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Tuesday, May 18, 1999 [3]

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Tab A - pg 1 of cover + memo at Tab A:
Berger/Podesta

Tab B - pg 1 of cover + memo at Tab B:
Berger/Podesta

Tab D - pg 1 + 2 cover memo + memo at Tab D
Berger/Podesta



5-18-99

THE WHITE HOUSE

WASHINGTON

May 17, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY
DAVID GOODFRIEND

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Berger memo on Tinker AFB leave** -- During your Oklahoma trip, you asked whether Tinker personnel taking leave to help with tornado damage recovery could have their leave restored; the base commander took action to address this issue (e.g., granted excused absence for civilian personnel doing relief work, liberal excused absence for civilian employees personally affected by the tornadoes, and excused absence for volunteer members of federal, state, or local emergency service organizations). Military personnel received similar treatment.

(B) **Berger memo re: *New York Times*/*Washington Post* stories on Chinese espionage** -- Responding to your questions about two news articles, Sandy says that (1) accusations made at a congressional hearing against DOE Deputy Secretary Betsy Moller (i.e., that she persuaded Sec. Pena not to implement DOE counterintelligence reforms) were countered in that same hearing and are not supported by any evidence; and (2) in contrast to a report that NSC sought a narrow CIA review of Chinese spying allegations in order to cast doubt on DOE's analysis, Sandy says CIA and DOE agreed that China had obtained nuclear weapons information from the U.S. but disagreed on the amount of information and the degree to which it contributed to China's weapons. *Please see memo for details.*

(C) **Berger memo re: *Washington Post* on satellite exports to China** -- Responding to your question about an article regarding the Senate Intelligence Committee report on satellite exports to China claiming technology transfers damaging to U.S. security had occurred during U.S. satellite launches in China, Sandy says he remains satisfied that no authorized technology transfers took place but that unauthorized transfers took place twice (DOJ is investigating both); Sandy disputes the report's assertion that even authorized transfers helped Chinese launch reliability; he supports most of the report's recommendations (e.g., intelligence community participation in export licensing); State has outlined reforms to expedite approvals. *Please see memo for details.*

(D) **Berger memo on U.S. foreign policy poll** -- Last year's Chicago Council on Foreign Relations poll (taken every 4 years since 1974) shows that your focus on transnational threats resonates among the public (e.g., when asked to name the top "critical threat,"

84% said international terrorism); strong support for an active U.S. international role (61% of public, 96% of "leaders"); and dramatically increased support for your foreign policy since 1994. The "real surprise" was the public's views on the use of force, with most people supporting military action, including the use of ground troops, against terrorists, but a majority opposed using troops in places where we've already fought wars (e.g., Korea, Iraq).

✓ (E) **Warren Rudman/PFIAB letter to the *Washington Times* (via Sandy)** -- Rudman sent you a copy of his letter to the editor in response to an article claiming that PFIAB members are unqualified and the investigation you requested regarding Chinese espionage is part of a "whitewash." Rudman wrote that all PFIAB members are qualified; he did not disclose to third parties any DOJ/FBI information; the PFIAB requested such information to fully understand each of the allegations about DOE labs; and the only "source" quoted in the article "lacks the guts to be identified and held accountable." Rudman also forwarded his concerns to the Attorney General.

✓ (F) **National Bioethics Advisory Commission human research report (via Neal Lane)** -- Dr. Harold Shapiro, Commission Chair, wrote you a letter summarizing the Commission's concerns and findings in light of your 1995 EO regarding protecting human research subjects (e.g., federal protections for human research subjects do not yet apply to all Americans; implementation among some federal agencies has been inadequate; especially vulnerable populations lack sufficient protection). A complete report is forthcoming. Shapiro attaches a detailed summary. *We will prepare a reply to Shapiro on your behalf.*

✓ (G) **McCaffrey memo on youth violence and drugs** -- appreciated being able to attend the Strategy Session; believes that we cannot ignore the nexus between youth violence and illegal drugs (e.g., drug disputes are a leading cause of school gun violence); suggests that the National Youth Anti-Drug Media Campaign can serve as a model for the anti-violence campaign; will work with Sec. Shalala on the youth violence study.

✓ (H) **Congressional correspondence (via Janet Murguia)** -- **Sen. Leahy**: thanks you for selecting the topic of elder abuse and fraud against seniors for your Michigan radio address and appreciated your reference to his work in this area; **Sen. Cleland**: thanks you for inviting him to the signing ceremony for the small business disaster mitigation bill, which he authored and which will help his constituents in central Georgia; **Sen. Lugar**: thanks you for your letter and phone call after his mother's death; **Rep. Larson** (D-CT): thanks you for meeting with him and his family at the White House; **Rep. Sandlin** (D-TX): thanks you for attending his fundraiser during a difficult time for him.

THE PRESIDENT HAS SEEN

5-18-99

3535

THE WHITE HOUSE

WASHINGTON

May 10, 1999

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Berger
Podesta*

INFORMATION

'99 MAY 10 PM9:38

MEMORANDUM FOR THE PRESIDENT

FROM:

SAMUEL BERGER *on Kenneth
for (C)*

SUBJECT:

Restoring Leave for Tinker Air Force Base
Personnel who Assisted with Disaster Relief
Efforts

During your visit to tornado-damaged areas in Oklahoma, you were told that a number of civilian personnel at Tinker Air Force Base (AFB) had taken leave in order to assist with local disaster relief efforts. You asked if those persons could have their leave restored.

Since you were asked that question, the Commander of Tinker AFB has implemented an excused absence policy for civilian personnel that will prevent them from being charged leave for the time they took off for disaster relief efforts. His policy balances support for surrounding communities against Tinker's mission, which includes significant logistics support for U.S. air operations in the Balkans and the Gulf (such as repair of F-16 and EA-6B jet engines). In addition to granting liberal excused absence for civilian employees at Tinker who were personally affected by the tornadoes, the Commander has granted up to 16 hours of excused absence for civilian employees who provided assistance to local communities - in lieu of the leave they had taken. He also authorized excused absence for those who are volunteer members of federal, state or local emergency service organizations (such as firefighters, paramedics and police auxiliary). The Commander of Tinker AFB believes this policy will take care of the civilian employees who assisted with disaster relief efforts, and he will consider requests for exceptions to these policies on a case-by-case basis. Similar policies have been implemented for military personnel at Tinker.

The Air Force and Defense Department are fully supporting the Commander of Tinker AFB and are researching additional measures that can be taken to support Tinker AFB personnel.

cc: Vice President
Chief of Staff

THE WHITE HOUSE
WASHINGTON

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THE WHITE HOUSE

WASHINGTON

May 13, 1999

*Copied
Berger
Podesta*

99 MAY 13 09:12:26

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *R*

SUBJECT: Washington Post and New York Times Articles on
Chinese Espionage Issues

You asked about an April 21 Washington Post article citing Congressional testimony by Department of Energy employee Notra Trulock, who stated that Deputy Secretary of Energy Betsy Moler and other DOE officials talked Secretary Pena out of implementing counterintelligence reforms at DOE in 1997 because they wanted to mollify lab scientists who resisted such reforms. Betsy Moler denied these charges at the same hearing, and we have no information that supports the accusations against her.

A related article in the April 21 New York Times charges that "After receiving more detailed evidence of Chinese spying in the summer of 1997, the National Security Council sought a quick, narrowly focused analysis from the Central Intelligence Agency and used it to cast doubt on the initial DOE analysis."

After DOE briefed me in July 1997, I asked NSC staff to do two things. One was to launch the review of lab security by the National Counterintelligence Policy Board that led to PDD-61 which you signed in February 1998. The other was to review the DOE conclusions and provide me an independent assessment of the extent of the damage. In the course of that review, NSC staff asked the CIA for its independent views, without any attempt by NSC staff to influence those views. Both CIA and DOE analysts agreed that China had obtained nuclear weapons information from the U.S. and that this information had assisted China's nuclear modernization program. Analysts disagreed, however, on how much information China acquired and on the degree to which this information contributed to China's weapons programs.

cc: Vice President
Chief of Staff

The recent "Jeremiah" Intelligence Community damage assessment, completed on April 21, essentially confirms these earlier conclusions. The assessment finds that "China obtained by espionage classified U.S. nuclear weapons information that probably accelerated its program to develop future nuclear weapons." At the same time, the assessment concluded that "we cannot determine the full extent of weapons information obtained," and we cannot determine the "relative contribution" that U.S. information has made, compared to information that China may have acquired from other countries as well as its own efforts.

Attachments

Tab A Press reports

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Spy, Counterspy and a Splitting Atomic Headache

Energy Aide's Testimony Seems To Undercut GOP

By WALTER PINCUS
AND VERNON LOEB
Washington Post Staff Writers

It was midsummer 1995. Notra Trulock peered at a thick, seven-year-old Chinese nuclear report just handed to the CIA by a walk-in spy. Going from page to page, the Energy Department intelligence chief saw his worst fears confirmed: Somehow back in 1988, China had learned the size and shape of the newest nuclear warhead designed at the Los Alamos National Laboratory.

The evidence was fragmentary at best; some CIA analysts were unsure it spelled espionage. But Trulock was convinced. He set on a quest to crack the troubling case and plug what he saw as a decades-long series of security leaks from the nation's nuclear weapons laboratories.

Full of mystery and intrigue, the story of Trulock's crusade has exploded into a classic political controversy in Washington, where Congress already was sensitive to the issue because of previous charges China was snatching classified satellite launching technology from U.S. companies while the Clinton administration winked. Leading Republicans seized on Trulock's campaign as yet more evidence that President Clinton and his national security aides played down leakage of nuclear information to China to protect their broader engagement policy with Beijing.

Senate intelligence committee Chairman Richard C. Shelby (R-Ala.) led the charge, questioning whether the White House "reacted to possible breaches in security in a timely manner." The accusation from him and others aimed notably at the long gap between April 1996, when national security adviser Samuel R. "Sandy" Berger was briefed on Trulock's suspicions, and February 1998, when Clinton issued an order to tighten security at Los Alamos and other nuclear labs.

"What is ... incredibly disturbing is apparently the administration didn't take the charges seriously" at first, said Sen. John McCain (R-Ariz.), an Armed Services Committee member and now a presidential candidate.

Several GOP lawmakers picked up the sound bite that originated with a retired CIA official that if, as reported, Beijing pilfered secrets about eight U.S. warheads, the losses were worse than those suffered when the Rosenbergs aided the Soviet Union. Sen. Robert C. Smith (R-N.H.), a key member of the Armed Services Committee and another presidential contender, said that if news stories proved true that Berger withheld information on Chinese espionage from Congress, "he should be fired."

But Trulock, in his first public testimony last week, offered a version that seems to undercut many of the Republican charges.

Trulock said that, once the White House moved, Clinton aides overruled recalcitrant bureaucrats at the Energy Department and forced the nuclear laboratories to put in place a counterintelligence program that some congressional committees, the General Accounting Office and the FBI had been recommending for 10 years.

On the issue of foot-dragging, Trulock testified he and other Energy Department officials "made a good start" on implementing counterintelligence reforms at the labs from 1995 to early 1997. Trulock noted that Berger, after listening to his early findings in April 1996, encouraged him to brief Congress, which he did in mid-1996.

However they feel about the question of how long the administration took to establish the new rules, Republicans and Democrats on the Senate Armed Services Committee who listened to Trulock and other Energy Department officials seemed somewhat satisfied that reforms have finally been put in place, thanks in large measure to Trulock's persistence.

"I think this is an important issue, and we need to make sure that some of these suggestions are actually carried out," said Sen. Jeff Sessions (R-Ala.). "I think that's the challenge."

Now what remains for a host of other congressional panels to sort out in the weeks and months ahead—nine are looking into the matter—seems as much a matter of intense bureaucratic infighting within the Energy Department as White House recalcitrance.

A CIA review of Trulock's concerns, headed by retired Adm. David Jeremiah and expected to be released today, reportedly confirms the initial CIA analysis that, although classified U.S. data were obtained and probably aided Chinese nuclear programs, the overall impact "is a lot more uncertain than some people—including Trulock—admit," according to a source familiar with the study.

The Jeremiah study also notes that any damage assessment must recognize that China traditionally has had a nuclear deterrent strategy, not an offensive strategy. China's seeking to develop over the past decade a small, mobile intercontinental ballistic missile to guarantee a second strike capability is not surprising. Trulock said his problems began in 1997 when Charles Curtis, a deputy energy secretary who had been highly supportive, left the department and was replaced by Elizabeth A. Moler. Trulock's chief antagonist inside the government, Moler was so intent on mollifying scientists at the nuclear laboratories, Trulock testified, that she and other senior officials talked then-Energy Secretary Federico Peña out of implementing rigorous counterintelligence reforms in the summer of 1997.

But the setback proved short-lived. Trulock testified that he and his assistant, CIA officer John Bloodsworth, overcame Moler's resistance with an end run to the National Security Council. Rand R. Beers, the NSC's senior director for intelligence policy, grasped the gravity of the Los Alamos case and referred the matter to a national policy board on counterintelligence issues, he said.

Work then began in the fall of 1997 on a presidential decision directive that Clinton issued in February 1998 as PDD-61. This directive doubled counterintelligence spending, created high-level counterintelligence and intelligence offices at the Energy Department reporting directly to the secretary and gave them direct control over security at the labs.

On the issue of the administration's broader China policy, Trulock testified that the matter came up twice as he worked on the Los Alamos case and pushed for a new counterintelligence program.

The first mention, he testified, occurred when Gary Samore, the NSC's top official on nuclear non-proliferation, told him that the administration's policy of using the nuclear labs to engage Chinese scientists in arms control matters should not be allowed to stand in the way of his counterintelligence efforts at the nuclear labs. When Sen. Smith, a leading administration critic, asked Trulock whether Samore ever implied that "you shouldn't take any action that would threaten the administration's policy of engagement," Trulock responded, "I did not interpret it that way. No, sir."

Not satisfied, Smith asked whether Trulock could recall any similar statement made directly to him by Berger, Moler or other officials. Trulock replied, "No, sir."

But Trulock said Moler raised China policy in a conversation last July when she was serving as acting energy secretary, just as the issue of improper satellite technology transfers to China was heating up in Congress. In their discussion, Trulock said, he asked Moler for permission to brief the chairman of the House Permanent Select Committee of Intelligence, Rep. Porter J. Goss (R-Fla.), who wanted an update on the

Los Alamos case.

"She denied my request," Trulock testified. "I can only tell you that Secretary Moler told me that she believed that they—and by 'they' I believe she was referring to the House Permanent Select Committee on Intelligence—was only interested in harming the president on China policy."

Moler denied making the statement and said Trulock never asked her about briefing Goss.

Trulock told the senators he had written a memo to Moler asking permission to brief Goss, and that the memo later turned up in Moler's safe after she left the department in October.

Sessions leapt at Trulock's account. "I think this document found in her safe corroborates the testimony of this witness and indicates a lack of concern with matters of important national security," he said.

But Trulock's claim was disputed by other witnesses. Paul Richanback, the Energy Department official who emptied Moler's safe, testified he found no memo from Trulock inside, and Trulock later conceded, under questioning by Sen. Carl M. Levin (D-Mich.), that he had only a third-hand account of where the document had been found.

Richanback also denied hearing Moler tell Trulock that he could not testify before the Goss panel because it only wanted to hurt Clinton's China policy; Trulock had cited him as a witness in a recent memo to Senate investigators.

Any final assessment of the Energy Department's response to the Los Alamos case is complicated by the fact that its highly fragmentary evidence is still being debated by intelligence analysts.

Trulock testified there are "very few areas of disagreements" between his analysts at the Energy Department and those at the CIA on alleged Chinese espionage at Los Alamos.

But Curtis, who championed Trulock's cause, cautioned senators that trying to interpret scraps of evidence about secrets that may have been passed in conversations more than a decade ago "is not a science—it's an art form. As this committee well knows, it involves reading tea leaves."

The Washington Post

WEDNESDAY, APRIL 21, 1999

is this true?

CHINA STOLE DATA ON ATOM WARHEAD U.S. REPORT FINDS

NEW, FIRMER CONCLUSION

Intelligence Officials to Report
to Congress Today on Spy
Problem at Los Alamos

A1 By JAMES RISEN
and JEFF GERTH

WASHINGTON, April 20 — A comprehensive new analysis by United States intelligence officials has concluded that China stole design information related to America's most advanced nuclear warhead from a Government nuclear weapons laboratory, Government officials say.

The intelligence report is expected to be presented to the Clinton Administration and Congress on Wednesday. Previously the White House, citing other intelligence reports, had said that the evidence of Chinese atomic espionage was less conclusive.

Although Energy Department officials have raised alarms about evidence of Chinese espionage at the national weapons labs since 1996, a 1997 report by the Central Intelligence Agency was cited by the White House in playing down the Energy officials' conclusions in the matter, American officials say. President Clinton also said as recently as last month that, "It is my understanding that the investigation has not yet determined for sure that espionage occurred."

In the new assessment, the intelligence community reports on damage done to national security from what it says is Chinese nuclear spying. The report examines a key finding of a select Congressional committee that has investigated allegations of illicit transfers of high technology to China.

That committee, chaired by Rep. Christopher Cox, Republican of California, embraced the findings of Energy Department intelligence analysts who concluded that China stole design data from the W-88 warhead from Los Alamos in the 1980's and that the theft was critical to Beijing's development of a modern, miniaturized nuclear warhead.

American officials said the new intelligence analysis includes a broad examination of the development of China's nuclear weapons capabilities during the last few decades. It determined that Beijing benefited from espionage through the theft of W-88 design data from Los Alamos. But it also found that China obtained some sensitive nuclear data from nonsecret sources, including academic exchanges and inadvertent leaks of information by scientists. It is difficult to determine which source of information was the most important to the Chinese in their development of an advanced nuclear warhead.

The new study comes in the midst of a furor over the Administration's early response to reports of Chinese atomic espionage. Department of Energy intelligence analysts initially detected the theft in 1995, and senior White House officials, including Samuel R. Berger, now the national security adviser, were first briefed on the matter in April 1996.

But the White House did not move to increase security at America's national laboratories until nearly two years later. After receiving more detailed evidence of Chinese spying in the summer of 1997, the National Security Council sought a quick, narrowly focused analysis from the Central Intelligence Agency and used it to cast doubt on the troubling conclusions reached by Energy Department analysts, officials said.

Gary Samore, a senior National Security Council official, relied on that C.I.A. analysis in September 1997 as the basis for his report to Mr. Berger that the evidence of Chinese espionage was less conclusive than the Energy Department had said, a White House official said.

At the time, Mr. Samore and Mr. Berger were deeply involved in planning the agenda of a United States-China summit meeting. President Clinton and President Jiang Zemin of China used the meeting to elevate the relations between the two nations.

In recent weeks, the White House itself has examined whether Mr. Samore accurately portrayed for Mr. Berger the findings of the 1997 reports from the C.I.A. and Energy Department, officials said. Mr. Berger has been told that Mr. Samore overstated the degree to which the 1997 C.I.A. analysis cast doubt on the Energy Department findings, according to an Administration official.

A spokesman for the National Security Council, David C. Leavy, said Mr. Berger had the utmost confidence in Mr. Samore's abilities, but Mr. Leavy declined to discuss the nature of the discussions between Mr. Samore and Mr. Berger in 1997. "The N.S.C., from Mr. Berger on down, viewed this as a very serious matter then, and we view it as a very serious matter now," Mr. Leavy said. "Mr. Berger believes Gary Samore is an enormously dedicated professional who has spent his entire career on nonproliferation issues and enhancing the security of the American people, and whose integrity is unquestioned."

But senior intelligence officials now say that, while there were differences, the 1997 C.I.A. and Energy Department reports came to generally similar conclusions about the damage done by Chinese nuclear spying.

Notra Trulock, an Energy Department intelligence official who was in charge of analyzing the espionage evidence, told the Senate Armed Services Committee last week that a "even a cursory reading of the products of both agencies will show that in fact there are very few areas of disagreements." He added that "these supposed differences have been magnified by N.S.C. and D.O.E. officials in an effort to spin down the potential implications of this case."

Now, the new American intelligence community study has looked at the issue more thoroughly at the urging of the Cox committee, which has written a still-secret report that includes information about the theft of the W-88 design. The details of the intelligence community's damage assessment could not be determined in advance of Wednesday's scheduled release. Moreover, much of the study will remain classified. Officials would not say today whether the report addresses evidence that China has stolen other American nuclear designs more recently.

The damage assessment, which was coordinated by Robert Walpole, the National Intelligence Officer for strategic and nuclear programs, was independently reviewed by an outside panel headed by retired Adm. David E. Jeremiah.

Evidence of Chinese nuclear spying has prompted a series of investigations in both Congress and the executive branch. The Senate and

House intelligence committees are examining how the Clinton Administration handled the evidence, while other committees are investigating security at the national weapons labs, and whether senior Energy Department officials sought to restrict congressional notification on the case. On Tuesday, General Accounting Office officials told a House Commerce subcommittee that the national laboratories had showed "a lack of attention" to grave security risks despite years of warnings.

Answer This too.

The New York Times

WEDNESDAY, APRIL 21, 1999

TO: NON-PRO
ASIA
INTEL

PLS DO 1-2 PG
MEMO FOR POTUS

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THE WHITE HOUSE

WASHINGTON

May 10, 1999

copied
Berger
Podesta

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *SB*

SUBJECT: Recent Poll on U.S. Foreign Policy

Every four years since 1974, the Chicago Council on Foreign Relations has sponsored a nationwide public opinion survey on U.S. foreign policy goals and means. The latest survey was just published. The Gallup Organization collected the data in October/November 1998. Like previous surveys, this one polled hundreds of "leaders" from government, business, media and academia, as well as a random sample of the general public.

General Results. The survey (Tab A) concludes that support for an active U.S. role in the world remains strong (61% of the public, 96% of the leaders). By several measures the poll also reports that public approval for your foreign policy has risen dramatically since the 1994 survey. For instance, at the time of the poll the public ranked you first among postwar presidents considered "very successful" in the conduct of foreign policy (up from eighth in 1994). Kennedy was second, Reagan third.

In general, the report concludes that the public favors U.S. engagement, is uncertain about the future global security, is wary of committing U.S. military forces overseas, has a preference for multilateral action, and believes that economic strength is more important than military power. Leaders appear to regularly disagree with the public on certain issues: development assistance (leaders support, public opposes), economic sanctions (leaders oppose, public supports), and military force (leaders support the use of troops in numerous suggested scenarios, public generally opposes).

Transnational Threats. The survey reports that your focus on the emerging transnational threats resonates with the public. For instance, when asked to identify the top "critical threats" to the U.S., the public's top answer was international terrorism (84%), followed in a close second by chemical and biological

cc: Vice President
Chief of Staff

weapons (76%). "Leaders" polled ranked CBW second and terrorism third, with nuclear proliferation first. Moreover, when asked what should be a "very important" goal of the U.S., the public's first answer was preventing the spread of nuclear weapons (82%); second was stopping the flow of illegal drugs (81%); and fourth was combating international terrorism (79%).

Perhaps the most interesting results concerned the public's views regarding our efforts to combat terrorism. A majority of the public supported every measure the pollsters suggested to fight terrorism. Using diplomatic efforts to apprehend terrorists and supporting trials by an international court each received the support of 84% of the public; using diplomacy to improve relations with potential adversary states got 79%. But the real surprise was the public's views on the use of force:

- 74% support U.S. air strikes against terrorist training camps and other facilities.
- 57% support attacks by U.S. ground troops against terrorist training camps and other facilities.
- 54% support assassination of individual terrorist leaders.

In fact, the only scenario discussed in the survey in which a majority of the public approved using U.S. ground troops was in an attack on terrorist training camps. In contrast, a majority opposed using troops even in places where we've already fought wars: only 46% would support sending troops if Iraq invaded Saudi Arabia, only 30% if North Korea invaded South Korea.

Attachment

Tab A Chicago Council on Foreign Relations Report

MR. PRESIDENT:

The referenced report is on file in the Staff Secretary's Office should you wish to review it.

Sean Maloney

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(A) **Berger memo on Tinker AFB leave** -- During your Oklahoma trip, you asked whether Tinker personnel taking leave to help with tornado damage recovery could have their leave restored; the base commander took action to address this issue (e.g., granted excused absence for civilian personnel doing relief work, liberal excused absence for civilian employees personally affected by the tornadoes, and excused absence for volunteer members of federal, state, or local emergency service organizations). Military personnel received similar treatment.

(B) **Berger memo re: *New York Times/Washington Post* stories on Chinese espionage** -- Responding to your questions about two news articles, Sandy says that (1) accusations made at a congressional hearing against DOE Deputy Secretary Betsy Moller (i.e., that she persuaded Sec. Pena not to implement DOE counterintelligence reforms) were countered in that same hearing and are not supported by any evidence; and (2) in contrast to a report that NSC sought a narrow CIA review of Chinese spying allegations in order to cast doubt on DOE's analysis, Sandy says CIA and DOE agreed that China had obtained nuclear weapons information from the U.S. but disagreed on the amount of information and the degree to which it contributed to China's weapons. *Please see memo for details.*

(C) **Berger memo re: *Washington Post* on satellite exports to China** -- Responding to your question about an article regarding the Senate Intelligence Committee report on satellite exports to China claiming technology transfers damaging to U.S. security had occurred during U.S. satellite launches in China, Sandy says he remains satisfied that no authorized technology transfers took place but that unauthorized transfers took place twice (DOJ is investigating both); Sandy disputes the report's assertion that even authorized transfers helped Chinese launch reliability; he supports most of the report's recommendations (e.g., intelligence community participation in export licensing); State has outlined reforms to expedite approvals. *Please see memo for details.*

(D) **Berger memo on U.S. foreign policy poll** -- Last year's Chicago Council on Foreign Relations poll (taken every 4 years since 1974) shows that your focus on transnational threats resonates among the public (e.g., when asked to name the top "critical threat,"

84% said international terrorism); strong support for an active U.S. international role (61% of public, 96% of "leaders"); and dramatically increased support for your foreign policy since 1994. The "real surprise" was the public's views on the use of force, with most people supporting military action, including the use of ground troops, against terrorists, but a majority opposed using troops in places where we've already fought wars (e.g., Korea, Iraq).

(F) **Warren Rudman/PFIAB letter to the *Washington Times* (via Sandy)** -- Rudman sent you a copy of his letter to the editor in response to an article claiming that PFIAB members are unqualified and the investigation you requested regarding Chinese espionage is part of a "whitewash." Rudman wrote that all PFIAB members are qualified; he did not disclose to third parties any DOJ/FBI information; the PFIAB requested such information to fully understand each of the allegations about DOE labs; and the only "source" quoted in the article "lacks the guts to be identified and held accountable." Rudman also forwarded his concerns to the Attorney General.

(F) **National Bioethics Advisory Commission human research report (via Neal Lane)** -- Dr. Harold Shapiro, Commission Chair, wrote you a letter summarizing the Commission's concerns and findings in light of your 1995 EO regarding protecting human research subjects (e.g., federal protections for human research subjects do not yet apply to all Americans; implementation among some federal agencies has been inadequate; especially vulnerable populations lack sufficient protection). A complete report is forthcoming. Shapiro attaches a detailed summary. *We will prepare a reply to Shapiro on your behalf.*

(G) **McCaffrey memo on youth violence and drugs** -- appreciated being able to attend the Strategy Session; believes that we cannot ignore the nexus between youth violence and illegal drugs (e.g., drug disputes are a leading cause of school gun violence); suggests that the National Youth Anti-Drug Media Campaign can serve as a model for the anti-violence campaign; will work with Sec. Shalala on the youth violence study.

(H) **Congressional correspondence (via Janet Murguia)** -- **Sen. Leahy**: thanks you for selecting the topic of elder abuse and fraud against seniors for your Michigan radio address and appreciated your reference to his work in this area; **Sen. Cleland**: thanks you for inviting him to the signing ceremony for the small business disaster mitigation bill, which he authored and which will help his constituents in central Georgia; **Sen. Lugar**: thanks you for your letter and phone call after his mother's death; **Rep. Larson** (D-CT): thanks you for meeting with him and his family at the White House; **Rep. Sandlin** (D-TX): thanks you for attending his fundraiser during a difficult time for him.

Tab A - Yellen / Podesta
pg 5. - Reed / HRC / Podesta

Tab C - Sperling / Podesta

Tab D - Frampton / Podesta

Tab E - Stern / Podesta

Tab F - Stein / Podesta

Tab G - Ucelli / Podesta

Tab H - Cahill / Podesta

Tab I - Entire report - Johnson / Podesta

pg 1 - Childress

Tab J - ^{entire report -}
Ibarra / Podesta

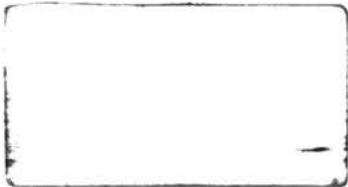
pg 2 - Berger / Podesta

Tab K - Cutler / Podesta

Tab L - Marshall / Balderston / Podesta

Tab M - ^{entire report -}
Moore / Podesta

pg 1: Reed / Ucelli



THE PRESIDENT HAS SEEN

5-18-99

THE WHITE HOUSE
WASHINGTON

May 17, 1999

MR. PRESIDENT:

Attached are the following weekly reports:

- (A) **Weekly Economic Briefing**
- (B) **Update on Global Markets/Interest Rates
and Stock Prices**
- (C) **NEC**
- (D) **CEQ**
- (E) **Climate Change**
- (F) **Legislative**
- (G) **Communications**
- (H) **Public Liaison**
- (I) **Race Initiative**
- (J) **Intergovernmental**
- (K) **Indian Country**
- (L) **Cabinet Affairs**
- (M) **Political Affairs**

Sean Maloney 
David Goodfriend

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

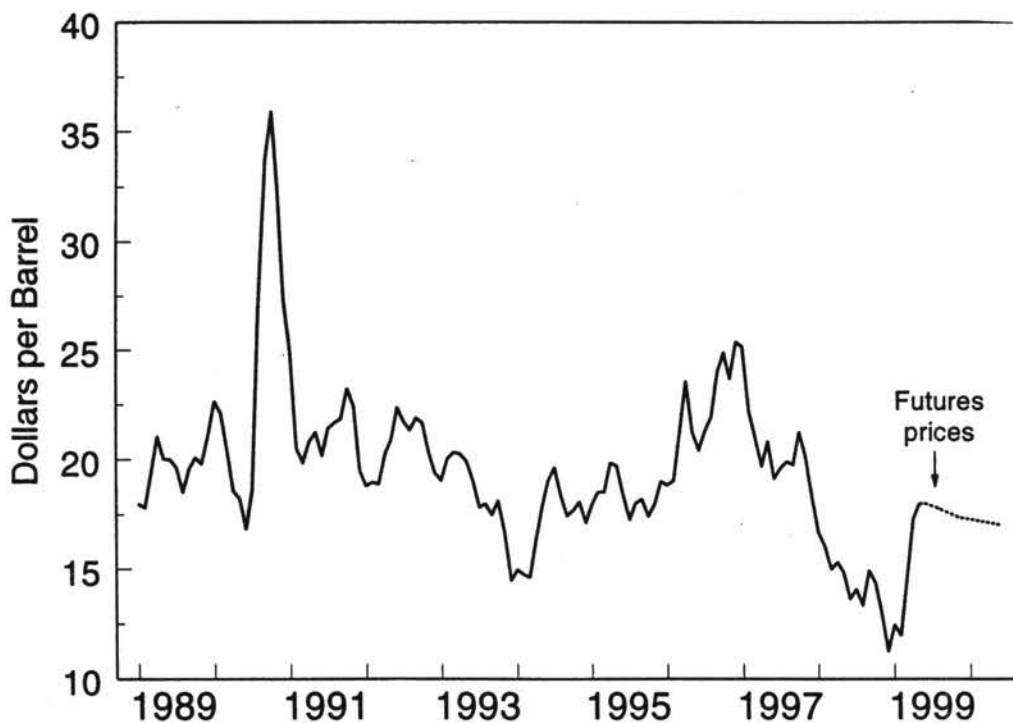
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

May 14, 1999

Copied
Yellen
Podesta
Pg 5
Reed
HRC
Podesta

CHART OF THE WEEK

Crude Oil Prices



Declining oil prices in 1997 and 1998 helped keep inflation tame. However, oil prices have risen sharply in recent months, and these increases have shown up in the April consumer and producer price indexes. These are probably temporary spikes in CPI and PPI inflation. Futures markets are predicting that oil prices will remain at roughly current levels, however, suggesting that the role of energy prices in contributing to disinflation may be over.

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SPECIAL ANALYSIS

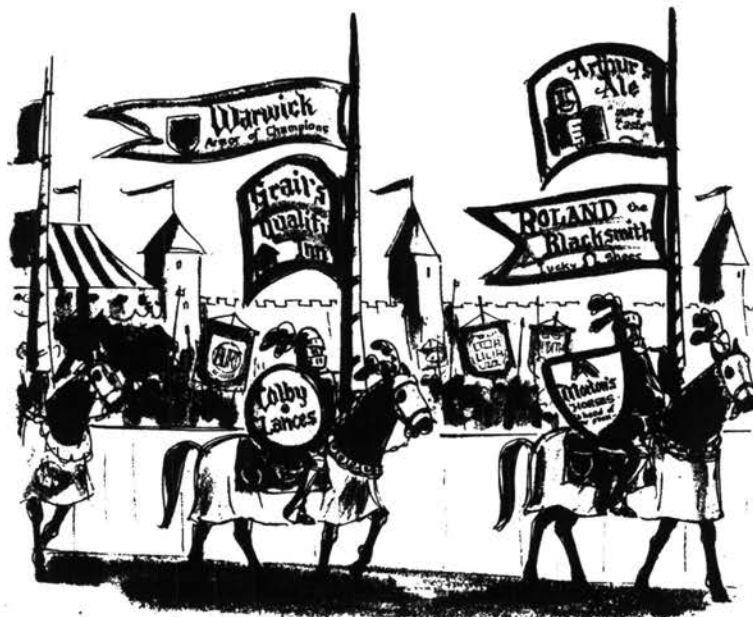
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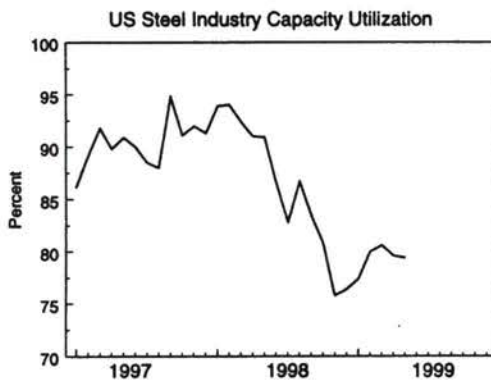
CURRENT DEVELOPMENT

Is Steel Showing Some Strength?

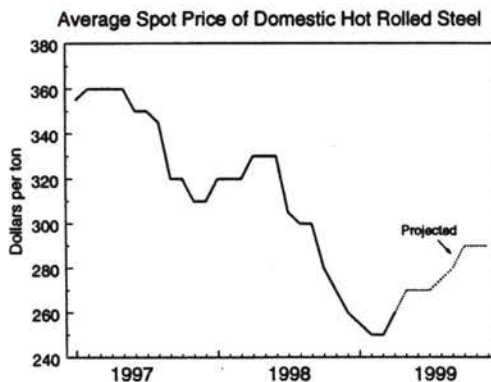
Steel imports subsided to levels very close to those of a year ago in the first quarter of 1999, after surging in the second half of last year. While the steel industry continues to struggle, there are hopeful signs that recovery is imminent.

Imports. In March, imports of all steel products were down 37 percent from their peak in August 1998, and ~~hot-rolled steel imports~~ a category heavily affected by anti-dumping measures—were down 73 percent from their peak in November. (Total steel imports from Japan were down 67 percent below their peak in October, but remained 36 percent above levels in March 1997.)

Domestic production. Although industrial production of iron and steel was 3.2 percent higher in March than in November, it remained 11.4 percent lower than a year earlier. Signs of weakness include flat employment, slack capacity utilization

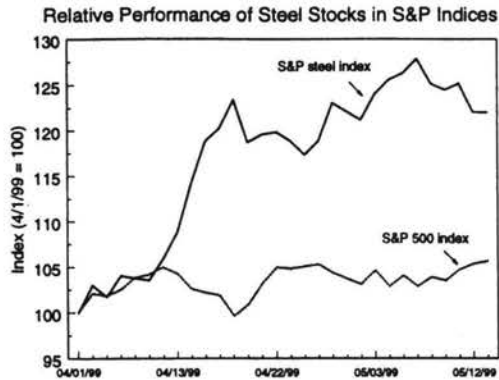


(80 percent compared with over 90 percent a year ago, see upper chart), and continued downward pressure on prices and profits. Domestic prices fell 5.8 percent last year and an additional 2.6 percent through April. The three largest integrated steel producers all reported losses for the first quarter, and while the top four mini-mill producers remained profitable, their earnings were down from the fourth quarter.



In part, the industry's current plight reflects relatively slow growth in U.S. manufacturing in the second half of 1998. In addition, spurred by low import prices and perhaps fears of future import protection, steel purchasers went on a buying spree in the second half of last year and built up their stocks. These inventories will have to be worked off before recovery can take place.

Signs of recovery? The latest purchasing managers survey and recent data on new orders reveal greater manufacturing strength in April. Construction and autos, which account for nearly 30 percent of mill shipments, also appear robust. And forecasts for growth abroad have improved. This improved situation can be seen in analysts' projections of price hikes planned for the second quarter (see lower chart), and in



surging stock prices for steel companies over the past month both in the United States (see chart) and around the world.

Bucking a trend? Nonetheless, based on historical trends in the industry, even if imports retain a constant share of the market and steel production grows, the prospects are for a continued decline in employment over the medium term—particularly in the large unionized

integrated mills. Between 1991 and 1997, for example, steel production increased 29 percent—with mini-mills accounting for almost all of the growth. Yet because of productivity growth, employment in blast furnaces and basic steel products fell from 262,000 to 235,000.

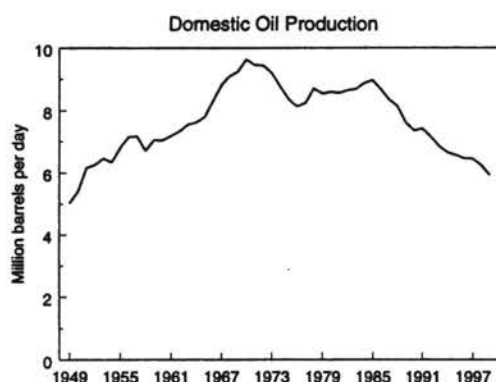
SPECIAL ANALYSIS

Oil Prices: The Crude and the Refined

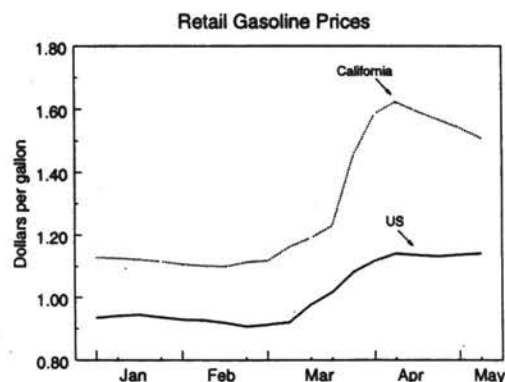
Before its recent rebound, the real price of crude oil had sunk to an historic low in December 1998. While consumers benefited from lower oil prices, domestic producers were hurt. The recent rebound in prices means a reversal of fortunes.

Crude oil prices. Crude oil prices spiked to over \$35 per barrel in 1990 prior to the Gulf War, and plunged to about \$10 per barrel last December, but they have tended to be in the \$15 to \$20 per barrel range in the 1990s (see the Chart of the Week). The recent price increase back into this range occurred after an agreement by members of OPEC and several prominent non-OPEC oil producers (Mexico, Norway, Oman and Russia) to curtail production. Reviving economic activity in Asia has also probably contributed to the increase.

Domestic production. Domestic oil production has been declining for some time (see upper chart) as the discovery and development of new fields has not been sufficient to offset the decline in production rates in older fields as they are depleted. Imports have filled the gap between domestic demand and domestic production.



Faced with very low prices last year, some marginal wells ceased operating, and, given large fixed costs to resume operation, it may not be economical to start them up again even with the recent price increases. New drilling activity remains depressed, auguring poorly for new supplies coming on line rapidly as older fields continue to be depleted.



Gasoline refiners and consumers. Changes in crude oil prices are an important determinant of changes in gasoline prices, but recent events show that conditions at refineries matter as well. Domestic refineries have been running close to capacity for several years, and temporary shutdowns can create local shortages of refined products. For example, in California, explosions at two refineries in February and March led to a significant shortage of refinery capacity in the state. As a result, average

prices for gasoline in California rose from \$1.12 to \$1.62 per gallon between the beginning of March and mid-April—more than double the increase for the United States as a whole (see lower chart).

Distance and California environmental rules for reformulated and low sulfur gasoline probably limited the extent to which shipments from other regions could arbitrage away this price difference—though California prices have fallen more than 10 cents per gallon from their peak. Recently proposed standards would require low sulfur gasoline nationwide, thus making gasoline requirements similar to current California standards. Meeting these standards will require refiners to make large capital expenditures, which may make some small refineries uneconomical to operate. This could further tighten potential bottlenecks at the refinery stage unless imports of refined product can readily fill the gap.

Implications. Oil prices have recently moved up sharply from very low levels. These low oil prices, while bad for producers, were good for consumers. Because the United States consumes far more oil than it produces, low oil prices result in net gains for the economy as a whole. Changes in crude oil prices are a major source of changes in prices consumers pay for gasoline at the pump. But as the recent experience in California shows, factors such as refinery bottlenecks can also be important.

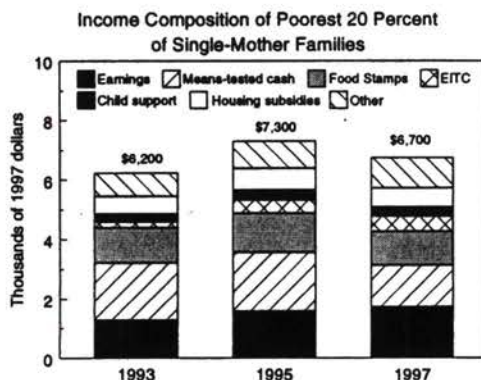
CC: Buel / Hec

ARTICLE

Changes in the Income of Single Mothers

The dramatic decline in welfare rolls is a salient feature of welfare reform, but researchers are beginning to examine other indicators as well. Preliminary CEA analysis of changes in the distribution of income of single mothers suggests that these indicators will reveal a more complicated story.

The big picture... The CEA analysis is based on a broad measure of disposable income composed of labor market earnings, means-tested cash assistance, social insurance, child support, other cash income, the EITC, the cash value of housing subsidies, food stamps, and school lunches, all net of taxes. The average disposable income of single-mother families increased by 10 percent between 1993 and 1997. Income in the bottom fifth of the distribution rose 8 percent over the entire period.



However, all of the gains were achieved between 1993 and 1995 (see chart). In fact, the average income of the poorest fifth of single-mother families fell by 8 percent between 1995 and 1997, and only the top quintile showed gains after 1995.

...and what is behind it. Labor market earnings of single mothers increased at all income levels between 1993 and 1995, with the largest improvements at lower income levels. Much of this

was due to more women entering the labor force, in part as a result of welfare expansions. Since 1995, single mothers' earnings continued to increase. However, the gains were much smaller than in the earlier period, and they were more than offset by declines in government transfers for the poorest quintile. In the bottom fifth of the distribution, average earnings increased by \$134 between 1995 and 1997 while means-tested cash (TANF and SSI) decreased by \$572 and food stamps decreased by \$179.

Single-mother families relative to other families. Changes in the income of families headed by a single mother have been fairly similar to the changes among all other families at the same income level. In fact, the share of all poor families containing a single mother changed very little between 1993 and 1997. However, single-mother families are disproportionately concentrated at low income levels, with 85 percent having income less than the median income for all other families.

Interpret with caution. Outside analysts are likely to report results similar to those found in the CEA analysis, and it is important to understand some inherent limitations in the data and analysis. First, the only data that can be used to provide a recent national picture come from the Current Population Survey (CPS), which is

not a longitudinal survey and hence does not track the experiences of the same people over time. In addition, welfare income has historically been under-reported in the CPS, and some evidence indicates that under-reporting has become worse in recent years. Second, the available measure of disposable income does not include the value to single mothers of growing levels of child care transfers, but it also does not net out work-related expenses. Third, in many states implementation of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was just getting underway in 1997, so the results may be too preliminary to give an accurate assessment of the impact of welfare reform.

Conclusion. As analysts begin to look at indicators of welfare reform beyond caseload reduction, we are likely to see a more complex picture emerge. Some analysts are likely to interpret the evidence on changes in the income of single mothers in recent years as a sign of the weakness of PRWORA and state reform policies. The CEA analysis suggests reasons why such a conclusion might be overstated, but the Administration should expect to see some less-than-rosy assessments of welfare reform in the near future. As more states complete studies of those who have left the welfare rolls, and as longitudinal data become available on former welfare recipients, we should have a richer understanding of the experiences of those directly affected by welfare reform.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Non-Oil Import Prices Start Falling Again. Over the past few years falling non-oil import prices have been an important contributor to keeping inflation tame. Beginning last fall, it appeared that non-oil import prices had stabilized, but data released this week show renewed declines in March and April. For the 12 months ending in April, the price index for all imports excluding petroleum declined 2.4 percent. This decline was led by a drop in the price index for imported capital goods, as computer prices continued to move lower. Prices for goods imported from Asian newly industrialized economies showed a decline of nearly 7 percent over the 12 months ending in April.

Motivating Front-line Workers the Marine Way. The motivational techniques used so successfully by the Marine Corps could provide lessons for businesses in motivating their rank and file, according to a recent article in the *Harvard Business Review*. The article is based on a study of 30 companies (plus the Marines) with a reputation for emotionally engaging their front-line workers. The techniques used by the Corps include a substantial investment at the outset in inculcating core values; preparation of every member of the Corps to lead; clearly distinguishing when a work group is a team (with decisionmaking contributions from all members) and when it has a single leader with sole decisionmaking authority; attention to poor and mediocre performers, making sure that foundering Marines are caught before they hit bottom; and use of discipline to build pride. The article cites businesses that effectively use similar techniques. For example, Marriott focuses much of its orientation for new employees on company values and has ongoing programs for those at risk of failure. GE encourages front-line supervisors to attend to underperformers by evaluating supervisors on that dimension of their jobs. And Southwest Airlines encourages self-discipline among employees and work groups, which has been credited with cutting turn-around time of its planes.

Corporate Insider Trading Yields Moderate Profits. Although corporate insiders may realize better-than-market returns from trading their company's stock, these gains do not appear to disadvantage outsiders substantially, according to a recent study. The authors used a comprehensive sample of insider transactions drawn from legally required filings with the Securities and Exchange Commission over the period 1975-96. In effect, they analyzed the returns to two shadow mutual funds: a "purchase portfolio" composed at any one time of all the shares purchased by insiders in the past year, and a "sale portfolio" composed of all the shares sold by insiders in the past year. The study found that the purchase portfolio outperformed the market by about 5 percent on a risk-adjusted basis, with about a third of this extra gain coming in the first month after purchase. The authors argue that this shows that insider buyers have a good feel for near-term developments within their firm or that actions by others who follow their trades move the market. The study found no abnormal returns associated with insider sales. In other words, the people who buy the shares that insiders sell do not suffer losses relative to the market over the next year.

5-18-99

EYES ONLY

INTERNATIONAL ROUNDUP

Africa Off Target in War on Poverty. International goals to cut African poverty in half by 2015 are unlikely to be achieved, the UN's Economic Commission for Africa (ECA) warned last week. According to the organization's 1999 economic report, if sub-Saharan Africa is to achieve the annual growth of 7 percent that the ECA considers necessary to achieve the poverty reduction target it will have to find additional financing equal to almost 14 percent of GDP. Although Africa's aggregate GDP (including north Africa) grew 3.3 percent in 1998, up from 2.9 percent in 1997, growth in sub-Saharan Africa remains below the continent's average at just 2.6 percent. Export revenues fell by 17 percent, and the balance of trade was negative for the first time in nearly a decade. The cost of servicing Africa's debt rose to \$35 billion, or 31 percent of goods and services exports. Debt reduction initiatives did not significantly reduce the burden, according to the ECA.

* Should
Down

Malaysia to Press for Regulation of Speculators. Malaysia will push to keep the focus of next weekend's meeting of APEC finance ministers on regulating the activities of hedge funds and currency speculators, Malaysia's junior finance minister told the press this week. The Malaysian government, which sees predatory currency speculation as the main cause of the Asian crisis, will renew calls for greater transparency of hedge fund operations and demand the regulation of short-term capital flows. Malaysia also plans to return to the international bond market in the next few weeks, with a new \$1 to \$3 billion bond issue that could provide further evidence of Asia's recovery.

OPEC Production Cuts Fall Short of Target. Members of OPEC sharply reduced their oil output in April, but the cuts fell short of the promises they made each other in March, the International Energy Agency reported. With total production of 23.6 million barrels per day, the 10 participating OPEC nations would have to make additional cuts of about 600,000 barrels per day to achieve their target reduction of 4.3 million barrels per day. That put OPEC's compliance rate at about 85 percent of its pledges, according to the IEA.

RELEASES THIS WEEK**Consumer Price Index******Embargoed until 8:30 a.m., Friday, May 14, 1999****

The consumer price index rose 0.7 percent in April. Excluding food and energy, consumer prices rose 0.4 percent.

Industrial Production and Capacity Utilization****Embargoed until 9:15 a.m., Friday, May 14, 1999****

The Federal Reserve's index of industrial production increased 0.6 percent in April. Capacity utilization rose 0.2 percentage point to 80.6 percent.

Producer Price Index

The producer price index for finished goods rose 0.5 percent in April. Excluding food and energy, producer prices rose 0.1 percent.

Retail Sales

Advance estimates show that retail sales rose 0.1 percent in April. Excluding sales in the automotive group, retail sales rose 0.4 percent.

Productivity

Nonfarm business productivity rose 4.0 percent at an annual rate in the first quarter of 1999. Manufacturing productivity rose 5.8 percent.

MAJOR RELEASES NEXT WEEK

Housing Starts (Tuesday)

U.S. International Trade in Goods and Services (Thursday)

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	4.3	4.0
Real compensation per hour:					
Using CPI	0.6	2.6	2.3	2.2	2.8
Using NFB deflator	1.3	3.8	3.4	3.8	3.0
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	0.7
PPI-Finished goods	5.0	0.0	-0.4	0.2	0.5

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

New or revised data in **boldface**.

CPI data **embargoed until 8:30 a.m., Friday, May 14, 1999.**

FINANCIAL STATISTICS

	1997	1998	March 1999	April 1999	May 13, 1999
Dow-Jones Industrial Average	7441	8626	9754	10444	11107
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.44	4.29	4.46
10-year T-bond	6.35	5.26	5.23	5.18	5.41
Mortgage rate, 30-year fixed	7.60	6.94	7.04	6.92	7.10
Prime rate	8.44	8.35	7.75	7.75	7.75

INTERNATIONAL STATISTICS

Exchange Rates	Current level May 13, 1999	Percent Change from Week ago	Year ago
Euro (in U.S. dollars)	1.063	-1.4	N.A.
Yen (per U.S. dollar)	121.7	0.7	-9.3
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. \$)	95.72	0.9	-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)	2.3 (Apr)
Canada	2.8 (Q4)	7.8 (Mar)	1.0 (Mar)
Japan	-3.0 (Q4)	4.8 (Mar)	-0.4 (Mar)
France	2.8 (Q4)	11.4 (Mar)	0.6 (Mar)
Germany	1.8 (Q4)	^{2/} 7.2 (Mar)	0.4 (Mar)
Italy	0.9 (Q4)	12.3 (Jan)	1.3 (Mar)
United Kingdom	0.7 (Q1)	6.3 (Jan)	2.1 (Mar)

U.S. CPI data **embargoed until 8:30 a.m., Friday, May 14, 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 March was 9.0 percent.

THE PRESIDENT HAS SEEN

5-18-99

THE WHITE HOUSE

WASHINGTON

May 15, 1999

Copied
Spierling
Podesta

99 MAY 15 12:13

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEC WEEKLY REPORTS

cc: JOHN PODESTA

Airline Competition: The antitrust suit that Justice filed against American Airlines on Thursday (5/13) represents a vindication of a policy the Administration adopted a year ago, when Secretary Slater proposed guidelines to curb what DOT believed was predation by major airlines against low-cost competitors. At the time, the airlines labeled our guidelines "re-regulation," and persuaded Congress to delay their implementation. However, in light of the Justice suit and other developments, DOT should be able to issue its revised guidelines sometime this summer.

Social Security: You should know that on Wednesday (5/12) Reps. Clay Shaw, Jerry Weller, as well as other Republican members, held a press conference to announce that the Lock Box would come to the House floor for a vote sometime next week. NEC staff, along with staff from OMB and Treasury, is coordinating a strategy on how to respond. Also, in response to your meeting with Democratic Ways & Means members on Thursday (5/13), my staff is beginning to prepare legislation from your State of the Union framework for Social Security. Additionally, Reps. Kolbe and Stenholm introduced their Social Security bill this week, which includes a 2-percent individual account funded from the existing 12.4 percent payroll tax, as well as changes to the normal retirement age, computation years, and COLAs (among other changes). The proposal was originally introduced on May 5th. The plan has been scored by the Social Security actuaries and does achieve 75-year solvency. Senators Breaux and Gregg are working with Senators Kerrey, Santorum, and Moynihan to introduce their own, similar plan.

Appropriations: You should know that the Conferees completed action on the FY 1999 emergency supplemental. The conference report totals approximately \$15.1 billion and includes approximately \$2 billion in offsets (compared to your request for \$8.7 billion, including informal requests, plus \$0.9 billion in offsets). The Appropriators expect to file the conference report and have it in Rules Committee by Friday (5/14) and on the House floor Tuesday (5/18). The Agriculture bill was also marked up in the House Thursday (5/13) and includes an increase of \$250 million over the enacted level, but still over \$500 million (-3.4 percent) below the Administration's requested program level. The House Legislative Branch Subcommittee approved their FY 2000 bill on Tuesday (5/11) and the Treasury/Postal markup was scheduled for this past Friday (5/14). The Appropriations Committees are now expected to make their allocations among their subcommittees next week.

E-Rate: You should know that the FCC will vote later this month on whether to raise funding for the e-rate from \$1.25 billion to \$2.25 billion. The Administration will support this, and it will help us meet your goal of connecting every classroom to the Internet by the year 2000. The FCC's action can be expected to re-open debate on whether the e-rate is the "Gore tax" – but we believe that this is a fight worth having.

5-18-99

New Markets Initiative: You should know that the press coverage on the New Markets Initiative announcement and trip was quite positive. CNN reported on the day of the event and there were solid feature articles the following day in the *New York Times*, *Washington Post*, *USA Today*, *Los Angeles Times*, *Washington Times*, and the *Atlanta Constitution Journal*. Maria and I have already started a comprehensive organizational plan for developing deliverables, looking for locations, and working with CEOs.

SASC; No-Cost EDCs: The Senate Armed Services Committee (SASC) this week voted down proposals to let DoD close more bases. However, SASC approved our amendment to authorize no-cost Economic Development Conveyances (the amendment would also allow communities to renegotiate past EDCs if economic conditions have significantly changed). Rep. Hefley, who chairs the House Military Construction Subcommittee, did not accept our amendment, but he has agreed to hold a hearing on it, and we believe we can make a strong case for reform. We will forward you a list of communities that would benefit from this amendment, as you requested.

Brazil Up, Russia Down: Friday's (5/14) announcement that the Brazilian real GDP *increased* in the first quarter of 1999 means that the country's recession is formally over, a surprising development that has confounded most economists. Interest rates are coming down faster than many had expected and it now appears that inflation will not get out of hand as some had feared. Even so, with unemployment still at near record levels, the country is not out of the woods yet. In Russia, economic prospects have darkened. President Yeltsin's firing of Mr. Primakov, the increased likelihood of an impeachment vote, and the Duma's expected rejection of Prime Minister-designate Stepashin all make it less likely that the Duma soon will pass the tough tax and bank reform measures that the IMF has set as pre-conditions for an agreement and release of roughly \$4.5 billion in funds. The NEC working with others will continue to monitor the situation in both of these countries closely.

CBI/AGOA: According to WH legislative affairs, Rangel will search for a sponsor to the Administration's CBI bill this week; if no one signs on he will introduce the bill himself on Monday or Tuesday. Special Envoy McKay reported that Crane is becoming more flexible on modifying his bill. This is good news because our bill once introduced could rally support, which in turn could encourage Crane to uphold this position. A House Ways and Means subcommittee markup on the Crane bill is scheduled for Tuesday. We are working with the State Department, USTR, DOL, NSC, the Treasury Department, and the Commerce Department to sort out Labor issues prior to markup. As for the Africa trade bill, Rep Archer is likely to schedule a full committee markup near Memorial Day (after obtaining assurances from Lott that tax measures would not be attached). WH legislative affairs will work to shore up Democratic support (especially those in the Jackson camp).

Beef Hormones: We will ask no later than Monday (5/17) for a WTO meeting to be scheduled on June 2 or 3 to approve our damages estimate of approximately \$200 million. The EU is not likely to contest our right to retaliation; however, the EU will likely ask for 30-day arbitration on the damage amount. Accordingly, we do not expect to receive approval on the amount until mid-July. We intend to hold off on publishing our final retaliation list of products that will be subject to 100% duties until receiving approval on our damage amount so as to keep the maximum amount of pressure on EU countries. We received the complete EU study on May 8 and hope to respond by May 25 per the EU's request. Our initial impression remains the same -- the EU study appears to contain only information that has already been rejected by the WTO Appellate Body and that is contradicted by FDA, WHO/FAO, and prior EU studies. Also, a cable with demarche points to our European posts was sent Wednesday (5/12) urging the EU to keep the volume level down in light of the inflammatory remarks of EU Consumer Affairs Commissioner Bonino the week of May 3. Secretary Glickman will be meeting EU Ag Commissioner Fishler when he travels to Europe on May 19-20. Industry and the Hill were briefed on Thursday night and Friday respectively so that they would not be surprised by the damage estimate of approx. \$200 million.

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Y2K Liability Reform: Bruce Lindsey and I signed a letter this past week laying out the elements of a Y2K reform bill that the Administration could support. The House then voted to pass their extreme version of Y2K reform by a vote of 236-190 with only 28 Democrats voting for the bill and 9 Republicans against. 190 members voted instead for Representative Lofgren's alternative, which was essentially the Administration proposal. This vote is a far cry from a veto override margin and far less support than other legal reform bills like securities litigation reform received in the past. In the Senate, Kerry and Robb put forth an alternative to the McCain-Wyden-Dodd bill (MWD) that was finally distributed to Senate offices in draft on Friday. However, high tech firms have told us they view the Kerry-Robb bill as "the Trial Lawyer's bill." They have no reason to compromise now, because they believe that MWD can win sufficient Democratic support to survive a cloture vote. Moreover, they think the Vice President will not want you to veto this bill when it comes to your desk. Senator Lott brought up the MWD bill on Friday and scheduled a cloture vote on Tuesday morning. Democrats may oppose cloture, because it was used to shut off debate on the Juvenile Justice bill; however, when they get to the merits of the Y2K legislation, Daschle is not sure he has the votes to block cloture again. We will continue to work closely with Senator Daschle to see if we can move the Kerry-Robb alternative enough to peel off the high tech companies or find another vehicle around which Democrats can rally.



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

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MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR.

PSK for

SUBJECT: CEQ WEEKLY REPORT

Murt Podesta

PROTECTING COMMUNITIES FROM TOXICS

National Ambient Air Quality Standards

Today, the U.S. court of appeals in the District of Columbia struck down major portions of the EPA's ozone/particulate matter rule. In addition, and of even greater concern, was the court's decision that EPA's use of the Clean Air Act to promulgate National Ambient Air Quality Standards is an unconstitutional delegation of legislative power.

If the decision stands, it will have sweeping impacts on the Clean Air Act and possibly on other EPA regulatory programs. We are working closely with the EPA and the Department of Justice on what our legal response will be. In the meanwhile, the Administration is expressing disappointment with the decision while continuing to do everything within our power to ensure that the public is adequately protected against harmful air pollutants.

RESOURCE STEWARDSHIP

Everglades Restoration

On Monday, the Fish and Wildlife Service will announce the South Florida Ecosystem Multi-Species Recovery Plan. This is one of the deliverables from the Administration's Everglades Restoration Plan. The Multi-Species Recovery Plan is a comprehensive strategy that addresses the recovery needs of all 68 federally listed species in South Florida. The recovery of many of these species will indicate the effectiveness of the overall restoration effort.

This is the largest recovery plan ever developed by the Fish and Wildlife Service and it will provide a blueprint that federal, state, local and tribal governments and other partners can use to restore the South Florida ecosystem. The plan also will serve as a tool for communities and landowners in developing habitat conservation plans.

OTHER

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5-18-99

Environmental Riders

Once again, a supplemental appropriation bill has become a magnet for anti-environmental riders in the Congress (FY 1999). At one point the situation looked especially bleak as possible additional riders continued to materialize in the conference. However, due to the hard work of several White House offices, including Legislative Affairs and OMB, we were able to turn back the worst of the riders before work on the bill by the conference committee was completed.

The remaining riders include an extension of the moratorium on the revision of the valuation of oil royalties on Federal land, a further delay in revisions to regulations on hardrock mining, and special treatment for the Crown Jewel mine in Washington State. Although environmentalists are grateful for our work in eliminating the most detrimental riders from the bill, they are still critical of the inclusion of any riders as an abuse of process. Furthermore, they are especially critical of the Crown Jewel mine rider as a special interest provision.

Hearings

For ✓ The Senate Environment and Public Works Committee approved my confirmation by a vote of 13-5. The Committee hopes to take my confirmation to the floor before Memorial Day.

For This week I also testified before the Senate Energy and Natural Resources Committee on the Administration's Lands Legacy initiative and on National Environmental Protection Act (NEPA) oversight. Western Republicans were critical of the way in which NEPA is applied to issues of concern to them. Concerning the Lands Legacy initiative, however, we have the beginning of a good dialogue and there appears to be hope for an agreement.

Your personal commitment to the Lands Legacy initiative has been very important. It has given us the ability to credibly say that this is a high priority for the Administration and has in turn allowed us to insist on this funding mechanism during budget process. Your continuing public statements in this regard will be important as the budget process moves forward.

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May 14, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*

SUBJECT: Climate Change Weekly Report

Domestic Policy

TS We are working hard to bring two matters to closure: a federal energy executive order and a deal with the auto companies on our auto tax credit. The executive order is in OMB clearance and we ought to be done working through agency comments next week. We would hope to roll it out in conjunction with an announcement that DOD is ready to go with the largest Energy Saving Performance Contract ever, covering nearly 900 buildings at several large installations. ESPCs are an important part of the Order, so the DOD announcement would fit well with it. On the auto front, we have been in intensive discussions with the Big Three over the last several days in an effort to find language we can all agree on. We are close, though the deal isn't done. I think we'll know if we've got agreement by Monday or Tuesday. If we succeed, we should consider an event for you and/or the Vice President to roll the tax credit out.

agcy

Diplomatic

European environment ministers tentatively agreed this week to support a set of quantitative caps on emissions trading. The exact formula is not yet public, but reports suggest that the caps will prohibit any nation from obtaining more than half its emissions reductions from abroad. This resembles a proposal made by the Europeans -- and emphatically rejected by the United States -- at Kyoto. We understand the environment ministers' decision will be announced Monday. This decision is unfortunate but expected. It underscores the many difficulties we will face in shaping rules under the Kyoto Protocol.

Congress

The House Science Committee is in the process of marking up DOE and EPA research authorization bills. Both the DOE and EPA bills contain substantial cuts in the authorization for climate change programs. DOE and EPA have forwarded letters to the Committee opposing these reductions. In addition, Chairman Sensenbrenner has placed in the markup bill a provision restricting EPA funds from being used directly or indirectly to implement, or prepare to implement, the Kyoto Protocol. This language is similar to, but broader than, the language the

Administration agreed to in the VA-HUD 1999 Appropriations bill. We are working with the Democrats on a strategy to get the caucus solidly behind the "Byrd language" from last year's VA-HUD bill, which we can live with.

Press

The *Star-Telegram* in Texas reported yesterday that Governor George Bush now believes that global warming is real. Acknowledging that just a few weeks ago he had said the "science is still out" on the issue, Bush said: "The last time I wasn't certain of the science. I've had some briefings recently and I'm becoming more convinced that the science proves there's global warming."

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

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May 14, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM:

LARRY STEIN *LJS*

SUBJECT:

LEGISLATIVE WEEKLY REPORT

- **Supplemental Appropriations:** Late Thursday evening, the House and Senate Conferees completed their work on the bill funding supplemental appropriations for Kosovo, Central America, Jordan, and agriculture. The Conference Report was filed on Friday and will be considered in both Houses next week. Final scoring of the bill is not available but the bill is estimated to total about \$15.1 billion, with about \$2.0 billion in offsets, against total requests of about \$8.7 billion. Funding for Kosovo, Central America, Jordan, and agriculture is at or substantially above request levels. Objectionable offsets in the House and Senate bills were dropped and the remaining offsets are acceptable. Key riders were dropped or modified, and the conferees eliminated the June 15th "drop-dead date" for the Departments of Commerce, Justice and State that had been agreed to in last year's census negotiations. The conferees retained the Senate-passed language barring the federal government from a share of the state Medicaid tobacco recoupment. In late negotiations with the Appropriations Committee leadership, the steel provision by Sen. Byrd (D-WV) and the oil and gas loan guarantee provision by Sen. Domenici (R-NM) were also dropped. General reaction by the rank-and-file members of the House and Senate to the Conference Report is unclear at this time.

House of Representatives

Year 2000 Readiness: On Wednesday, the House passed (236-190) H.R. 775, the Year 2000 Readiness and Responsibility Act. The Administration strongly opposes the bill and your Senior Advisers would recommend that you veto the bill. Gene Sperling and Bruce Lindsey transmitted a letter to the Congressional Leadership outlining the elements of a bill that the Administration could support and indicating our interest in working toward a speedy resolution in a bipartisan manner. The Administration's overriding concern is that the bill will not enhance readiness and may, in fact, decrease the incentives organizations have to be ready and assist customers and business partners to be ready for the transitions to the next century. The bill would modify tort and contract law so as to reduce the liability of potential Y2K defendants. Reps. Conyers (D-MI), Lofgren (D-CA), and Boucher (D-VA) offered a Democratic substitute, which we supported and that eliminated the most objectionable provisions of the bill, however, it failed (190-236). With only twenty-eight Democrats voting for the bill, we were able to discount claims of strong bipartisan support.

- **Intelligence Authorization:** On Thursday, the House passed by voice vote, H.R. 1555, the Intelligence Authorization Act of FY 2000. The bill increases the Intelligence accounts by an additional 1% over your request.

The Week Ahead

- **House Schedule:** On Monday, the House will convene for a *pro forma* session. On Tuesday, the House will consider H.R. 1141, the 1999 Emergency Supplemental Appropriations Conference Report. On Wednesday and Thursday, the House is expected to consider: H.R. 1654, the National Aeronautics and Space Administration Authorization Act of 1999; H.R. 1553, the National Weather Service and Related Agencies Authorization Act of 1999; and H.R. 883, the American Land Sovereignty Protection Act. The legislation puts inappropriate restrictions on the United State's participation in international conservation agreements. The Administration strongly opposes H.R. 883, and a letter was sent to the House Resources Committee with a veto recommendation from the Secretary of the Interior. On Friday, the House is not expected to be in session.

United States Senate

- **Juvenile Justice Bill:** The Senate began consideration of S. 254, the Juvenile Justice bill sponsored by Senator Hatch (R-UT). The Senate passed (96-2) an amendment offered by Senator Ashcroft (R-MO) prohibiting juvenile possession of semi-automatic assault weapons and large-capacity magazines; failed to table (39-59) and then passed by unanimous consent an amendment offered by Senator Feinstein (D-CA) banning the importation of high capacity ammunition clips. Twenty Republicans supported the Feinstein amendment and four Democrats opposed the measure. Unfortunately, the Senate rejected (51-47) an amendment offered by Senator Lautenberg (D-NJ) to close the gunshow loophole. On a close vote, the Senate passed (48-47) an amendment offered by Senators Hatch (R-UT) and Craig (R-ID) that purports to close the gun show loophole but which instead creates additional loopholes, for example, by rolling back current requirements for pawn shop background checks.

The Senate did not conclude consideration of the bill but agreed to a finite list of amendments that currently number close to 100. Senator Lott also filed cloture on S. 96, the Y2K Liability bill, possibly to put an end to debate on the Juvenile Justice bill. That cloture vote will occur Tuesday morning, although the vote may be vitiated if an agreement is reached on limiting amendments.

The Week Ahead

- **Senate Schedule:** The Senate will resume consideration of the S. 254, the Juvenile Justice bill on Monday, May 17. It is expected that the Senate will vote on a cloture motion to proceed to the Y2K Liability bill on Tuesday morning. If the cloture motion fails, the Senate will resume consideration of the Juvenile Justice bill. The Senate may also consider the Supplemental Appropriations Conference Report this week. The Senate Issues Conference will take place May 21 through May 23 in Irvington, VA. You are scheduled to attend the Conference on Saturday, May 22.

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

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TO: THE PRESIDENT
FROM: LORETTA UCELLI

Subject: Communications Weekly Report

Kosovo:

We continued to work with NSC to communicate our core messages on US/NATO action in Kosovo. On the humanitarian message, we worked with the NSC and Press Office to: set up your address to Veterans on Thursday highlighting the VFW's support for your policy; highlight the importance of the First Lady's trip to Macedonia; arrange for your call to Camp Hope; and arrange for media coverage of the refugees at Fort Dix. In addition, we are working with the NSC and Leslie Dach to identify and reach out to surrogates who can be effective on TV and in print.

Crime and Violence:

In the wake of the Littleton Colorado tragedy, Communications has continued to work with the DPC, Press Office and others to ensure that your message of a comprehensive response is effectively communicated. This week, we: coordinated press and columnist briefings and provided background paper for your "Strategy Session on Youth, Violence and Responsibility"; worked with other offices to set up your Wednesday announcement of the "21st Century Crime Bill" and the funding for the 100,000th police officer; worked with other offices to craft your response to Senate action on guns; and helped develop your Saturday radio address. In addition, we worked with the Press Office and DPC to arrange for columnist briefings and regional television coverage of your Wednesday crime bill unveiling.

New Markets:

Working through the NEC, Communications assisted in preparation for your Tuesday New Markets event. We produced a background document on "The Clinton-Gore Administration's Community Development Agenda" cataloging all your Administration has done to assist under-served communities. In addition, we are working with other offices to begin planning for your July New Markets tour.

Accomplishments:

The Research Department released updated versions of your overall and state-by-state accomplishments for distribution.

Good
Loretti

Amplification:

With guidance from NEC, DPC and NSC, Communications produced and disseminated talking points and fact sheets on: your Strategy Session on Children, Violence and Responsibility; the unveiling of your 21st Century Crime Bill; your New Markets initiative; your remarks to veterans Thursday; your departure statements on Senate action regarding guns; and your Saturday radio address.

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May 14, 1999

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARY BETH CAHILL

SUBJECT: OFFICE OF PUBLIC LIAISON WEEKLY REPORT (May 7 - 14)

CONSTITUENT OUTREACH AND OTHER ISSUES

BUSINESS OUTREACH

OPL hosts American Council of Life Insurance. OPL hosted a briefing on financial modernization and consumer protection for thirteen CEO members of the American Council of Life Insurance. Sally Katzen of the NEC, Greg Baer and Linda Robertson from Treasury briefed the organization of the status of financial modernization and the Administration's announced Financial Privacy and Consumer Protection initiative. The organization's chair, former South Carolina Governor Carroll Campbell, was present.

HISPANIC OUTREACH

Hispanic leadership criticizes offsets for the Central American Supplemental. The Congressional Hispanic Caucus, the National Hispanic Leadership Agenda, the National Association of Latino Appointed and Elected Officials, and the National Council of La Raza sponsored a Hill press conference to publicize their opposition to proposed offsets and highlight the partisan delay. The community is outraged that some members of Congress propose offsets for the Central America Supplemental but not for Kosovo aid. The community continues to be supportive of the Administration's position on the Supplemental.

RELIGIOUS OUTREACH

Southern Baptists expanding agenda. At their annual convention, they will announce a new program to return to the inner city to establish churches and programs. They do not anticipate any subject as controversial as last year's on the role of wives.

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May 14, 1999

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: BEN JOHNSON

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

ACTIONS

Agency Civil Rights Offices: We met with the Directors of the Civil Rights offices of Education, HUD, Justice and others to discuss partnership strategies for the One America initiative and the respective agencies. A number of "action items" were suggested, including raising public awareness and maintaining strong support for civil rights enforcement through a Presidential challenge to local communities, particularly in reference to police conduct.

New Markets Initiative: We sat down with NEC and SBA staff to follow-up on our meetings to promote untapped markets. We talked about a range of topics including the need to streamline information for easy digestion by the masses and of a possible campaign for "financial literacy" -- working with the religious clergy. We also discussed your upcoming July tour of new markets and the potential for One America community leadership meetings that would dovetail your events. We will continue to work closely with both NEC and SBA to explore ways to increase economic opportunities for the underserved.

Judicial Nominees: I met with Judge Damien Keith of the 6th Circuit to discuss judicial nominations. He is particularly interested in working with the administration to identify more minorities for appointment to federal judgeships. He is promoting Northern Illinois District Judge Ann Williams to be nominated to fill one of the vacancies on the 7th Circuit. No African American has ever served on the 7th circuit. I introduced him to Mark Childress and they had a good visit.

Flag Officer Promotions: I attended a meeting hosted by Secretary Cohen to explore ways to increase the number of minorities in the flag officer ranks. The meeting was attended by (3) four - star African American Generals and several junior officers. After a very productive brainstorming session, the group decided to step up the involvement of historical black colleges in recruiting minority officers. Additionally, it was agreed that

current flag officers should be highlighted in minority publications (Jet, Ebony, etc.) to showcase them as successful role models as a recruitment tool.

CONSTITUENT OUTREACH

National Diversity Network: We attended the initial meeting of the working group that will steer the Joint Center project on racial reconciliation, "National Diversity Network" (Network), in cooperation with the Race Relations Institute at Fisk University. The working group is comprised of a broad array of organizations and constituents, including the Anti-Defamation League, Urban League, National Conference for Community and Justice, Italian American Foundation, Leadership Education for Asian Pacifics, National Council of La Raza, National Association of Counties and the National League of Cities.

The Network plans to launch a number of activities including but not limited to, maintaining a national database of promising programs, an interactive web site and a clearinghouse for information dissemination. Your Initiative on Race was an inspiration and the Network hopes to build a national climate more cognizant and receptive to racial bridge building.

CABINET RACE INITIATIVE WEEKLY

Department of Commerce

Electronic Commerce: The Minority Business Development Agency (MBDA) has developed a one-day Electronic Commerce Course, "The Future Is Now," to explain the fundamentals of E-Commerce in a concise presentation oriented toward business owners and managers. Classes were held in Atlanta, Georgia, May 1. This course is designed to provide an effective introduction to the vast opportunities that the Internet and E-Commerce present for business owners seeking to enhance their profits and streamline their operations.

Department of Education

Brown v. Board of Education Anniversary: On May 17, the 45th anniversary of the Brown decision, Secretary Riley is scheduled to deliver a speech about the role of race and education in the 21st century. The speech will address how far we have come since 1954 and what remains to be done to achieve equal opportunity and excellence in education for all people. The Secretary will also discuss how we can reduce intolerance and make sure that our schools are preparing well-educated and caring citizens for a just society.

Small Business Administration

Rural Outreach Initiative: The closing date on SBA's program announcement for Small Business Innovation Research Program outreach to rural states has been extended to May 17, 1999. SBA has been contacted by prospective applicants in every eligible state, and the majority of the Governor's offices of those states. In addition, the Ford Foundation granted \$750,000 to the Montana Native American Finance and Development Initiative targeted to support institutional development of reservation-based loan funds serving Montana's seven reservations. The Tribal Business Information Centers will package the loans and provide technical assistance to Native American reservations.

Social Security Administration

Workforce Diversity: On May 5, Paul Barnes, SSA's Deputy Commissioner for Human Resources and Miguel Torrado, SSA's Director of Civil Rights and Equal Opportunity, spoke to two groups of Federal officials -- OPM's Solutions 99 Conference and Dept of Commerce's Affirmative Employment Counterpart Group. They discussed the everyday tools that SSA has found effective to achieve SSA's high level of workforce diversity such as; articulating a business case for diversity, using targeted recruiting and opening higher level vacancies to outside sources. SSA has made similar presentations to several outside groups and the Departments of Veterans Affairs, Interior and Army.

Department of Transportation

Hispanic Outreach: On May 5-7, the National Highway Traffic Safety Administration (NHTSA) participated in the 1999 National Image, Inc. Training Conference and Convention. NHTSA presented a workshop on "Hispanics and Traffic Safety" to discuss reasons for the over representation of Hispanics in traffic crashes, and identify national and local programs implemented to increase Hispanic involvement in traffic safety, injury prevention programs.

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May 14, 1999

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FROM: BEN JOHNSON

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

FROM: Mickey Ibarra

SUBJECT: Office of Intergovernmental Affairs Weekly Report - May 10 - 14, 1999

SCHOOL VIOLENCE

Mayor Belton (D- Minneapolis, MN) and Attorney General Salazar (D- CO) were pleased to be included in Monday's strategy session. Mayor Belton, who chairs the US Conference of Mayors Task Force on Youth Violence, reports that school safety and afterschool programs will be the main focus on the Mayor's Annual Meeting in New Orleans from June 11 - 15, 1999. You have been invited to attend.

CRIME BILL ROLLOUT

The crime legislation introduced Wednesday has been well received by the nation's mayors. A number of mayors including: Bill Campbell (D-Atlanta, GA), Kurt Schmoke (D-Baltimore, MD), Ed Rendell (D-Philadelphia, PA), Patrick McManus (D-Lynn, MA), Anthony Williams (D-Washington, D.C.), Charlie Smithgall (R-Lancaster, PA) and Michael Turner (R-Dayton, OH), were in attendance at Wednesday's ceremony and did press after the event to help highlight the bill. The mayors are especially pleased with the increased focus on technology and are actively supporting the reauthorization of the COPS program.

FEDERALISM

g We completed our most productive consultation to date with representatives of the Big Seven organizations of elected officials on a revised Federalism executive order. We expect to reach consensus on this issue next month.

AUSTIN/OKLAHOMA CITY

Your visit to both Austin and Oklahoma City received very positive press coverage and were very much appreciated by the elected officials involved.

5-18-99

PHOENIX

Today I will deliver a commencement address to Estrella Mountain Community College, meet with Phoenix Mayor Skip Rimsza (R) and other elected Arizona officials.

INSULAR AFFAIRS

- Navy Live Fire Practice in Puerto Rico: This week, Puerto Rico's new Catholic Archbishop called the Navy's live fire target practice on the island of Vieques "immoral." Governor Pedro Rossello (D-PR) invited the Archbishop and leaders from all political parties to join a commission to identify alternative locations for the Navy. Gov. Rossello also advised the Navy that its plan to resume target practice June 7 would result in widespread calls for even a greater reduction in Navy activity.
- Chinese Boat People to Guam: The Coast Guard interdicted a fourth boatload of Chinese citizens headed to Guam and diverted it to the Northern Mariana Islands. The chill in relations with China delayed repatriation of the Chinese boat people that INS determined did not meet refugee status.
- Puerto Rico Disaster Housing Funds: We worked with HUD Secretary Cuomo, Puerto Rican officials, Senator Bob Graham (D-FL), and Representative Jose Serrano (D-NY) to try to ensure continued availability of funding for housing needs in Puerto Rico caused by last year's hurricane. A Senate supplemental appropriations provision threatened the funding by shifting earlier appropriations from HUD to FEMA. We are working closely with OMB to address this concern.

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May 14, 1999

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MEMORANDUM FOR THE PRESIDENT

THROUGH JOHN PODESTA

FROM LYNN CUTLER *LC*

CC: MARIA ECHAVESTE

SUBJECT: INDIAN COUNTRY

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Podesta*

Tribal Meeting

- It is hard to find the words that describe the response to our meeting with the tribes of the Northern Plains. The tribal leaders truly feel that they have been in the meeting of their lifetimes. The Senators and the Congressman are grateful to you and are thrilled with the feedback from the tribes. The Cabinet and sub-Cabinet members are newly inspired. We were all so moved by the proclamation that you received, and even more by your response to it. Thank you again for agreeing to do this meeting. It was also very important that John Podesta, Maria Echaveste, Jack Lew, Bruce Reed, Thurgood Marshall, and Sally Katzen remained for the entirety of the two and one half hour meeting.
- Here is what we are doing: We will host an emergency meeting of the White House Interagency Working Group on the American Indian and Alaska Natives one week from Monday here at the White House. Secretary Babbitt is sending a strong letter to his colleagues describing our meeting and asking them to send a very high level representative to the meeting on the twenty-fourth. It is my intention to have either John or Maria describe to the group your exhortation to the agencies to find demonstration projects to be implemented in these tribes as soon as possible. We will give them thirty days to come up with specific proposals that can be implemented this summer. Dan Mendelson of OMB and Mary Smith of DPC already have some ideas.

Return of Fort Reno

- Secretary Glickman is looking at the ways that USDA can implement the return of Fort Reno to the Cheyenne Arapahoe.

THE WHITE HOUSE
WASHINGTON

25-18-99-2102

May 14, 1999

Copy read
Marshall
Balderston
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. **T.M.**
KRIS M. BALDERSTON

SUBJECT: Summary of Cabinet Weekly Reports
May 8 - 14, 1999

DEPARTMENT OF TREASURY

- **Department Transition:** On May 13-14, Secretary Rubin and Deputy Secretary Summers met with Majority Leader Lott and Senators Moynihan, Bennett, and Roth to discuss transition and confirmation issues.
- **Jordan:** On May 17, you will meet with Jordan's King Abdullah. During the week of May 3, King Abdullah called for forgiveness of half of Jordan's external debt, which is currently about \$7.6 billion (or nearly 105 percent of GDP). The Administration has provided debt relief in the past for Jordan and is supportive of their efforts to get other countries to make parallel contributions. Treasury continues to discuss Jordanian economic reforms and debt issues with Jordanian and G-7 counterparts.
- **Asia Pacific Economic Council (APEC) Finance Ministers:** On May 15-16, Deputy Secretary Summers will lead the U.S. delegation to the APEC Finance Ministers Meeting in Malaysia. The meeting will focus on policies to renew growth and implement structural reform in member economies affected adversely by the financial crises of the past two years. The meeting will also consider the role of APEC and its members in continuing the process of strengthening the global financial architecture.
- **New \$10 and \$5 Bills:** On May 26, Secretary Rubin will announce the new design of the \$10 and \$5 bills.

5-18-99

DEPARTMENT OF JUSTICE

- **Public Corruption, Eastern District of AR:** On April 27, a grand jury returned a 133-count indictment charging ten defendants, including current and former state legislators, with racketeering activities. The ten were charged with engaging in a pattern of racketeering through various criminal activities, including mail fraud, conspiracy to commit mail fraud, obstruction of justice, and money laundering. The indictment alleges that the most powerful member of the AR Senate was the leader of the RICO enterprise.
- **Residential Substance Abuse Treatment Grants:** At the end of the week of May 17, the Office of Justice Program's Corrections Program Office will award approximately \$63 million to states and territories under the Residential Substance Abuse Treatment (RSAT) for State Prisoners program.
- **Title V Report:** On April 30, the Office of Juvenile Justice and Delinquency Program (OJJDP) forwarded the *1998 Report to Congress: Title V Incentive Grants for Local Delinquency Prevention Programs* to the Attorney General for transmittal to Congress. The FY98 appropriation for Title V was \$20 million. More than 600 communities have now embraced Title V's rigorous community assessment and delinquency prevention planning process and received prevention grants.

DEPARTMENT OF INTERIOR


Millennium Grants: On May 19, the First Lady and members of the White House Millennium Council will announce the projects that will receive \$30 million in Millennium Grants to Save America's Treasures.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **World Meat Congress:** On May 19, Secretary Glickman will address the World Meat Congress in Dublin, Ireland, focusing on the EU's refusal to comply with the WTO decision requiring the EU to permit shipments of U.S. beef produced with growth hormones into its market, as well as on the related subject of the growth of trade in biotechnology products and associated trade issues. The Secretary will meet with some of his EU counterparts, including EU Agricultural Minister Fischler.
- **Farm Credit Needs:** On May 17, Secretary Glickman is tentatively scheduled to tape an interview on the farm crisis with *ABC Nightline*. USDA has made 15,250 direct loans worth \$828 million and guaranteed 11,182 loans, worth \$1.8 billion, a 62 percent increase over the level reached by the same time last fiscal year.

- **FAS China Offices:** On May 13, the Foreign Agricultural Service (FAS) planned to reopen its Beijing, Guangzhou, and Shanghai offices, which were closed May 10-12 as a result of the demonstrations following the bombing of the Chinese Embassy in Belgrade. No FAS personnel were harmed during the episode.
- **Child Nutrition Education:** On May 12, Secretary Glickman signed agreements with representatives of eight food companies and one national magazine to enable the use of USDA's new children's food guide pyramid in educational and promotional campaigns.
- **Balkan Food Aid:** On May 10, 49 metric tons of high protein biscuits that USDA purchased for refugee assistance were shipped to Pisa, Italy for pre-positioning and distribution. Thus far this fiscal year, USDA has purchased over 41,000 metric tons of commodities, worth over \$10 million, for the refugee aid program.
- **Commodity Markets:** Slow farmer selling boosted wheat cash prices last week, but good winter wheat conditions and poor export prospects drove futures prices lower. Corn prices were virtually unchanged, squeezed between potential planting delays and large U.S. supplies. Soybean cash prices were unchanged, but futures dropped on improved planting prospects. Rice cash and futures fell on slack demand and good planting progress. Cotton prices moved lower, as beneficial rains fell on cotton-growing areas of West Texas. Cattle prices slipped, following cutout values lower. Hog prices strengthened, as increased field activity in the Midwest slowed marketings and packers attempted to fill orders for Memorial Day. Broiler production remains robust, but increased seasonal demand helped raise prices to seven-week highs. Cheese prices fell, as buyers held off purchases in anticipation of further declines. Butter prices moved slightly higher on strong food service demand ahead of Mother's Day.

DEPARTMENT OF COMMERCE

- **Africa Bill:** On May 6, Deputy Secretary Mallett participated in a White House-coordinated meeting to rally support from the private sector for the African Growth and Opportunity Act. The House Ways and Means Committee has not yet marked up the bill and no action has been scheduled in the Senate. DOC is working to enlist the business community in an effort to move the bill forward.

- **Meeting with Hong Kong Trade Minister:** On May 7, Secretary Daley met with Hong Kong Secretary for Trade and Industry Chau Tak Hay. Chau underscored support for China's WTO accession and permanent Normal Trade Relations status. The Secretary urged greater efforts on intellectual property rights enforcement and the need for continued cooperation on export controls.
- **Meeting with Taiwan's Minister for Economic Affairs:** On May 6, Taiwan Minister for Economic Affairs C. K. Wang called on Secretary Daley to seek U.S. support for Taiwan's accession to the WTO. In line with Ambassador Barshefsky's discussions with the Minister, the Secretary assured him that DOC wanted to see this happen "sooner rather than later," provided Taiwan met all its bilateral and WTO requirements. Other issues discussed included the bilateral trade imbalance, the upcoming WTO negotiating round, driftnet fishing in the north Pacific, and the upcoming U.S.-Taiwan Business Council annual meeting in San Antonio, TX.
- **CMS Energy Financial Closure:** CMS Energy Corporation has now received financial commitments necessary to move ahead on the \$741 million Taweelah A-2 power project. This is the United Arab Emirates' first independent power project, and it will set a benchmark for privatization and infrastructure projects in the Persian Gulf region. The agreement was signed on April 28. CMS Energy won this project in October 1998, after considerable assistance from the Vice President, Secretary Daley, and Secretary Richardson.
- **Defense Trade in Singapore:** The government of Singapore has selected General Electric (GE) engines for the Apache helicopters that it recently agreed to purchase. BXA had been supporting GE's bid to supply the engines for the helicopters. The engine sale is worth between \$40 and \$80 million, depending on which options Singapore exercises. The total Apache sale is worth between \$1-2 billion, including equipment and training.
- **International Trade Administration (ITA):** OMB has cleared ITA's proposed reorganization, and is now transmitting the plan to the appropriate Congressional committees.

DEPARTMENT OF LABOR

- **Shipbuilding Industry:** On May 10, the strike by United Steelworkers Union Local 8888 against Newport News Shipbuilding and Repair entered its fifth week with little progress in negotiations.

- **African American Summit:** On May 17-22, Secretary Herman will travel to Ghana and South Africa. In Ghana, the Secretary will lead the U.S. Mission to the African-American Summit. In South Africa, Secretary Herman will meet with the Minister of Labor and with the South African Federation of Labor (COSATU).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Columbine Shootings:** Substance Abuse and Mental Health Services Administration's (SAMHSA) Center for Mental Health Services (CMHS) continues to be in close contact with the CO State Mental Health Commissioner and the State Mental Health Disaster Coordinator. The National Association of State Mental Health Program Directors is working in concert with CMHS to provide technical assistance and consultation to the State concerning a mental health needs assessment based on the FEMA/CMHS crisis counseling program criteria. CMHS has suggested that two State Mental Health Disaster Coordinators (CA and LA) with comprehensive expertise and experience with trauma and the crisis counseling program model be available to the CO State Mental Health Commissioner and Disaster Coordinator to assist with a needs assessment. CO State Mental Health Commissioner indicated they will attempt to submit an application, for the joint school violence prevention grant. This grant is funded by DOJ, HHS, and DOEd to provide students, schools and communities with enhanced comprehensive educational, mental health, social services, law enforcement.
- **World Health Assembly:** On May 17-25, the World Health Assembly will be held in Geneva Switzerland. The U.S. Delegation will be headed by Secretary Shalala as the Chief Delegate and Surgeon General Satcher as the Deputy Chief Delegate. Major issues on the agenda are the WHO budget for 2000-2001, the Roll Back Malaria, Tobacco Free Initiative, and the Revised Drug Strategy.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Tornado Assistance:** Your announcement of federal disaster relief for tornado-ravaged OK and KS included \$250,000 worth of HUD emergency technical assistance for the services of experts who will provide advice to disaster-stricken communities. Communities will use the advice to help them find the best ways to repair and rebuild homes and businesses, prepare for future disasters, and repair the infrastructure in neighborhoods.

DEPARTMENT OF TRANSPORTATION

- **Grand Canyon Overflight Rule:** On May 5, the U. S. filed its opposition to a pending certiorari petition that seeks Supreme Court review of the September 4 decision of the DC Court of Appeals upholding the FAA's Grand Canyon overflight rule. The petition was

filed by the environmental parties who challenged the rule, urging that it did not go far enough to protect environmental concerns. The FAA's rule is part of an overall strategy to reduce the impact of aircraft noise on the park environment, and to provide for the substantial restoration of natural quiet in Grand Canyon National Park.

- **Appalachian Intermodal Transportation Summit:** On May 17, Secretary Slater will deliver the keynote luncheon address at the Appalachian Intermodal Transportation Summit in Lexington, KY. Co-sponsored by DOT and the Appalachian Regional Commission, the Summit will emphasize the need for local authorities to collaborate and take advantage of the entire range of transportation modes in planning and implementing transportation facilities and services necessary to provide access to national and global market places for the Region. This message will complement the New Markets Initiative through its emphasis on economic development in Appalachia and the transportation development needed to support the resulting economic activity.
- **National Transportation Week:** National Transportation Week will be celebrated May 17-21. Secretary Slater, all Modal Administrators and DOT will participate in events throughout the country to amplify the five strategic goals of the Department.
- **New Warsaw Convention:** On May 10-29, a Diplomatic Conference will be held in Montreal to complete negotiation of a new Convention to replace the 1929 Warsaw Convention, which sets international rules governing air carrier liability to passengers and shippers. Most significantly, the new Convention will eliminate the liability limits currently applicable to passengers for death or injury in international air transport.
- **U.S.-Pakistan Open-Skies Agreement:** On May 5, DOT announced that the U.S. and Pakistan reached an Open-Skies aviation accord.
- **Impaired Driving Program:** On May 3, the National Highway Traffic Safety Administration (NHTSA) participated in the Hispanic Association of Colleges and Universities/Government Liaison Seminar to discuss a potential partnership focusing on an impaired driving program targeting Latino students.
- **FAA Reauthorization:** The Airport Improvement Program will expire on May 31, and House and Senate staff is preparing for possible floor action the week of May 17; however, statements from leadership and staff indicate that floor action in both houses may slip to late May or June. The Senate Majority Leader indicated that he believes an extension will be needed to prevent a lapse in airport funding.

5-18-99

DEPARTMENT OF ENERGY

- **Rocky Flats:** On May 17, Secretary Richardson will travel to DOE's site at Rocky Flats, CO. In an agreement with the U.S. Fish and Wildlife Service (FWS), the Secretary will designate 800 acres of the site as the "Rock Creek Reserve." The Rock Creek Reserve is an ecologically rich parcel of land and is also home to the Preble's Meadow Jumping Mouse, a listed species. DOE will enlist FWS expertise in managing the area and intends to place it under Federal protection for environmental conservation purposes.



1999 FutureCar Challenge: On June 2, the 1999 FutureCar Challenge gets underway in Auburn Hills, MI. Thirteen universities are building state-of-the-art vehicles which will get up to 80 miles per gallon without sacrificing performance, safety, or emissions. These are the same goals that the U.S. auto industry is attempting to meet under the Partnership for a New Generation of Vehicles. FutureCar is sponsored by DOE with support from Ford, GM, DaimlerChrysler, the National Science Foundation, DOC, EPA, the Aluminum Association, and Natural Resources Canada.

DEPARTMENT OF EDUCATION

- **Brown v. Board of Education Anniversary:** On May 17, the 45th anniversary of Brown v. Board of Education, Secretary Riley is scheduled to deliver a speech about the role of race and education in the 21st century. The speech will address how far the U.S. has come since 1954 and what remains to be done to achieve equal opportunity and excellence in education for all people. The Secretary also will discuss ways to reduce intolerance and ensure that schools are preparing well-educated and caring citizens for a just society.
- **Columbine Shootings:** Bill Modzeleski, Director of DOEd's Safe and Drug-Free Schools Program, spoke via telephone with Ron Booth, the principal of Arapahoe High School in Littleton, CO. On April 22, Mr. Booth wrote Secretary Riley to express his displeasure with DOEd's joint venture with DOJ and the Music Television Network (MTV) to release an anti-violence CD-ROM. Mr. Booth objects to DOEd's partnership with MTV, which he perceives as a contributor to youth violence. The principal expressed his hope that DOEd would find ways to steer children away from TV and toward books and other educational pursuits.
- **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.

- **Grants Announcements:** On May 28, DOEd will announce the Technology Innovation Challenge Grants, totaling \$22 million, which will provide five-year funding for school districts, in partnership with businesses, community organizations, and educational researchers, to implement, evaluate, and document innovative applications of information and computer technologies to systemic educational reform. On May 31, DOEd will announce the Star Schools Program grants, totaling \$10 million. Star Schools connects learners of all ages with peers, experts, resources and experiences to enhance their lives and encourages improved instruction in a variety of subjects to underserved populations, including the disadvantaged, illiterate, limited-English proficient, and individuals with disabilities.

DEPARTMENT OF VETERANS AFFAIRS

- **Oklahoma Tornado Assistance:** The Oklahoma City, VA Medical Center has been responding to the effects of the May 3 tornadoes. The Public Health Service, the Oklahoma City VA Medical Center, and VA's Emergency Management Strategic Healthcare Group have established a management support unit at the Oklahoma VA Medical Center to assist associates of the medical center and their families who were victims of the storms. Approximately 50 VA employees have either lost or sustained major damage to their homes. Employees of the medical center are generously responding to the needs of their co-workers and to the community at large. Other VA medical centers and VA employees across the country are also responding with offers of resources and assistance.

ENVIRONMENTAL PROTECTION AGENCY

- **Toxic Chemical Releases:** On May 13, EPA released the 1997 Toxic Release Inventory (TRI) data on chemical releases in communities. EPA's TRI requires companies to publicly report quantities of toxic chemicals that their manufacturing facilities annually release into the air, water, and land. By disclosing releases of toxic chemicals, TRI is one of the most powerful tools available to reduce pollution. The data show that since 1988 total releases of toxic chemicals have decreased by almost 43 percent.

UNITED NATIONS

- **Copenhagen Plus Five:** On May 16, the preparatory commission for the five-year follow-up to the Copenhagen Conference on Social Development begins meeting in NY. One of the key issues for discussion will be how the World Bank and other international financial institutions incorporate Copenhagen's principles in their programs. Donor countries generally favor some form of added conditionality in lending. In contrast, recipient countries are seeking less conditionality in loans in recognition of their more limited capacity to provide social services.

UNITED STATES TRADE REPRESENTATIVE

- **U.S.-Jordan Trade Relations:** On May 17, USTR will convene the first meeting of the U.S.-Jordan Trade and Investment Council under the U.S.-Jordan Trade and Investment Framework Agreement. On May 18, Ambassador Barshefsky will meet with King Abdullah of Jordan to discuss Jordan's prospects of accession to the WTO and regional trade issues, including the U.S.-Israel qualifying industrial zones.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Linear Conference:** On May 18, Director McCaffrey will speak to the annual Linear Conference at the National Reconnaissance Office. His remarks will focus on the role of the Linear group (an interagency effort dedicated to attacking international cocaine trafficking organizations) plays in achieving the goals of the *National Drug Control Strategy*.
- **Coast Guard Academy Commencement:** On May 19, Director McCaffrey will deliver an address at the 180th U.S. Coast Guard Academy Commencement. His remarks will focus on the Coast Guard motto, *Sempre Peretis* (Always Ready), and its relationship to the role the Coast Guard plays in the effort against drug trafficking.
- **60 Minutes:** The *60 Minutes* piece on Mexico and an *NBC* Documentary on the National Drug Strategy, both with Director McCaffrey, may run between May 16-30.

SMALL BUSINESS ADMINISTRATION

- **Small Business Week:** This year, National Small Business Week, which is sponsored by the SBA, will be held on 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. SBA has selected its three Welfare-to-Work award winners: Richard C. Petersen of Maine, SBA Associate of the Year; George T. Johnson of Wichita, KS, Small Business Owner of the Year; and Gale Walker of San Diego, CA, Entrepreneur of the Year. The winners will be honored at the opening breakfast of Small Business Week on May 24. The National Small Business Person of the Year will be announced on May 25.
- **Veterans Outreach:** SBA is developing a project proposal for a national Veterans Business Network (VBN). The VBN would provide business development support and advice to veterans on upcoming business opportunities and would consist of a database of registered members, VETNET matches of veteran business owners with SBA certified banks, Intranet to exchange information, and business development mentoring program.

OFFICE OF PERSONNEL MANAGEMENT

- **Federal Government as a Model Employer:** On May 6, Director Lachance chaired the first meeting of the Committee of the Federal Government as a Model Employer, as part of the ongoing work of the Presidential Task Force on Employment with Adults with Disabilities. The meeting included an overview of the Committee's mandate, as well as a spirited discussion of committee members on how to proceed forward.

UNITED STATES INFORMATION AGENCY

- **Israel Election:** With the Israeli Arab vote predicted to be pivotal in the May 17 contest for prime minister, results from a mid-April USIA poll show that 81 percent of Israeli Arabs intend to vote in the first election round, and nearly as many (78 percent) say it is likely (62 percent say "very likely") that they will vote in a second-round vote, should one occur. In the event of a run-off between Barak and Netanyahu, 69 percent would cast their vote for Barak. Only a small minority (9 percent) would back Netanyahu, reflecting widespread dissatisfaction with the incumbent prime minister.

GENERAL SERVICES ADMINISTRATION

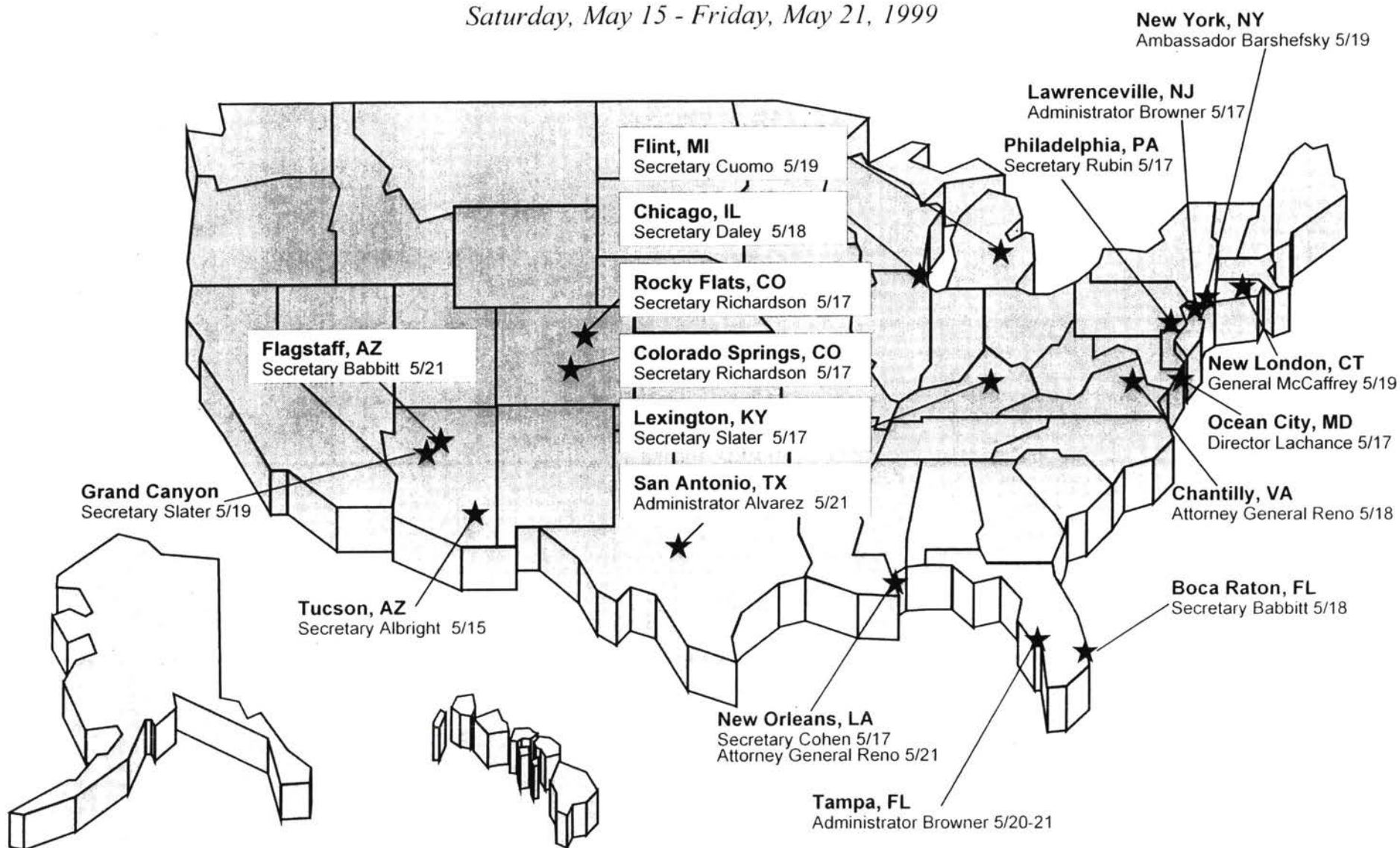
- **Child Care Conference:** GSA's Tenth Annual Childcare Conference, "GSA Childcare: A Decade of Caring," is scheduled for July 7-9, in San Diego, CA. The conference will draw participants from both the Federal Government and the private sector, including center directors, teachers, boards of directors, and agency liaisons. GSA will present a new Accreditation Award for centers that have been accredited or reaccredited by the National Association for the Education of Young Childcare. GSA controls 112 childcare centers.

SOCIAL SECURITY ADMINISTRATION

- **SSA-Retirement Research Consortium Annual Conference:** On May 20, Commissioner Apfel will present the opening remarks at SSA's Retirement Research Consortium conference, entitled "New Developments in Retirement Research" in Washington, DC. Since September 1998, the Retirement Research Consortium Centers at Boston College and the University of Michigan have been working closely with SSA on developing over 30 major research projects on retirement and aging issues.

Domestic Cabinet Travel

Saturday, May 15 - Friday, May 21, 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

5-18-99

SECTION

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SUNDAY

MAY 16, 1999

Saudy
Fy - Liberty
B.

OPINION

Los Angeles Times

NEW WORLD ORDER

Redefining Sovereignty

Is NATO's Balkan war a defense of legitimate rights or an invasion?

By Michael Lind

Through the smoke of villages burned by Serbs in Kosovo and cities bombed by the North Atlantic Treaty Organization across Yugoslavia, a conflict over the basic norms of world order can be discerned. The U.S. and its allies claim that the right of ethnic Albanians in Kosovo to a high degree of self-determination justifies foreign interference in Yugoslavia's domestic affairs. Yugoslav President Slobodan Milosevic insists this is an invasion of a sovereign state. Belgrade is backed by Russia and China, both fearful of a precedent being set for outside intervention in rebellious provinces like Chechnya and Tibet. The fight in the Balkans, then, is more than a war between nations; it is a war between the principles of self-determination and sovereignty.

Self-determination is the principle that each nation has the right to govern itself. In practice, this means people should be governed by those who share their nationality defined by language, religion, descent or some other aspect of identity. For members of one ethnic group to rule another is presumed to be illegitimate by today's notions of political justice.

The principle of sovereignty holds that states should be equal in privileges, even if they are unequal in wealth and power. The modern conception of sovereignty originated in Europe in the 17th century. It was

A choice
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extended to the non-European world after World War II, when the European colonial em-



POLICE

Breaking the Glass Shield for Women

By Joseph D. McNamara

STANFORD

It may be small comfort to the female deputies in the L.A. County Sheriff's Department dealing with sexual harassment and discrimination on the job, as well as to county residents who pay court-imposed judgments, but a recent study of women in policing by the International Assn. of Chiefs of Police (IACP) shows they are not alone. The study aptly illustrates the difficulties that Sheriff Lee Baca and other police chiefs across the nation face in resolving this issue.

Baca took over a department that last year paid \$661,000 to settle sexual-harassment claims. Under the new sheriff, the problem has continued. In March, he backed down from a plan to promote women to higher-paying patrol jobs after the deputy sheriffs' union threatened to sue. The Assn. for Los Angeles Deputy Sheriffs also posted, then removed, a link to e-mail responses to Baca's plan, some of them sexually graphic. Last month, county lawyers recommended paying \$275,000 to a former deputy who claimed that fellow deputies had repeatedly asked her for dates and watched a raunchy video at a workstation nearby.

The IACP, made up of more than 14,000 police chiefs, found that women have won more than one-third of the sexual harassment lawsuits they filed against police departments. Other findings: 91% of the departments have no women in policy-making roles, and but 123 of the 17,000 police agencies in the United States have

protectorate
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is a choice
between self-
determination
and territorial
integrity.

nation-states made up of a single or dominant nationality, sovereignty and national self-determination may complement each other. But the two can collide, as in Kosovo, where the conflict between sovereignty and self-determination is present in its most acute form. If the sovereignty of the existing Yugoslav state is to be respected, then its borders must remain intact, even if the international community establishes a protectorate over part or all of Kosovo. If the international community acknowledges the Kosovars' right to self-determination, the result should be partition of Yugoslavia and the independence of Kosovo. The choice between protectorate and partition as the outcome of the war is thus a choice between sovereignty and self-determination.

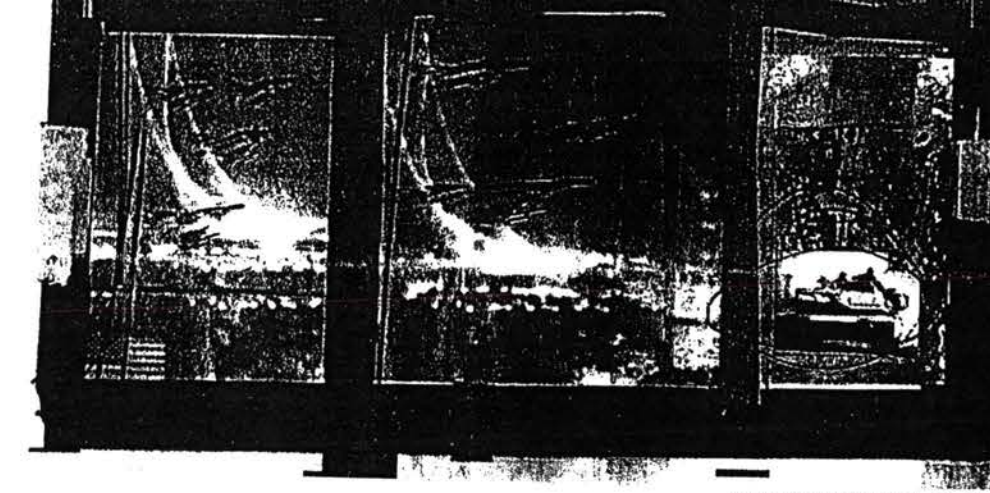
The puzzle of what to do in a situation like this first confronted U.S. policymakers after World War I. President Woodrow Wilson and leaders of the victorious Allied powers had to decide what political units would replace the Austrian Hapsburg and Ottoman Turkish empires, which had collapsed. Both had ruled sections of the Balkans; both had been multinational.

While championing national self-determination, Wilson did not originate the idea, which dated back to the late 18th century, and had led to the unifications of Germany and Italy in the 1800s. Nor was Wilson

Michael Lind is a senior fellow at the New America Foundation and Washington editor of Harper's.

die East and Asia were broken up. In earlier eras the concept of sovereignty made little sense, for the usual form of political organization was the hierarchical empire. According to the theory of sovereignty, the first privilege of a state is the integrity of its territory.

Self-determination and sovereignty are not always in tension. In



ANASTASIA VASILAKIS/For The Times

responsible for turning World War I into a crusade to break up the Hapsburg and Ottoman empires. In fact, in January 1917, when the U.S. was still neutral, Britain, France and the other Allies demanded "the liberation of the Italians, as also of the Slavs, Romans and Czechoslovaks from foreign domination." What is more, Wilson was willing to accept guarantees of autonomy short of sovereignty for ethnic minorities within larger units. In his 14 Points, Wilson declared only that "the peoples of Austria-Hungary should be accorded the freest opportunity of autonomous development." By contrast, Wilson favored "an independent Polish state." Wilson recognized that in the Balkans, the mingling of different ethnic groups made it difficult to draw clean lines for new nation-states.

Despite this, the result of World War I in the Balkans, Central Europe and the Middle East was the partition of empires into successor states, some of which, like Yugoslavia, contained several nationalities. The plight of ethnic Germans outside Germany, and

ambitions of groups like the Hungarians and Croats, gave Adolf Hitler an excuse to intervene abroad, increasing not only the influence but the borders of the Third Reich. Following World War II, the minority problem in Central Europe was settled in a most brutal fashion: by the mass transfer of populations.

For 50 years, the communist regimes of the Soviet Union and Tito's Yugoslavia, both multinational countries, managed to suppress ethnic conflicts, but, with the end of the Cold War, both split up along regional and ethnic lines. In response, the U.S. departed from the policy it had supported in Europe since Wilson. President George Bush, and many other Western leaders, initially opposed the breakup of the Soviet Union. Then, a few years later, many U.S. and European leaders opposed the secession of Croatia, Slovenia and other former territories of Serb-dominated Yugoslavia.

If Wilson's policy favored self-determination at the
Please see KOSOVO, M6

police agencies in the United States have female chiefs. Only 12% of the country's 600,000 police officers are women, and this proportion has not changed in 10 years.

Policing has always been a male-dominated occupation. In 1974, as police chief of Kansas City, I attended Major City Police Chiefs Assn.'s annual meeting, which represented the 25 largest cities. One chief told me he loved the police-women in his department. He called them his "little powder puffs" and vowed never to expose them to the dangers of patrol. A few weeks later, his department's police-women's association censured him for publicly making the same comments.

Another chief of a big-city department said that he would accept women in his force once he saw them compete in professional boxing or football. I knew he was wrong, because I had just come from the New York Police Department, which had lost a relevant suit brought by women officers. A court had rejected the department's argument that women were not physically capable of performing police duties. A certain level of physical strength was required in policing, the court ruled, but the job certainly did not compare to professional athletics.

Similarly, courts have rejected minimum height standards, which had kept Latinos and Asians out of police forces, as not job-related. Some women, it turns out, are far stronger than a number of men accepted by police departments, and some short officers are far more adept physically than their taller counterparts.

Although macho chiefs have been forced to eat their sexist words, the old attitudes are still a major problem. Only

Please see POLICE, M6

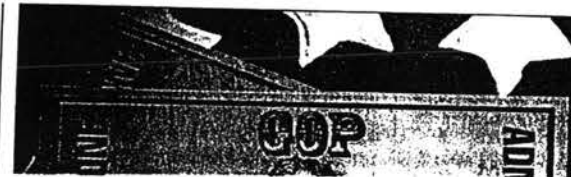
Joseph D. McNamara is a research fellow at Stanford University's Hoover Institution.

In Politics, It's Movement vs. Mainstream

► CANDIDATES

By William Schneider

WASHINGTON
All set for the 2000 presidential primaries? There may be more of them than you think. One contest



Elizabeth H. Dole was asked, "Would you curtail involvement with international organizations that promote abortion?" Her answer: "A

A Spate of Storms Test U.S.-China Relations

By Robert A. Manning

WASHINGTON
A mid the fallout over NATO's accidental bombing of the Chinese Embassy in Belgrade, some

► DIPLOMACY

U.S. goal is to stifle its emergence as a

has gender appeal. McCain and Kasich can pull anti-establishment votes. And Alexander? Well, slow and steady sometimes wins the race.

The contest for the movement title looks wide open. That race, too, has five contenders. One old crusader, Patrick J. Buchanan. He took the movement title in

weren't too accommodating to Steve Forbes in 1996, so this time he's taking them on with his own values pitch. In a speech to conservative activists in January, Forbes denounced "the tragic 26th anniversary of Roe vs. Wade; and the absolute refusal of the Republican establishment to talk about it, much less do something about

Reagan was the movement candidate against Richard M. Nixon in 1968 and Gerald R. Ford in 1976. Lightning struck in 1980, when Reagan beat the mainstream candidate, George Bush. On the Democratic side, Eugene McCarthy was the first movement liberal to challenge the mainstream, back in 1968, over Vietnam. Four years later, lightning struck

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Kosovo

Continued from M1

expense of sovereignty, post-Cold War U.S. administrations have argued that ethnic minorities should have autonomy within the framework of larger, multiethnic sovereign states. In frowning on partition and secession, U.S. policymakers were sensitive to the fears of countries like Turkey, Russia and China, which worried that their own ethnic minority regions might seek independence.

Some realists urge U.S. policymakers to abandon the idea of national self-determination and treat state borders, however arbitrary, as sacrosanct. In this view, it is no concern of the U.S. if Tibetans, Kurds, Albanian Kosovars, Palestinians and East Timorese are ruled by people of a nationality other than their own. The U.S. government, though, has tried to balance the imperative of preserving existing borders while acknowledging the legitimacy of national self-determination. In Iraq and the Balkans, the U.S. has sought to follow a course like the one promised (but not followed) by Wilson: encouraging "the freest opportunity of autonomous development" for ethnic groups, short of statehood.

The 1995 Dayton accords rejected the partition of Bosnia in favor of a complex formula of autonomy-without-sovereignty. The accords, yet to be implemented, call for a constitutional Rube Goldberg machine: the division of Bosnia into a Bosnian-Croat federation and a Serb section sharing a common federal government, including a rotating presidency in which Bosnian Croats, Serbs and Muslims are all represented. The Rambouillet agreement, which the U.S. tried to impose on Yugoslavia, was based on the same principle of autonomy for Kosovo short of formal independence. Under the peace terms offered by NATO, Kosovo would be granted a high degree of autonomy but not independence; the refugees would be allowed to return and an international peacekeeping force stationed in Kosovo.

As Switzerland, Belgium and Canada prove, complex federal systems can enable two or more nationalities to coexist under a single government. In Lebanon, however, an intricate constitutional compromise between Muslims and Christians broke down into decades of civil war. Foreign military forces under the auspices of NATO or the United Nations would be stationed in Kosovo to prevent such an outcome. Thus Milosevic's Yugoslavia

would have to surrender some of its sovereignty, allowing foreign forces on its soil, to preserve the basis of its sovereignty: its territorial integrity.

U.N. protectorates over countries ravaged by internal war are nothing new. But they have been more successful in restoring peace and stability to nation-states experiencing nonethnic civil wars, like Cambodia, than in reuniting territories divided along ethnic lines, like the Palestinian Mandate in the 1940s, Lebanon and Cyprus. In cases of ethnic warfare, peacekeeping missions have become more or less permanent, because communal violence would resume if they left. Indeed, the departure of U.N. personnel in 1994 permitted the genocidal slaughter of as many as a million people in Rwanda.

The alternative to a policy of creating costly international protectorates until permanent peace can be restored would be the formal partition of those entities along ethnic lines. This involves tremendous costs, such as forced population transfers. But the costs of never-ending low-level war may be so great that amputation would be the most humane form of surgery. The partition of a country may violate sovereignty but fulfill self-determination.

Which will it be: preserving existing borders in Yugoslavia at the price of an

international protectorate, or carving out one or more new nation-states at the expense of existing borders? In the final analysis, the choice between protectorate and partition, between Yugoslav sovereignty and Kosovar self-determination, may be settled in the U.S. or in other major NATO powers, not on the battlefield.

Of the two options, partition is cheaper, from the perspective of Washington and its allies. It would be easier to equip the army of an independent Kosovo to defend itself than to station foreign troops there for years or even decades. What is more, as the Korean War and Gulf War showed, it is easier to rally international support to prevent a cross-border invasion of one sovereign state by another than to intervene in relations between a capital and a province.

The choice in the Balkans, then, is not between principle and amorality, but between two competing principles: self-determination and sovereignty. Putting sovereignty above self-determination leads to a protectorate over Kosovo; putting self-determination over sovereignty leads to a Kosovo independent of Serb-controlled Yugoslavia. Those who must live with the choice are in the Balkans; but it is a choice the NATO allies ultimately have the power to make. □



Associated Press

Bused to a refugee camp in Macedonia, ethnic Albanians reached for water.

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