federal government may have a role to play in encouraging the development of regional arrangements, and in some cases Federal regulations might be the appropriate policy response. But many of the policies thought to influence sprawl, in particular land-use planning, have traditionally been considered a state and local responsibility.

Conclusion. The economic approach to analyzing urban sprawl focuses on incentives and market failures arising from divergences between private and social costs and benefits. An economically efficient response to the challenges of sprawl requires ensuring that households and firms face the true costs of their actions. While government policies can be useful in this regard, the challenge of coordinating appropriate responses across political jurisdictions is substantial.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Sees Economy Expanding at a Moderate Pace. Reports from Federal Reserve districts indicate that the economy continues to operate at generally strong levels and to expand at a moderate pace. Consumer spending remains healthy, led by strong motor vehicle sales. Most districts noted improvements in manufacturing activity; however, weak foreign demand is a problem for some industries in some regions. Both residential and commercial construction remain at high levels, although some slowing in the rate of expansion was noted in several districts. Reports on agriculture have been mixed, while the outlook in the energy sector has improved. Loan demand is generally described as strong in many areas of the country. Most districts continue to report tight labor markets, but these conditions are apparently not often translating into higher wages; however, there are reports that non-wage compensation is increasing. Prices generally remain stable, with the exception of oil and gas, and some building materials, which are in short supply.

Class Size Appears to Boost College Aspirations of STAR Pupils. Students in small classes in grades K-3 are more likely, on average, to take either the ACT or SAT in high school, according to new results from the Tennessee class-size experiment, Project STAR. The experiment, which began in 1985, assigned kindergarten students and teachers randomly to one of three types of classes: small (13-17 students), regular-size (22-25 students), and regular-size with a full-time teacher's aide. After 4 years, all students were returned to regular-size classes. Previous results showed that students assigned to small classes had higher standardized test scores in elementary school. The new results show that attending a smaller class in K-3 boosted the rate of taking the ACT or SAT in high school to 43.7 percent, compared with 40.0 percent for those who attended regular-size classes. Average test scores were the same for both groups. The effect of smaller classes was particularly strong for minorities: the probability of taking one of the tests was 40.2 percent for black students who had attended small classes, compared with 31.7 percent for blacks in regular-size classes. The gap between test-taking probabilities of blacks and whites was 13.3 percentage points for those who had been in regular-size classes but only 6.1 percentage points for those who had been in small classes.

Social Security Is Just That for the Elderly. Without Social Security income, the number of Americans living in poverty in 1997 would have been 15.3 million instead of the official figure of 3.8 million, according to a recent report from the Center for Budget and Policy Priorities. The study estimates that 48 percent of elderly Americans would have been poor in 1997 if they had not received any Social Security income. Of course, the existence of Social Security has affected people's work, saving, and family support decisions—and hence the amount of their non-Social Security income—so these results should not be interpreted as what would have happened with no Social Security program. Still, Social Security constituted at least 50 percent of the total income of more than half of all elderly people in 1997, and at least 90 percent of the income of one-fourth of them. It was more than half the income of two-thirds of elderly women and more than 90 percent for a third of them.

INTERNATIONAL ROUNDUP

Higher Oil Prices Could Boost Some Economies. Crude-oil futures prices continued their steady climb from December's 12-year low of \$10.35 per barrel to reach \$19 per barrel this week. Analysts have attributed the increase to reduced U.S. and European production, recent cutbacks by OPEC, and an anticipated economic recovery in Asia. Higher oil prices could be good news for several developing countries. Russia, Mexico, and Venezuela in particular have suffered low export revenues associated with low oil prices. Mexico, where oil accounts for one-third of all government revenues, had projected a price of just \$9.25 per barrel in its 1999 budget but may see a revenue windfall—the price of Mexican crude recently topped \$14 per barrel. The price increase should also provide relief to the U.S. oil belt, though as a net importer the United States tends to benefit from lower oil prices.

Crisis in Indonesia May Have Peaked. Indonesia's economy grew 1.3 percent in the first 3 months of 1999 compared with 1998's fourth quarter, marking the first quarterly expansion since the financial crisis began in 1997. Reaction to the news was mixed: some analysts saw the figure as evidence that the recession has bottomed out, while others noted that a lack of seasonal adjustment left it unclear whether the first quarter marked real growth. Although the first quarter's GDP marked a 10.3 percent contraction from 1 year ago, the government maintained its forecast that the economy will contract just 1 percent this year.

Malaysia's Capital Controls: Not as Bad as They Could Have Been. Although Malaysia's capital controls have been controversial since they were imposed in September 1998, IMF official Stanley Fischer offered a relatively kind assessment in an interview this week. Malaysia has avoided the most deleterious effects of capital controls, according to Fischer, because the controls were not used to shield the banking sector from urgently needed reform, as was feared when the controls were imposed. In fact, Fischer said, Malaysia has made significant progress in attacking problems in the financial sector and with corporate debt. He also noted that Malaysia has softened the reaction to the controls by indicating that they are a temporary measure and that the country will gradually return to the global financial markets.

EU Claims to Find Carcinogenic Effects of Beef Hormone. Citing a new report by its scientific committee, the European Commission this week hardened its stance in the ongoing beef-hormone dispute with the U.S. The Commission declared that "there can no longer be any question of lifting the ban" on hormone-treated beef in the wake of the study, which labels one of the six growth-promoting hormones fed to cattle in the United States as a "complete carcinogen" and describes the other five as suspect. The study did not establish threshold levels of exposure for any of the six hormones, nor did it quantify the risks associated with them. The USDA and the USTR issued a joint statement dismissing the study as a reiteration of the same arguments that the EU has already made and that the WTO has already rejected. Further European Commission-sponsored reports on beef hormones are anticipated.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, May 7, 1999****

In April, the unemployment rate was 4.3 percent; it was 4.2 percent in March. Nonfarm payroll employment rose by 234,000.

Leading Indicators

The composite index of leading indicators increased 0.1 percent in March, following an increase of 0.3 percent in February.

NAPM Report on Business

The Purchasing Managers' Index declined 1.5 percentage points to 52.8 percent in April. (A reading above 50 percent indicates that the manufacturing economy is generally expanding.)

MAJOR RELEASES NEXT WEEK

Productivity (Tuesday)

Producer Prices (Thursday)

Retail Sales (Thursday)

Industrial Production and Capacity Utilization (Friday)

Consumer Prices (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1998	1998:3	1998:4	1999:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	4.3	3.7	6.0	4.5
GDP chain-type price index	5.4	0.9	1.0	0.8	1.4
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	2.7	2.5	4.6	N.A.
Real compensation per hour:					
Using CPI	0.6	2.5	2.3	1.7	N.A.
Using NFB deflator	1.3	3.7	3.4	3.4	N.A.
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	11.0	10.9	11.0	11.0
Residential investment	4.5	4.3	4.4	4.5	4.6
Exports	8.2	11.3	11.0	11.3	10.8
Imports	9.2	13.0	12.9	13.1	13.1
Personal saving	5.2	0.3	0.1	-0.0	-0.4
Federal surplus	-2.7	0.9	1.1	0.8	N.A.
	1970- 1993	1998	Feb. 1999	March 1999	April 1999
Unemployment Rate (percent)	6.7**	4.5**	4.4	4.2	4.3
Payroll employment (thousands)					
increase per month			335	7	234
increase since Jan. 1993					18409
Inflation (percent per period)					
CPI	5.8	1.6	0.1	0.2	N.A.
PPI-Finished goods	5.0	-0.1	-0.4	0.2	N.A.

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

New or revised data in **boldface**.

Employment and unemployment data **embargoed until 8:30 a.m., Friday, May 7, 1999.**

FINANCIAL STATISTICS

	1997	1998	March 1999	April 1999	May 6, 1999
Dow-Jones Industrial Average	7441	8626	9754	10444	10947
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.44	4.29	4.49
10-year T-bond	6.35	5.26	5.23	5.18	5.52
Mortgage rate, 30-year fixed	7.60	6.94	7.04	6.92	7.02
Prime rate	8.44	8.35	7.75	7.75	7.75

INTERNATIONAL STATISTICS

Exchange Rates	Current level May 6, 1999	Percent Change from	
		Week ago	Year ago
Euro (in U.S. dollars)	1.078	1.8	N.A.
Yen (per U.S. dollar)	120.8	1.3	-9.0
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. \$)	94.87	-0.7	-1.2

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	4.0 (Q1)	4.3 (Apr)	1.7 (Mar)
Canada	2.8 (Q4)	7.8 (Feb)	1.0 (Mar)
Japan	-3.0 (Q4)	4.7 (Feb)	-0.4 (Mar)
France	2.8 (Q4)	11.4 (Jan)	0.6 (Mar)
Germany	1.8 (Q4)	^{2/} 7.2 (Feb)	0.4 (Mar)
Italy	0.9 (Q4)	12.3 (Jan)	1.3 (Mar)
United Kingdom	0.7 (Q1)	6.3 (Dec)	2.1 (Mar)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, May 7, 1999.**

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 WHITE HOUSE
WASHINGTON

99 MAY 7 PM 7:45

May 7, 1999

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Reed
Kagan
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

we should say something about this

1. **Education -- Achieve Math Test:** Achieve, Inc. -- a nonprofit group focused on education reform -- announced Monday that it will create a new challenging 8th grade math test to improve the performance of U.S. middle school students in mathematics. Ten states -- Illinois, Indiana, Maryland, Massachusetts, Michigan, New Hampshire, North Carolina, Vermont, Washington, and Wisconsin -- already have agreed to give the test, and more states are expected to sign up in the future. The result, of course, will be exactly what you proposed (and Congress rejected): a voluntary national test in eighth grade math that will measure student performance against world-class standards. Achieve also intends to train teachers and provide lesson materials in participating states to prepare students for the test.

X

2. **Education -- Charter Schools:** The Department of Education released on Friday its annual charter school report, which showed continued growth of the charter school movement. (We released an accompanying statement from you praising this progress.) The report found that the number of charter schools grew by more than 50 percent in 1998 -- to about 1,100 schools in 34 states and the District of Columbia, serving a total of about 160,000 students. The report also found that charter schools tend to serve a diverse group of students and that they often have many more applicants than they can accommodate. According to the report, the primary obstacle to charter school formation remains lack of start-up funding. This finding underscores the importance of your proposed 30 percent increase in funding for this purpose in the FY 2000 budget. It also highlights the need for a new rule, proposed last week, to ensure that new charter schools receive the federal funding for which they are eligible within five months of opening. This regulation implements provisions of the Charter School Expansion Act, which you signed last year.

3. **Health Care -- Families USA Report on Medicaid Enrollment:** Families USA will release a study on Thursday stating that welfare reform is primarily responsible for the recent decline in Medicaid enrollment. The study asserts that 675,000 low-income people became uninsured as a result of welfare reform, that the majority of these people were children under 19, and that the number of uninsured people is likely to increase further as welfare reform is fully implemented. Although HHS has not seen the full study, experts in the department believe that the methodology used is problematic. They think that the study ascribes to welfare reform increases in the uninsured population actually attributable to (1) the decline of small firms that

offer any health insurance coverage, (2) the decrease in contributions by employers to health insurance costs (which makes health insurance less affordable), and (3) the decline in the number of people with sufficiently little income to qualify for Medicaid. Although HHS will make these points in response to the study, we expect a spate of negative press stories. We will reiterate your longstanding and strong commitment to health coverage for this population (including your insistence on maintaining the Medicaid entitlement during the debate on welfare reform), and emphasize that your proposals have given states vastly increased options to cover working families under Medicaid as well as to insure children under the new CHIP program.

4. Crime -- Federal Gun Prosecutions: You recently asked about the NRA's claim that the number of federal firearms prosecutions has decreased in this Administration. It is true that the Bush Administration brought a higher total number of gun cases in federal court. For the most part, however, these prosecutions involved minor offenses. The number of federal prosecutions of serious gun offenders (persons serving sentences of over 5 years) is up by nearly 30 percent in this Administration. In addition, better federal coordination with state and local law enforcement has contributed to a 25 percent increase in the number of criminals sent to prison for state and federal weapons offenses since you became President.

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THE WHITE HOUSE

WASHINGTON

May 7, 1999

99 MAY 8 PM 1:08

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEC WEEKLY REPORTS

cc: JOHN PODESTA

OK
Social Security: You should know on Wednesday (5/5), your economic teams met to discuss the details of the Archer-Shaw plan and how the Administration should react to it. My staff together with Treasury, CEA, and Social Security staff are preparing a balanced analysis of the proposal for background and possible public use. We have also been working on final endgame strategies and will meet with you on Wednesday to further discuss several strategic and tactical options for moving ahead before you meet with House Ways and Means Democrats on Thursday.

OK
Supplemental: The House passed the Kosovo/SW Asia supplemental bill 311-105. It is expected to be conferenced with the Central America/Jordan/Agriculture relief supplemental on Tuesday. Chairmen Young and Stevens met privately to begin their negotiations with the goal of making it a fast conference. Two amendments to the Committee bill were adopted: 1) Pelosi (D-CA) amendment adding \$67M to the \$96M currently in the bill for International Disaster Assistance for AID. 2) Latham (R-IA) amendment providing \$109.6 million to support farm loans under the agricultural credit insurance program. Two key amendments were defeated: 1) The Coburn (R-OK) amendment that would have directed the OMB Director to implement a ten percent across the board sequester in FY 2000 for all non-defense discretionary accounts covered by the BEA was defeated 101-322. 2) The Obey (D-WI) amendment was defeated 164-260.

OK
Appropriations: Chairman Stevens formulated his draft 302(b) allocations. OMB is running the implications of the numbers now. Appropriations staff explain that the rationale for the allocations is as follows: Defense is given the budget resolution numbers, with the acknowledgement that if the supplemental funds defense items for 2000, the allocation for defense can later be reduced in favor of non-defense discretionary. Non-defense discretionary accounts are cut proportionately, except that spectrum funds are distributed to bills more likely to pass, like Energy and Water, Transportation, and Treasury Postal. VA HUD and Labor-HHS will be in a very difficult position. We expect the Committee to adopt these allocations Wednesday.

OK
Bankruptcy: Despite vigorous Administration efforts – we sent a SAP with a Senior Advisor Veto threat to the Hill on Wednesday and Larry Stein, Melanne Verveer and I made a host of members calls, the House voted overwhelmingly to pass a bankruptcy reform bill very similar to last year's conference report, with only 108 votes in opposition -- far from a veto-sustaining margin. While Leader Gephardt made an unexpected, positive effort to support the Democratic alternative the creditor lobbying was too strong for it to succeed. Although as of right now prospects in the Senate seem to be an up hill battle the NEC, the First Lady's office, and Leg Affairs is working on a strategy that will helpfully bring about more positive results. We are preparing a memorandum for you outlining next steps.

5-10-99

Financial Modernization: Despite our best efforts – Secretary Rubin made over 50 phone calls in two days to Senators -- to moderate Senator Gramm's Financial Modernization bill it was adopted by the Senate on a party-line vote includes provisions that are unacceptable to the Administration and that you cited in your veto letter. Senator Gramm was victorious on two key votes: (1) he defeated the amendment to eliminate provisions that weaken CRA and insert a provision necessary to preserve CRA's relevance (although two Republicans supported the amendment); and (2) he defeated by one vote (until Daschle released three Democrats) a bipartisan effort to allow banks the choice of firm structure (the so called "operating subsidiary issue"). Next, the House Commerce Committee will mark-up the bill that was reported out of the House Banking Committee. They are expected to make a series of changes that we will oppose, although they will add additional protections for consumers that we support. Your advisors will develop a strategy to respond to this week's legislative activities and maximize our leverage for conference.

OPIC Reauthorization: You should know that the NEC and White House Legislative Affairs convened an interagency group on Friday (5/7) to coordinate the Administration's strategy on reauthorization of the Overseas Private Investment Corp. (OPIC). Two years ago, OPIC had a difficult time getting reauthorized. To avoid a repeat of 1997, we are sending a strong message that counters the "corporate welfare" myth and demonstrating visible Administration support for OPIC (e.g., we're drafting a joint letter from Secretaries Rubin and Herman and Administrator Alvarez).

Possible Trade Case Against Airbus: USTR attorneys are nearing a decision to recommend that the Administration file a trade case against Airbus Industrie under the WTO subsidies code. If there is broader agreement on this course of action, the case would likely be filed in late June (following the mid-June Paris Air Show); Ambassador Barshefsky would inform EU officials on the margins of the summit following the G-8. The case, beginning with consultations in late July, would be decided by next April, with an additional three months for an appeal and 15 months for implementation. The major goal is to prevent Airbus from subsidizing its super-jumbo, the A3XX, which is scheduled for program launch in 2001.

Leaders Meeting on the Challenges of the Global Economy: Acting on your initiative, the NEC staff has been ~~crafting a proposal for you to call for an international leaders meeting this autumn that would address a range of economic, financial, social, and political issues related to global economic development.~~ The meeting would have a core theme of "establishing foundations for prosperity in the 21st century," and would represent an opportunity for dialogue and discussion between leaders of industrial nations and key emerging market countries. The meeting would engage the emerging market countries in the development of the new rules, practices, and policies that are needed to make the global financial system more resilient. Broader development issues, such as the role of democratization, good governance, and social policies, would be expected topics as well. We have been meeting with representatives of State, Treasury, NSC, OVP, and others to develop a set of deliverables, determine country representation, and form a strategy for selling the plan to our G7 partners. We are currently planning to include about 20 countries—the G7 countries, and a set of emerging market countries such as Brazil, Mexico, China, Korea, India, South Africa, Russia, and Poland. We anticipate giving you a formal proposal next week, which will include our plan to secure U.K. and German endorsement first before we approach the rest of our G7 partners.



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

THE PRESIDENT HAS SEEN
5-10-99

May 7, 1999

'99 MAY 7 PM6:18

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR.

WPW for ATF

SUBJECT: CEQ WEEKLY REPORT

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PROTECTING COMMUNITIES FROM TOXICS

Texas Air Issue

Governor Bush recently has been criticized in Texas concerning his record on clean air. This week, the EPA notified the governor of possible economic penalties against the Dallas-Ft. Worth area if the state fails to develop a local clean air plan. Bush's current plan focuses on voluntary compliance for grandfathered power plants, and environmentalists charge that the plan goes soft on industries that have contributed to his presidential campaign. Environmentalists went to court this week in an attempt to force Bush to produce more documents regarding his proposal.

SUSTAINABLE COMMUNITIES

National Town Meeting for a Sustainable America

This week, the President's Council on Sustainable Development (PCSD) held its "National Town Meeting for a Sustainable America." Over 3,000 attended the event in Detroit and more than 60,000 others were linked by satellite and the Internet to over 100 concurrent events across the country. The Vice President's keynote address on Tuesday received good coverage in the major papers.

The PCSD will complete its work at the end of June. On the last day of the conference, PCSD transmitted its final report to you with recommendations in four areas. These findings are significant because they represent broad-based consensus from the manufacturing, service, non-profit, and governmental sectors on historically contentious subjects.

- Climate Change -- PCSD agreed on a set of principles to guide overall U.S. climate policy. These principles include an incentive-based program, credit for voluntary early action to reduce greenhouse gas emissions, and support for climate protection policies that offer multiple benefits for other social, economic, and environmental problems.

- Metropolitan and Rural Strategies -- PCSD endorsed concerted and coordinated investment in five community development areas – green infrastructure, land use and development, community revitalization and reinvestment, rural enterprise and community development, and materials reuse and resource efficiency.
- Environmental Management -- PCSD recommended that building a new environmental management framework requires a system that is goal-oriented, based on good information, attuned to natural conditions, related to community values, and sensitive to specific economic circumstances.
- International Leadership -- PCSD concluded that the U.S. must use its leadership role to improve the movement of private capital flows into sustainable development practices at home and abroad.



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

May 7, 1999

99 MAY 7 PM 4:29

MEMORANDUM FOR THE PRESIDENT

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

*Copied
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Podesta
pg 1:
NSC*

ec/NSC **Congressional Isolationists Threaten U.S. Leadership in Security and S&T**

Allegations of espionage have provided the nuclear weapons laboratories a much-needed wakeup call on some lax security procedures. Congress, however, is trying to throw the baby out with the bath water. In the last five weeks, bills have been introduced in the House (H.R. 1348) and Senate (S. 887) to establish a "moratorium" on foreign visitors from "sensitive" countries to the DOE weapons laboratories. This legislation would undermine America's leadership position in several key ways: 1) it would put an iron curtain around the laboratories that will directly harm our national defense by curtailing the collaboration with scientists in the former Soviet Union that has been critical to controlling the spread of weapons of mass destruction to terrorists and rogue states; 2) it would unilaterally handicap our ability to tap world-class scientific and technological expertise wherever it may be found -- including in *domestic* universities, corporations, and other institutions where foreign scientists over the years have helped produce science second to none, leading to defense capabilities second to none; and 3) it would cast a damaging shadow of suspicion over certain ethnic groups in our country and erects walls within our society that go against the fundamental values that have made our nation strong. I am working in consultation with the NSC and with Secretary Richardson to make these points in as many forums as possible.

The House and Senate appear to be serious about passing these bills. I am hopeful that the findings of Secretary Richardson's external review panel, chaired by John McTague, will mitigate their overreaction. McTague's perspective is that Ford successfully protects proprietary information while pursuing scientific collaboration with GM, Chrysler, and other competitors and that the same can, and must, be true for the DOE labs if they are to succeed in their missions.

Productivity Gains Due to Technology, Not Statistical Aberrations

Alan Greenspan credited technology with recent phenomenal economic performance and the current combination of strong growth, low unemployment, low inflation, high corporate profits, and soaring stock prices in a May 6 speech. Information technologies, including the Internet, got most of the credit for helping businesses operate more efficiently, control costs, and increase profits without raising prices. Greenspan cautions that a fall off in productivity increases could "shock" Wall Street -- another good reason to support the investments in basic and applied research in the many fields of science and engineering that underpin advances in technology, including your Information Technology initiative in the FY 2000 budget request.

Corporate VPs Partner With Administration on S&T Workforce Issues

Chuck Ruff and I convened a group of corporate human resources VPs this week to discuss best practices for increasing diversity in the technical workforce. Many fascinating success stories emerged from the discussion -- including Cisco's partnership with the Department of Education to form Network Academies to provide for their own corporate needs, and Lucent's various partnerships, including loans of scientific personnel to serve as professors in community colleges and loans of executives to minority-serving institutions that are trying to improve their administrative capabilities. These leaders agreed to work with us to convene a larger group of corporations before the end of the year to share best practices and to increase appreciation for the fact that bringing women and minorities into the technical workforce is a matter of self-interest for industries that hope to stay competitive in the 21st century.

Commitment to Life-Long Learning Distinguishes Excellent Math and Science Teachers

A recent survey sponsored by NSF revealed some dramatic differences in teachers who have received the Presidential Award for Excellence in Mathematics and Science Teaching (PAEMST) and other math and science teachers. For example, the PAEMST teachers:

- rely far less than their peers on textbooks in their teaching;
- are more academically prepared in their subjects;
- devote far more time to lifelong learning and professional activities;
- feel far more competent in their work than most teachers; and
- tend to use more advanced classroom tools and techniques.

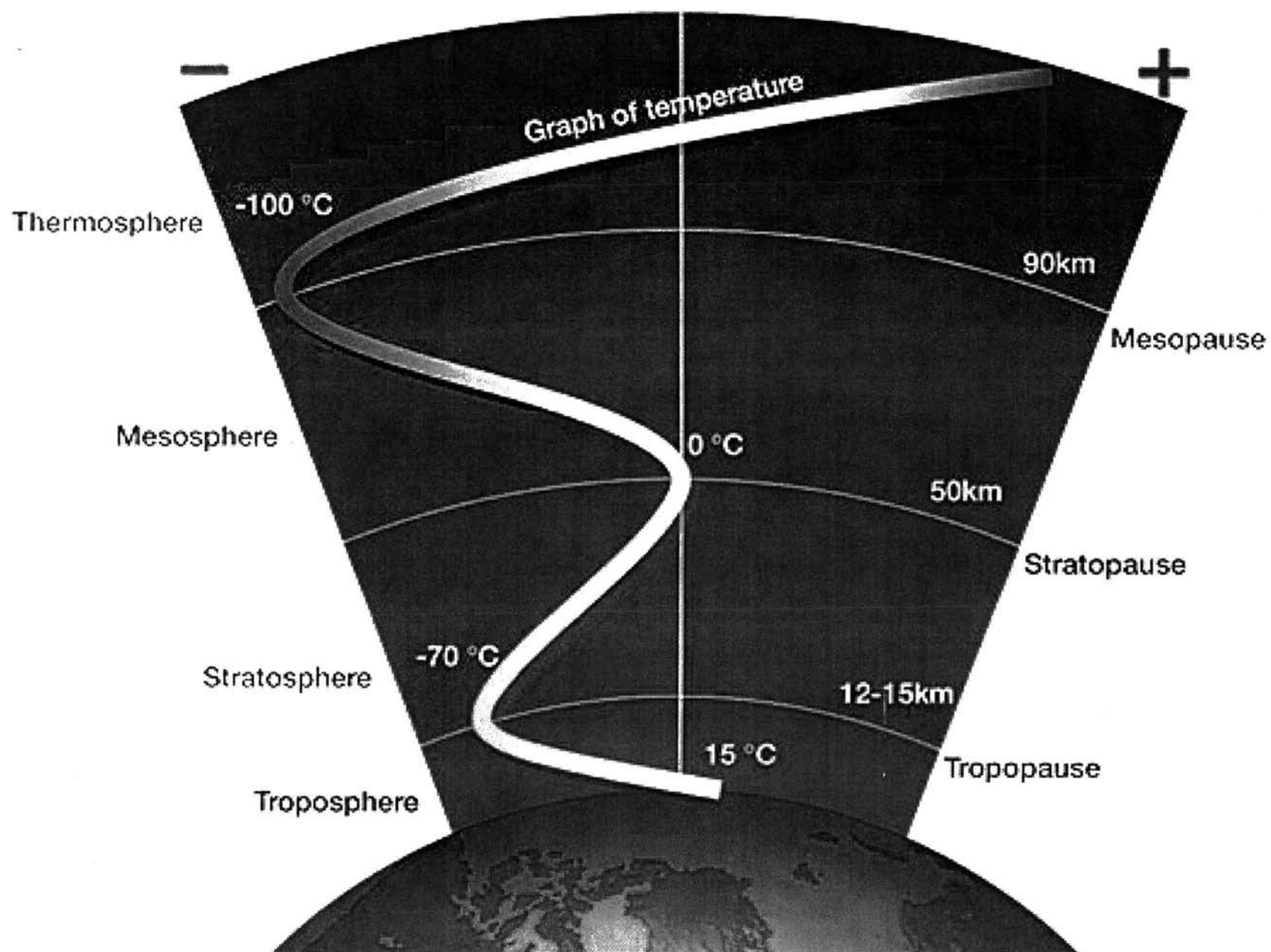
Your recently initiated Interagency Education Research Initiative will help us follow up on these types of findings and discover what really helps children learn and how to transfer that information more broadly into classrooms across the country.

Cooling in the Upper Atmosphere Greater Than Expected

Scientists have long known that the increase in greenhouse gases (GHGs) that can warm the surface of the Earth and the lower atmosphere should lead to a cooling of the upper atmosphere. This is because the increased GHG concentrations "trap" heat lower in the atmosphere, leaving less available to warm the upper atmosphere. A recent article in *New Scientist* reports that this cooling is greater than expected -- as much as a degree centigrade/year for the past 30 years or so in an area of the atmosphere known as the mesosphere, from 50 to 90 kilometers (8 to 15 miles) above the Earth's surface. This cooling means that the upper atmosphere is being compressed -- thus the media have suggested that the "sky is falling." The same mechanisms that cool the mesosphere also cool the stratosphere, and a cooler stratosphere is forecast to delay the recovery of the ozone hole, as colder conditions lead to increased ozone destruction. (Attachment)

Science Societies Urged To Be More Active On Climate/Energy Issues

John Holdren, Bob Watson (World Bank), and Lester Brown (Worldwatch) spoke about climate change and energy issues at an OSTP-coordinated session of the Council of Science Society Presidents (CSSP) May 3. This society represents 1.5 million scientists. The panel urged scientists to communicate to Congress and the lay public about these issues, to highlight where there is scientific consensus and where there are uncertainties, and to participate in the policy-making process. Holdren noted the hesitancy of Congress to support international research, development and deployment of new energy technologies so crucial for security, environment and climate reasons. The CSSP is considering developing resolutions related to these issues.





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

May 7, 1999

copied

5-10-99

99 MAY 7 PM 4:29

MEMORANDUM FOR THE PRESIDENT

FROM:

NEAL LANE

Neal

Lane

Podesta

CC:

JOHN PODESTA

pg 1:
NSC

SUBJECT:

OSTP WEEKLY REPORT

ec/NSC

Congressional Isolationists Threaten U.S. Leadership in Security and S&T

Allegations of espionage have provided the nuclear weapons laboratories a much-needed wakeup call on some lax security procedures. Congress, however, is trying to throw the baby out with the bath water. In the last five weeks, bills have been introduced in the House (H.R. 1348) and Senate (S. 887) to establish a "moratorium" on foreign visitors from "sensitive" countries to the DOE weapons laboratories. This legislation would undermine America's leadership position in several key ways: 1) it would put an iron curtain around the laboratories that will directly harm our national defense by curtailing the collaboration with scientists in the former Soviet Union that has been critical to controlling the spread of weapons of mass destruction to terrorists and rogue states; 2) it would unilaterally handicap our ability to tap world-class scientific and technological expertise wherever it may be found -- including in *domestic* universities, corporations, and other institutions where foreign scientists over the years have helped produce science second to none, leading to defense capabilities second to none; and 3) it would cast a damaging shadow of suspicion over certain ethnic groups in our country and erects walls within our society that go against the fundamental values that have made our nation strong. I am working in consultation with the NSC and with Secretary Richardson to make these points in as many forums as possible.

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5-10-99

THE WHITE HOUSE
WASHINGTON

May 7, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*

SUBJECT: Climate Change Weekly Report

Domestic Policy

X USDA released its economic analysis of the impacts of the Kyoto Protocol on the farm sector. We held briefings for both the Hill and stakeholders. The analysis shows that the impacts of the Protocol on agriculture should be modest, and effectively takes on the studies, widely cited by Kyoto opponents, which claim that the economic impact on farmers would be severe. The *Wall Street Journal* ran a blurb on climate change in today's "Washington Wire" that included a sentence saying that USDA's analysis indicates the impact of Kyoto on farmers will be modest.

Diplomatic

✓ I met today with a delegation from Kazakhstan, which spent the week here in technical discussions about how best to set an emissions target. Following up on their pledge at Buenos Aires, the Kazakhs are hoping to announce an target at the next conference of parties in October.

Congress

✓ *TS* Sen. Lugar (R-IN), Chairman of the Senate Agriculture Committee, has introduced a bill that would establish a new council to coordinate interagency research and deployment efforts relating to biomass, both as a source of energy and as a chemical feedstock for other goods. The bill authorizes \$49 million annually for five years and would also establish an outside advisory panel process. We are quite supportive of the bill in concept as a positive step in developing a biofuels and bioproducts industry. At the same time OVP, OSTP and NEC are developing a possible Executive Order that could accomplish some of the same goals. We are working closely with Sen. Lugar's staff as well as Sen. Harkin and other Democrats on both the Senate Agriculture and Energy Committees to build a bipartisan approach to the issue.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

5-10-99

THE WHITE HOUSE
WASHINGTON

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May 7, 1999

TO: THE PRESIDENT
FROM: LORETTA UCELLI
Subject: Communications Weekly Report

o **White House Strategy Session on Children, Violence and Responsibility:**

Communications is working with the DPC, Press Office and others on the tone, content and Communications strategy for the "White House Strategy Session on Children, Violence and Responsibility" this coming Monday.

Due to the vast interest generated by the Strategy Session and in order to ensure weekend news coverage which reflects the Administration's perspective, Communications worked with DPC and the Press Office to:

- Briefings: set up columnist and media briefings on Friday;
- Weekend TV: identify participants and Administration officials to be offered for weekend news programs.

In addition, as you requested, we arranged for all the participants coming to Monday's Strategy Session to receive your April 30th Rose Garden Statement -- as well as the one from this Friday.

o **Support For US/NATO Action In Kosovo:**

Communications continues to work with the NSC and Press staff to support US/NATO action in Kosovo. In general terms, most mornings we have hosted a meeting with Communications, NSC, Scheduling, Press and others to coordinate and plan upcoming events. This week, specifically:

- Refugees In The US: Putting a human face on the suffering of those fleeing ethnic cleansing is and has been one of our central goals. Your trip to Germany this week made this point clearly. The arrival of refugees in the United States this week provides a significant chance to make this case.

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Ucelli
Podesta

Communications and Press have been working with those on the ground in New York and New Jersey to identify Kosovars who are willing, comfortable and able to discuss their experiences with the media. *Beginning this weekend and continuing forward, nearly every major media outlet will be running stories highlighting these personal stories.*

- Fact Sheet: We worked with the NSC to produced a new two-page document on Kosovo. The document concisely states: 1) Our three goals; 2) the effectiveness of the US/NATO air campaign in destroying Mr. Milosevic's capacity for repression; 3) and a summary of Serb atrocities against the civilians in Kosovo.

- o **Cabinet Commencement Guidance Packet:**

In addition to the commencement addresses you will be giving this spring, various members of your Cabinet will also be visiting college and university campuses to speak to the last graduating class of the 20th Century. Communications is working with Cabinet Affairs to draft and distribute a short overview memo for your Cabinet and their speech writers. The document highlights your efforts -- at home and abroad -- to ensure that the future will be brighter, more prosperous and more secure.

THE WHITE HOUSE
WASHINGTON

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May 7, 1999

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARY BETH CAHILL

SUBJECT: OFFICE OF PUBLIC LIAISON WEEKLY REPORT (April 30 - May 7)

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

KOSOVO

Concern is growing within the Faith Community. Conflicted by the choices of ethnic cleansing or bombing, most Christian leaders have been relatively quiet about the situation in Yugoslavia. But the expansion of NATO targets to include non-military sites and the increase in civilian casualties and damage is causing increased concern for suffering of the Yugoslav people and what it will take to rebuild. Five days after the bombing began, Catholic Relief Services sent a \$100,000 contribution to the church and the Red Cross in Yugoslavia because of their concern for the people there.

CENTRAL AMERICAN SUPPLEMENTAL

Faith and Hispanic Communities Share Administration Concerns on Funds for Central America. Working with the Hispanic Caucus in Congress, lobbyists from the Hispanic and faith communities have been urging immediate action on the Hurricane Mitch supplemental and are voicing their objections to the Republican offsets. The National Hispanic Leadership Agenda, which is a coalition of the major, national and well-respected Hispanic organizations, will be sending a letter to the Hill expressing the need for immediate action.

CONSTITUENT OUTREACH AND OTHER ISSUES

BUSINESS OUTREACH

First Lady Addresses the Ad Council. On Monday, OPL hosted a reception for the Ad Council to congratulate them on their continued commitment to improving circumstances for children. Governor Roy Romer and Ann Lewis joined the First Lady in thanking them for their efforts and highlighted the release of the council's updated report, "Kids These Days '99: What Americans Really Think About the Next Generation."

Sacramento Chamber of Commerce. On Tuesday, OPL hosted a policy briefing for 90 members of the Sacramento Chamber of Commerce, the second largest chamber in California.

The briefing focused on transportation, workforce development and flood preparedness. Members were briefed by Maria Echeveste and Mickey Ibarra; Karen Skelton, Chief Counsel at Transportation; and representatives from the Labor Department and FEMA, as well as the Welfare-to-Work Partnership.

HEALTH OUTREACH

The Leadership Council on Aging met this week. There is some apprehension that the Administration Medicare package may look like the Breaux-Thomas plan. They are very much against premium supports and are sending a letter to the President to restate their concerns Medicare reform. On the issue of the Older American's Act Reauthorization, they have limited concerns about a couple of features included in the Administration's bill, i.e. block granting Title VII and the deletion of legal services as a priority.

Medicare Reform. The provider community continues to push for no further provider cuts to the Medicare reform package. In the wake of provider cuts to the BBA, they do not want further cuts in whatever Medicare package we put forth.

JEWISH OUTREACH

Florida voucher victory concerns church state separation advocates. A majority of Jewish groups are alarmed at the school voucher legislation that passed in Florida last week. The question of vouchers has divided the Jewish community along religious and political fault lines. Orthodox groups laud the new plan while non-Orthodox groups will undoubtedly be involved in early legal challenges to the new measure.

RELIGIOUS OUTREACH

Commission Appointments Well-Received. The faith community was very pleased with your three appointments to the Commission on International Religions Freedom. Fortuitously, they were announced the morning of Ambassador Seiple's swearing-in. Interestingly, Sen. Lott replaced former Sen. Armstrong with Michael Young, the Mormon who had originally been recommended to you by Sen. Reid.

American Muslim Council Pleased with Briefing: Secretary Slater, Sandy Berger, and Karen Tramontono made presentations on racial profiling, foreign policy, and the census. The audience warmly applauded your position on Kosovo, the Wye Accords, and your appointment of a Muslim to the Commission on International Religious Freedom. They also raised questions about our position on the status of Jerusalem and the location of the US Embassy there.

SENIORS OUTREACH

Older Women's League pleased with the Vice President's participation in Mother's Day announcement of Women and Medicare. On Monday, the Vice President participated in a discussion with senior women to talk about Medicare. This is part of the Older Women's League's release of a annual report on Mother's Day.

5-10-99

THE WHITE HOUSE
WASHINGTON

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Podesta

May 7, 1999

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

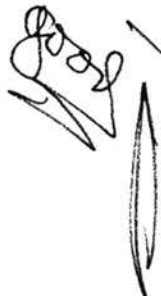
FROM: BEN JOHNSON

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

ACTIONS

Weekly Reader: Your letter to schoolchildren is being prepared by Presidential Letters Office. In addition, we met with a Weekly reader marketing representative and discussed the possibility of using its pages to deliver anti-hate and tolerance messages on a regular basis. Please be advised that the Weekly Reader is used in 70 % of all classrooms and reaches over 6 million grammar school kids -- their website receives 2 million hits a month! I will be exploring ways to piggy back One America themes onto existing federal agency media efforts, including ONDCP's advertising campaign.

Racism, Stop It! Your anti-racism message is being drafted and will be ready soon to join the British and Canadian Prime Ministers on the "Racism, Stop It ! Action 2000 website".

 **New Markets:** We met with David Lambert from the New York Stock Exchange (NYSE) and other WH staff to discuss ways to highlight untapped markets and underserved communities by using the NYSE's high profile platform, members and resources. We touched on a number of ideas and we plan to work closely with NEC on follow-up discussions. I plan to brainstorm with some of our clergy leaders to see if we can get them to work in a message that will move people toward investing in the stock market instead of a lottery ticket.

Unity 99: We met with the Executive Director of "Unity 99", the Joint convention of the four national associations of journalists of color that is anticipated to attract over 6000 participants. We discussed the troubling aspect of the media disseminating and reinforcing negative stereotypes, be it of poor rural whites, or minorities. We agreed to continue our discussions on the media's role and work towards convening a roundtable with a group of key members of the print and broadcast industry to bring a laser focus to the issue of journalistic responsibility for accurate and non-biased reporting.

5-10-99

CONSTITUENT OUTREACH

Church of the Round: I represented you at Bishop Melvin Clark's 39th anniversary celebration as pastor of the Church of the Round in Aliquippa, Pennsylvania. Noted attorney and supporter Willie Gary, served as the keynote speaker and preached a sermon for the ages. While in the Pittsburgh area, I learned that race relations may be at an all time low because of re-occurring incidents between African Americans and the police.

Italian American Foundation Forum: I participated in a roundtable discussion with white ethnic leaders organized by Fred Rotundaro of the Italian American Foundation. The session was attended by representatives from the Polish, Italian, Jewish, and Irish communities among others. I thought it allowed for a very good exchange of ideas that I intend to follow up on. The Italian American Foundation is recommending you declare a national day of diversity. The subject of your attending black churches was also discussed, and the group was nearly unanimous in recommending you attend more white churches with a message of tolerance and reconciliation. They were in full agreement that when you attend black churches you are preaching to the crowd.

Brookings Institution: I participated in a national issues forum on race sponsored by the Brookings Institution. I delivered remarks to an audience of 200 diversity specialists, media reps and educators. I focused my remarks on our initiatives, in education and new markets, and talked about the administration's efforts aimed at closing the opportunity gap that exist between the races in economics and health. It was interesting to note that while everybody recognized the changing racial demographics, the discussion was dominated by the issues of black and white.

CABINET RACE INITIATIVE WEEKLY REPORT

Department of Education

Littleton School Shooting: The Denver office of the Department's Office for Civil Rights (OCR) has been receiving many calls from school districts and the public in the aftermath of the school shootings. Because one of the killings seemed to be connected with the victim's race, some of the calls have been from parents who fear that race-based incidents involving their children will escalate. OCR has referred callers to DOE's website, sent copies of "Early Warning, Timely Response," and mailed complaint forms to some concerned parents.

Department of Energy

African-African American Summit: On May 19, Secretary Richardson is scheduled to attend the 5th African-African American Summit in Accra, Ghana. He will host an Energy Roundtable and give the Keynote Address at the May 19th Summit Gala Awards Ceremony.

Department of Interior

Federal Round Table for Tribes: On May 6-7, OSM participated in a "Federal Round Table for Tribes" in Albuquerque, NM. Representatives from 25 Tribes and Pueblos and 19 federal agencies are expected to participate and discuss procedures for consultation between Tribes and federal agencies in the NM area.

Timbisha Shoshone Tribe: In late May, NPS, BLM, and BIA will hold scoping meetings on a draft report to Congress that recommends establishment of a permanent land base in and around Death Valley National Park for the Timbisha Shoshone Indian Tribe. The recommendations in the draft report call for the federal government and the Timbisha Shoshone Tribe to serve as partners in the area. Along with the acquisition of 300 acres to be taken into trust at Furnace Creek inside the park, the tribe will have traditional use of an adjacent 1,000 acres of mesquite groves which will also continue to be used by the public.

The report also recommends the designation of a large area in the western part of the park as the Timbisha Shoshone Natural and Cultural Preservation Area, in recognition of the contributions that the tribe has made to the history, culture, and ecology of the region.

Department of Justice

Racial Profiling: Plans are continuing for a Police Integrity conference in June. In addition, the Attorney General of NJ announced last week that the state will engage in settlement negotiations with the Civil Rights Division of the Justice Department to end the practice of racial profiling during traffic stops by NJ state police.

Tribal Youth Program: In mid-May, the Office of Juvenile Justice and Delinquency Prevention (OJJDP) will publish a fact sheet on the Tribal Youth Program. Although overall violent crime rates have been declining in the US, rates continue to rise in Indian Country. The fact sheet describes the \$10 million in discretionary grants available under the Tribal Youth Program.

Department of Labor

Secretary's Events: On May 11, Secretary Herman plans to participate in the President's New Markets event, and mark her 2 year anniversary by leading a town hall discussion with DOL employees. In addition, the Secretary will make remarks at the Leadership Conference on Civil Rights' "Hubert H. Humphrey Civil Rights Awards" annual dinner.

Department of Transportation

Asian/Pacific Islander American Heritage Month: The Department's Asian/Pacific American Employee Council will celebrate Asian/Pacific Islander Heritage Month on May 10 in the DOT plaza. Secretary Slater will address the event, which will also be attended by Ambassador Raul Charles Rabe, Embassy of the Philippines.

5-10-99

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PodestaTHE WHITE HOUSE
WASHINGTON

May 7, 1999

MEMORANDUM FOR THE PRESIDENT

'99 MAY 7 AM 10:44

FROM: Mickey Ibarra

SUBJECT: Office of Intergovernmental Affairs Weekly Report – May 3 - 7, 1999

NACo LEGISLATIVE ALERT

The National Association of Counties issued a legislative alert May 5 urging county officials to contact their Senators to oppose any offer to weaken the Community Reinvestment Act (S. 900).

STRATEGY SESSION

Attorney General Ken Salazar (D-CO) and Mayor Sharon Sayles Belton (D-Minneapolis, MN) have agreed to join you at Monday's White House Strategy Session on Children, Violence, and Responsibility. We have also notified all key state and local officials in Colorado of your planned visit to Jefferson County on May 20th.

TOBACCO RECOUPMENT

On Tuesday, May 4 Governor Leavitt (R-UT), Governor Thompson (D-WI), and State Rep. Dan Blue (D-NC) joined Senator Hutchinson (R-TX) and Rep. Bilirakis (R-FL) at a press conference on Capitol Hill to urge the passage of tobacco recoupment prevention legislation. Much to the dismay of the state and local officials and organizations, the event generated little press coverage.

CHINA/WTO

Governor Gary Locke (D-WA) has thanked you for the "progress your Administration has achieved in negotiating the terms of China's membership in the World Trade Organization (WTO)." The governor has assured us he will continue to be a strong advocate for admitting China into the WTO.

CALIFORNIA ELECTEDS

- OPA and IGA hosted 54 California legislators Monday, May 3 at a White House meeting with the Vice President, Secretary Cuomo, and Deputy Secretary Summers. Minyon Moore and I also delivered remarks.

- IGA hosted a White House briefing for the Los Angeles County Board of Supervisors Thursday, May 6, as well as District Attorney Gil Garcetti and Sheriff Lee Baca, on immigration, crime, and health care. The officials heard from Chris Jennings of DPC, Josh Gotbaum of OMB, DCOS Maria Echaveste, DOJ's Ray Fisher, and HHS's Kevin Thurm.

NATIONAL CONFERENCE OF BLACK MAYORS

We met with Mayor Jesse Norwood (D - Prichard, AL), the new President of the National Conference of Black Mayors. The Mayor outlined his vision for the organization and is looking forward to working with you and the Office of Intergovernmental Affairs.

INSULAR AFFAIRS

- Vieques Live Fire Criticized: Senator Charles Schumer (D-NY) and *The Washington Post* supported Puerto Ricans in calling for the end of military live ammunition target practice on the island municipality of Vieques. Additionally, Representative Jose Serrano (D-NY) backed plans for sit-ins on the range, Senator Frank Murkowski (R-AK) said the Navy's Vieques activities have to change, Senator Larry Craig (R-ID) called for a hearing on the issue, and Resident Commissioner Carlos Romero- Barcelo (D) asked for an independent investigation. Navy Secretary Danzig also met with Governor Rossello on the issue.
- Guam Chinese Invasion Aid Assurances: Senior Justice Department officials agreed to assure Guam Governor Carl Gutierrez (D) and Northern Mariana Islands Governor Pedro Tenorio (I) that they are trying to identify funding for the islands' costs in detaining the 1,000 Chinese who have tried to illegally enter Guam in the past couple of months. INS field personnel had worried the governors by saying there are no funds for this. *The Wahington Post* and Jack Anderson ran reports on the major smuggling effort.

5-10-99

THE WHITE HOUSE
WASHINGTON

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May 7, 1999

MEMORANDUM FOR THE PRESIDENT

FROM LYNN CUTLER *LC*

THROUGH JOHN PODESTA

CC MARIA ECHAVESTE

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Sacagawea Coin Event

- On Tuesday, the First Lady, Secretary Rubin, and Director Phil Diehl of the Mint unveiled the design for the new dollar coin. The coin bears the image of Sacagawea. The event was very moving and a traditional Indian celebration. From the Vietnam Veterans color guard, comprised of Native Americans, to the dancers, drummers, and the 270 tribal leaders who attended, the celebration was wonderful and reaffirmed your commitment to Indian country. The Mint reports that 1.3 million visits were made to the Sacagawea coin web-site on that day! In addition to the coin, the First Lady announced the legislation to create the Native American Education Foundation, and discussed the serious problems in Indian country. It was wonderful.

Telecommunications In Indian Country

- I met with Chairman Bill Kennard of the Federal Communications Commission and was delighted to learn that he is making Indian country a priority. He has been to several reservations and is very concerned about the lack of phone service and other capabilities in Indian country. You will recall that you ordered the Commerce Department to perform a study on this subject during the Economic Development in Indian Country conference last summer. The study is almost ready--it is quite startling. Less than fifty percent of people on the reservations have regular phone service. Chairman Kennard has additional data that he will send to the Commerce Department for inclusion in their study. We expect to have the study ready to go in mid-June.
- Chairman Kennard will also help us to interest US West in making some investments in Indian country for the New Markets Initiative.

Meeting With Plains Tribes

- Next Wednesday afternoon, John Podesta will host a meeting with twenty-one tribal leaders, Senators Daschle, Dorgan, Conrad, Johnson and Baucus, Secretaries Cuomo, Babbitt, and Riley, Deputy Secretary Kevin Thurm, and Assistant Secretary Kevin Gover. This meeting was requested by the Senators and will be a listening session for us. You are scheduled to drop by the meeting. As you know, these particular tribes are facing the worst problems in every category. We will be prepared to discuss initiatives already underway, but may have to focus on bringing pilot projects to their areas.

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WASHINGTON

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May 7, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. TMS
KRIS M. BALDERSTON KMB

SUBJECT: Summary of Cabinet Weekly Reports
May 1 - 7, 1999

AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **Cabinet Commencements:** Cabinet Affairs has been working closely with the agencies to coordinate commencement addresses for the Cabinet across the country. In conjunction with the Communications Office, we assembled a packet of message materials that highlight Administration accomplishments for the Cabinet to use in their speeches. A chart of upcoming Cabinet Commencements is attached.

DEPARTMENT OF TREASURY

- **Tornado Response:** For thirty days from the date of disaster-area designation, the IRS will not open any new cases in affected zip codes in OK and KS, and all collections procedures and on-going IRS investigations in these counties will be suspended. IRS employees are staffing FEMA disaster assistance facilities to assist taxpayers with tax counseling and with securing documentation required for Small Business Administration and private-sector loans. IRS agents will also expedite requests for lost documentation. Holders of U.S. Savings Bonds who live in affected zip codes can receive expedited replacement or payment, and have the normal six-month holding period for redemption of bonds waived.
- **Brazil:** On May 10, you will meet with Brazilian President Cardoso. President Cardoso is likely to raise with you the progress of Brazilian economic reforms and international financial architecture. President Cardoso will also speak at an Export-Import Bank conference before going to New York. Treasury continues to work with Brazilian counterparts to follow through on reform efforts.

- **Law Enforcement Memorial:** On May 14, Secretary Rubin will participate in a ceremony honoring Treasury law enforcement officers who have died in the line of duty, including four who perished in 1998. On May 15, Secretary Rubin will participate with the Vice President at the National Peace Officers' Memorial Service at the Capitol. Both ceremonies are taking place on the occasion of National Police Week.

DEPARTMENT OF JUSTICE

- **Law Enforcement Memorial Vigil:** On May 13, Attorney General Reno will address the Annual Law Enforcement Memorial Vigil in Washington, DC, beginning the recitation of names of fallen law enforcement officers over the last century.
- **School Safety / Columbine Shooting:** The FBI continues to provide support to local authorities in the investigations. The Office for Victims of Crime continues to work with other federal agencies to assist victims efforts. DOJ is seeking ways to provide additional support to law enforcement in schools.
- **Racial Profiling:** Plans are continuing for a Police Integrity conference in June. In addition, last week the Attorney General of NJ announced that the state will engage in settlement negotiations with the Civil Rights Division to end the practice of racial profiling during traffic stops by NJ state police.
- **Victimization and Community Safety:** In late May, the Bureau of Justice Statistics (BJS) and the Office of Community Oriented Policing Services (COPS) will release *Criminal Victimization and Perceptions of Community Safety in 12 Cities, 1998*. The publication reports findings from city-level surveys of victimization, citizen perceptions of crime, and attitudes toward local police and community policing. Cities selected for the survey project had police departments that represented varying stages in the development of community policing.
- **Police Use of Force:** On or after May 21, the National Institute of Justice (NIJ) and BJS will release *Use of Force by Police: 1998 Summary of National and Local Data*. The report provides an overview of what is known, with varying degrees of confidence, about police use of force. What is known "with substantial confidence": police use force infrequently; relatively minor types of force dominate statistics on police use of force; and use of force typically occurs when police are attempting an arrest and the suspect is resisting. What is known "with moderate confidence": use of force appears to be unrelated to an officer's personal characteristics, such as age, gender and ethnicity, and a small proportion of officers are disproportionately involved in use-of-force incidents. What is as yet "unknown": how often police use force in ways that can be judged as wrongful.

5-10-99

- **Delinquency Cases in Juvenile Courts:** In mid-May, OJJDP will publish a fact sheet on *Delinquency Cases in Juvenile Courts, 1996*. U.S. juvenile courts handled an estimated 1.8 million delinquency cases in 1996. The estimates provided in the fact sheet are taken from the forthcoming OJJDP Report *Juvenile Court Statistics 1996*, which is based on data from nearly 1,800 courts that had jurisdiction over 67 percent of the nation's juvenile population.

DEPARTMENT OF INTERIOR

- **Grand Canyon Overflights:** In June, NPS and FAA expect to publish a Notice of Proposed Rulemaking concerning air tour overflights in the Grand Canyon in the *Federal Register*. The proposed rule would 1) establish new air tour routes; 2) institute a freeze on the level of operations over the park; and 3) modify air space rules over the park.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Balkan Food Aid:** By May 14, USDA expects to conclude an agreement with Catholic Relief Services by which USDA will provide the charity 10,000 tons of wheat flour for subsequent delivery to Kosovar refugees in Albania and Macedonia. In a separate development, on May 19, USDA will host a delegation from the Albanian flour industry, explaining the USDA grain warehouse regulatory system and USDA's commodity operations. The delegation is touring the U.S. on a fact finding and educational mission.
- **CO Shooting Range:** On May 1, the Pike and San Isabel National Forests (CO) will close a shooting range on forest land, due to complaints of excessive noise and public safety problems. The site and proposed closing has generated increasing controversy over the last three years, and this action may highlight previous attention.
- **Alcohol Ban in SD Forests:** On May 1, the Black Hills National Forest in SD will ban alcoholic beverages from two popular day-use areas because of repeated acts of underage drinking and vandalism. The proposal has generated favorable public and media attention.
- **Commodity Markets:** Good winter wheat conditions and poor export prospects drove wheat cash and futures prices lower last week. Speculator selling pushed corn prices down, but nervousness over potential planting delays helped moderate the decline. Weak exports led soybean prices to resume their downward spiral. Nearby rice futures received a boost from news that the absolute ban on food sales to Iran is being lifted. Cotton prices moved sharply higher on speculator short-covering. Cattle prices advanced, following cutout values higher. Hog prices strengthened, as increased field activity in the Midwest slowed marketings. Broiler production remains high, but increased demand helped raise prices to 6-week highs. Butter and cheese prices both fell, as buyers hold off purchases in anticipation of further price declines.

- **Food Safety Facility:** On May 21, the Food Safety and Inspection Service (FSIS) will dedicate a new technical service center in Omaha, NB. Senator Kerrey is scheduled to participate in the grand opening for the facility, which serves as a hub for disseminating information and providing training about USDA's new science-based meat and poultry inspection system.

DEPARTMENT OF COMMERCE

- **Meeting with Turkish President:** On April 27, Secretary met with Turkish President Demirel and other Turkish leaders, along with leaders of U.S. companies (Foster Wheeler, SBC International, General Dynamics, Sikorsky Aircraft, Boeing, and GE Trading Company) to discuss energy/investment constraints; intellectual property rights; and telecommunication reforms.
- **MBDA 30th Year Anniversary:** On May 20, Secretary Daley will give the keynote address at an event celebrating the 30-year anniversary of the Minority Business Development Agency.

• **Defense Trade Advocacy Success in Greece:** The Greek Government has selected Lockheed-Martin to supply 58 F-16 aircraft in order to modernize Greek defense forces. The Bureau of Export Administration (BXA), in conjunction with the International Trade Administration and the U.S. Embassy in Athens, generated high-level U.S. Government support for the U.S. firms that were competing against European bidders. Secretary Daley spoke with and sent a letter to the Greek Minister of Industry in support of the proposals offered by Lockheed Martin and Boeing. The value of the contract is estimated at \$2.5 billion.

• **SH-60 Helicopter Licensed Production in Japan:** The BXA is resolving a two-year old issue pertaining to Japanese obstructions on technology flowback to Sikorsky Aircraft under the SH-60 program. Under this program, the Japanese altered the basic SH-60 design. The technical merit of these changes warrants review by Sikorsky Aircraft and the Naval Air Systems Command. However, the licensed production agreement does not require the Japanese to provide the U.S. with this information unless the changes are incorporated into the final Japanese design.

• **National Wildlife Federation v U.S. Army Corps of Engineers:** Eight environmental and fishing groups, including the National Wildlife Federation, the Sierra Club, American Rivers, the Pacific Coast Federation of Fishermen's Associations, seek a declaration that the U.S. Army Corps of Engineers is violating the Clean Water Act and an injunction compelling compliance according to a court

approved schedule. The plaintiffs' allegations concern the operation of the four federal dams on the lower Snake River in WA State. Neither the DOC, National Oceanic and Atmospheric Administration, nor National Marine Fisheries Service is a party.

- **Progress on U.S.-EU Disputes:** The EU announced that it will delay by one year implementation of the hushkits regulations. The U.S. proposes to work with the EU through ICAO to develop multilateral standards on aircraft noise. Regarding beef hormones, the EU Council has asked the Commission to agree to compensate the U.S. for the ban on beef hormones and is exploring labeling of U.S. meat as a possible solution. With respect to bananas, the Council has also asked the Commission "to respect fully" the recent WTO decision against the EU banana regime.
- **International Trade Administration (ITA) Y2K Conferences:** ITA has been working with U.S. trading partners to jointly organize Y2K problem events overseas to exchange information about methodologies and lessons learned in key industry sectors and to maintain an open discussion on efforts to address Y2K.
- **E-Rate:** Federal Communications Commission (FCC) Chairman Kennard is expected to announce a proposal during the week of May 3 to seek full funding (\$2.25 billion) for the Education-Rate (E-Rate) program, which provides telecommunications discounts for the connection of schools and libraries to the Internet. The fund is an essential component of your goal of connecting all classrooms to the Internet by the Year 2000. The fund, in its second year, is controversial because it may result in a slight increase (less than 20 cents) in every residential and business consumer's telephone bill as part of the overall universal service fee.
- **Serbia Sanctions:** On May 4, the *Federal Register* published an amendment to the Export Administration Regulations that control exports to Serbia, as part your decision to impose broad economic sanctions on Serbia. Montenegro is not included in the sanctions. The new rule will require exporters to obtain an export license before any shipment of U.S. items to Serbia, including petroleum products, but states that only license applications for basic humanitarian shipments will be approved. An Executive Order, signed on April 30, gave the Secretary of Treasury authority to embargo all transactions with Serbia. Treasury delegated the export and re-export licensing functions to BXA.
- **Operation Weathersafe:** The National Weather Service in Tulsa, OK, completed a promotional campaign jointly with a media affiliate of *NBC* and the Tulsa Area Emergency Management Agency. As part of a two-month promotion called "Operation Weathersafe," viewers could request \$10 discount coupons from the TV station for the purchase of Radio Shack NWRs. Over 1,000 coupons were dispensed and area Radio Shacks were overwhelmed with requests.

DEPARTMENT OF LABOR

- **Newport News Shipbuilding and Repair:** On May 3, the strike by United Steelworkers Union against Newport News Shipbuilding & Repair entered its fourth week with little progress and no indication of any settlement in the dispute.
- **A&P Food Stores:** On April 26, A&P confirmed that it will close or sell all 34 stores in Metro Atlanta by the end of June, affecting some 2,000 employees. A WARN notice has been filed with the GA Department of Labor which is beginning the planning process to assist the affected workers.
- **Reserve Call-up:** DOL's Veterans Employment and Training Service (VETS) is providing briefings to reserve and National Guard units across the country to ensure that the men and women affected by the Presidential Selected Reserve Call-up understand their rights under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). These rights include the right to return to their civilian jobs and retain all pension benefits. As appropriate, VETS staff will continue to conduct briefings and make themselves available to address questions and concerns from service members in the affected areas.
- **Working Womans Magazine:** On May 10, Secretary Herman will make the keynote remarks at the *Working Woman* magazine second Annual "Working Woman 500" Congress dinner.
- **Boeing Dislocated Workers:** Next week, DOL expects to announce a Title III grant (amount to be determined) to provide job training and other reemployment services to workers who are being dislocated from the Boeing Corporation in WA.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Kosovo Refugees:** The Office of International and Refugee Health and the Office of Emergency Preparedness, along with Centers for Disease Control and Prevention (CDC), are aiding in the medical screening and health care needs of the refugees, in direct support of the Office of Refugee Resettlement (ORR). Although CDC plans to perform its refugee medical examination overseas, through the International Organization for Migration, they will need more preparation before beginning the examinations in overseas processing locations. Until these sites become operational, medical screening will take place at Fort Dix. ORR will also lead the efforts of an inter-agency working group. Plans are underway to receive up to 2000 refugees in the next week.

5-10-99

- **Tornado Response:** The HHS Office of Emergency Preparedness (OEP) is in Oklahoma City. At the request of the State Medical Examiner, OEP is managing the Disaster Medical Assistance Team (DMAT) and Disaster Mortuary Operations Response Team (DMORT). DMORT is in Oklahoma City assisting in the identification of victims. Additionally, OEP has two portable morgue stations ready and waiting to be requested. The KS and OK State Units on Aging are working with the KS State Emergency Office and various OK area agencies on aging to assess any damage to homes and senior facilities. Currently, no senior facility has been reported as damaged. The various area agencies on aging are actively involved at the local level, conducting assessments of any in-home clients who may have been affected by the disaster.
- **Detecting Mental Illness:** On May 10-11, National Institutes of Health (NIMH) will hold a workshop on the early detection and treatment of severe mental illness in youth. NIMH and outside scientists will discuss various topics related to schizophrenia and bipolar disorders.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Tornado Response:** In response to the disaster in OK and KS, the HUD Office of Special Actions initiated the Office's disaster response plan. After receiving initial disaster reports and researching the most up-to-date information, Special Actions Disaster Specialists contacted each Congressional Office for OK and KS and advising them of HUD activities and offering any assistance when needed.

DEPARTMENT OF TRANSPORTATION

- **Love Field Case:** On April 30, DOT asked the U.S. Court of Appeals for the Fifth Circuit to expedite briefing and argument on the petitions for review filed by Fort Worth, the Dallas-Fort Worth International Airport Board, and American Airlines challenging DOT's decision that Dallas could not impose restrictions on Love Field service as demanded by Fort Worth. DOT urged the Court to expedite the case due to the public interest in Love Field service and the efforts by Fort Worth and others to use related state court proceedings to block airlines from operating additional Love Field services authorized by federal law.
- **Peace Bridge:** On April 28, the U.S. Coast Guard (USCG) approved an application by a non-federally-funded Bridge Authority to construct a twin span for the Peace Bridge, which crosses the Niagara River at Buffalo, NY. Various parties, including the NY Senators, support a more dramatic design for the structure. The USCG believes it is neither a proponent nor an opponent of particular designs, and that its appropriate role was to assure that the bridge provides for the reasonable needs of navigation and that all applicable environmental requirements are met.

- **CA Transportation Projects:** As a result of the March 2 DC Circuit Court ruling on air quality, the CA Division of the Federal Highway Administration suspended further project approvals in areas that used submitted SIPs as the basis for their conformity determinations. This action affects transportation projects in a nine-county area and Southern California Association of Governments' metropolitan planning areas and could cause project delays anywhere from one to six months. Although the magnitude of the action is unknown at this time, it could have a serious impact on the state's transportation program if EPA is unable to make an adequacy finding on the submitted emissions budgets.
- **AR Major Marine Casualty:** On May 1, the passenger vessel MISS MAJESTIC, a USCG inspected vessel, sank with 21 persons on board on Lake Hamilton, AR, killing 13. The USCG is investigating the case.
- **Israel:** On May 3, delegations of the U.S. and Israel met to discuss respective proposals for code-sharing services. Unexpectedly, the Israelis were not prepared to engage in any meaningful negotiations. Recently, El Al and American Airlines terminated their relationship. The Government of Israel is now of the view that until El Al has a new partner, it will not agree to any third-country codesharing, which is an essential element for the U.S. and to which the Israelis had previously agreed. Additional meetings will be held when prospects for success are greater.
- **Cleveland Meeting:** On May 10, Federal Railroad Administrator (FRA) Molitoris will meet with Congressman Kucinich, Mayor White of Cleveland, and other local political leaders to discuss the status of railroad and community improvements (especially those that would impact safety) promised by Norfolk Southern Railway and CSX Transportation as part of the Conrail Acquisition agreement with those communities.
- **Operation Lifesaver (OL) Day:** On May 12, Federal Railroad Administrator (FRA) Molitoris will participate in Operation Lifesaver Day activities at Union Station. This is an annual event where Operation Lifesaver and its Federal partners (FHWA and FRA) honor at least one representative of Congress who has been instrumental in promoting highway-rail grade crossing safety or trespass prevention. This year Senator Lott will be honored for his work in promoting a grade crossing safety postage stamp that costs more than a regular stamp, which proceeds go to fund grade crossing safety.

DEPARTMENT OF ENERGY

- **AK Travel:** On May 13-16 Secretary Richardson will travel to AK to tour North America's largest oil fields in Prudhoe Bay and in the Alaskan North Slope, meet with community leaders in Anchorage and Kaktovic and tour the Arctic Research Center in Fairbanks.

- **Chernobyl and Ukraine Visit:** On May 26-28, Secretary Richardson is scheduled to travel to Ukraine to see first hand the progress on safety, environmental, humanitarian and economic initiatives sponsored by the U.S. and other nations. He will tour Chernobyl and attend the opening of an energy trade and investment conference in Kharkiv, Ukraine.
- **"The Atomic Train":** *NBC* has produced a two-part miniseries, "Atomic Train," which will air May 16-17. The movie will tell the story of a train carrying armed nuclear weapons and nuclear waste which loses control down the Rocky Mountains, towards the city of Denver. *NBC's* internet site has been urging local affiliates to pursue "sidebar" stories telling viewers "this could really happen." DOE is preparing a factual response to the miniseries. In addition, a coalition of government and industry representatives met on April 22 to coordinate information activities, share information materials and distribute them as widely as possible. The group has agreed to a "containment strategy", in order to not provide any additional publicity to the movie. DOE is assisting in the preparation of fact sheets and materials for distribution to federal government agencies.

DEPARTMENT OF EDUCATION

-  **Anti-Violence CD-ROM:** DOEd's Safe and Drug-Free Schools Program plans to join DOJ, MTV, and the National Center for Conflict Resolution Education to announce the release of "Fight for Your Rights: Take a Stand Against Violence," a CD-ROM guide designed to curb youth violence. Before the school shootings in Littleton, DOEd sent information about the anti-violence program to school principals. A Littleton area principal wrote to the Secretary to express his objection to DOT's partnership with MTV, which the principal perceives as a contributor to youth violence.
- **School Shootings Response:** The Denver office of the Office for Civil Rights (OCR) has been receiving many calls from school districts and the public in the aftermath of the school shootings. Because one of the killings seemed to be connected with the victim's race, some of the calls have been from parents who fear that race-based incidents involving their children will escalate. OCR has referred callers to DOEd's website, sent copies of "Early Warning, Timely Response," and mailed complaint forms to some concerned parents.
- **School Health:** On May 11, Secretary Riley plans to deliver remarks to the National Commission on School Health about improving school safety and student health.
- **NH School Funding:** On April 29, Gov. Shaheen signed a compromise school funding plan, breaking a political stalemate that threatened to throw public schools into chaos. Under pressure from school districts and financial institutions, both the House and Senate approved an interim solution that calls for spending \$825 million on schools in order to comply with a 1997 state Supreme Court ruling. In that ruling, the court made it illegal

for NH to pay for public education after April 1 with widely varying local property taxes as the primary source of funding. The bill, which raises only \$783 million in revenue, leaves a shortfall that officials will have to deal with later.

- **FL Vouchers:** On April 30, FL's legislature approved a plan to give students in the state's worst schools taxpayer-funded tuition payments to attend qualified public, private, or religious schools. Students in failing schools would receive vouchers of up to \$4,000 to transfer to public, private, and religious schools. Opponents of the plan, meanwhile, are already gearing up to move the fight over vouchers from the statehouse to the courthouse. The Senate minority leader called the bill "blatantly unconstitutional" and said, "There will be lawsuits filed the minute after the governor signs this bill."
- **FY95 Federal Education Funds:** In late May, DOEd plans to release *The Distribution of Federal Education Funds in FY 1995*, a preliminary report on the distribution of DOEd funds among school districts and other agencies by type of agency, grant size, economic status of the area, and the area's classification as urban or rural. A more comprehensive report will be completed later this year. Programs described include Title I, Eisenhower, Safe and Drug-Free Schools, Title VI, Impact Aid, Bilingual Education, Magnet Schools, Goals 2000, School-to-Work, IDEA, Vocational Education, and Adult Education. The findings include the percentage of Safe and Drug-Free Schools and Communities funds used for school security, and the percentage of program funds spent on individual schools and administrative costs, which may be relevant to the Dollars to the Classroom Act proposed by Republicans.
- **Middle School Safety Grants:** DOEd's Middle School Violence Prevention Coordinators initiative will award \$25 million in funds through a national grant competition. A recent DOEd study concluded that in order to be effective, prevention programs must have available a half-time or full-time prevention coordinator. Generally, these funds will be used to recruit, hire, and train school drug and safety coordinators to improve the quality of drug and violence prevention programming in middle schools. Rep. Obey's proposed amendment would nearly triple the funding

VETERANS AFFAIRS

-  **Learning University:** Secretary West announced the establishment of the VA Learning University which will provide VA-wide innovative learning opportunities to help develop and sustain a high-performance workforce. To transcend organizational, geographic, and time constraints, the VA Learning University (VALU) will use new technologies, such as distance learning, to provide employees greater access to education at their work sites.

- **Blood Bank System:** VA received approval from the Food and Drug Administration (FDA) on April 23 to market the VistA Blood Bank System as a medical device. It is the only blood bank system approved for marketing that is totally integrated with VA's health care information system, and it is one of fewer than ten complete blood bank systems approved by FDA for multi-facility health care systems.
- **Gulf War Veterans:** The VA Medical Center in Tampa, FL, has initiated a demonstration project to improve services to Gulf War veterans. High-risk veterans who experience a significant number of unexplained illnesses will be involved in an interdisciplinary two-week residential program. These veterans will be followed for one year with a comprehensive survey of health status, satisfaction, and health care utilization.

ENVIRONMENTAL PROTECTION AGENCY

- **Drinking Water Advisory Council:** On May 8, Administrator Browner will travel to SD to join Senator Daschle for a meeting of EPA's Drinking Water Advisory Council on the unique challenges facing rural communities in implementing your Safe Drinking Water Act. Administrator Browner will discuss Administration actions to provide communities with the tools and resources necessary to upgrade their water treatment systems and ensure clean, safe water for all Americans.

UNITED NATIONS

- **Kosovo:** On May 4, Secretary General Annan briefed the Security Council on his consultations in Germany and Russia about Kosovo. He announced that he intends to send an assessment mission to Kosovo and other parts of Yugoslavia to determine the relief needs of refugees and internally displaced persons. The Secretary General said that Under Secretary General for Humanitarian Affairs Sergio de Mello would lead a group of ten UN agencies to conduct the assessment over a ten-day period. The team wants to depart as early as May 8 if both the FRY authorities and NATO provide safety assurances. Council members also expressed concern that the team have freedom of movement throughout Yugoslavia. The U.S., UK, and other allied members of the Council reserved judgement about the mission until questions about safety and freedom of movement were resolved.

UNITED STATES TRADE REPRESENTATIVE

- **Quadrilateral Trade Ministers Meeting:** From May 11-12, Trade Ministers from the U.S., EU, Japan, and Canada will meet in Tokyo for their biannual gathering on international trade issues. During the meeting, Ministers will discuss the U.S. call for a new round of multilateral trade negotiations to be launched at the next WTO Ministerial

in Seattle, WA from November 30-December 3. After the Quadrilateral meetings, Ambassador Barshefsky will spend an extra day in Tokyo to discuss trade issues, including steel, flat glass, and insurance, with her counterparts from the Ministry of International Trade and Industry, Ministry of Foreign Affairs, and the Ministry of Posts and Telecommunications.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **National Youth Anti-Drug Media Campaign:** On April 28, Director McCaffrey held a press conference to release the study, "Substance Use in Popular Movies and Music." The Study details the substance use content of movies and music most popular with youth, and demonstrates that nearly all of the most popular movies rented in 1996-97 include the appearance of alcohol, tobacco, or illegal drugs. Ogilvy & Mather, the Campaign contractor, presented a revised "media plan" showing how advertising would be placed on a range of media -- television, radio, newspapers, movies, Internet, billboards and other -- to carry messages both to youth and to parents. The plan includes clear measures to address the interests of minority and ethnic audiences, as well as adapt the national campaign to localities. The campaign will begin to implement these recommendations over the coming year.

SMALL BUSINESS ADMINISTRATION

- **Small Business Week:** National Small Business Week will be held from May 23-29. The celebration will honor the estimated 24 million small businesses in America that employ more than half the country's private work force, create two of every three new jobs, and generate a majority of American innovations. On May 24, SBA will honor three Welfare-to-Work award winners: Richard C. Petersen of ME, SBA Associate of the Year; George T. Johnson of KS, Small Business Owner of the Year; and Gale Walker of San Diego, CA, Entrepreneur of the Year. On May 25, the National Small Business Person of the Year will be announced.

OFFICE OF PERSONNEL MANAGEMENT

- **Kosovo:** On April 30, OPM issued guidance to all departments and agencies regarding support for Federal employees ordered to active military duty to assist in the conflict in Kosovo. The Federal government is by far the largest single employer of members of the Armed Forces Reserves. The OPM guidance deals with issues such as military leave, the Employee Assistance Program, health benefits, and rights of employees when they return to civilian duty.
- **Welfare-to-Work:** Federal agencies have now hired more than 13,000 former welfare recipients. Last month alone, 1,174 welfare-to-work hires were made by Federal agencies.

UNITED STATES INFORMATION AGENCY

- **Refugee Internet Access:** On May 10, Refugee Internet Access Initiative will be launched in Skopje, Macedonia. USIA is leading this public/private partnership to address the information and humanitarian needs of Kosovo refugees. The project links government agencies, the International Organization for Migration, the UN High Commissioner for Refugees, and American technology companies in a coordinated effort to bring refugee communities the technology hardware, software, and connectivity necessary to facilitate refugee efforts. Internet-based information platforms will be established at refugee sites in the Balkans, Germany, France, Poland, and Fort Dix, N.J.

SOCIAL SECURITY ADMINISTRATION

- **Kosovar Refugees:** SSA staff will be on hand to assist in processing Social Security numbers for the Kosovar refugees. In addition, SSA will assess when or whether Supplemental Security Income (SSI) claims for aged and disabled refugees should be taken. Refugees who arrive in May and receive refugee status would be eligible for SSI payments as early as July 1. Refugees released to relatives before processing has been completed may be assigned "parolee" status and may not be eligible for benefits until that status is changed to refugee status.

Cabinet Commencements

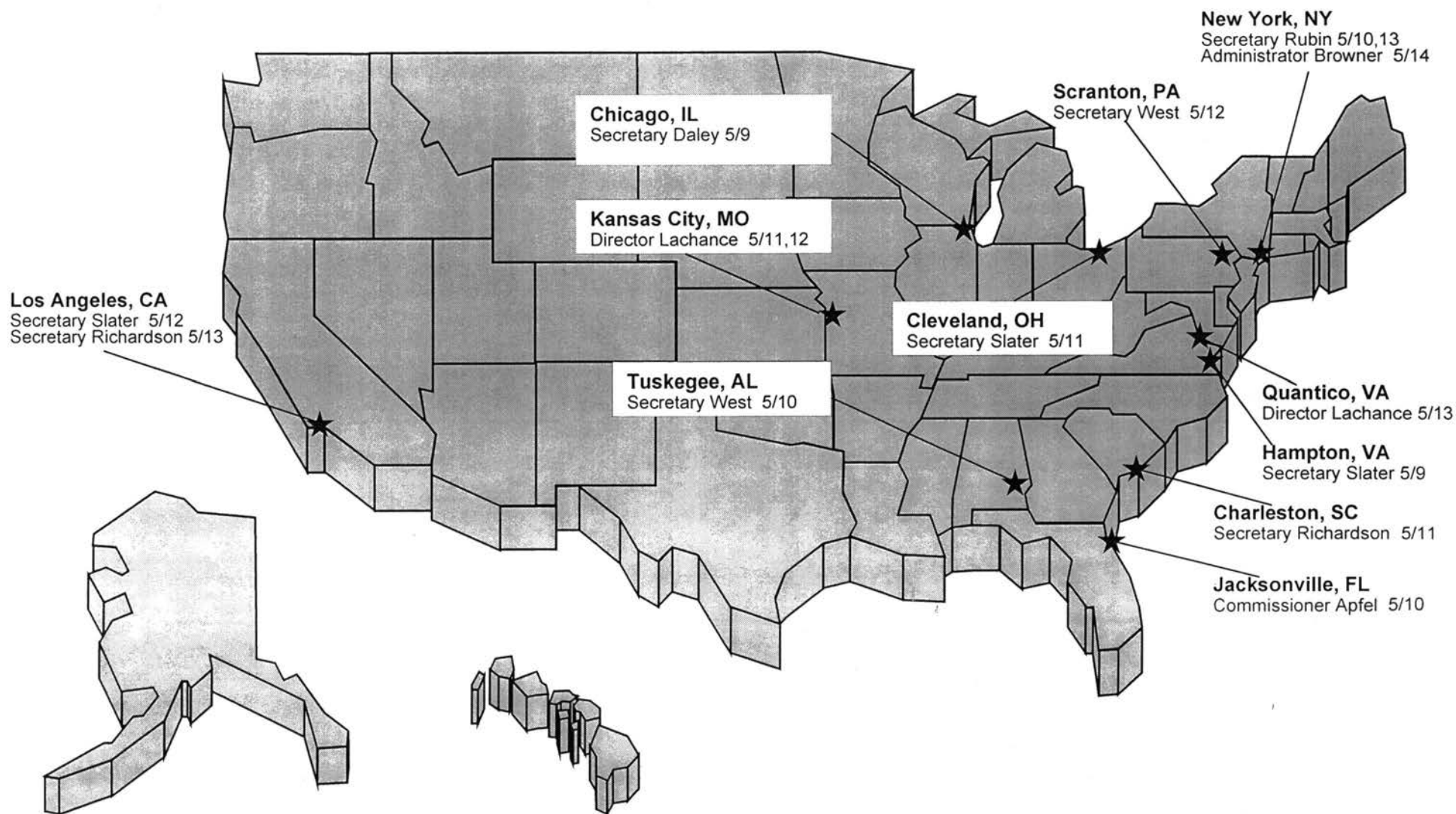
NAME	SCHOOL	LOCATION	DATE
Secretary Robert Rubin	NYU University of Pennsylvania	New York, NY Philadelphia, PA	5/13/99 5/17/99
Secretary Bill Cohen	U.S. Naval Academy	Annapolis, MD	5/26/99
Attorney General Janet Reno	Florida State University Willkes-Barre University Tulane University School of Law	Tallahassee, FL Wilkes-Barre, PA New Orleans, LA	4/30/99 5/15/99 5/21/99
Secretary Dan Glickman	University of Michigan, School of Natural Resources and Environment.	Ann Arbor, Michigan	5/1/99
Secretary Bill Daley	Univ. of Illinois, Chicago	Chicago, IL	5/9/99
Secretary Alexis Herman	Shaw University No. Virginia Community College Bowie State University	Raleigh, NC Fairfax, VA Bowie, MD	5/8/99 5/15/99 5/29/99
Secretary Donna Shalala	University of Illinois Salt Lake City University NYU Portland State University	Chicago, Illinois Salt Lake City, UT New York, NY Portland, WA	5/7/99 5/29/99 6/1/99 6/13/99
Secretary Rodney Slater	Florida Memorial College Hampton University	Miami, FL Hampton, VA	5/1/99 5/9/99
Secretary Bill Richardson	Colorado College University of CA, San Diego Grad School of Int'l Relations And Pacific Studies Boston College	Colorado Springs, CO La Jolla, CA Boston, MA	5/17/99 6/12/99 5/24/99
Secretary Richard Riley	University of Houston	Houston, TX	5/14/99
Secretary Togo D. West, Jr.	Cheyney University	Cheyney, PA	05/15/99

Cabinet Commencements

Administrator Carol Browner	Mount Sinai School of Medicine	New York, NY	05/14/99
Director Barry McCaffrey	U.S. Coast Guard Academy	Groton, CT	05/19/99
Administrator Aida Alvarez	Boricua College	NYC, New York	6/11/99
Commissioner Ken Apfel	Univ of Texas in Austin Syracuse University, Maxwell School	Austin, TX Syracuse, NY	5/21/99 7/2/99

Domestic Cabinet Travel

Saturday, May 8 - Friday, May 14, 1999



cc:

The Vice President
John Podesta
Sandy Berger
Sidney Blumenthal
Mary Beth Cahill
Maria Echaveste
George Frampton
Mickey Ibarra
Ben Johnson
Janis Kearney
Ron Klain
Neal Lane
Jack Lew
Ann Lewis
Joe Lockhart
Buddy MacKay
Minyon Moore
Bruce Reed
Steve Ricchetti
Doug Sosnik
Gene Sperling
Larry Stein
Loretta Ucelli
Melanne Verveer

5-10-99

May 7, 1999

Copied
Moore
Podesta**MEMORANDUM TO THE PRESIDENT AND VICE PRESIDENT**

From: Minyon Moore

Subject: Weekly Political Report

ARIZONA

The Arizona State Party has named Cayuga tribe member and DNC Native American Director Gwenn Carr as their new executive director. Carr will leave the DNC to assume her new post.

CALIFORNIA

On Monday, the Offices of Political Affairs and Intergovernmental Affairs hosted a briefing for the California State Legislative delegation, who were in town for their annual Washington, D.C., trip. The delegation met with Deputy Treasury Secretary Larry Summers, Secretary Andrew Cuomo and the Vice President.

The rift between Governor Gray Davis (D) and Lt. Governor Cruz Bustamante (D) over Proposition 187, the voter initiative outlawing government services to illegal immigrants, intensified last week when nine of Bustamante's aides found they no longer had parking spaces. While Davis explained the disappearance as a result of the construction of new state office buildings nearby, Bustamante's aides speculated that the disappearing parking spaces came as payback for the Lt. Governor's harsh words.

On Wednesday, however, Bustamante announced that despite their recent verbal battles, Davis and Bustamante were mending fences and agreeing to disagree on the issue. Bustamante additionally praised Davis for his reversal of former Governor Pete Wilson's (R) policy that sought to cut off prenatal care to pregnant women who enter the country.

On Friday, Marsha Scott, Mona Pasquil and I met with state Senator Adam Schiff (D), who is running against Rep. James Rogan (R) next year. Schiff was in town all week meeting with the DCCC, DNC and reporters on his challenge to Rogan. We also arranged for him to meet with Secretary Rodney Slater to discuss southern California transportation issues.

COLORADO

On Tuesday, Denver Mayor Wellington Webb (D) was easily re-elected to a third term. Webb received 81% of the vote against three little-known opponents. The Vice President called Mayor Webb to congratulate him and a letter is being sent on behalf of the President.

CONNECTICUT

A Quinnipiac College poll of 649 registered voters conducted April 26-May 3 showed that Governor John Rowland's (R) job approval rating, though still high, has dropped eleven points (from 74% to 63%) since December. Rowland's drop is mostly influenced by the recent withdrawal of the New England Patriots from a proposed relocation to Hartford, after Rowland's

very high-profile bid for the team. The state has vowed to sue Patriots owner Robert Kraft and the NFL.

FLORIDA

On May 22, Reps. Corrine Brown (D), Carrie Meek (D), and Alcee Hastings (D) will convene a meeting of African American Democrats in Orlando in an effort to reunite the divided state party before the 2000 elections. Florida Democrats have not fully recovered from last year's removal by white lawmakers of African American state Rep. Willie Logan (D) as their choice for House Speaker. Logan is considering an independent run for the Senate seat being vacated by Senator Connie Mack (R). Meek said she has asked Logan to attend the meeting, but so far he has not responded. Meek and newly elected state Chair Charles Whitehead said strong support from African American voters is critical if the party is to take back the Senate seat. Whitehead has spoken with Reverend Jesse Jackson about leading a bus caravan in Florida to encourage African American voter registration.

ILLINOIS

On Monday, a federal jury convicted Chicago City Treasurer Miriam Santos (D) on five counts of mail fraud and one count of attempted extortion. She was acquitted of two counts of wire fraud and four other counts of attempted extortion. Santos, who is free on bond until she is sentenced on July 27, could receive between 27 and 33 months in prison. Mayor Richard Daley (D), with the consent of the city council, has 30 days to appoint a replacement for Santos, whose term ends in 2003. According to press reports, the leading candidates to replace Santos include Chicago Board of Education President Gary Chico and Daley's political advisor Victor Reyes. Santos, who carved out a public image as a fierce independent unafraid to knock heads with City Hall, was the first Hispanic elected to a citywide office.

INDIANA

On Tuesday, Secretary of State Sue Anne Gilroy (R) defeated businessman Bob Parker (R) 62%-33% in the Indianapolis mayoral Republican primary. Bart Peterson (D), millionaire real estate developer and former chief of staff to Evan Bayh, received 72% of the vote against two lesser known candidates in the Democratic primary. After losing the Republican primary, Parker left open the possibility that he may endorse Peterson (D). Gilroy and Peterson will face off in the November 2 general election to succeed Mayor Stephen Goldsmith (R). The race is expected to be one of the most competitive Indianapolis mayoral elections in decades. If Peterson wins, he will be the first Democrat elected mayor since 1963. If Gilroy wins, she will be the first woman elected mayor of Indianapolis.

On Tuesday, Democratic primary voters in Gary overwhelmingly nominated incumbent Mayor Scott King (D). Receiving the nomination is tantamount to winning re-election in this heavily Democratic city. King, who is white, won 70% of the vote against five African American candidates. King won his first election in 1995, becoming the first white mayor since 1967 in this predominantly African American city.

KANSAS

Last Sunday, the state's 91-day legislative session came to a close. Despite being in a Republican-dominated legislature (House: 78 R/47 D; Senate 27R/13 D) Democrats were able to

secure serious achievements by playing off the moderate and conservative wings of the Republican party. Major Democratic accomplishments include: 1) dedicating Kansas' expected tobacco settlement payments to a children's trust fund, and 2) restructuring higher education and adding \$50 per student for each of the next two years in public school spending. Republicans wanted to use the tobacco money for highway spending. In exchange for Governor Bill Graves' (R) support for the tobacco funding, Democrats voted for the Governor's \$12.6 billion, 10-year highway building plan, which will require a 4-cent fuel tax increase over the next four years. For the first time in four years, lawmakers did not deliver a significant tax cut.

LOUISIANA

Last Saturday, former Governor Dave Treen (R) and state Rep. David Vitter (R) advanced to the May 29 runoff in the race to replace former Rep. Bob Livingston (R) in the first congressional district. The other candidates were former Ku Klux Klan leader and former state Rep. David Duke (R), ophthalmologist Monica Monica (R), state Rep. Bill Strain (D), and New Orleans Zephyrs owner Rob Couhig (R). The final results follow:

Congressional Special Election

Treen (R)	25%
Vitter (R)	22%
Duke (R)	19%
Monica (R)	16%
Strain (D)	11%
Couhig (R)	6%

The surprises were Duke's strong third place showing (polls had showed his support at only 6%) and Monica's fourth place showing after spending over \$1 million on the race. In addition, Americans for Limited Terms spent approximately \$250,000 on her behalf.

The runoff election now centers on 70-year old Treen (R) and 38-year old Vitter (R). Treen has the support of the Louisiana and Washington GOP establishment, including Governor Mike Foster, House Speaker Dennis Hastert, and Senate Majority Leader Trent Lott. Hastert has promised that Treen will receive seniority credit for the seven and a half years he spent in Congress in the 70s. Duke (R) has thrown his support to Treen as well. Vitter is portraying himself as the insurgent young candidate best positioned to duplicate Livingston's influence over the long haul. Foster and other Republican leaders are urging the state's most influential Democrat, Senator John Breaux (D), to support Treen in the contest. Breaux is expected to announce his support for Treen next Friday.

Despite the tremendous effort on behalf of Treen, Vitter is favored to win the seat. He heads into the run-off as a fresh-faced candidate with momentum. In addition, he can tap family funds to remain financially competitive with Treen.

Next Monday, Rep. Bill Jefferson (D) will fly around the state to officially announce his challenge to Governor Mike Foster (R) in November. So far, Jefferson is the only Democrat to announce his candidacy.

MAINE

Last Friday, State Senate President Mark Lawrence (D) announced that he will challenge Senator Olympia Snowe (R) next year. Lawrence benefits from having gained a reputation in the state Senate as being even-handed. He was elected to the state Senate in 1992 from a district with only 17% registered Democrats. His race will be an uphill battle though, as Snowe, who was elected in 1994 with 60% of the vote, is among Maine's most popular elected officials.

MICHIGAN

On Tuesday, a small coalition hoping to oust Mayor Dennis Archer (D) delivered thousands of petitions to the county clerk's office. The petitions cited the Mayor's opposition to a losing ballot initiative supported by Democratic operative Don Barden that sought to require an African-American majority ownership of at least one of the newly approved city casinos. It is rumored that Barden is funding the recall effort, but he has not made any public comments in support of the effort. Archer's recent support of Governor John Engler's (R) School Reform package, which replaced Detroit's elected school board with an appointed reform board, also has angered some grassroots activists who thought it was an infringement on their voting rights. The group claims to have collected over 120,000 signatures. Only 57,127 valid signatures are needed to force a recall election. On June 8, the County Clerk will certify the petitions. If the signatures hold, a recall vote will be taken in early August. The Mayor and his supporters have pledged a no-holds-barred campaign if a recall election is called and remain confident that they will be successful. Archer was re-elected in 1997 with over 83% of the vote.

NEBRASKA

On Tuesday, state Senator Don Wesely's victory in the Lincoln mayoral election redefined the politics of the city and has the potential to rejuvenate the Nebraska Democratic Party. Wesely defeated city councilwoman Cindy Johnson (R) 56%-44%. In addition to Wesely's victory, Democrats took control of the city council with a 4-3 edge over Republicans. Wesely will take office on May 17. As you know, Democrats have not had many good election nights in Nebraska over the past decade. Senator Bob Kerrey is the only Nebraska Democrat in a major political office. Thus, these Democratic victories are viewed as something of a resurgence. Many longtime Democrats said it was in the early 1980s when they last came together in such a fashion for one election. The Vice President called and congratulated Mayor-elect Wesely. A letter from the President will be sent.

NEVADA

On Tuesday, the nine-way Las Vegas mayoral primary was held. Organized crime defense attorney Oscar Goodman (D) received 49.4% of the vote, just shy of the 50% needed to win the election outright. City Councilman Arnie Adamsen (D) won the runner-up spot with 29% of the vote. He will face Goodman in the June 8 general election. Developer Mark Fine (D), who received 16% of the vote, announced on Thursday that he will support Goodman in the general election.

NEW HAMPSHIRE

A University of New Hampshire poll conducted April 26-May 2 showed that Governor Jeanne Shaheen's (D) job approval remains strong after the difficult legislative session in which legislators struggled to solve the state's education funding crisis. Shaheen's promise of a veto of

any income tax angered many Democrats, but among the general public, she is being credited for helping to formulate a solution that does not include an income tax.

Shaheen Job Approval

Approve	64%
Disapprove	31%

Most Important Issue?

School funding	45%
Education	27%
Tax related issues	16%
Economy, jobs	2%
Other	8%

NEW JERSEY

On Wednesday, documents establishing a "Draft Bob Grant for Senate" committee were filed with the FEC. Grant, an ultra-conservative radio talk show host, said he plans to run as an Independent. He called Governor Whitman (R) a "country club Republican" and attacked her veto of a partial-birth abortion ban and her decision to fire Police Commissioner Carl Williams over racially insensitive remarks.

A poll conducted by Schroth and Associates (D) April 27-28 showed that Grant's presence in the race could give former Governor Jim Florio (D) an edge over Whitman.

General Election Matchup

Florio (D)	37%
Whitman (R)	35%
Grant (I)	14%
Undecided	14%

Governor Whitman's campaign took another blow on Thursday as Reps. Chris Smith (R) and Frank LoBiondo (R) publicly stated that they would not join her steering committee. LoBiondo went so far as to say that he has not ruled out running for the seat himself. Smith said he does not believe Whitman is the most electable candidate the GOP can field, noting that she failed to garner 50% of the vote in her 1993 and 1997 gubernatorial victories. He also opposes her position on abortion, saying that she has made New Jersey "the abortion capital of the nation."

NEW YORK

A Zogby/*New York Post* poll conducted April 26-28 showed New York City Mayor Rudolph Giuliani (R) leading the First Lady in a hypothetical race for U.S. Senate.

General Election Matchups

	Now	Men	Women	NYC	Rural	Suburb	Black	White	Hisp.
Clinton	42%	37%	48%	58%	39%	31%	92%	33%	76%
Giuliani	48%	53%	40%	31%	46%	61%	7%	53%	18%

A Quinnipiac College poll conducted April 14-20 gave the First Lady an eight-point lead. The major difference between the two polls occurs in the suburbs, where Quinnipiac gives Giuliani a ten-point lead, while Zogby has him leading by 30 points.

OHIO

In Tuesday's nonpartisan mayoral primary election in Columbus, City Council President Michael Coleman (D) and Franklin County Commissioner Dorothy Teater (R) were the top two vote-getters and will advance to the November 2 general election. Coleman led Teater 39% to 37% while Senate Majority Leader Ben Espy (D) placed third with 24%. Many believed Teater should have dominated this three-person race, but was caught off guard by the low turnout (19%) and Coleman's strong showing. If Teater wins, she would be the first woman to serve as mayor. If Coleman wins, he would be the first African American to serve as mayor. Espy, who has a good relationship with both candidates, is expected to remain neutral. Mayor Greg Lashutka (R) announced last December that he would not seek reelection. He has endorsed Teater.

On Tuesday, Cincinnati voters passed Issue 4, a charter amendment that will allow voters to directly elect their mayor. Starting in 2004, the city will have a mayoral election through a nonpartisan primary, followed by a runoff of the top two vote-getters. Under Issue 4, the mayor will be able to initiate the hiring and firing of the city manager, veto legislation, and appoint all council committee chairs. The election reverses a 1987 referendum that designated the top vote-getter in the council elections as the mayor. Even though Issue 4 had the support of Mayor Roxanne Qualls (D), the measure drew its strongest support from Republican leaders. African Americans and Democrats rejected the measure 2-to-1. Insiders say the reason for the lack of support among Democrats and African Americans is the expectation that this Republican-leaning city will elect a Republican mayor.

TENNESSEE

A Mason-Dixon poll conducted April 21-23 found that 46% of Tennesseans believe that Senator Bill Frist (R) should be re-elected, compared to 18% who believe that Frist should be replaced with a Democrat. The poll also showed Frist's job approval rating at 51%, down slightly from 55% in 1996.

TEXAS

Last Saturday, Texas held municipal nonpartisan elections. In Dallas, Mayor Ron Kirk (D) was easily re-elected to a second term with 74% of the vote against two little-known opponents. You may recall that in 1995, Kirk made history by becoming the first minority elected mayor of Dallas. Also, for the first time in Dallas history, minorities will comprise a majority of the 15-member council with eight members. All eleven incumbent city councilors eligible to run again were reelected. Voter turnout was 5% -- accounting for fewer than 38,000 voters -- the lowest turnout in 30 years. The low turnout was attributed to voters' satisfaction with the local economy.

In Fort Worth, Mayor Kenneth Barr (D) was automatically re-elected because he faced no opponent. In El Paso, Mayor Carlos Ramirez (D), who has endorsed Governor Bush, defeated Barbara Perez (D), who was backed by labor and a majority of Democrats. In San Antonio, where turnout was approximately 7%, Mayor Howard Peak (NP) was easily re-elected with 85% of the vote, and his four challengers divided the remaining 15% evenly.

A Texas Poll conducted March 30-April 17 surveyed 1,003 Texans about education proposals before the state legislature. Nearly two out of three adults say teachers are paid too little.

Teacher unions hailed the poll's findings, stating that Texans want better teachers and increased salaries for teachers over additional property tax cuts.

Teacher salaries are...

Too low	63%
Just right	18%
Too high	3%
Did not know	16%

Major concern about Texas public schools

Quality of education and teachers	28%
Crime and safety	26%
Lack of discipline	12%
Social/poor home environment	6%

Taxpayer Vouchers for Private Schools

Oppose	47%
Support	39%
Unsure	14%

The family of James Byrd, Jr. was in Austin this week to lobby for hate crimes legislation. They met with Governor Bush on Thursday to ask for his support. Bush said he could not help them push the bill through the legislature, but would sign it if the legislature sent it to him. The legislation specifies protection of racial minorities, including the gay and lesbian community. The bill faces an uphill battle in the legislature.

WEST VIRGINIA

On Monday, Rep. Bob Wise (D) announced that he will challenge Governor Cecil Underwood (R) next year. Wise cited improving public education as the main reason he is running. Other potential Democratic candidates include attorney Jim Lees, former state Senator Joe Manchin, House Speaker Bob Kiss, Senate Finance Chair Oshel Craigo, former state Senator Ned Jones, State Treasurer John Perdue, State Supreme Court Justice Margaret Workman, and state Senate President and '96 gubernatorial nominee Charlotte Pritt.

PRESIDENTIAL PRIMARY SCHEDULE

At the state convention last Saturday, South Carolina Democrats, led by former state Chair and former DNC chair Don Fowler, passed a resolution asking the executive committee to reconsider the decision to move the state's presidential primary to February 26. The state party stands to lose eleven delegates at the 2000 convention if they proceed with plans to hold the primary before the March 7 window, which is designed to preserve Iowa and New Hampshire's first-in-the-nation status. Governor Jim Hodges (D) responded to the resolution saying, "The DNC hasn't been all that helpful to us in the past, and I doubt will be all that helpful in the future. We need to pave our own way here in South Carolina."

California Governor Gray Davis (D) signed a bill designed to correct problems associated with the state's open primary. The bill, which was sponsored by Senate President Pro Tem John Burton (D) and was passed by the legislature last week, will require that coded ballots be used in the presidential primary. The ballots will be counted twice – once for the open primary result and a second time for party affiliation. The parties will then use the second total to award convention delegates to candidates.

WHITE HOUSE 2000

Eight Republican presidential candidates were featured at the New Hampshire Republican Party's "First In The Nation Primary Kickoff" dinner last Sunday. Speakers included Elizabeth Dole, Lamar Alexander, Gary Bauer, Steve Forbes, John Kasich, Alan Keyes, Dan Quayle and Bob Smith. Dole drew an angry reaction from the audience because of her calls for gun control measures. More conservative candidates, including Bauer and Quayle, contrasted with Dole's message by emphasizing the need for a return to religious values. Bauer highlighted his campaign theme with the pledge to devote his presidency to outlawing abortion, saying children "will never have to die for their faith." Lamar Alexander delivered a well-received speech that focused on education reform. He also took aim at George W. Bush, saying "our nomination can't be bought, it can't be inherited."

Alexander received an endorsement last Sunday from former Rep. Bob Zeff (R), who will serve as his New Hampshire co-chair. Zeff previously served in the Bush '92 and the Dole '96 campaigns.

The Massachusetts Democratic Party is proceeding with plans for a presidential straw poll at their state convention next Saturday, May 15. Springfield Mayor Michael Albano (D) had tried to stop the poll by threatening to send letters to each of the 3,000 delegates asking them to oppose the poll. The DNC, which strongly discourages the use of straw polls, also had tried to stop the move, saying there are better uses of resources and time.

George W. Bush (R) announced that he is delaying his June campaign announcement until later this fall in order to deal with a possible 30-day special session he may call to gain approval for \$2 billion in tax cuts. Bush reportedly told a state lawmaker his "front porch strategy is working well enough that [he] may as well stay here for the summer." The lawmaker was unable to determine if Bush was making a threat or a simple comment. Recently, state legislators slashed Bush's \$2 billion tax cut proposal in half in favor of using the budget surplus to increase teacher salaries.

Bush was endorsed by three Members of Congress this week, including Rep. Walter Jones (R-NC), Rep. Charlie Bass (R-NH) and Rep. Asa Hutchinson (R-AR). Hutchinson said he was endorsing Bush because of his support among Hispanics, a growing segment of Hutchinson's congressional district.

Bush is facing criticism from environmental groups for allegedly accepting improper campaign contributions from industrial companies with bills currently before the Texas legislature. The companies, who have donated \$169,000 to Bush's campaign, are seeking passage of a proposal to give them until 2001 to voluntarily upgrade their equipment to meet standards under the Clean Air Act of 1971. Bush supports the legislation. The environmental groups, including the Sustainable Energy and Economic Development Coalition (SEED) and Public Research Works, are demanding that Bush return the contributions, which include an additional \$139,000 Bush received from lawyers representing one of the companies.

On Tuesday, SEED filed a lawsuit against Bush, alleging his office failed to provide them with records regarding the voluntary emissions reduction proposal. SEED has requested documents

about meetings in 1996 and 1997 between the Governor's office, industry representatives, and the Texas Natural Resource Conservation Commission. SEED believes the emissions proposal was negotiated at those meetings. Bush's office responded to the lawsuit by saying they have complied with every request SEED has made.

On Friday, April 30, the Vice President was endorsed by Kentucky Governor Paul Patton. Patton accompanied the Gores to the Kentucky Derby on Saturday. That same day, 36 state leaders in South Carolina endorsed the Vice President during the state party's convention. Their endorsement coincided with Bill Bradley's keynote address at the party's Jefferson-Jackson dinner Saturday evening. A study of first-quarter FEC reports released this week showed that the Vice President received \$51,350 from South Carolina donors in the first three months of this year, compared to \$4,750 for Bradley, and \$34,581 for George W. Bush.

On Wednesday, the Vice President also received endorsements from 46 of California's 47 Democratic Assembly members.

This week, former state Comptroller and '98 Lt. Governor nominee John Sharp (D) indicated he is supporting Bill Bradley (D) in his presidential bid. Sharp supported the Vice President in his 1988 campaign.

A CNN/WMUR-TV poll conducted April 24-May 2 by the University of New Hampshire surveyed 700 registered New Hampshire voters, including 300 registered Republicans and 202 registered Democrats. The poll shows support for Elizabeth Dole declining among Republican voters since January, while Senator John McCain's support has doubled. Support for the Vice President has increased substantially since January, when the Democratic field was much larger.

Republican Primary

	<u>NOW</u>	<u>1/99</u>	<u>FAV / UNFAV</u>
Bush	37%	30%	78% / 8%
Dole	16%	31%	78% / 15%
McCain	14%	7%	48% / 7%
Buchanan	7%	3%	49% / 42%
Forbes	6%	5%	59% / 27%
Alexander	5%	2%	47% / 30%
Quayle	4%	3%	54% / 37%
Smith	2%	4%	60% / 24%
Kasich	1%	1%	24% / 6%
Bauer	0%	---	16% / 8%

Democratic Primary

	<u>NOW</u>	<u>1/99</u>	<u>FAV / UNFAV</u>
Gore	68%	34%	81% / 9%
Bradley	23%	14%	48% / 4%
Undecided	6%	19%	

THE WEEK AHEAD

On Tuesday, May 11, the Vice President will travel to Montgomery County, Maryland, for a Gore 2000 fundraiser.

On Friday, May 14, the President will travel to Seattle, Washington, for a DNC lunch. He will then travel to Portola Valley, California, for a DNC dinner. On Saturday, the President will travel to Los Angeles for a Majority 2000 (DSCC/DCCC) event, and on Sunday, he will travel to San Diego and Las Vegas for DNC events.

TOWARD A NEW INTERNATIONAL FINANCIAL ARCHITECTURE

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A Practical Post-Asian Agenda

An abstract graphic featuring several stylized, dark, oval-shaped columns or pillars. From the top of each column, multiple thin, dark lines extend downwards, creating a sense of depth and structure. The background is a light, textured surface with some darker, irregular shapes.

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**TOWARD A NEW INTERNATIONAL
FINANCIAL ARCHITECTURE
A Practical Post-Asia Agenda**

INSTITUTE FOR INTERNATIONAL ECONOMICS
Washington, DC
February 1999

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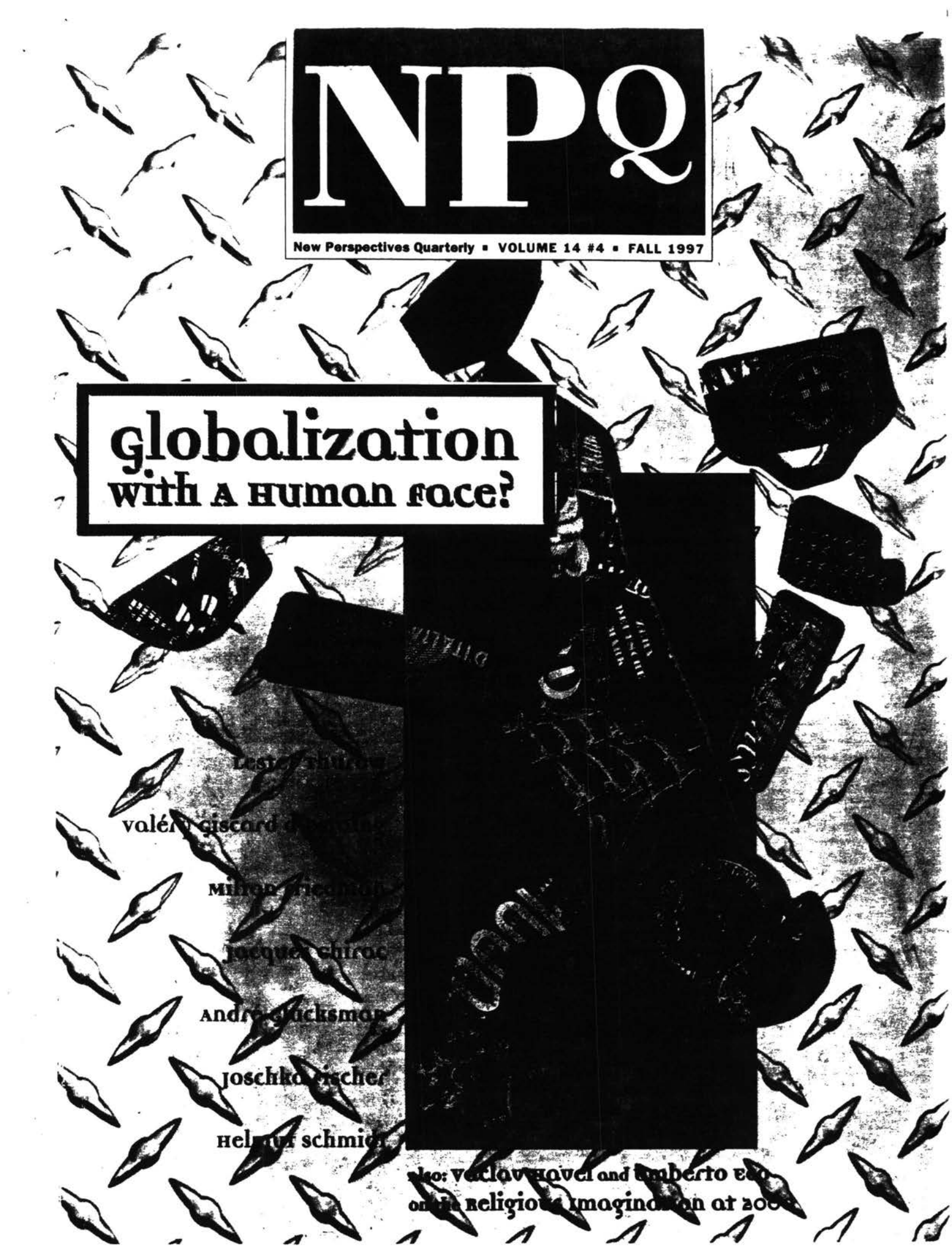
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