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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
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b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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Daniel Patrick Moynihan
New York

6-14-99

United States Senate
Washington, D. C.

April 6, 1999

Sandy
We should need to
get the Moynihan
meeting on board
get back from Europe
PRS

copies
Berger
Po-Lita

Dear Mrs. Clinton:

You were wonderfully generous to call this old sailor of an Easter afternoon! As a result, I immediately commenced to cure; am home, and with the pleasing instructions to do nothing for three weeks. So why not get about the business we talked of Sunday.

The world needs a Clinton Doctrine. Which is to say a general statement of why and when the international community, in whatever format, will intervene on behalf of an ethnic community seeking to become an independent state. And when it will not.

Wilson brought the norm of self-determination to world politics. But it was open ended. They had in mind a few historical countries in central Europe, Poland for one, taken over by neighboring empires that were in the process of themselves being taken apart. They had no notion of ethnicity as a postmodern phenomenon. (Or such is my thesis.) Much less that it could spring up in hundreds of ways and hundreds of places.

Which is to say there have to be limits, and, to an extent, norms. As of now there are none. I fear we have been a bit unthinking about Kosovo. As I mentioned, we don't even seem to know the language of the people on whose behalf we have commenced the first war in Europe since 1945. Nor do we seem to grasp its meaning to the Serbs. (See West, p. 841 ff. in the new Penguin edition.) If something is to come of this, other than ruin, it appears to me that the President needs to lay out a new conceptual agenda.

I enclose a copy of the Memorandum I wrote to him -- he had suggested this -- from Zagreb on November 28, 1992. My primary message was that the outgoing administration wanted nothing to do with the region, and was

bequeathing him a potential disaster. (In this Sunday's *Times* Eagleburger says as much.) Galbraith and I were disgracefully treated. Our itinerary, which included Kosovo and Macedonia, canceled. Fair enough; Cheney knew what we would find. But it is disheartening that the President never saw what I wrote. (We had taken a lot of small arms fire, and a night of artillery shelling to no purpose whatever!) If any others in the incoming administration read it, they would not -- Strobe excepted -- have thought the subject of any great consequence. That is what I was warning about.

Also Pandaemonium, a quick read which I hope will interest you.

I make so bold as to suggest the President assemble a small group to give him some thoughts. Huntington. Glazer. Lipset. Others.

Respectfully,



Mrs. Hillary Clinton
The White House
Washington, DC 20500

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

Zagreb, Croatia

November 28, 1992

MEMORANDUM FOR THE PRESIDENT-ELECT

You will recall our conversation of November 13 in which I mentioned that I would be visiting this region. You asked if I would share my impressions with you. I am writing this of a Saturday morning here in our embassy in Zagreb, whence Peter Galbraith, of the Foreign Relations Committee staff, and I will be setting out for Washington later in the day. I will check dates and details in Washington on Monday, and get it retyped, and ask Peter to get it to you in Little Rock. He has been here a number of times over the year and is much better informed than I.

First some atmospherics. We arrived at Frankfurt at dawn on Monday, and made our way to the air base. Galbraith had been sending cables and making telephone calls from New Delhi saying we would need a plane, adding that while I was travelling as a member of the Foreign Relations Committee, but that I also planned to send a report to you. However, the base commander at Rhine-Main, as it is called, had heard nothing of this. Nothing daunted even so, he set out to find us a C-12.

PRINTED ON RECYCLED PAPER

As we were sitting about, waiting for news, he mentioned that they were sending three relief flights a day into Sarajevo. That's where I want to go, said I. He leapt to the phone with instructions that UN Two Zero Three was not to move, piled us into his car, and out to the runway. We were airborne in five minutes. Good man.

About the time we were leaving Austrian air space (all rules suspended in this massive, fifteen-nation exercise) our pilot received a radio message that U.S. Senators were not allowed into Sarajevo. I told him to signal back that if the West Virginia Air National Guard, our crew, could take the risk, so could I and that I had no intention of being diverted. This appeared to settle the matter. But another half hour later we received word that the airport in Sarajevo was closed in, and that we would have to land at Zagreb.

This was a lie.

Our chargé here in Zagreb, the admirable Ron Neitske, was on hand when we landed. I apologized for disrupting his day, but explained about the weather in Sarajevo. What weather? he asked. Five minutes ago two C-130s had taken off for Sarajevo. The airport was indeed open. Which it isn't always, and when it is, you know. Great.

I will spare you the details, but Tuesday morning we were aboard a Canadian C-130 bound for Sarajevo. We

stayed the night and flew back Wednesday on a U.K. Hercules. EUCOM was furious and CODEL MOYNIHAN was denied any further logistic support; in particular no plane was provided for our planned trip to Kosovo and Macedonia, two as yet uninvolved entities where there is no fear of flying whatever.

*****

That is a lot by way of atmospherics, but I can think of no better way to impress upon you, as it was impressed upon me, that the outgoing administration is beginning to realize the magnitude of the foreign policy disaster they are bequeathing to you here in the Balkans. At minimum it will be a human disaster. The International Rescue Committee representative suggests in a best case scenario -- peace in Bosnia-Herzegovina -- 50,000 people will starve to death by spring. In the worst case half a million. Others scale the worst case back toward a quarter million deaths. But then, of course, the seasons go round and winter comes again. It is entirely possible that in time the Muslim population of Bosnia-Herzegovina will be systematically extirpated. Genocide.

It is also possible that before that happens there will be something like a European war in this region.

So much for the New World Order.

The order to keep me out of Sarajevo, and the subsequent tantrum, came directly from Cheney. Scowcroft knew of it. Men I have known for a quarter century and think of as friends. I can't blame them. They depart leaving behind an awful crisis, for which a share of the blame is clearly theirs. Or at least that would be my judgment.

*****

SARAJEVO. The most intense urban warfare environment in the world just now. Disembark, AK-47s chattering. Dash for the sand bags, insinuated into a Ukrainian armored personnel carrier, set out across no man's land to the city proper. UNPROFOR (United Nations' Protective Forces) headquarters. An Egyptian APC, considerably more user-friendly, to the presidency. Television as you are greeted by President Izebegovic. Back to HQ. Briefing. Artillery getting heavy now. Whiskey. A good meal in the mess. (Morillon, the commander, is a Legionnaire. They have a thing about dining well under fire.) To bed, shells landing 300 yards away.

I was first in Sarajevo forty years ago. Undamaged by World War II, a Muslim/Viennese city of considerable charm. It is damaged now, but not yet destroyed. That is only partially the object of the Serbian forces in the surrounding mountain tops. Their

object is to destroy the population. We are driven around by a former captain in the Gurkha Regiment, now with the British Foreign Office and seconded to the UN High Commissioner for Refugees. With a staff of two, he is responsible for feeding a third of a million persons. The siege began May 2nd. There are no longer any food stores in the city. What arrives by plane or truck one day, is eaten the next day. If the planes can't land, or the convoys can't get through, starvation comes quickly. The Brit is uncomplaining but disheartened beyond what would be explained by exhaustion. He says two things. First, you can never believe anything told you. Second, for seven months there has been a steady decline, which continues.

The military are much in evidence, but it is not clear how much they do. The main forces are French, Ukrainian, and Egyptian. This is meant to enable Roman Catholics to talk to Croatians, Orthodox christians to talk to Serbians, and Muslims to talk to Muslims. How well this works is another question, for their only mandate is to support the relief effort, but to do so without using force. This presents no great problem for the Serbs, who are content that some supplies get through, so long as they are not sufficient. There is no prospect whatever of breaking the siege.

*****

HOW DID ALL THIS HAPPEN? There is a sense, I suppose, in which nothing very much has happened. The twentieth century began in August, 1914 when a Serb nationalist assassinated the Austrian Archduke in -- Sarajevo. The cause was that of Greater Serbia. War followed, a sort of peace, then another war, then a protracted Cold War. Greater Serbia was kept on hold, but then all that came to an end, and the conflict resumed. In the interval, however, largely at the behest of the United States, the international order had proclaimed the principle of self-determination, such that the conquest of a place such as Bosnia-Herzegovina, by a state such as Serbia is expressly forbidden by the United Nations Charter. (In the event it was Stalin who insisted that "self-determination" be included in Article I. But Woodrow Wilson, and the United States, first insisted that this must be the international norm.) A place such as Serbia, however, argues that it is only seeking to provide that self-determination for Serbs living in Bosnia-Herzegovina. Hitler said the same thing when he invaded Czechoslovakia, citing Wilson chapter and verse. A year go the Serbs were seeking to annex portions of Croatia, citing the same principles.

The fact is that most of the conflicts of the 20th century have been basically ethnic or nationalist in

character. (Same words, really. One Greek, the other Latin.) However, the reigning ideologies, world views, what you will, have obscured this reality, perhaps especially for Americans. At the outset of the century there were two such dominant views. On the one hand the liberal expectancy, which held that ethnic attachments were pre-modern modes of thought, not very attractive, and would soon go away with the progress of the enlightenment. On the other hand, there was the Marxist prediction, which held that ethnic attachments were epiphenomena of pre-modern modes of production, and would soon go away with the progress of socialism. Both were wrong. Ethnicity is in fact post-modern.

The foreign policy and intelligence institutions you are about to take over have never been able to see this. You are entitled to know that this is a bit of grievance of mine, and my views may need some balancing. In brief, in 1979, when I was a member of the Intelligence Committee, I began to argue, in public and private, that in the 1980s that the Soviet Union would break up along ethnic lines, and that this could conceivably lead to catastrophic nuclear exchanges between the successor nations, in the first fusion of ethnic hatred with nuclear power. No one at the CIA could grasp the concept. The USSR was seen as a permanent antagonist. After all, it worked, didn't it?

(The same Agency which in 1987 formally estimated per capita GDP in East Germany to be higher than West Germany.) During the 1980s I was an Observer to the START talks in Geneva. I would go over from time to time and ask the company at the ambassador's table did they ever consider the possibility that by the time they finished with the mind-numbing details of their treaty with the USSR that there might no longer be a USSR? Blank looks, no comment. (When the treaty did arrive in the Senate I asked the negotiators when did that possibility occur to them? Mid-1991.)

As the Cold War ended, and the Soviet Union began to break up, American analysts by and large said it wasn't happening. Then we began to say it oughtn't to be happening. We were clinging to our bi-polar certainties. In August, 1991 President Bush went to Kiev to warn the parliament there against the dangers of "suicidal nationalism". This after it had become inevitable that the Ukraine would separate from Russia. Bill Safire called it the "Chicken Kiev speech." In the same manner, two months earlier, June 21, 1991, Secretary of State Baker went to Belgrade to warn against the break-up of Yugoslavia, noting the separatists could expect no help from the United States. This just four days before long-planned

Slovene and Croatian declarations of independence were to take effect.

Here in Croatia, over in Bosnia, those remarks are held to have been a signal to the Serbs that the United States would not object to a drive to annex territories with Serb populations, consolidating a Greater Serbia.

*****

WHAT IS TO BE DONE? Probably not a great deal. The administration has left you with few options. Had we got over our Cold War rigidity sooner, we might have understood that Yugoslavia was going to break up whether we liked it or not, the Serbs might have got the message to accept this reality. Instead we gave the impression that we would not that much object to their seizing the opportunity to start expanding again. Had we seen to it that the sanctions voted by the Security Council on May 30th were instantly enforced -- Serbia imports at least three-quarters of its oil -- the Serbs might have got the message to stop. Instead we dithered for five months, and only two weeks ago said we really mean it. Had we brought the Security Council around to voting "demonstrations" under Article 42 of Chapter VII -- taking out every bridge in Belgrade in one bombing raid -- we might have sent a message to the Serbs that "ethnic cleansing" wasn't going to be worth it to them. But now we have some

1600 UN troops spread out all over Bosnia. To start bombing Belgrade is to commence the massacre of our peacekeeping forces. Thus Morillon, no stranger to combat, made clear to us that if we were going to ship arms to the Bosnians, he would only ask 48 hours notice so that he could get all his men out of the region.

All that we can do at this point is to see that the food gets in. It is possible that the administration will use the intervention in Somalia, also an ethnic conflict, as precedent for Bosnia, in which event, there will be some additional forces on the ground by the time you take office. If not, you can do more on your own. I would caution, however, that American troops are not needed. What will be needed in January is a clear message to Belgrade that there is a new President who has no history of seeing things from Belgrade's point of view and who, among other things, has instructed the United States embassies in the region to provide the fullest support to the War Crimes Commission announced by Secretary General Boutros-Ghali on October 26. The Commission will operate under the 1949 Geneva Conventions, which grew out of the Nuremberg Tribunal. This was very much an Anglo-American initiative. There are a dozen detailed measures that might make sense. Thus, Croatia is currently supporting 800,000 refugees; the

comparable ratio of refugees to population in the U.S. would mean the equivalent of 50 million refugees. Inflation runs at 3000 percent a year, unemployment upwards of 60 percent. But the main thing is to send the message that a new President has brought a wholly new point of view to this situation.

*****

BEYOND THE BALKANS. If I were asked to pick a symbolic date on which our present crisis may be said to have begun, it would be back in June of 1965. The United Nations, very tentatively, had decided to convene a Seminar -- nothing so grand as a conference -- on the Multi-National State. Yugoslavia had offered to play host, and had offered the site of Ljubljana, capital of Slovenia. (Which would be the first secessionist state.) The "Minorities" issue was thought to have been the undoing of the League of Nations, and so it had taken a long time for the U.N. to get around to touching on the subject once again. You would have thought that this would be reason enough to hurry, but the Cold War was judged to have put all that nonsense behind us. And so nobody in the Department of State wanted to bother with such a marginal matter. I was then Assistant Secretary of Labor for Policy Planning. I had recently published, with Nathan Glazer, a book on the ethnic groups of New

York City. (Still in print, mind!) A call came from State. Would I be willing to represent the United States at Ljubljana? Sure, said I. Off I went, enjoyed it -- one good cable line, "AM IN LJUBLJANA. I HAVE SEEN THE AUSTRO-HUNGARIAN EMPIRE AND IT WORKS" -- came back and told everyone who would listen that Yugoslavia clearly was going to come apart and was fair to begging us for help and advice. As I suggested earlier, persons listened but did not hear.

There are going to be, what? fifty new states in the next fifty years. A number during your administration. Most will come into being through violent ethnic upheaval. The world needs rules for these upheavals which do not now exist. The old rules of sovereignty, the Westphalian state, just don't fit with this new reality. We have to ask ourselves just what "self-determination" means. And under what circumstances the world community, through the United Nations usually, but not necessarily, has the right to intervene. Without setting ourselves up for an inquest by some future Non-Aligned Conference.

These are not the kind of questions the United States government has been asking within its own councils. The subject has seemed irrelevant, and somehow soft. International law was seen as saying what cannot be done, a device for restraining and

controlling national actions. Which is to say, ours, inasmuch as those other bastards could care less. But that was then, now is now. I repeat that in discussions in Geneva with our START negotiators -- our Ambassador Max Kampelman will attest to this -- I would ask why we seemed to take it for granted that the Soviet Union would exist by the time the Treaty was finished. Utter incomprehension. But now you, poor man, are going to have to deal with the fact that one of the successor States, the Ukraine, is suddenly not so sure that it wants to be a non-nuclear nation. All predictable, but not predicted.

It would not, for example, be too great a task to instruct your Secretary of State to work up a scenario for ethnic conflicts between now and the year 2000 that would concern the United States and which might or might not be avoided or diverted. (I beseech you not to ask the CIA. It is brain dead and should be honorably interred.) Let us reward persons who find patterns, and anticipate Somalias. As for example, a pattern of conflict the world over is for a "backward" group to attack an "advanced" group. This is what is going on in Bosnia, where the Muslims are the people of the towns, the professional classes and the intelligentsia, while the Serbians are the peasants. Mind we are not used to thinking of Muslims as more

advanced than Europeans. Albeit, these <u>are</u> Europeans. (Muslims are not accustomed to thinking of Europeans as more advanced than they.) But all this is lost on official Washington.

My closing thought would be to hope that the people you bring into government try to absorb and to come to terms with the forces of hate in the world. Glazer and I have been writing about ethnicity for a third of a century. (I have a book out in January based on last year's Cyril Foster lecture at Oxford.) but we have never celebrated it. To the contrary, if anything we have been warning about it. You could do worse than to send every new Assistant Secretary over to the coastal town of Slano, say 15 km north of Dubrovnik. It was occupied for about six months by Montenegrin territorials. (Or so I would gather.) There is nothing left there but the handwriting on the wall. In roman letters, so that the Croatians would be sure to understand, the graffiti declares that there will be more to come. One soldier named Marko was concerned that his message go beyond the boarders of Croatia, and so scrawled in English letters to wit: YOU ASK FOR IT. I find the slight inaccuracy in the English wonderfully evocative. Not "you asked for it" and now you have got it. Past tense. But rather, your very

existence constitutes grounds for retaliation against you. Unto the end of time.

*****

I will be happy to talk with you further, if you like, or with anyone you ask to call. Perhaps, however, you could hold this memorandum more or less closely.



THE PRESIDENT HAS SEEN
6-14-99

Sandy
Merrie Newton

cc: Berger
Podesta

THE PRESIDENT HAS SEEN
6-14-99

What Role for Russia?

By Anatol Lieven

LONDON

Winston Churchill liked to tell the story of the man who tried to give the powder to the bear, and all the elaborate preparations he made to do so — "but the bear blew first." Decayed and decrepit though it is, the Russian bear blew faster than NATO when it came to sending peacekeepers into Kosovo. It taught us a lesson about speed and surprise — and if it is true that NATO's advance into Kosovo was delayed to prepare for photo opportunities, then it was a lesson we badly needed.

The Russian position on the ground is of course extremely weak. Unless Bulgaria gives permission for Russian overflights, it will be virtually impossible to reinforce the Russian forces in Kosovo, though they will doubtless be supplied by the Serbs. It is therefore in NATO's power to blockade the Russians and force them out.

But this would be a mistake. Even if NATO is forced to agree to a separate Russian zone, leading to de facto partition of Kosovo, it will not be a severe blow to NATO policy. It might even help long-term reconciliation in the Balkans — which cannot be achieved without the Serbs.

It is still unclear how large the Russian presence will be. It is entirely possible that the Yeltsin Government will back down in the face of a mixture of bribes and pressure from the West and abandon its hopes for a separate zone in the Serb-inhabited areas of northern Kosovo.

If, however, the Russians do establish such a sector, with or without NATO agreement, then NATO governments will have to decide how to live with this. Quite frankly, I have always assumed that, whatever Western leaders are saying, a NATO occupation of the whole of Kosovo would sooner or later lead to the formal independence of the whole of Kosovo and the flight of its Serbian minority. With about 90 percent of Kosovo's population Albanian, and the vast majority of these people in favor of independence, democracy alone would dictate this.

Apart from anything else, NATO will sooner or later have to start devolving power to local elected representatives. It is simply implausible after everything that they have suffered that such Albanian leaders — whether K.L.A. or other — will agree to live permanently as part of a Serb-dominated federation.

The alternative to NATO's acceptance of independence would therefore be an indefinite NATO occupation in order to preserve an increasingly empty pretense of Yugoslav sovereignty and in order to prevent elected Albanian representatives from exercising real power.

> A key to Balkan peace, despite the messy start.

Of course, any NATO withdrawal and acquiescence in Kosovo independence would be accompanied by assurances of protection and rights for the Kosovo Serbs — which in the view of the Serbs would in the end be worth very little. That is why the Serbs of Pristina have fled by the thousands ahead of the NATO advance.

A separate Russian presence would, however, greatly complicate this otherwise rather smooth process. Russia will insist that NATO genuinely disarm the Kosovo Liberation Army, and the K.L.A. has no desire to disarm, whatever it says. It will insist that Kosovo remain legally part of Yugoslavia and will be able to call on support from both the United Nations Security Council and NATO's own repeated official statements.

From NATO's point of view, there are only two benefits from a Russian presence. It will strengthen the otherwise thin pretense that this is truly a U.N.-mandated operation; and especially if deployed along the Serbian border, it may discourage terrorist and partisan attacks (whether freelance or Belgrade-sponsored) on NATO troops. Such attacks could otherwise be a real possibility, especially in circumstances of deep poverty and political upheaval in Serbia.

On the other hand, Russian soldiers could themselves become targets of attack by the K.L.A., and might even participate themselves in attacks on Albanian civilians. It is hardly surprising that NATO governments and commanders view a separate Russian presence with such profound misgiving.

Sooner or later, if Yugoslav sovereignty over Kosovo proves untenable, Russia is likely to back a move from Belgrade for partition, leaving the Serb-inhabited areas and as many of the Serb historic sites as possible in Serbia and giving the bulk of Kosovo independence.

Western leaders have vehemently rejected this possibility, but partly at least because it has been seen as giving at least a partial victory to the evil Slobodan Milosevic. If, however, Mr. Milosevic can be removed from power — and pray that he can — then a compromise along these lines with a future, more civilized Serbian government might appear a great deal more acceptable. It would also mark a historic compromise with the Serbian nation, and indeed with Russia.

Such compromises, of course, will be unnecessary if NATO can simply control the situation in Kosovo indefinitely and dictate its own terms to all parties. But the alliance has received one lesson in recent days that it is a good deal less in control than it had thought, and it will probably receive many more such lessons in the weeks and months ahead. □

Anatol Lieven of the International Institute of Strategic Studies is the author, most recently, of "Ukraine and Russia: A Fraternal Rivalry."

The New York Times

MONDAY, JUNE 14, 1999

THE PRESIDENT HAS SEEN 6-14-99 Sandy / This Fyi! B

pean drama. At times, he even plays a small part in the drama himself, advising Britain's prime minister about Germany or embroiling himself in a debate between the Czech president and prime minister. Such incidents, and his many travels, feed Mr Garton Ash's think-pieces for the *New York Review of Books* and other publications. His latest book is a collection of those articles, loosely strung together with the help of chronologies of events over the decade since the fall of the Berlin Wall. Whereas many compilations disappoint, this does not.

Future historians may come to see an inevitability about events in late-20th-century Europe. But to a "historian of the present", contingencies matter: panicky shots by security forces could have turned the peaceful revolution in East Germany into a battleground; early western intervention, perhaps involving the peaceful separation of ethnic groups, might have stayed a Balkan bloodbath. For Mr Garton Ash, individuals, too, make a difference. Among his "great" men are Mikhail Gorbachev, Vaclav Havel, Helmut Kohl and, topping them all in his view, Pope John Paul II.

About German unity, Mr Garton Ash is an unreserved optimist and about European monetary union a mild pessimist. The European Union was wrong, he believes, to put its own "deepening" ahead of its eastward "widening". Indeed, as the years pass and war racks Yugoslavia, post-communist euphoria gives way to apprehension and even gloom. As he vividly puts it, the shape of Europe's century had looked like a "V" for victory, descending through two world wars, then gradually rising. But with war and genocidal crime in the Balkans, the upward line has faltered.

There are obvious pitfalls with any "history of the present". The perspective that time brings is missing. Eyewitnesses give differing accounts of the same events. And events themselves sometimes move too fast: this book went to press before NATO went to war over Kosovo. Mr Garton Ash has answers to all these objections. But his best answer is the power of his writing.

In November 1992, he visits Erich Honecker, the former East German leader, in his Berlin prison. Honecker boasts of his good relations with West German chancellors, with whom he spoke often by telephone, even dialling the number himself. He then draws from his pocket a card with the direct telephone number of the chancellor's office in Bonn: 0649 228 562001. "A quarter-century of Germany's tragic, complex history", writes Honecker's visitor, is "concentrated in this one pathetic moment: the defiant, mortally sick old man in his prison pyjamas, the dog-eared card with the direct number to Chancellor Kohl." The number still works. But presumably not for much longer: the chancellor's office will soon be in Berlin.

Mexican politics

Top secrets

LA HERENCIA: ARQUEOLOGIA DE LA SUCESION PRESIDENCIAL EN MEXICO (THE INHERITANCE: ARCHEOLOGY OF THE PRESIDENTIAL SUCCESSION IN MEXICO). By Jorge Castañeda. *Extra Alfaguara; 550 pages; 139 pesos*

Copied Berger Podesta

ONE of Mexico's best regarded political scientists, Jorge Castañeda, has thrown rare light on his country's one-party system. Thanks to his connections (his father was foreign minister from 1979 to 1982), he was able to interview Mexico's four living ex-presidents—Luis Echeverria, Jose Lopez Portillo, Miguel de la Madrid and Carlos Salinas—on why they were picked and how they chose their successors. He then analysed their (at times self-serving) responses in the light of interviews with other key participants in five successions between 1970 and 1994.

But Echeverria talked

The book has caused a sensation in Mexico, selling some 120,000 copies in the seven weeks since publication. For some readers, it seemed unthinkable that the ex-presidents should be so open. For others, secrets could now be revealed because the power-monopoly of the Partido Revolucionario Institucional (PRI) looks set to enter history.

The old ways still worked in 1994: after his first choice, Luis Donaldo Colosio, was assassinated, Mr Salinas picked Ernesto Zedillo as his successor. But Mr Zedillo has now decided that the PRI's presidential candidate in 2000 will be elected in a primary. In good time. Mr Castañeda shows that the *dedazo* picking the PRI's candidate by pointing a finger—contributed to the crises that marked Mexico's last four changes of government.



...and so did Salinas

For many years now, the *dedazo* ritual has looked more and more outmoded. To preserve their own power, the outgoing presidents kept the outcome in doubt up to the last minute. They favoured someone whom they trusted to protect them from reprisals. They grew irritated when *el bueno* began to show independence in his electoral campaign. And, with the exception of Mr de la Madrid, they were betrayed after leaving office. Mr Echeverria conceded that he fell out with Gustavo Diaz Ordaz, the president who picked him; Mr Castañeda notes that Diaz Ordaz even thought of dumping Mr Echeverria as the party candidate. Mr Echeverria said he named Mr Lopez Portillo, then finance minister, because Mexico's problems were economic, but he was also picking a childhood friend whom he hoped to influence; their relations also soon soured. Mr Lopez Portillo's own choice, Mr de la Madrid, may have seemed malleable, but he blamed his predecessor for the economic mess—and corruption—that he inherited. Mr de la Madrid said Mr Salinas was picked because he had built a strong economic team of his own, but the choice prompted Cuauhtemoc Cardenas, the son of a popular ex-president, to launch an independent candidacy.

Though many Mexicans believe massive fraud helped Mr Salinas to victory, he was still able to name Mr Colosio as his successor in November 1993. His hopes of perpetuating power then died. The Zapatista uprising in Chiapas on January 1st 1994 threw Mexico into turmoil. Mr Colosio's relations with Mr Salinas on the eve of his murder were strained. And Mr Zedillo, party flag-bearer by default, turned against his self-exiled predecessor.

Mr. Castañeda's book signals the closure of an extraordinary chapter in Mexican history. With opposition parties of left and right steadily gaining ground and clean elections now likely, the PRI faces possible defeat. Mr Zedillo could still get away with picking the PRI's next candidate, but at what cost? His self-interest lies elsewhere. If a PRI candidate chosen in a primary loses, Mr Zedillo will still go down in history as the man who brought democracy to Mexico. And if his favourite, the former interior minister, Francisco Labastida, wins, even better. In exchange for renouncing the *dedazo* he may escape being savaged by his successor.

Review of books and multimedia

Beach reading in *The Economist Review* for next week: political thrillers, crime thrillers and a history of swimming pools; A.J. Ayer's life, Francis Fukuyama's disrupted society; globalisation; a new computer atlas; bachelors; Clint Eastwood; French fiction and lots more

gard, Ives, Stravinsky and premieres by Stuart MacRae and Conlon Nancarrow. He has commissions for new operas from Glyndebourne and the Royal Opera, and or a symphonic piece from the New York Philharmonic. Such intense activity must take its toll, even for one so young.

Mr Adès in person seems like a mixture of boisterous confidence and typically English, self-deprecating humour. Tall, thick-set, with a deep voice that rises into peals of laughter, he agrees that the triple career of composer, performer and administrator is one that has to be constantly reined-in, so that he can just say no to offers and retreat to get on with the business of composition. He has looked hard at composers who are side-tracked by performing and conducting and feels it does not really work. As a conductor, he maintains, there must be total precision. "You have to be absolutely legible and clear. You can't be a creative artist like that, though. You can't write music in which you know in advance exactly how everything will work. There have to be secrets. From oneself as well. I don't think conductors have that."



A musical all-rounder

Those thoughts may be a clue to Mr Adès's music. It is infused with lost tunes, melodies which one hears behind the elaborate instrumental configurations. In this he has more affinity with Poulenc or Weill, on the surface "simpler" composers than the more obvious comparisons, Britten or Stravinsky—both of whom have clearly influenced him—even though he rejects many of the traits of neo-classicism and modernism.

An early start

Mr Adès was born in London. His father comes from a family that lived in Alexandria. His mother is a well-known art historian and exhibition organiser. At a young age, he found he could sight-read music with unusual ease. He gained a place at the Junior Guildhall music school when he was 12. The first works he remembers hearing, significantly, were early Spanish choral pieces. Early in his musical education he exhibited talent as a keyboard player and composer. His first finished piece was a tone-poem for piano inspired by T.S. Eliot's "The Waste Land". He had begun to set the whole poem as a cantata, intending to use enormous forces with 30 percussionists, but only got about five lines in before he realised its impossible scale.

Among his earlier compositions, the one that brought him widescale recognition was "Living Toys", an orchestral suite in eight movements commissioned by the London Sinfonietta. Acclaimed at the 1994 Paris Rostrum as the best work by a composer under 30, it swiftly led to other commissions including a Chamber Symphony, a string quartet, "Arcadiana", and then the opera "Powder Her Face", with a libretto by a novelist, Philip Hensher. This was premiered in 1995 and while well-received proved to be more controversial than even the composer and author had imagined.

The opera is based on the life of the society beauty Margaret Whigham, who became the Duchess of Argyll and was involved in a famously scandalous divorce case. One piece of evidence that intrigued the tabloid press of the time was a photograph of the Duchess, said to have shown her performing what the judge called "a disgusting sexual activity" with a man whose face was off camera. This is acted out and sung by the lead soprano in what has become known as the "fellatio aria". Mr Adès claims that he had little idea of the shock this was to provoke. To critics who saw the opera as an attack on a defenceless elderly woman, he answers that he wanted an outrageous, unlikeable character whom the audience must in the end identify with.

Although as loth as any composer to describe his work, he says that when he hears his music performed by other musicians they can reveal lines in the music he has either forgotten or never intended. The only word he will offer is "organic". He feels that there is a "very, very strong line—not literally like a melody but everything has to go from one section to another logically."

His music is not "difficult" in a formal sense. It is not atonal, though he uses a good deal of dissonance. It is richly scored, in the orchestral pieces drawing on the whole 20th-century tradition of incorporating unusual rhythms and instruments within the restrictions imposed by the classical orchestra. However, it is music that demands a great deal from the listener. It is intense in mood and structure, often with altering planes of differing sounds. Something that seems familiar in the context of a small chamber orchestra will give way to a modern jazz band and revert to a primitive folk texture all within a few minutes. There is irony and humour, but this, too, is deceptive because beneath these there is clearly a fierce intellect and passionate involvement.

His tone poem "Asyla", commissioned for the Birmingham Symphony and premiered under Sir Simon Rattle, is a case in point. Although not his longest work it is the largest in conception. The title (the plural of asylum) is meant to suggest "refuge, sanctuary and mad-house". He laughs at the thought of this piece, which is really a symphony: "It's been a turning-point, I'd realised how small-scale some of my music had been. It's an event in my life." Already recorded by Sir Simon Rattle, it is to be performed this summer at the London Proms.

Is Mr Adès a late 20th-century composer, or an early example of the way music will go in the 2000s? Will the division between popular music and that written for the concert hall or opera house become even wider? Mr Adès insists that pop music gives an era its own sounds, its own tonal colour. He composes as if he had never been taught that the two areas were separate.

"We're terribly over-saturated with information now. As an artist one wants to make a sealed space. The room I work in just has a piano and the books I'm reading at the moment. The question really is—whether to be safe, or mad."

The change in Europe

For good or ill

HISTORY OF THE PRESENT: ESSAYS, SKETCHES AND DESPATCHES FROM EUROPE IN THE 1990S. By Timothy Garton Ash. *Allen Lane; 464 pages; £20. Random House; May 2000*

COMPARE the maps of Europe in 1989 and 1999 and you see the results of an extraordinary decade of change: Yugoslavia dismembered, the Soviet Union dissolved, Czechoslovakia divided, Germany united. In such a period, the "history of the present"—a combination of anecdote and analysis, blending the journalist's powers of observation with the historian's sense of context—comes into its own.

Timothy Garton Ash, a fellow of St Antony's College, Oxford and a prolific writer on Central Europe, is no ordinary historian-cum-journalist. A friend of many a dissident-turned-politician, he has privileged access to the leading players in the great Euro-

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When Movies Become 'Product'

By Virginia Postrel

LOS ANGELES

Showing the public relations savvy we expect from media moguls, the heads of the Hollywood studios declined to testify last month when the Senate Commerce Committee held hearings on "marketing violence to children." So when television reported the story, viewers saw movie clips of Keanu Reeves facing off against evil, rather than a tape of an anonymous executive squirming in the witness chair. Films remained works of art, protected by the First Amendment, rather than mere corporate products to be regulated at Washington's whim.

The distinction didn't last. At the hearings, Senator Joseph Lieberman, Democrat of Connecticut, hinted of things to come: "Joe Camel has, sadly, not gone away. He's gone into the entertainment business."

The Senator threatened the possibility of asking the Federal Trade Commission "to see if the entertainment industry is engaging in false advertising or unfair trade practices."

Before Congress could act, President Clinton delivered — much to the shock of his loyal supporters in Hollywood. He ordered an F.T.C. inquiry into "whether and how video game, motion picture and recording industries market to children violent and other material rated for adults." It will consider, for instance, whether these businesses advertise in media with large youth audiences and whether they adequately enforce existing, supposedly voluntary, rating systems.

> The Government wants to redefine art, then regulate it.

The investigation will cost the taxpayers about $1 million. It will cost its targets millions more.

The F.T.C. probe is not just the usual telegenic show trial, good for a few headlines. The commission will exercise de facto subpoena power, demanding proprietary memos, private E-mail and internal marketing studies.

The inquiry will not end when the cameras go away. It will grind on, digging for dirt until it finds some. As Mr. Lieberman suggested, the model is the tobacco industry — the most demonized business in America.

This approach depends on defining movies not as stories or images but as products — which, of course, they are. It is the perfect campaign for an Administration working to restore the pre-Reagan punch of regulatory agencies.

By attacking free markets, the Clinton Administration can challenge free speech without abandoning its liberal image. "Many in the entertainment industry haven't grasped the distinction between marketing and creative license," an unnamed White House official told The Los Angeles Times.

Regulating creativity is bad; regulating marketing is O.K. The President is embracing virtue czar William Bennett's formulation that "this is predatory capitalism."

Just as Mr. Bennett's culture war means conservatives must break with free markets, so President Clinton's regulatory assault means liberals must abandon free speech. The probe looks like business regulation, but the real goal is content restriction.

After all, the inquiry makes little sense in the context of the F.T.C.'s mission. The agency is supposed to thwart "consumer injury," which suggests unhappy customers. But the tens of millions of people who bought tickets to "The Matrix" aren't complaining. The Liebermans, Bennetts and Clintons, who think moviegoers shouldn't have bought those tickets, are.

Yet movie advertisements aren't deceptive. Trailers for action movies show gunfire and explosions. Those for horror movies are scary. Nobody who saw an advertisement for "I Know What You Did Last Summer" expected a romantic comedy.

Supreme Court precedent allows the F.T.C. to regulate nondeceptive advertising as "unfair" only if it violates a public policy well established in law. But the movie rating system is voluntary. The First Amendment prohibits the sort of content restrictions that would inevitably come with a mandatory system.

The F.T.C. probe punishes Hollywood for making products that powerful people think are immoral. It sets a dangerous precedent for both free speech and consumer choice.

Culture warriors call movies they dislike "cultural pollution" — the toxic waste of greedy corporations. They scoff at the notion that such "pollution" is difficult to identify and assume their judgments are universally shared. "Can you not distinguish between 'Casino' and 'Macbeth,' or 'Casino' and 'Braveheart,' or 'The Basketball Diaries' and 'Clear and Present Danger'?" Mr. Bennett rhetorically asked the Senate committee. "I can make that distinction." His eagerness is chilling.

Regulatory agencies don't let consumers make their own judgments about pollution. They simply ban it. The F.T.C. is not the Cultural Protection Agency, but involving it does change the terms of the debate. By treating moviegoers as victims of corporate malfeasance, rather than willing consumers of art, the Clinton Administration has taken a significant step toward transforming Keanu Reeves into Joe Camel. □

Virginia Postrel, the editor of Reason magazine, is the author of "The Future and Its Enemies: The Growing Conflict Over Creativity, Enterprise and Progress."

The New York Times
MONDAY, JUNE 14, 1999

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COVER STORY

Raw emotion of revenge overrides pleas for calm

By Carol Morello
USA TODAY

VRBNICA, Yugoslavia — Wool does not burn quickly. Neither do the fires of revenge.

So a man with tears in his eyes stood for what seemed like forever staring into the lingering flames engulfing a gray flannel uniform once worn by a Serb agent at the border checkpoint between Albania and the province of Kosovo.

For 11 weeks, more than 400,000 ethnic Albanians left Yugoslavia from here, lining up single file to pass before Serb border guards confiscating every piece of identity they carried. The point was blunt: Every last bit of proof they had ever belonged in Kosovo was being erased. They were never returning.

Sunday was the ethnic Albanians' first crack at payback time and a foreshadow of worse to come.

"I never want to see this uniform again," said the man before the smelly pyre. He, like most of the looters ransacking the border station, would not reveal his name. "They have done a lot of damage to us for 100 years."

Then he looked up, his brown eyes glaring through the smoke rising from the pavement and added, "They killed my son."

Of all the tasks facing NATO forces advancing into Kosovo, perhaps the most delicate and difficult is preventing a new round of violence as returning refugees confront Serbs.

In a taped message that aired here Saturday, President Clinton cautioned refugees that acts of vengeance would only mean President Slobodan Milosevic was right in concluding that Albanians and Serbs could only live together as enemies.

But on the ground, raw emotion reigns.

Before the airstrikes began March 24, the Serbs, though making up only 10% of Kosovo's 2 million residents, had the upper hand, politically and militarily on the 90% who were largely ethnic Albanian. Unleashing its military machine, the Serb politicians in Belgrade were relentless against Albanian rebels and non-rebels, in a year-long campaign of ethnic cleansing.

Now NATO peacekeepers, while pledged to remain neutral, have by their very presence shifted the balance. The ethnic Albanians feel empowered, the Serbs are on the defensive. And the hatred and anger is shaking Kosovo from Macedonia on the east to Albania on the west, as Serb civilians take flight and ethnic Albanians take revenge.

COVER STORY

In one of the most hostile zones, German military spokesmen in the southwestern city of Prizren reported that Serbian paramilitaries and police went on a looting and burning spree in ethnic Albanian neighborhoods after nightfall.

A handy focus for rage

The two-story building housing the Yugoslav border police and an adjacent duty-free shop were an odd but handy focus for years of pent-up rage Sunday morning as German peacekeeping troops first rolled into Yugoslavia from Albania.

No sooner had the first few tanks and jeeps rumbled across the narrow bridge over a steep ravine dividing the two countries than the purposeful trashing of this symbol of Serbian sovereignty began.

For the hundreds of ethnic Albanians waiting for the moment they set foot in Kosovo again, the first indication of a Kosovo free of Serbs was the sound of window glass shattering.

They could not bear waiting for the official opening of the border. Instead, they circled around the Albanian border post, edged about 20 feet along the concrete siding of a bridge over a 50-foot drop, then clambered over the side topped by rusting barbed wire before dropping onto the pavement. A few scurried down the steep cliffs, then used their hands to crawl back out again.



At times, new looters shinnying across the bridge were blockaded by looters who had arrived earlier, and were dropping rolls of carpeting, office chairs, tables and plastic potted plants over the side to carry back to Albania.

"Milosevic took our stuff, we're taking his," said a young man swinging two chairs over concrete posts of the bridge.

The rush apparently was set off by the retreat of about 60 infantrymen and snipers who had been posted on mountaintops overlooking the crossing.

First tentatively, then with glee, people walked back into Kosovo and rushed inside the border station, where they roamed freely and casually looking for some emblem to take away and destroy.

Flags the first emblems to be destroyed

Among the first totems that were torn down and shredded were the two Yugoslav and Serbian flags flying at the boundary. Looters ripped them into long pieces and wrapped them around the ends of poles, with which they swabbed the pavement.

The iron gate on the door to the small duty-free shop was twisted awry. Shelves were pulled to the ground.

Inside the border post, a safe was cracked open and documents spilled onto the floor. Scavengers pored through a storage room carrying away boxes of nuts and bolts, flashlights and cables. Cabinets were cracked open, and stacks of dinner plates, glasses, hot plates and salt and pepper shakers pulled off the shelves and strewn around the floor.

"I only want to destroy it," said a man attacking a heavy iron safe with a wooden baton. "We're going to destroy it all.

Adil Rezali, 22, a waiter who fled his hometown of Zhur at the start of the airstrikes, walked calmly through the building with a wooden pole smashing windows. Then he pulled a mirror with a vanity ledge from the wall and carefully smoothed his hair. Satisfied, he lifted the mirror over his head and threw it to the ground.

"I own nothing, but I never would steal," he said. "I just want to destroy Serb property. What I hate the most is that they killed children who were too young to say 'Kosovo'."

Learning he was talking to an American reporter, he added, in an echo of the words Serb troops used when they expelled many Albanians, "Say hello to Clinton."

German troops stepped in when refugees began looting a nearby military barracks, toting away generators, chain saws, water barrels and boxes marked ammunition.

They stood between the enraged refugees and the Serbian troops straggling down from the mountaintop as the mob chanted, "Serb monkey," and used coarse vulgarities.

Only a few refugees were bent on retrieving what was rightfully theirs.

Rustan Berisha, 47, thumbed through a pile of license plates that had been confiscated from cars and vehicles just before they crossed. He found both the front and back plates, numbered PZ 134-10, from his own car from nearby Prizren.

Gingerly, Berisha took his car key from his pocket and scraped off the Serbian flag.

6-14-99

THE WHITE HOUSE

WASHINGTON

June 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY
DAVID GOODFRIEND

SUBJECT: Recent Information Items

We are forwarding the following inf

(A) **Berger mei** Tab B - memo at Tab B only: VP/Sperling/ Podesta
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(B) **Sperling mei**
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Baby Bells' cu Tab H: memo at Tab H only: VP/Barram/ Johnson/Echaveste/Podesta
local networks Tab I: memo at Tab I only: Spalter/Podesta
Administration Tab J: memo at Tab J only: Stern/Echaveste/ Podesta

(C) **Frampton/Spe**
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(D) **Sperling/Katzer** **...marketing loan rates** – Responding to your comment about linking the "loan rate" price-guarantee mechanism with acreage restrictions, Gene and Sally say that increasing the loan rate without restricting production may encourage overproduction; the Freedom to Farm Act eliminated production restrictions and most groups would oppose their reintroduction; NEC

6-14-99

THE WHITE HOUSE

WASHINGTON

June 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY
DAVID GOODFRIEND

SUBJECT: Recent Information Items

We are forwarding the following information items:

(A) **Berger memo on conventional arms transfer policy** – You asked whether we should evaluate our weapons non-proliferation policy as it applies to conventional weapons. Sandy responds that an existing PDD lays out conventional arms transfer policy; identifies support for democracy and human rights by the recipient nation as criteria for making arms transfers, as do bills proposed by Sen. Kerry, Rep. McKinney, and Rep. Gedjenson (opposed by the Administration because they would preclude support for friendly nations, among other things); and lists additional criteria not mentioned in those bills (*e.g.*, consistency with international agreements; protecting sensitive technology).

(B) **Sperling memo on Rep. Boucher's telecommunications bill** – Following a conversation with Bell Atlantic's Ivan Seidenberg, you asked about the Boucher bill addressing high-speed Internet access (*i.e.*, access via cable or other means that are at least 20 times faster than regular phone lines, allowing for video and other applications). The bill generally would deregulate Baby Bells' provision of Internet services and require cable companies to open their high-speed networks to other Internet service providers. On the one hand, it could increase Baby Bells' investment in high-speed networks and reduce the risk of cable monopolizing the Internet. On the other hand, it will reduce Baby Bells' current incentive (codified in the '96 Telecommunications Act) to open their local networks and could deter cable companies from investing in upgrades. The Administration has not yet taken a position on the bill.

(C) **Frampton/Sperling/Katzen memo on PUHCA** – Responding to your question about stand-alone repeal of PUHCA, your advisers explain that the Administration has opposed such action for reasons both substantive (*e.g.*, removing PUHCA will spur industry competition but necessitates enhancing FERC's authority to review utility mergers and market power) and strategic (*e.g.*, PUHCA repeal is an incentive for Congress to pass consumer protection and other provisions backed by the Administration).

(D) **Sperling/Katzen memo on agriculture marketing loan rates** – Responding to your comment about linking the "loan rate" price-guarantee mechanism with acreage restrictions, Gene and Sally say that increasing the loan rate without restricting production may encourage overproduction; the Freedom to Farm Act eliminated production restrictions and most groups would oppose their reintroduction; NEC

6-14-99

therefore believes it is important to resist raising loan rates and instead is examining a targeted income assistance program for farmers most in need.

(E) **Cutler memo on Washoe Tribe** – After Lynn told you about delays in reaching an agreement between the Washoe Tribe and the Forest Service regarding Tribe access to Lake Tahoe, you expressed your desire to reach closure. Lynn writes that she expected to reach an agreement by June 10. *She subsequently reported to this office that the Tribe and Forest Service reached a temporary agreement under which the Washoe will have lake access; Chairman Wallace is satisfied with this temporary agreement; Lynn will have more details for you next week.*

(F) **Berger memo on Gulfstream V executive jets** – Responding to your note on a *New York Times* article, Sandy explains that the Air Force and DoD want to lease 6 Gulfstreams to replace 7 older planes used by the CINCs and other senior officials; the planes currently used are over 30 years old, cost more than the Gulfstreams to operate, and do not meet noise restrictions; funding for the new planes was removed from the Kosovo emergency bill but Sen. Stevens said he would revisit the issue; the $50 million/year figure reflects the cost of leasing and operating the planes over 20 years and is less than the cost of operating the existing planes; leasing is more expensive than buying but will allow for immediate delivery without paying the entire price in the first year.

(G) **Glickman note about USDA grant/loan in Arkansas** – Sec. Glickman forwards "a little bit of good news" about a USDA grant and loan of $157,000 to the City of Helena to help reduce expenses associated with the lease of a fire truck.

(H) **Dave Barram memo on GSA race dialogue initiative, via John Podesta** – Building on his notion that dialogue is the most important element of a race initiative, Dave describes GSA's system of facilitating "study groups" of 10-15 people who meet for four 90-minute sessions over a 1-2 month period. *Please see attached program description and sample workbook for more details.*

(I) **Jonathan Spalter memo on Kosovo Refugee Internet Assistance Initiative** – Spalter, the Associate Director of USIA for Information, forwards a *New York Times* article highlighting the Information Bureau's Kosovo Refugee Internet Initiative, which you announced in your Ingelheim, Germany remarks; he emphasizes that the program is making a real difference and that it is a good example of what public diplomacy can do through public/private partnerships.

(J) **Echaveste memo on compressed natural gas (CNG) buses** – Responding to your question about the federal government's purchase of CNG buses, Maria says that, according to GSA, the federal government currently owns 14 such buses and has no plans to purchase more. *Please see memo for agency-by-agency breakdown.*

(K) **Congressional correspondence via Janet Murguia – (1) Jim Ramstad:** thanks you for remembering his birthday and for the trip to Mexico and state dinner; **(2) Max Cleland:** compliments the *New York Times* Kosovo piece; "I couldn't agree with you more completely. Terrific! Well said. I'm proud of you."

6-14-99

THE WHITE HOUSE

WASHINGTON
June 8, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: BOUCHER TELECOMMUNICATIONS BILL

We need to determine where we want to be on this.

cc: VP

copied VP Sperling Podesta

Summary

You had asked for the Administration's position on Representative Boucher's legislation (*The Internet Growth and Development Act*), following a conversation you had had with Ivan Seidenberg, the CEO of Bell Atlantic. The Administration has not taken a position on his specific legislation, but the Electronic Commerce Working Group (led by the National Economic Council and the Office of the Vice President) is developing an Administration position on a variety of issues related to broadband services. As with all telecommunications policy, the issues raised by the Boucher bill are hotly contested by different segments of the telecommunications and Internet industry.

Background on Broadbands

Today, most consumers access the Internet over an ordinary phone line using a modem. This is fine for e-mail, but downloading movies and graphics is like watching paint dry. Cable and telecommunications companies are starting to deploy "broadband" networks that are at least 20 times faster than an ordinary phone line. In the future – more and more Americans will access the Internet over these (and other) broadband networks. There is a growing debate in the Congress about how these broadband networks should be regulated (or deregulated) by the Federal Communications Commission.

Background on Boucher's Bill

There are three provisions that are central to the bill:

1. It would allow the "Baby Bells" to provide Internet service that crosses "LATA" (long-distance) boundaries, even if they have not done everything that is required under the Telecommunications Act to open up their local network to competition. (This "quid pro quo" was at the heart of the 1996 Telecommunications Act).

2. It would allow the "Bay Bells" to provide high-speed Internet access on a deregulated basis.

3. It would prevent cable companies from exclusively bundling their high-speed network with their Internet service – and require them to open up their network to other Internet service providers.

In short, it **reduces** regulation on the Baby Bells and **increases** regulation on cable networks. It will be supported by Baby Bells, and opposed by long-distance companies and cable companies. Internet Service Providers will be split.

Pros

1. It gives Baby Bells more regulatory freedom, and may increase their investment in broadband networks.

2. It reduces the risk that cable companies will monopolize the Internet.

Cons

1. It will reduce the incentive of the Baby Bells to open up their local network in exchange for entry into the long distance market. This "quid pro quo" was at the heart of the Telecommunications Act of 1996, which the Administration supported.

2. It could deter investment in broadband networks by the cable companies by imposing additional regulations on them. It is arguably too soon to know whether these regulations are necessary.

THE PRESIDENT HAS SEEN
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THE WHITE HOUSE
WASHINGTON

Tom Kahl

Guys

At DNC Meeting last night.
Eric Eve & Bill Atlantic Chairman
asked us to support a Gore
Reich Proposition pertaining to
deregulate the internet — help us
with Democrats Senators to Senate area —

Pls look into, advise —

BK

copied
Sperling
Podesta

5.14.99

THE WHITE HOUSE

WASHINGTON

June 8, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE FRAMPTON, GENE SPERLING, AND SALLY KATZEN

SUBJECT: Public Utilities Holding Company Act (PUHCA)

In response to memos regarding the Administration's electricity restructuring proposal that we each recently sent to you, you asked about the future of the Public Utilities Holding Company Act of 1935 (PUHCA) (see attached memos). Specifically, you asked what we thought about repeal of PUHCA on a stand-alone basis prior to or instead of passage of a comprehensive electricity reform proposal, and directed that we speak to you prior to supporting stand-alone repeal of PUHCA. While we support PUHCA repeal as part of comprehensive electricity reform, the Administration has opposed PUHCA repeal on a stand-alone basis both on issues related to PUHCA itself and its importance as a driver for the larger legislative package.

PUHCA prohibits companies from owning and operating two or more utilities in a holding company structure in non-contiguous service territories. It permits holding companies to operate two or more utilities in contiguous territories only if the Securities and Exchange Commission determines that such an arrangement would yield efficiencies and economic savings. The law was passed in 1935 because state utility commissions lacked the authority to regulate large and powerful holding companies or their subsidiaries that operated in other states, and Congress was concerned that the utilities were shifting costs or cross-subsidizing rates from one service territory to another. As part of comprehensive electricity reform, we want power generators to be permitted to compete wherever they want to offer service; because PUHCA constrains such competition, its repeal is a necessary piece of the package.

There is a general consensus among Federal agencies that PUHCA repeal on a stand-alone basis, however, is not desirable for several reasons, and that when PUHCA is repealed other measures must replace it in part. For example, utilities must be directed to grant increased access to holding company financial records by the Federal Energy Regulatory Commission (FERC) and state regulatory commissions. FERC should be granted authority to review holding company mergers, in order to prevent increased concentration that would lessen competition. FERC should also be granted the authority to review utility market power so that it can address market concentration that develops unexpectedly after approved mergers. Each of these measures is needed to prevent a recurrence of the problems that led to PUHCA's passage.

In addition, FERC should be granted merger review authority over generation (to supplement its authority to review mergers of companies that have transmission lines) to avoid the possibility of a holding company developing market power without being subject to FERC jurisdiction by

purchasing generation facilities without ever purchasing transmission facilities. Although the leading stand-alone PUHCA repeal bill in Congress includes provisions granting access to company books by both FERC and states, it does not include the merger review or market power review provisions that are needed to protect consumers.

The interagency group that reviewed the Administration's bill also opposes stand-alone repeal of PUHCA because it would undermine our legislative strategy and have an adverse effect on our ability to enact other important aspects of restructuring. The environmental, consumer, and labor-related provisions of the Administration's bill are critical to ensuring that restructuring truly benefits the consumer and is consistent with your climate change and clean air policies. For example, if restructuring legislation does not contain our environmental provisions it may result in an increase of carbon dioxide emissions rather than the decrease we expect. Repeal of PUHCA on a stand-alone basis could remove the barrier to competition that some in Congress and the industry find most troubling without requiring them to address the other, more contentious public interest issues discussed above.

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

April 2, 1999

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR.

SUBJECT: CEQ WEEKLY REPORT

SUSTAINABLE COMMUNITIES

Electricity Restructuring

The Administration working group has reached closure on the substantive issues involved in clearing DOE's revised electricity restructuring bill. This version of the bill contains some new or slightly amended environmental provisions. The bill should achieve somewhat higher levels of carbon reduction than that submitted last Congress without undermining the significant consumer savings resulting from restructuring. There also is consensus that you should issue a directive to DOE and EPA at the time the bill goes to the Hill ensuring consistent and timely reporting of carbon emissions from the utility sector in the coming years during the debate on restructuring and climate change. Clearance of all documents should be completed to permit announcement of the bill during the week of April 12.

As Congress continues to consider what it will do about electricity restructuring legislation, action continues at the state level on the issue. In Maryland, the legislature recently passed an electricity deregulation bill that does not include significant environmental provisions, and has been criticized by environmental groups. For this reason and others, Governor Glendening is considering vetoing the legislation. Regardless of what action the Governor takes, this situation points to the need for federal legislation to help ensure that major environmental issues are addressed nationally.

Clean Air

The White House clearance process for EPA's proposed rule on Tier II auto tailpipe standards and lower sulfur gasoline is nearing completion. In order to meet the statutory deadline for issuance of a final rule by the end of the year, the proposed rule needs to be published in early April, and White House offices are working to bring the process to a close in that time frame. The EPA has very ably worked with all interested agencies and offices over a period of months, and no intractable substantive differences within the Administration over this proposal have surfaced to date.

6-14-99

THE WHITE HOUSE

WASHINGTON

June 8, 1999

cc: VP

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING AND SALLY KATZEN

SUBJECT: Agriculture Marketing Loan Rates

copied
VP
Sperling
Katzen
Podesta

In response to an article in a recent Weekly Economic Briefing ("WEB"), you noted that we should examine the linkage between marketing loan rates and acreage restrictions. (See attached WEB article for your reference.) We have been aware of the linkage and it has influenced our consideration of various options to help struggling farmers.

Background

USDA offers non-recourse marketing assistance loans to farmers. Once a farmer has completed his harvest, he may want to store his crop for future sale when there is less produce on the market and hence higher prices. If so, he can obtain from USDA a marketing assistance loan, the value of which is the product of the loan rate for the commodity and the quantity of the commodity placed under the loan. (For example, if the farmer has 1,000 bushels of a commodity and the loan rate is $5.00, he can receive a loan for $5,000.) The non-recourse feature of the loans allow farmers to forfeit the commodity to the government in full repayment of the loan; if the market value of the commodity falls below the marketing loan rate, the farmer may satisfy the loan by giving the commodity to the government or repaying the loan at the market price. Accordingly, the loan rate effectively serves as the guaranteed minimum price that the farmer will receive for the commodity price.

Analysis

Increasing the loan rate without restricting the volume of the commodity that farmers may produce may encourage increased production (or overproduction), and perhaps lower the market price of the commodity in the process. Before the Freedom to Farm Act, the government's response was acreage restrictions; the Act eliminated those restrictions (hence, freedom to farm), and most farmers and commodity groups would oppose their reimposition (as representing too much government interference in their business decisions and potentially damaging to the competitiveness of U.S. agriculture in world markets). Accordingly, the NEC interagency working group has thought that it is important to resist attempts to increase the marketing loan rates. (Note: As mentioned in the WEB item, to the extent that the soybean rate is high relative to the rates for other grains, planting decisions may be more heavily influenced by government

regulation than by market prices. The interagency group is exploring whether we should adjust the marketing loan rates relative to each other, *i.e.*, raising the corn and wheat rates to remove an incentive to overproduce soybeans.)

In order to help farmers who are suffering, the interagency group is developing a targeted income assistance program that directs aid to those particular farmers who need it the most. The concept is to determine an appropriate level of income (e.g., identify the average farm income over a five year period), and provide that when annual income falls below the average by a specified amount to provide the farmer with a specified percentage of the shortage. We (including USDA) believe that income assistance is the best way to help those who are suffering without distorting the market through the creation of misplaced incentives.

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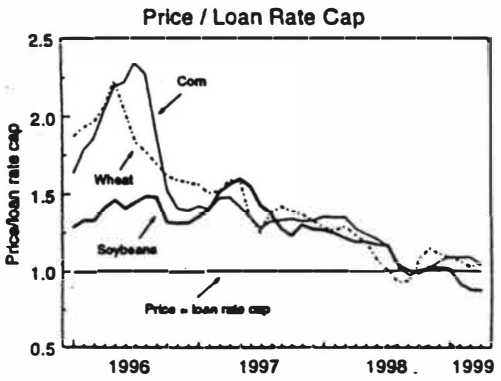
copied Sperling Podesta

SPECIAL ANALYSIS

Farmers' Planting Intentions Are Full of (Soy)beans

U.S. soybean prices hit a 12-year low this spring, falling below the soybean loan rate cap (see chart). Prices are projected to show another steep drop over the coming year. Nevertheless, the USDA reports that farmers intend to plant a record 73.1 million acres of soybeans in 1999. Why?

Shouldn't low prices mean less production? The Farm Act of 1996 gave farmers participating in Federal commodity programs nearly full planting flexibility, and it might have been expected that farmers would reduce their soybean plantings in the face of falling prices. According to estimates by the USDA's Economic Research Service (ERS), the expected decline in soybean prices this year, all other things equal, would have *reduced* soybean planting intentions by about 5 million acres from last year's level.



Offsetting factors. ERS has identified three offsetting factors that explain why soybean planting intentions in fact *increased* by approximately 1 million acres.

- Changes in relative prices. Prices of other crops farmers might plant—such as wheat, sorghum, and cotton—have also fallen, reducing their attractiveness relative to soybeans. ERS estimates that these price changes alone would have encouraged farmers to plant roughly an additional 3 million acres of soybeans.

- Changes in relative costs. Soybeans are an attractive alternative to winter wheat. ERS estimates that favorable relative cost savings for biotech soybeans and changes in the costs and returns to winter wheat would have increased soybean planting intentions by roughly 1½ million acres, other things equal.

- A favorable soybean loan rate. The soybean loan program guarantees farmers at least $5.26 per bushel, which means that farmers are insulated from the full decline in market prices. ERS estimates that without the loan program, farmers' soybean planting intentions would have been more than 1½ million acres lower.

Conclusion. For the first few years under the 1996 Farm Act, crop prices were sufficiently high that the loan rate was not a factor skewing planting decisions away from those warranted by market prices. But the current situation in soybeans is a reminder why price-guarantee mechanisms like the loan rate need to be accompanied by acreage restrictions to discourage excessive planting that can drive prices even lower.

6-14-99

therefore believes it is important to resist raising loan rates and instead is examining a targeted income assistance program for farmers most in need.

(E) **Cutler memo on Washoe Tribe –** After Lynn told you about delays in reaching an agreement between the Washoe Tribe and the Forest Service regarding Tribe access to Lake Tahoe, you expressed your desire to reach closure. Lynn writes that she expected to reach an agreement by June 10. *She subsequently reported to this office that the Tribe and Forest Service reached a temporary agreement under which the Washoe will have lake access; Chairman Wallace is satisfied with this temporary agreement; Lynn will have more details for you next week.*

(F) **Berger memo on Gulfstream V executive jets –** Responding to your note on a *New York Times* article, Sandy explains that the Air Force and DoD want to lease 6 Gulfstreams to replace 7 older planes used by the CINCs and other senior officials; the planes currently used are over 30 years old, cost more than the Gulfstreams to operate, and do not meet noise restrictions; funding for the new planes was removed from the Kosovo emergency bill but Sen. Stevens said he would revisit the issue; the $50 million/year figure reflects the cost of leasing and operating the planes over 20 years and is less than the cost of operating the existing planes; leasing is more expensive than buying but will allow for immediate delivery without paying the entire price in the first year.

(G) **Glickman note about USDA grant/loan in Arkansas –** Sec. Glickman forwards "a little bit of good news" about a USDA grant and loan of $157,000 to the City of Helena to help reduce expenses associated with the lease of a fire truck.

(H) **Dave Barram memo on GSA race dialogue initiative, via John Podesta –** Building on his notion that dialogue is the most important element of a race initiative, Dave describes GSA's system of facilitating "study groups" of 10-15 people who meet for four 90-minute sessions over a 1-2 month period. *Please see attached program description and sample workbook for more details.*

(I) **Jonathan Spalter memo on Kosovo Refugee Internet Assistance Initiative –** Spalter, the Associate Director of USIA for Information, forwards a *New York Times* article highlighting the Information Bureau's Kosovo Refugee Internet Initiative, which you announced in your Ingelheim, Germany remarks; he emphasizes that the program is making a real difference and that it is a good example of what public diplomacy can do through public/private partnerships.

(J) **Echaveste memo on compressed natural gas (CNG) buses –** Responding to your question about the federal government's purchase of CNG buses, Maria says that, according to GSA, the federal government currently owns 14 such buses and has no plans to purchase more. *Please see memo for agency-by-agency breakdown.*

THE WHITE HOUSE

WASHINGTON

6-14-99

copied
Cutler
Echaveste
Podesta

June 8, 1999

MEMORANDUM FOR THE PRESIDENT

THROUGH JOHN PODESTA

FROM LYNN CUTLER

CC: MARIA ECHAVESTE

SUBJECT: WASHOE TRIBE

This is an update of the situation involving the Washoe Tribe and the Forest Service. You will recall that you, the Vice President, and other members of the Administration made a commitment to the Tribe at the Lake Tahoe Summit in July of 1997 to allow the Tribe access to the lake.

As I reported to you, closure on that commitment was not happening and Chairman Brian Wallace of the Washoe was very concerned. You then indicated in your note to me that you wanted to help bring this issue to closure and to honor the commitment.

As a result of your note, I was able to convey your concerns to Jim Lyons, Under Secretary for Natural Resources and Environment at the Department of Agriculture. Jim came to see me this morning and asked me to tell you that he promises that this issue will be resolved in favor of the Tribe by Thursday, June 10, 1999, when Brian and other tribal leaders come to the White House for a meeting with me. There have been bureaucratic blocks, but Jim is prepared to bring in everyone from the regional office in to his office to get this done.

Hopefully, Jim's meeting will save you a call and still get the job done. Thank you for helping me to do this.

THE WHITE HOUSE

WASHINGTON

June 9, 1999

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: Gulfstream V Executive Transport Aircraft

The Air Force and the Department of Defense desire to lease six Gulfstream V executive transport jets to replace seven older aircraft (mainly 707s) currently used by the nine Commanders in Chief and other senior officers and civilian DoD officials (see Tab A). The aircraft being replaced average 36 years old and cost much more to operate than the Gulfstream V due to higher fuel consumption and greater maintenance requirements. Additionally, the older aircraft do not meet noise limits at many airfields and in the near future would require expensive upgrades to comply with the new Global Air Traffic Management System (GATMS). The new Gulfstream V aircraft will meet all these requirements.

Language that would have funded lease of the six Gulfstream V aircraft was removed from the Kosovo emergency supplemental bill because the need for the executive transport jets did not qualify as an emergency. Senator Stevens has stated that he will support funding to lease the jets in the FY-2000 defense appropriations bill.

The $50 million per year figure is the total annual cost of leasing and operating all six of the planes over twenty years - including all maintenance, fuel and operating expenses. DoD emphasizes that this is less than the operating cost of the older planes they replace. Although leasing will be more expensive than buying the planes (including operating costs), the Air Force and DoD prefer to lease rather than buy so they can take immediate delivery of all six without having to pay the total procurement cost in one fiscal year. The alternative would be to spread procurement over six years, but that would prolong the excessive cost of operating the older aircraft and force at least four of them to undergo the GATMS upgrade only to be retired a few years later.

Attachment
Tab A Your note

cc: Vice President
Chief of Staff

3763

TO: DEFENSE LEGISLATIVE

RE: E-MAIL TASKING

NATO Spending Bill Includes Executive Jets for 9 Generals

By TIM WEINER

WASHINGTON, May 10 — An urgent request from the Air Force is buried in the multibillion-dollar emergency bills that will finance NATO's air war in Yugoslavia.

Smart bombs? F-16 fighters?

Not exactly. The Air Force wants to lease Gulfstream executive business jets to ferry four-star generals around the world. The cost could run to half a billion dollars over a decade.

The Air Force is asking for top-of-the-line Gulfstream V's to replace the Boeing 707's, some as much as 30 years old, that transport nine of the nation's top military commanders.

The Gulfstreams can fly eight passengers nonstop for 7,500 miles, wrapping them in sweet silence and comfort, the company says.

The Air Force already has two Gulfstream V's for the very highest Government officials. Moguls from the movies and Microsoft fly them. Why not the military's most powerful commanders, men like Gen. Wesley Clark, who is running NATO's air war?

So the Pentagon and the Senate Appropriations Committee chairman, Senator Ted Stevens, Republican of Alaska, worked out a deal that would let the Air Force lease six Gulfstreams for the military's nine unified and regional commanders-in-chief, Congressional staff members said.

Those in the Air Force and in Congress who support the request — none of whom would be quoted by name — say leasing could be cheaper than maintaining the 707's. And the Gulfstreams cost less than the planes some of the commanders originally sought: a fleet of Boeing 767's, which run upwards of $100 million each.

The new fleet would give the commanders "the capability to travel within the full length of their theaters or to Washington, D.C., without an en route stopover," the Air Force said in a "fact sheet" submitted to Congress two weeks ago to underscore the commanders' needs.

Only one of the nine commanders-in-chief, or Cincs, General Clark, is based overseas. The others work in Virginia, Illinois, Colorado, Nebraska, Hawaii and Florida, where three of them have headquarters. But with the United States playing the role of the world's sole superpower, their responsibilities are global, the Pentagon says.

The Air Force noted that the Gulfstream V is "the single aircraft most capable of performing the Cinc support role, at significantly reduced costs."

One new Gulfstream was included in this year's Pentagon budget. But the Gulfstream V can carry only a small contingent. So the Air Force said it might also consider two Gulfstreams and four specially equipped 737-700's, which carry at least 126 passengers in their commercial configuration.

The Senate's emergency spending bill includes a measure aiding Central American hurricane victims, which is where the leasing arrangement originated. The measure goes to conference on Tuesday with the $13 billion measure passed by the House last week.

The Gulfstream measure includes only the legal authority to sign a lease — no money. It does not mention the money at all.

But the leasing deal, if carried out, could cost $476 million or more over 10 years, according to Air Force documents and Congressional staff members.

It would actually cost less to buy each of the nine commanders his own Gulfstream V — $333 million. But that might be a harder sell, said a Congressional staff member working on the Senate's still evolving emergency bill.

"You don't want to look like you're buying the Cincs executive jets," he said.

Tribe Begins Whale Hunt

SEATTLE, May 10 (AP) — Seven Makah Indians in a cedar canoe began hunting for a gray whale today — the tribe's first attempt this spring to go on a traditional whale hunt that had been banned for 70 years.

The whaling crew, in the Pacific Ocean near Neah Bay, was followed by protesters, so the tribe issued a 10-day hunting permit that requires other vessels to stay at least 500 yards away.

Two protesters were detained by the Coast Guard.

The Makah were granted the right to whale under an 1855 treaty. The hunts stopped in the 1920's because gray whales were at the brink of extinction.

When gray whales were taken off the Endangered Species List in 1994, the tribe moved to resume the hunts. The Federal Government supported their bid before the International Whaling Commission.

The New York Times

TUESDAY, MAY 11, 1999

forward to President
jd

DAVE BARRAM

copied VP Barram Johnson Echaveste Podesta

DATE: JUNE 3, 1999
TO: PRESIDENT BILL CLINTON
CC: BEN JOHNSON
FROM: DAVE BARRAM
RE: GSA AND THE RACE INITIATIVE

Mr. President,

I promised you that I would keep you aware of what we were doing on the Race Initiative. You may remember my memo last year in which I said I believed that dialog was the most important element and that we would try to prove a concept here at GSA. (I'm attaching that memo here.)

We have stayed with it and, I think, have started something pretty special. I recall you sensing it could be a good idea. You were right. It is.

Martha Johnson, who is our Chief of Staff (although really my partner in leading GSA), has led the effort. She facilitated the original "study group" that Thurman Davis, GSA's Deputy Administrator, and I led. She ran the second study group, she created the workbook that we now use and she has organized the next phase where we are about to conduct them in New York and California. We expect that to start the ball really rolling.

Each study group has 10-15 people of various backgrounds who meet for 90 minutes four times over a 1-2 month period. Each meeting is smartly facilitated.

In addition to my original memo, I am attaching a one-page description of our program and the workbook that Martha created.

DAVE

Honest Conversation at GSA about Race

June 1999

Community dialogues about race are designed as "safe spaces" in which people can talk about a tough subject, one that requires new trust, listening skills, people-to-people connections.

Conversations about race ***in the workplace*** are a slightly different challenge because power, money, and hierarchy are involved. GSA, therefore, had to create its own materials to guide these discussions.

GSA has four visions, one of which is simply ***Honest Conversation***. Under that umbrella we have created electronic chat lines, satellite broadcasts, "cascading videos", an electronic newspaper, focus groups with customers, executive peer awards, and even coaching from a professional story teller. Now we are adding a tailored process for dialogues about race.

The discussion guide has seen us through two inaugural four-week discussions and has turned out to be a gem. Among the comments from participants:

"This really got me thinking."

"I hope they will continue with the same kind of enthusiasm that was evident in the sessions I attended."

"I would like to have a (union) representative at all the sessions."

"I believe I am speaking for the group when I tell you how effective this was."

"It's nice just to know new people and greet them in the halls."

"I wish the sessions were much, much longer."

Talking about race is such a loaded issue. These discussions are turning out to be like good appetizers. They are giving people new energy and interest in moving to the "main course".

"Can we be in another group and do it again?"

October 6, 1997

President Bill Clinton

Dear Mr. President,

First, let me reiterate my belief that nothing you have done nor will do, short of saving the country from a nuclear war, will matter more than how the Race Initiative turns out. We are lucky you are the President because you grasp this issue in ways no national leader ever has.

But, it isn't lighting up the skies. I want to offer one reason why and suggest one kind of action.

At a recent cabinet meeting, Judy Winston expressed my strong view that dialog was the most important - by far - part of this initiative, especially at the beginning. Dialog, in the service of educating us about facts and behavior. I fear that we Democrats will do what we have done for 30 years, and that is craft programs like increased enforcement and increased access to money. That is probably good, but is not the powerful, paradigm-changing stuff that your Initiative promises.

For talk - dialog - to change us, the question has to be deep and the answers real. I believe the question is a simple one, but decidedly not politically correct. If 10% of us are unredeemable racists and 10% of us are pretty non-racist, then 80% of us are, at best, trying to cope with our failings and a system that can frustrate and penalize us.

We can address the issue lots of places, but I believe this task of coping can be seen most powerfully in the workplace. Almost everyone works and everyone has a boss and co-workers. We encounter all the stress and pressure points right there.

So, the real question is, "How do you manage in a racist work environment?"

I believe most people want to behave right and treat their fellow workers right. We just don't always "get it" and would welcome advice. But, we don't want "subtlety" removed from the supervisory tool kit. In his 1981 book on management, *Theory Z*, UCLA Professor Bill Ouchi describes the debilitating effect that too many rules has on supervisors[1]. Most of supervision is subtle, not a step-by-step direction of subordinates.

Imagine a roundtable discussion with 20 supervisors, who make between $30,000 and $60,000 and who manage front-line workers. Along with acknowledging the increasing pressure of front-line workers to be given more and more responsibility for their work, that roundtable could elicit the story of how real supervisors get real work results while dealing with various degrees of racism. As an attachment, I describe a fictitious scenario of how

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[1] Theory Y, by William G. Ouchi, page 6, "The other important lesson that Theory Z translates from Japanese practice into American ways is *subtlety*. Relationships between people are always complex and changing. A foreman who knows his workers well can pinpoint personalities, decide who works well with whom, and thus put together work teams for maximal effectiveness. These subtleties can never be captured explicitly, and any bureaucratic rule will do violence to them. If the foreman is forced, either by bureaucratic management, or by an equally inflexible union contract, to assign work teams strictly on the basis of seniority, then that subtlety is lost and productivity declines."

the need to get work output bangs up against the laws and our genuine sensitivity. I made it up, but you can imagine similar ones.

I'd like to see the supervisors at this roundtable address my question above. My guess is they'd teach us a lot about how they cope. Cope with their own racism, their anger about oppressive laws and regulations, and the need to do their main job - getting work done.

Last week after having lunch with the advisory board, I was planning to suggest that you run a roundtable of 30-50 supervisors in a single industry, say the auto industry. I was going to argue that it would work best if it was very targeted to this level of supervisor and one type of workplace. We need to hear the answer to the question, not conduct a forum for all parts of the spectrum to hold forth - no academicians, no union leaders, no mayors, no other people who know all the phrases. I thought it could be a dynamic event.

But, I fear it would be hard to accomplish. So, I think we'll see if we, at GSA, can do a similar roundtable just with 10-20 GSA supervisors meeting with me and Thurman Davis, GSA's Deputy Administrator, and ask that simple question. We will let you know how it works.

If it works, it might stir up this Initiative and put some fuel in the engine. You are in an interesting place. Because of your personal history and journey, no one doubts your commitment. You aren't going to "discover" some new racist tendencies. So, on this topic, you are not particularly fascinating. (I don't make up the rules. I don't encourage people to watch the OJ trial or fawn over Diana.)

I love your speeches on this subject (e.g. Memphis, Little Rock.) They are, to me, extraordinarily moving. I mean it. But, I have to chase them down on the Internet or get an e-mail from the White House. You are using the bully pulpit, but maybe not the bull whip. And, I don't know how you can use it yet.

When Angela Oh feels stifled by the political correctness police, the Initiative takes it on the chin. In fact, the angst her comment raises is the kind of controversy we *should* wallow in. But, if the question doesn't get at everyday people's everyday practical lives, the subject will be left to the 'talking class'. And, you know how marginalized most of America considers them.

I am exhilarated at the prospect of something that could forever change America. I don't want to lose this great chance. Elwood Blues believed he and Jake were "on a mission from God." How's that for inspiration?

As usual, I wish you well and am willing to help in any way I can.

Best regards,

cc: Erskine Bowles
Judy Winston

Flint Carburetor Inc.

... sells rebuilt carburetors to auto parts dealers.

Bob Davis is a no-nonsense, 52 year old black man who supervises 15 machinists. He makes $55,000 a year. His group consistently increases productivity and gets the job done for Flint. He thinks of his team as collegial, but Bob is focused on results and usually doesn't concern himself with the *soft* parts of teamwork

Helen Green is a 48 year old Asian-American woman, who was the first woman to crack the usual male bastion of machinists because she, too is a no nonsense producer. She knows it and expects more and more to be held responsible for output and not bound by rules. There are now 3 more Asian woman in the group of 15.

Roosevelt Washington is a 43 year old, white man who recently gained his machinist rating after years of assembly work. He studied at night and struggled to pass the tests. But he did and is now very proud of his status.

So, one Friday afternoon, Roosevelt sits down with Bob and angrily complains that Helen keeps making snide remarks about how he, Roosevelt, isn't up to her standards and got the job because he was a white male. Roosevelt says Helen says things like, "this company started getting afraid that Asian women were seeming to be better at this work, and Roosevelt was lucky the company went looking for some white men and gave them extra help climbing the ladder."

Bob is pretty dumbfounded at this and, because he is a straight ahead guy, let's Roosevelt know he, Bob, has better things to think about.

Roosevelt starts to stew about this and pretty soon decides to confront Bob to make him stop Helen from demeaning his work and status. If not, he threatens to file an EEO complaint. That scares Bob. He doesn't know whom to be angriest at. Is it Helen for her insensitivity, Roosevelt for his apparent paranoia, EEO laws for making him take great care in dealing with this issue, or the company for expecting him to deal with this stuff and still get carburators re-machined at increasingly more productive rates?

Bob, and his team, are grappling with how to manage in a racist work environment.

Honest Conversation AT GSA

A Guide for Discussion on Race and Our Workplace

Adapted for the General Services Administration by
Martha N. Johnson
Chief of Staff

GSA @ 50

United States Information Agency
WASHINGTON DC 20547-0001

Office of the Associate Director
for Information
and
Chief Information Officer

USIA

6-14-99

June 10, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: JONATHAN SPALTER
ASSOCIATE DIRECTOR FOR INFORMATION

SUBJECT: KOSOVO REFUGEE INTERNET ASSISTANCE INITIATIVE

I thought you might find the attached New York Times article interesting. It highlights the Information Bureau's Kosovo Refugee Internet Initiative, which you announced in your remarks to refugees in Ingelheim, Germany.

This program is making a real difference. It is a terrific example of what the United States Government and public diplomacy can do through innovative public-private partnerships.

Thank you again for your support, and let me know how we can continue to be of assistance.

copied
Spalter
Podesta

Attachment

Technology | Circuits The New York Times ON THE WEB

June 10, 1999

For Kosovo's Scattered Refugees, the Internet Is a Lifeline

By LISA GUERNSEY

FORT DIX, N.J. -- Twice a day for the last week, 52-year-old Ramize Bajrami has walked up the metal steps into the makeshift Internet trailer here, hoping to find news about family members she left behind in Kosovo. She sits down at one of the trailer's 12 computers and begins to scroll through Web sites, her gray hair pulled back in a white kerchief. Her hazel eyes search the screen for names she has written on a crumpled paper she clutches in her hands.

"Every day she comes in here and says to me, 'How can I find my children?' " said Kujtim Latifi, a 17-year-old Albanian **refugee** and computer assistant who speaks enough English to translate for the United States Information Agency staff members in the trailer.



Jeff Zelevansky for the New York Times

Ramize Bajrami, left, a Kosovar Albanian **refugee**, worked with a computer specialist at Fort Dix, N.J., to locate relatives.

Ms. Bajrami, a **refugee**, has four sons who are fighting for the Kosovo Liberation Army and a son and a daughter who she thinks are still in Kosovo. She recently heard from her brother that another son and his family are in Macedonia, but she has not been able to get in touch with them.

For now, the Internet is her only hope -- and in that sense, Ms. Bajrami is lucky. She has access to Web sites, to Internet radio broadcasts, to e-mail. Refugees in most other camps around Europe do not yet have Internet trailers like the one here; many are still relying on dribbles of information that come in letters or week-old

newspapers.

To change that, the information agency is coordinating the Kosovar **Refugee** Internet Assistance Initiative. The Internet trailer at Fort Dix is the project's first online center. A similar center in Germany just opened this week, said David Zweigel, the agency's overseas technologist. Another center in Germany, two in France and two in Poland are also about to go online, Zweigel said. Getting Internet access to the camps in Albania and Macedonia is trickier, because fewer Internet hubs were already in place, but officials hope to connect a pool of laptops in Macedonia via a satellite link this week and in Albania by mid-July.

If the experience here is any indication, those centers will be packed as soon as they open. Since the Fort Dix trailer opened on May 20, Zweigel said, hundreds of refugees have visited it each day.

On Tuesday, nearly 50 people had crowded into the 40-foot-long trailer. The sounds of multiple radio and video broadcasts -- all in Albanian -- were bouncing off the trailer's walls. In one corner, six gray-haired men bent to the computer, listening. Next to them, Latifi helped Ms. Bajrami find a Web site that might enable her to send an e-mail message that could be delivered to the Macedonian **refugee** camp.

At the other end of the trailer, a handful of teen-age boys sat stone-faced, scrolling through photographs of victims of a massacre that according to international monitors took place in Racak in January. The photos, displayed on an anti-Serb Web site called the Kosova Crisis Center, show slain men sprawled on the ground and a dead baby covered with cuts.

Refugees in camps in Europe and the United States can be registered and located online.

When asked why the boys wanted to look at such horrific pictures, Latifi paused then spoke. "Because they would like to see what the Serbs have done," he said. On Monday, he said, a man who was looking at the pictures "saw his uncle, killed." Then, he said, the man looked away and cried.

Providing open access to information is the U.S.I.A.'s primary mission, said Jonathan Spalter, associate director and chief information officer for the agency.

"Access to objective and reliable information will be key to restoring structures of civil society for these terribly dispersed communities of Kosovars," he said.

Reconnecting family members is also a major part of the project.

On this Tuesday, a 20-year-old **refugee** named Liridon Durigi, whose parents are still in Kosovo, found that a cousin is now in a **refugee** camp in Albania. He found his cousin listed on a Web site called the Family News Network (www.familylinks.icrc.org), which was opened in mid-May by the International Committee for the Red Cross. Pointing to the name, he asked a nearby computer assistant to help him send an e-mail message.

If the Kosovo peace settlement is actually carried out, reliable connections between people could become even more important, Zweigel added. "People will be able to correspond and say: 'I'm going home. You can come home, too,' " he said.

Until then, many visitors to the Internet trailer are happy to be able to read Albanian Web sites and hear Albanian news broadcasts. "When these people came in and heard the news in their own language, it was amazing," Zweigel said. They had just arrived in the United States, with foreign customs and a foreign language spoken all around them. "It was like they felt that this made them real people again," he said.

More than a dozen companies and foundations are participating in the United States Information Agency project. Nongovernmental organizations and foundations are managing the donations and helping to distribute equipment.

Other groups are directing projects that could tie into the agency's effort, like as a project led by professors and students at the Chicago-Kent College of Law. They have been helping organizations in Macedonia and Albania create a Web-based database of refugees' registration information and information about what they saw in Kosovo.

Related Article
New Technologies Employed to Trace Kosovar Refugees
(June 8, 1999)

But hurdles abound. The telephone system in northern Albania, for example, is so limited that stringing high-speed Internet lines is very difficult. And often the people that refugees have the least information about -- families hiding in Kosovo, for example -- are the least likely to provide information on the Internet.

Villarrubia Olga, an official for the Central Tracing Agency at the International Committee for the Red Cross, said that people inside Yugoslavia or in Macedonia are unlikely to give information because they fear being discovered by Serb forces. "They are more comfortable" elsewhere in Europe, she said.

Ms. Bajrami, meanwhile, sat in front of a computer here, her eyes

welling up as she wondered aloud why she had not heard from her daughter and son still in Kosovo.

But then her voice strengthened. "Every day," she said, slapping her hands against her lap and looking around her, "I will come until I find them."

Related Sites

These sites are not part of The New York Times on the Web, and The Times has no control over their content or availability.

- Family News Network

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6-14-99

THE WHITE HOUSE

WASHINGTON

6/9/99

MEMORANDUM FOR THE PRESIDENT

FROM: Maria Echaveste
Deputy Chief of Staff

Re: Compressed Natural Gas Buses

cc Todd Stern
pursue do more
as need arises if
no lead otherwise by

You asked if the federal government purchases compressed natural gas (CNG) buses. According to GSA, the Federal government currently owns 14 CNG buses.

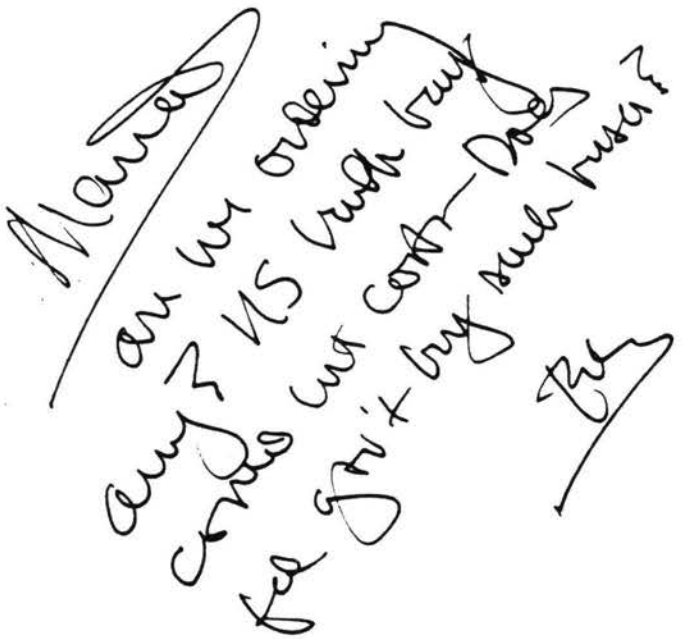
Air Force	7
Marine Corps	3
EPA	1
State	1
NASA	1
GSA	1

Currently there are no plans to purchase additional CNG buses.

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THE PRESIDENT HAS SEEN
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Secretary
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the United States. But he wouldn't be a leading candidate for president."

Romer's unusually early offensive against Bush who has not even formally declared his candidacy yet underscores the extent to which Democrats expect to be facing the Texas governor in next year's presidential race.

Looking at Romer's remarks through that lens, Karen Hughes, Bush's communications director, dismissed them as a sign of Democratic anxiety. ``The chairman of the DNC is very worried that Gov. Bush will be the next Republican nominee, because he knows that if he (is), Gov. Bush will be the next president," she said.

Romer acknowledged he made his comments now because Bush has emerged as ``such a clear front-runner" and is poised for his first campaign swings later next month, first to Iowa and New Hampshire, then to a wider list of states, including California.

``I just think everybody in Iowa and New Hampshire and New York and California need to begin to focus on the real questions," said Romer, a former governor of Colorado. ``The real question is having the name George W. Bush isn't going to get you there; it is do you have the leadership, the experience, the issues."

For months, national polls have shown Bush, 52, holding a commanding lead in the Republican presidential primary and a double-digit advantage over Vice President Al Gore in early tests of sentiment for next year's general election. But Bush has remained in Texas and has kept a low profile in most national debates while focusing on the state legislative session that is scheduled to conclude Monday.

Previewing what are likely to become common Democratic refrains as Bush finally steps onto the campaign trail, Romer criticized the Texas governor along two principal lines. First, he questioned whether Bush whose sole service in public office has been the five years he has served as Texas governor since 1994 has sufficient experience to serve as ``leader of the free world," as Romer put it.

``Somebody who has just been a governor for five years, you have to ask some tough questions: Is this the kind of experience that qualifies you to run and occupy (the presidency) and lead?" he said.

Second, Romer accused Bush of ducking a series of controversial recent issues. Romer cited three examples: Bush's ambiguous initial comments on Kosovo and his refusal to support legislation in the Texas House to punish hate crimes and require background checks at gun shows even though, in both cases, he has said he has supported the concept.

``He sticks to his agenda and doesn't get distracted by the issue du jour," Hughes said. ``If Gov. Bush had not pushed a bold agenda of tax cuts in 1997 and 1999, the money would all have been spent on new government programs. Had he not campaigned on specific welfare reforms in 1994, they never would have been enacted; had he not campaigned on tort reform, it would not have happened."

Over the weekend, Bush was able to put more entries on his achievement list, as he reached agreement with state House and Senate negotiators on a $3.8 billion package to fund schools and cut taxes.

More and More Buses Using Alternative Fuels
By Marla Cone
Los Angeles Times

Soot-belching buses seem as symbolic of city life as crime and traffic. But gradually, they are vanishing from America's streets.

Cleaner-burning natural gas has become so popular with transit agencies that experts predict diesel buses will be virtually eliminated within a dozen years in many urban areas. One of every five new buses ordered in the United States is powered by alternative fuels.

Diesel buses are ``on their last gasp," said Rick Hittinger, a general manager at the Los Angeles-based Metropolitan Transportation Authority, which operates the world's largest fleet of alternative-fuel buses.

Replacing diesel in trucks is a problem in part because of the lack of fueling stations that sell alternative fuels, such as natural gas. But urban buses return home to a central spot to fuel and stay within a local area, making them ideal for new technologies.

Of the 2,100-bus fleet in Los Angeles, 591 are fueled by compressed natural gas, or CNG, which puts out about half the carcinogenic particles and smog-forming gases of a brand-new diesel bus. The MTA has ordered 764 more, which are expected to arrive within two years.

The transition, however, ``is not cheap and it's not easy," Hittinger said.

In 1993, Houston's Metropolitan Transit Authority was the first to try liquefied natural gas, or LNG, buses. Unfortunately, the engines had serious defects the gas valves stuck, so the cylinders burned out.

It was a painful lesson about the cost of being a pioneer of new technologies. Recent models have been vastly improved, and the agency recently purchased more, said Richard Rotenberry, supervisor of alternative fuels for the Houston agency.

THE PRESIDENT HAS SEEN
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ECONOMIC INDICATORS

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OUTPUT, DEMAND AND JOBS Japan's GDP grew in the first quarter, by 1.9%, the first increase since September 1997; in the 12 months to March, it rose by 0.1%. Germany's economy is also growing again: its GDP rose by 0.4% in the first quarter, though the 12-month growth rate slowed to 0.7%. America's unemployment fell to 4.2% in May; the euro area's fell to 10.4% in April.

% change at annual rate	GDP		The Economist poll GDP forecasts		Industrial production		Retail sales (volume)	Unemployment % rate	
	3 mths†	1 year	1999	2000	3 mths†	1 year	1 year	latest	year ago
Australia	+ 4.3	+ 4.8 Q1	*+ 3.3	+ 3.2	na	- 4.1 Q4*	+ 4.4 Q1	7.5 May	8.1
Austria	na	+ 2.1 Q4	+ 2.0	+ 2.5	na	+ 2.6 Jan	+ 2.3 Dec	4.5 Apr	4.4
Belgium	- 1.2	+ 1.6 Q4	+ 1.9	+ 2.4	na	- 3.2 Feb*	+ 7.6 Jan	11.0 May*	11.9
Britain	- 0.4	+ 0.6 Q1	+ 0.8	+ 2.3	- 1.0	- 1.6 Apr	+ 1.6 Apr	6.2 Mar§	6.5
Canada	+ 3.4	+ 2.6 Q1	+ 2.9	+ 2.7	+ 4.2	+ 1.0 Mar	+ 2.6 Feb	8.1 May	8.4
Denmark	- 0.3	+ 2.7 Q4	+ 1.6	+ 2.2	na	+ 9.8 Apr	- 5.8 Apr	5.9 Apr	6.9
France	+ 1.2	+ 2.1 Q1	+ 2.2	+ 2.6	- 3.5	- 0.2 Mar	+ 6.6 Mar	11.4 Apr	11.9
Germany	+ 1.8	+ 0.7 Q1	+ 1.4	+ 2.4	- 5.2	- 1.3 Apr	+ 6.8 Mar	10.5 May	11.2
Italy	- 1.1	+ 0.9 Q4	+ 1.3	+ 2.2	+ 0.4	+ 1.2 Mar	- 0.1 Mar	12.0 Jan	12.0
Japan	+ 7.9	+ 0.1 Q1	- 1.1	- 0.1	+ 6.4	- 1.7 Apr	- 3.7 Mar	4.8 Apr	4.1
Netherlands	+ 2.4	+ 3.0 Q1	+ 2.4	+ 2.6	+ 3.9	+ 0.3 Mar	+ 2.5 Feb	3.4 Apr**	4.5
Spain	+ 3.0	+ 3.6 Q4	+ 3.3	+ 3.4	- 0.4	+ 2.0 Mar	na	17.4 Mar	19.2
Sweden	+ 5.7	+ 3.2 Q4	+ 2.3	+ 2.7	- 2.6	+ 1.7 Mar‡	+ 6.3 Mar	5.3 Apr*	6.6
Switzerland	+ 0.4	+ 0.7 Q1	+ 1.2	+ 1.7	na	- 0.7 Q4*	+ 9.3 Mar	2.9 Apr*	4.2
United States	+ 4.1	+ 3.9 Q1	+ 3.8	+ 2.7	+ 2.7	+ 2.0 Apr	+ 9.2 Mar	4.2 May	4.3
Euro-11	+ 0.8	+ 2.3 Q4	+ 2.1	+ 2.6	- 0.5	- 0.1 Mar	+ 1.5 Dec††	10.4 Apr	11.3

*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate. ‡New series. §Jan-Mar; claimant count rate 4.5% in April. **Feb-Apr. †† Economist estimate: weighted average of countries listed above.

PRICES AND WAGES American workers received a wage increase of 3.6% in the 12 months to May, compared with a rise of 3.5% in the 12 months to April. Consumer-price inflation in Germany fell to 0.4% in the 12 months to May; it edged up to 2.3% in the Netherlands. Austrian producer prices fell by 0.6% in the 12 months to May.

% change at annual rate	Consumer prices*		The Economist poll consumer prices forecast		Producer prices*		Wages/earnings	
	3 mths†	1 year	1999	2000	3 mths†	1 year	3 mths†	1 year
Australia	- 0.7	+ 1.2 Q1	+ 1.6	+ 2.4	- 2.3	- 0.6 Q1	- 0.3	+ 1.8 Q1
Austria	+ 0.8	+ 0.3 Apr	+ 0.9	+ 1.4	+ 3.8	- 0.6 May	na	na
Belgium	+ 2.7	+ 0.8 May	+ 1.2	+ 1.5	- 5.1	- 3.2 Feb	+ 1.1	+ 2.5 Q4
Britain	+ 0.7	+ 1.6 Apr	+ 2.0	+ 2.3	+ 3.4	+ 1.0 Apr	+ 6.8	+ 4.8 Mar**
Canada	+ 6.4	+ 1.7 Apr	+ 1.1	+ 1.6	- 0.6	+ 0.8 Apr	+ 4.2	+ 1.3 Feb
Denmark	+ 4.3	+ 2.4 Apr	+ 2.2	+ 2.2	+ 0.9	- 1.4 Apr	+ 3.7	+ 4.5 Nov**
France	+ 1.9	+ 0.4 Apr	+ 0.7	+ 1.1	- 1.9	- 2.6 Apr	+ 1.8	+ 2.0 Oct*
Germany	+ 1.7	+ 0.4 May	+ 0.7	+ 1.3	+ 1.9	- 3.1 Apr	na	+ 2.7 Mar*
Italy	+ 4.1	+ 1.5 May	+ 1.5	+ 1.8	- 1.6	- 1.6 Apr	+ 0.6	+ 1.6 Apr*
Japan	- 2.4	- 0.1 Apr	- 0.4	- 0.4	- 2.2	- 1.9 Apr**	na	+ 0.6 Apr
Netherlands	+ 4.5	+ 2.3 May	+ 2.2	+ 2.2	- 0.4	- 2.3 Mar	+ 2.3	+ 2.8 Mar
Spain	+ 2.9	+ 2.4 Apr	+ 2.2	+ 2.3	+ 1.5	- 0.8 Apr	+ 2.3	+ 1.9 Q4
Sweden	na	- 0.1 Apr	+ 0.4	+ 1.0	- 4.8	- 1.8 Apr	+ 1.4	+ 1.6 Mar*
Switzerland	+ 1.7	+ 0.6 May	+ 0.5	+ 0.9	- 1.8	- 2.7 Apr	na	+ 0.5 1997
United States	+ 2.2	+ 2.3 Apr	+ 2.2	+ 2.1	+ 1.6	+ 1.1 Apr	+ 3.7	+ 3.6 May
Euro-11	+ 2.1	+ 1.1 Apr	+ 1.2	+ 1.5	- 2.6	- 2.3 Mar	na	+ 2.1 Q4††

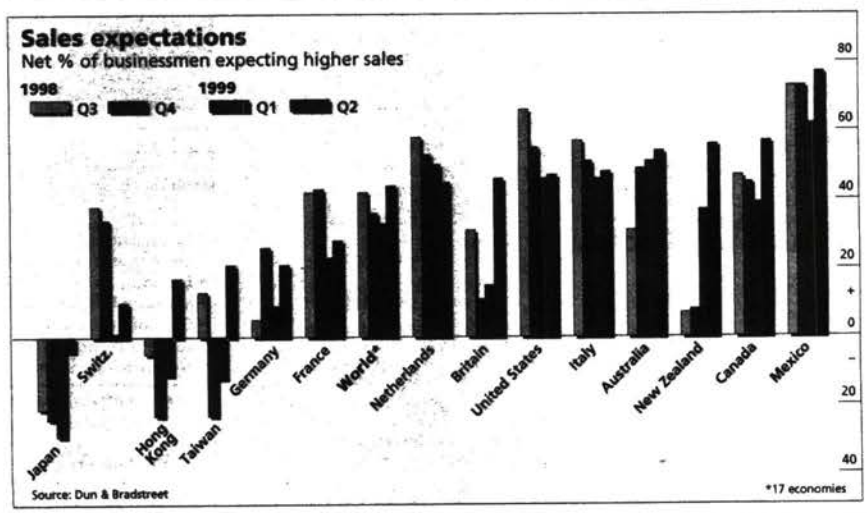
*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate. **New series. ††Economist estimate: weighted average of countries listed above

COMMODITY PRICE INDEX The Asian economic crisis has hit the global timber trade hard. The International Tropical Timber Organisation reckons that average timber prices fell by 26% in the 12 months to June 1998. The biggest culprit is the collapse in demand from Japan: its imports of tropical logs fell by more than a third in 1998. However, many tropical-timber producers have successfully moved downstream from merely chopping logs into processing higher-value products at home before export. As a result, logs accounted for only a quarter of total exports by ITTO producers in 1998, down from more than 60% in 1980. But Africa remains a laggard: it still exports a higher volume of logs than processed products.

1990=100	Jun 1st	Jun 8th*	% change on one month	% change on one year
Dollar index				
All items	83.2	82.8	- 2.3	- 10.2
Food	91.4	90.1	- 0.4	- 15.9
Industrials				
All	76.1	76.5	- 4.1	- 3.5
Nfa†	95.1	94.4	- 0.5	+ 1.7
Metals	64.6	65.6	- 7.1	- 7.6
Sterling index				
All items	92.3	92.1	- 1.2	- 8.3
Food	101.4	100.2	+ 0.7	- 14.1
Industrials				
All	84.4	85.1	- 3.1	- 1.5
Nfa†	105.5	105.0	+ 0.6	+ 3.8
Metals	71.7	73.1	- 6.1	- 5.7
SDR index				
All items	84.1	83.9	- 1.1	- 10.5
Food	92.4	91.2	+ 0.8	- 16.2
Industrials				
All	77.0	77.4	- 3.0	- 3.9
Nfa†	96.2	95.6	+ 0.8	+ 1.3
Metals	65.3	66.5	- 6.0	- 7.9
Gold				
$ per oz	267.35	262.40	- 5.9	- 10.5
Crude oil North Sea Brent				
$ per barrel	14.70	16.20	- 0.6	+ 16.7

* Provisional. † Non-food agriculturals.

■ **BUSINESS CONFIDENCE** The deterioration of business confidence around the world seems to have been reversed, according to Dun & Bradstreet's latest quarterly survey of businessmen's expectations. In the worldwide sample, the proportion of those expecting sales to rise in the second quarter exceeded those expecting them to fall by 44 percentage points, up from 33 points in the first quarter. This followed five successive quarterly falls. In all of the countries shown in our chart, except the Netherlands, the balance of optimism increased; and only in Japan did pessimists outnumber optimists. The most marked upturn was in Britain, where the balance of optimism rose from 15 to 46 points. In New Zealand, net optimism has risen by 48 points, from 8 to 56, in two quarters.



DATA ON MORE COUNTRIES ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM

FINANCIAL INDICATORS

MONEY AND INTEREST RATES The mood in America's bond market is turning increasingly bearish. Growing fears about renewed inflation pushed the yield on 30-year American Treasury bonds on June 8th above 6% for the first time since May 1998.

	Money supply* % rise on year ago		Interest rates % p.a. (Jun 9th 1999)							
	narrow	broad	over-night	3-mth money market latest	3-mth money market year ago	banks prime	2-year gov't bonds	10-year gov't latest†	10-year gov't year ago	corporate bonds
Australia	+ 9.3	+ 8.9 Apr	4.77	4.92	5.50	8.75	5.19	6.19	5.79	6.60
Britain	+ 5.9	+ 7.4 Apr	4.84	5.19	7.63	6.25	5.21	5.14	5.69	5.64
Canada	+ 2.4	+ 2.1 Apr	4.47	4.56	4.71	6.25	5.31	5.66	5.30	6.52
Denmark	na	+ 3.9 Apr	2.90	3.13	4.18	5.75	3.37	4.66	4.95	7.04
Japan	+ 9.4	+ 3.9 Apr	0.01	0.03	0.47	1.38	0.29	1.53	1.50	0.60
Sweden	+ 7.6	+ 6.8 Apr	2.90	2.97	4.24	3.71	3.60	4.73	4.93	4.58
Switzerland	+ 9.2	+ 0.6 Apr	0.93	1.03	1.94	2.88	1.61	2.63	3.07	3.20
United States	+ 2.4	+ 9.0 Apr	4.72	4.89	5.48	7.75	5.57	5.86	5.51	7.31
Euro-11	+10.8	+ 5.1 Mar	2.53	2.60	4.02	4.15	2.88	4.20	na	3.74

†France 4.33%, Germany 4.20%, Italy 4.55%. Benchmarks: Japan No.211 1.58%, US 30-year 6.02%.

*Narrow: M1 except Britain M0, broad: M2 or M3 except Britain M4 Sources: Commerzbank, Den Danske, J.P. Morgan, Royal Bank of Canada, Svenska Handelsbanken, Warburg Dillon Read, WEFA Group, Westpac, Datastream/ICV Rates cannot be construed as banks' offers.

STOCKMARKETS All the markets in our table rose in the week to June 9th. Frankfurt was the star performer, with a gain of 5.1% on rumours of a big telecoms deal. The French bourse reached an all-time high, thanks largely to the news of Vivendi's intent to purchase Pathé.

Market indices	Jun 9th	1999 high	1999 low	% change on one week	one year	record high	Dec 31st 1998 in local currency	Dec 31st 1998 in $ terms
Australia (All Ordinaries)	2,985.5	3,145.2	2,804.8	+ 2.4	+15.1	- 5.1	+ 6.1	+14.2
Austria (ATX)	1,209.5	1,326.3	1,011.3	+ 1.2	-22.6	-25.7	+ 7.9	- 4.1
Belgium (Bel 20)	3,204.9	3,681.9	3,076.6	+ 4.2	- 3.9	-13.0	- 8.8	-19.0
Britain (FTSE 100)	6,453.0	6,598.8	5,770.2	+ 2.4	+ 7.8	- 2.2	+ 9.7	+ 5.5
Canada (Toronto Composite)	6,960.4	7,101.1	6,180.3	+ 1.6	- 6.4	-11.0	+ 7.3	+11.9
Denmark (Copenhagen SE)	644.5	653.9	565.5	+ 3.0	-14.1	-17.3	+ 1.1	- 9.7
France (SBF 250)	2,843.7	2,843.7	2,507.8	+ 2.7	+ 4.5	nil	+13.7	+ 1.0
Germany (DAX)	5,253.9	5,443.6	4,678.7	+ 5.1	- 8.7	-14.9	+ 5.0	- 6.7
Italy (BCI)	1,558.0	1,598.8	1,396.6	+ 2.6	+ 2.9	- 5.8	+ 4.8	- 6.9
Japan (Nikkei 225)	16,622.5	17,300.6	13,232.7	+ 1.2	+ 8.4	-57.3	+20.1	+13.8
(Topix)	1,342.5	1,381.1	1,048.3	+ 1.2	+12.0	-53.5	+23.5	+17.1
Netherlands (EOE)*	568.7	583.7	507.3	+ 2.2	+ 4.0	- 4.7	+ 5.6	+ 5.6
Spain (Madrid SE)	906.2	931.6	827.8	+ 1.6	+ 2.7	- 4.4	+ 4.4	- 7.2
Sweden (Affarsvarlden Gen)	3,846.0	3,846.0	3,268.4	+ 4.1	+ 0.9	- 2.8	+16.0	+ 9.9
Switzerland (Swiss Market)	7,190.6	7,668.8	6,750.6	+ 3.2	- 6.0	-14.5	+ 0.4	- 9.6
United States (DJIA)	10,690.3	11,107.2	9,120.7	+ 1.3	+19.2	- 3.8	+16.4	+16.4
(S&P 500)	1,318.6	1,367.6	1,212.2	+ 1.8	+18.6	- 3.6	+ 7.3	+ 7.3
Europe (FTSE Eurotop 300)*	1,314.5	1,331.7	1,164.9	+ 2.4	+ 4.6	- 1.3	+11.1	+11.1
Euro-11 (FTSE Ebloc 100)*	1,071.5	1,089.2	971.5	+ 3.0	+ 1.4	- 5.1	+ 7.3	+ 7.3
World (MSCI)†	1,217.8	1,252.1	1,123.5	+ 2.5	+13.7	- 2.7	na	+ 5.9
World bond market (Salomon)‡	430.5	459.8	426.1	+ 0.1	+ 6.4	- 6.4	na	- 5.7

*In euro terms. †Morgan Stanley Capital International index includes individual markets listed above plus eight others, in dollar terms. ‡Salomon Brothers World Government Bond Index, total return, in dollar terms.

■ CURRENCY FORECASTS Each quarter we ask J.P. Morgan to predict dollar exchange rates for 16 currencies in a selection of developed and emerging economies. The forecasts are for the end of September 1999 and the end of June 2000. Over the next 12 months the euro is expected to recover from its recent slide. Down from $1.18 at its launch in January, and $1.10 three months ago, to $1.04 now, it is expected to rise to $1.15 a year from now, an 11% appreciation. Sterling is also forecast to strengthen against the dollar, but by only 9%, so that it will fall a little against the euro. But the yen, which has remained steady against the dollar in the past three months, is expected to weaken over the next 12. A dollar now buys 119 yen; next June it is expected to buy 140. The Polish zloty is forecast to appreciate against the dollar, as is the Australian dollar.

Exchange-rate forecasts

Currency units per $

	June 9th	3-month	12-month
Euro-11*	**1.04**	**1.05**	**1.15**
Japan	**119**	**130**	**140**
Australia	1.51	1.45	1.39
Britain†	1.60	1.62	1.74
Canada	1.47	1.44	1.38
Denmark	7.12	7.09	6.48
Sweden	8.56	8.38	7.43
Switzerland	1.53	1.56	1.44
China	8.28	8.28	8.35
Singapore	1.71	1.71	1.68
South Korea	1,166	1,200	1,150
Brazil	1.75	1.95	2.30
Mexico	9.58	9.50	10.50
Poland	3.95	3.80	3.61
Russia	24.34	30.00	35.00
South Africa	6.14	6.40	6.50

Source: J.P. Morgan *$ per euro †$ per £

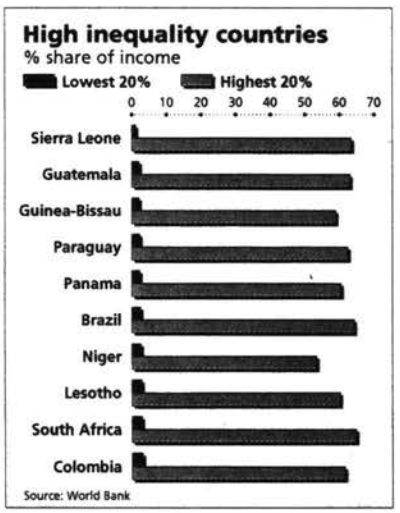
TRADE, EXCHANGE RATES AND BUDGETS The euro edged up from its lowest points: its trade-weighted value was up by 0.3% in the week to June 9th. The yen strengthened too: its trade-weighted value rose by 1.3% over the week. The Australian dollar notched up even bigger gains, of 1.8%. But the American dollar slipped by 0.8% in trade-weighted terms.

	Trade balance*, $bn latest month	Trade balance*, $bn latest 12 months	Current account $bn latest 12 mths	Current account The Economist poll % of GDP, forecast 1999	Current account The Economist poll % of GDP, forecast 2000	Exchange rate trade-weighted† Jun 9th	Exchange rate trade-weighted† year ago	Currency units per $ Jun 9th	Currency units per $ year ago	Currency units per £	Currency units per DM	Currency units per euro	Budget balance % of GDP 1998‡
Australia	- 1.13 Apr	- 7.0	- 18.7 Q1	-5.5	-4.8	85.6	79.9	1.51	1.70	2.42	0.81	1.58	0.5
Austria	- 1.16 Feb§	- 6.7	- 3.7 Feb	-1.8	-1.8	102.0	103.2	13.2	12.6	21.11	7.03	13.76	-2.1
Belgium	+ 1.16 Feb§	+ 14.7	+ 12.2 Dec	4.7	4.6	101.2	102.6	38.7	37.1	61.90	20.63	40.34	-1.3
Britain	- 3.48 Mar	- 38.9	+ 2.5 Q4	-0.9	-1.2	104.6	104.3	0.62	0.61	–	0.33	0.65	0.4
Canada	+ 1.72 Mar	+ 15.2	- 12.4 Q4	-1.6	-1.2	80.1	81.0	1.47	1.47	2.36	0.79	1.54	1.3
Denmark	+ 0.25 Feb	+ 2.1	- 1.3 Feb	-0.6	-0.2	104.3	105.3	7.12	6.84	11.40	3.80	7.43	1.0
France	+ 1.94 Mar	+ 25.0	+ 40.1 Feb	2.3	2.1	104.3	106.0	6.29	6.02	10.06	3.35	6.56	-2.9
Germany	+ 6.43 Apr	+ 76.4	- 4.9 Apr	-0.5	-0.4	101.9	104.2	1.88	1.80	3.00	–	1.96	-2.0
Italy	+ 1.41 Jan	+ 27.4	+ 28.0 Feb	2.2	2.3	74.5	76.1	1,856	1,770	2,971	990	1,936	-2.7
Japan	+10.73 Mar	+125.7	+118.8 Mar	3.4	3.5	132.6	110.1	119	141	190	63.46	124	-6.0
Netherlands	+ 1.74 Mar§	+ 15.5	+ 21.4 Q3	4.9	4.8	100.4	102.0	2.11	2.03	3.38	1.13	2.20	-0.7
Spain	- 2.50 Mar	- 25.7	+ 3.3 Mar	-0.6	-0.8	75.8	77.0	160	152	255	85.08	166	-1.8
Sweden	+ 1.32 Apr	+ 17.2	+ 4.5 Mar	2.0	2.0	80.9	84.9	8.56	7.98	13.70	4.56	8.93	1.9
Switzerland	- 0.15 Feb	- 0.9	+ 22.4 Q1	7.3	7.2	106.4	106.7	1.53	1.49	2.44	0.81	1.59	na
United States	-26.46 Mar	-267.8	-233.4 Q4	-3.3	-3.4	109.0	112.8	–	–	1.60	0.53	1.04	1.7
Euro-11	+ 5.04 Feb	+ 91.6	+ 75.0 Q4	1.2	1.1	86.1	90.8	0.96	0.92	1.53	0.51	–	-2.1

*Australia, Britain, France, Canada, Japan and United States imports fob, exports fob. All others cif/fob. †1990=100, Bank of England. ‡OECD estimate. §Not seasonally adjusted. **New series.

EMERGING-MARKET INDICATORS

■ LESS EQUAL Income inequality varies enormously among developing countries. In Eastern Europe and the former Soviet Union, incomes have become sharply less equal in recent years, but elsewhere there is no clear trend towards greater or less inequality. Countries as diverse as Brazil, Bangladesh, China and Malaysia have seen inequality increase over the past decade. Although the crisis in East Asia has worsened poverty, it has not necessarily increased inequality. In Indonesia, for instance, the share of people living on less than $1 per day has risen from one in ten in 1997 to almost one in five in 1998. But income inequality may have fallen as the richer half of Indonesians have seen their incomes collapse.



Despite a rise in inequality in recent years, ex-communist countries such as Slovakia and the Czech Republic are still the emerging countries with the smallest income disparities. In Slovakia, for instance, the richest fifth of the population earn about 30% of all income, and the poorest fifth just over 10%.



ECONOMY Russia's consumer-price inflation rose to 116.6% in the 12 months to May. But Turkey's fell slightly, to 63.0%, as did Venezuela's, to 23.4%. Taiwanese consumer prices increased by 0.5% in the 12 months to May, after falling by 0.1% in the 12 months to April. Taiwan's 12-month trade surplus widened to $10.7 billion in May; Brazil's deficit narrowed to $4.9 billion.

	% change on year earlier			Latest 12 months, $bn		Foreign reserves*, $bn	
	GDP	Industrial production	Consumer prices	Trade balance	Current account	Latest	Year ago
China	+ 8.3 Q1	+ 8.9 May	- 2.2 Apr	+33.6 Apr	+28.4 1998	150.9 Mar	144.0
Hong Kong	- 3.5 Q1	-13.8 Q4	- 3.8 Apr	- 6.7 Apr	+ 0.5 1998†	89.5 Apr	96.1
India	+ 5.0 1997‡	+ 2.5 Mar	+ 8.4 Apr	- 7.7 Apr	- 7.1 Q4	30.3 Apr	26.6
Indonesia	-10.3 Q1	+ 0.1 Q1	+ 30.7 May	+21.2 Apr	+ 3.0 Q3	23.2 Mar	16.3
Malaysia	- 2.8 Q1	+ 2.6 Apr	+ 2.9 Apr	+17.6 Apr	+ 9.4 1998**	27.2 Jan	19.7
Philippines	+ 1.2 Q1	- 3.6 Mar	+ 6.7 May	+ 1.6 Mar	+ 1.3 Q4	10.7 Feb	7.8
Singapore	+ 1.2 Q1	+ 4.8 Apr	- 0.3 Apr	+ 8.1 Apr	+17.6 Q4	71.6 Mar	74.6
South Korea	+ 4.6 Q1	+17.1 Apr	+ 0.8 May	+32.3 May	+34.5 Apr	59.3 Apr	35.5
Taiwan	+ 4.3 Q1	+ 6.4 Apr	+ 0.5 May	+10.7 May	+ 5.7 Q1	95.1 Apr	84.0
Thailand	- 8.0 1998**	+ 8.3 Apr	- 0.5 May	+10.9 Apr	+14.2 Q4	29.5 Apr	28.7
Argentina	- 0.5 Q4	-12.0 Apr	- 1.2 May	- 3.6 Apr	-14.7 Q4	23.7 Apr	21.3
Brazil	- 1.0 Q1	- 3.1 Mar	+ 3.9 Apr	- 4.9 May	-34.2 Q1	44.3 Apr	73.2
Chile	- 2.3 Q1	- 6.3 Apr	+ 5.3 May	- 1.0 Apr	- 4.5 Q4	15.7 Apr	16.9
Colombia	- 4.8 Q1	-22.3 Mar	+ 11.2 Apr	- 1.7 Mar	- 5.8 1998**	8.3 Mar	9.1
Mexico	+ 1.9 Q1	+ 1.7 Mar	+ 18.2 Apr	- 7.1 Apr	-15.8 Q4	31.5 Apr	31.1
Venezuela	- 8.2 Q4	na	+ 23.4 May	+ 3.7 Nov	- 0.5 Q3	11.1 Apr	11.9
Egypt	+ 5.7 1998§	+ 8.0 1998	+ 3.4 Apr	-12.3 Q4	- 2.6 Q4	17.1 Feb	18.5
Greece	+ 3.5 1998	+ 2.4 Mar	+ 2.4 May	-17.4 Aug	- 3.6 Dec	21.2 Apr	17.6
Israel	+ 1.6 Q1	- 2.0 Mar	+ 5.9 Apr	- 6.6 Apr	- 2.3 Q4	22.2 Apr	21.8
South Africa	- 0.5 Q4	- 1.9 Mar	+ 7.7 Apr	+ 1.4 Apr	- 2.3 Q4	4.5 Apr	5.4
Turkey	+ 0.7 Q4	+ 5.9 Apr	+ 63.0 May	-16.0 Mar	+ 2.7 Dec	21.9 Apr	24.6
Czech Republic	- 2.7 Q1	- 6.5 Apr	+ 2.4 May	- 2.3 Apr	- 1.0 Q4	11.9 Apr	11.1
Hungary	+ 5.2 Q4	+ 6.7 Apr	+ 9.4 Apr	- 2.3 Apr	- 2.5 Mar	8.7 Apr	10.1
Poland	+ 2.9 Q4	+ 0.3 Apr	+ 6.3 Apr	-13.6 Mar	- 7.2 Apr	25.7 Mar	22.8
Russia	+ 3.9 Q1††	- 4.1 Apr	+116.6 May	+19.2 Feb	+ 2.4 Q4	7.1 Apr	11.0

*Excluding gold, except Singapore; IMF definition. †Visible and invisible trade balance. ‡Year beginning April 1st. §Year ending June. **Estimate. ††New series.

FINANCIAL MARKETS Jakarta jumped by 18.2% in the week to June 9th as the country's first democratic elections passed with remarkably little violence. The Russian stockmarket rose by 14.1% to a new high for the year, helped by a surge of domestic investment in energy. Polish investors were upset by the announcement of a bigger budget deficit.

	Currency units			Interest rates	Stockmarkets	% change on		
	per $		per £	short-term	Jun 9th		Dec 31st 1998	
	Jun 9th	year ago	Jun 9th	% p.a.		one week	in local currency	in $ terms
China	8.28	8.28	13.3	7.72	1,431.4	+ 4.7	+ 17.4	+ 17.4
Hong Kong	7.76	7.75	12.5	5.47	12,874.4	+ 3.3	+ 28.1	+ 28.0
India	42.9	42.3	69.1	8.79	4,041.9	+ 2.7	+ 32.3	+ 30.6
Indonesia	8,135	13,450	13,093	26.33	679.0	+18.2	+ 70.6	+ 74.9
Malaysia	3.80	4.02	6.12	3.41	757.5	+ 1.1	+ 29.2	+ 29.2
Philippines	38.0	40.1	61.2	9.43	2,366.5	- 2.0	+ 20.2	+ 23.7
Singapore	1.73	1.74	2.78	1.62	2,006.5	+ 4.1	+ 44.1	+ 38.8
South Korea	1,186	1,394	1,909	6.24	803.5	+ 3.7	+ 42.8	+ 47.3
Taiwan	32.7	34.9	52.7	5.10	7,957.7	+ 6.3	+ 24.0	+ 22.8
Thailand	37.1	43.4	59.7	5.25	510.5	+ 7.5	+ 43.5	+ 41.1
Argentina	1.00	1.00	1.61	6.96	522.8	+ 0.1	+ 21.6	+ 21.5
Brazil	1.76	1.15	2.83	23.35	10,941.0	- 0.8	+ 61.3	+ 11.4
Chile	496	456	798	11.71*	4,576.4	+ 1.9	+ 27.3	+ 21.2
Colombia	1,668	1,386	2,684	18.12	1,069.9	- 2.4	- 3.5	- 11.2
Mexico	9.75	8.88	15.7	20.67	5,398.4	nil	+ 36.3	+ 40.7
Venezuela	599	541	964	20.05	5,795.6	+ 6.0	+ 21.0	+ 13.6
Egypt	3.41	3.41	5.50	8.85	10,215.0	+ 4.4	+ 11.7	+ 11.6
Greece	313	305	504	10.03	4,060.1	- 0.3	+ 48.3	+ 33.8
Israel	4.09	3.67	6.57	9.85	399.6	+ 4.4	+ 33.2	+ 35.7
South Africa	6.21	5.20	10.0	13.65	6,932.7	+ 4.0	+ 27.7	+ 22.4
Turkey	409,255	261,050	658,696	80.00	5,289.1	+ 6.5	+ 103.6	+ 56.3
Czech Republic	36.3	33.6	58.5	7.06	487.9	- 2.1	+ 23.8	+ 3.7
Hungary	240	215	387	15.60	6,344.8	+ 1.0	+ 0.6	- 9.2
Poland	3.99	3.47	6.43	13.30	15,591.0	- 1.3	+ 21.8	+ 8.4
Russia	24.5	6.00	39.5	60.00	107.5†	+14.1	+ 106.3	+ 82.4

*Inflation-adjusted. †In dollar terms.

Sources: National statistics offices, central banks and stock exchanges; Datastream/ICV; EIU; Reuters; Warburg Dillon Read; J.P.Morgan; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG-Hermes; Bank Leumi Le-Israel; Standard Bank Group; Akbank; Bank Ekspres; Deutsche Bank; *Russian Economic Trends.*

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FACE VALUE

Mother Jones meets the microchip

Trade unions have struggled in Silicon Valley. Yet that is where Amy Dean is planning to rebuild America's labour movement

SILICON VALLEY's charms can quickly pall. Meeting one hairy millionaire in cycling shorts can be diverting. Meeting a succession leaves you pining for less repellent forms of conformity. Every now and then, however, you come across someone who is doing something genuinely wacky: such as the leader of the local branch of the AFL-CIO, Amy Dean.



Forty years ago one American worker in three was a member of a trade union. Today the figure is closer to one in seven (see chart). In Silicon Valley start-ups, trade unionists are about as thick on the ground as manual typewriters. Yet it is here that Ms Dean is planning the rebirth of the American labour movement.

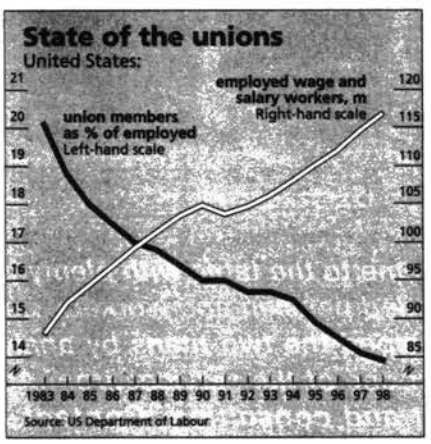
As Don Quixotes go, she has an impressive record. She is part of the new labour movement: young (36, and already a five-year veteran as head of the South Bay labour council); well-educated (a degree in sociology and economics would have led to postgraduate work had she not been seduced into the Ladies' Garment Workers Union); and plugged into the new economy (her husband works for a software start-up).

When she took over the South Bay branch of the AFL-CIO, it was little more than a blue-collar rest home. Now it is humming, housed in what looks like a high-tech hatchery, staffed by bright young things, many of them Hispanic women, and elaborately "networked", along the best Silicon Valley lines. A sister group, Working Partnership USA, which she set up in 1995, does research, trains local activists and cultivates relations with universities.

Ms Dean can sound like an academic with the gift of the gab. Do not be deceived: she is a street fighter. Last year, her organisation not only trounced the bosses' candidate in a brutal battle for a seat on the San Jose city council. ("I was up against the single most powerful political machine in the valley," grumbled the loser.) It also won its campaign to force San Jose to adopt a "living wage" for all municipal contractors. San Jose now has the highest minimum wage in the country, almost twice the mandatory level in the state of California.

Three years ago, the president of the AFL-CIO, John Sweeney, recruited Ms Dean to head a committee on the future of the labour movement. She started by admitting what was obvious to everybody but the movement itself: that it is on a hiding to nothing. The unions are still rooted in a world of vertically integrated companies, glacial innovation and jobs for life, she says, in her best academic tones. But these days firms are spinning into webs, innovation is relentless and the average length of employment in California, where the new economy is being forged, is three years.

Given this, Ms Dean is remarkably upbeat. Labour organisations are not alone in failing to keep pace with economic change: the same could be said of almost any public-sector institution. And there is nothing odd about unions failing in new industries: the same was true of the infant car and electricity industries. But the biggest reason for Ms Dean's optimism is that she thinks that the defining characteristic of the new economy—its obsession with flexibility—will turn out to be a boon for unions.



Temps of the world unite

This seems counter-intuitive. How can unions represent people who might be changing job any day? And how can they recruit people who fear that a reputation for bolshiness could stop them from getting another job? The rise of temp agencies such as Manpower (which is now America's largest employer) has coincided with the unions' decline.

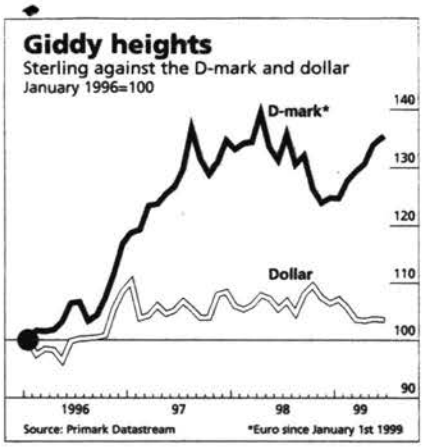
Against this, Ms Dean points out, temporary workers are often miserable workers. The worst-paid live a hand-to-mouth existence without medical or other benefits. Even many of the best-paid are fearful of the future and envious of those on the permanent payroll, as Microsoft discovered last month when some "permatemps" won a class-action suit against it. Microsoft is appealing.

Ms Dean's bright idea for reaching these discontented but elusive temps is to establish a temping agency of her own, Together@Work. The month-old agency is not only paying its workers better than its rivals pay theirs. It also plans to give them medical benefits, pensions and training. (This is not as unrealistic as it sounds: conventional agencies charge fat commissions.) Ms Dean wants her agency to become a stable point in lives otherwise blown hither and thither by the flexible economy.

This is also her plan for the union movement as a whole. As firms become more nimble, workers will have to look elsewhere for things that make life secure, from training to medical benefits. In the 19th century some craft unions proved so good at providing these that they controlled the supply of workers: when people wanted a carpenter they went to the union. In some areas of the new economy, notably Hollywood, unions are starting to play this role again; Ms Dean would like it to become the norm.

Her heady vision raises all sorts of questions. Is she really a convert to the flexible economy? Her most concrete achievement so far has been to make wages in San Jose more rigid. Can trade unions really provide training in the new economy? At the moment, her power base is in the public sector.

This is not to say that Ms Dean will not make her mark. She has proved remarkably successful at bullying San Jose politicians and raising questions the cyber elite would rather forget, such as why wages for the low-paid in the world's centre of wealth creation are falling. The discontent smouldering among permatemps could become a blaze when the economy turns down. And if the history of Silicon Valley teaches anything, it is never to write off people with crazy ideas.



ism, he says, but because quality control (especially important, you might think, for lift brakes) is much easier when suppliers are close to home.

Mr Starbuck says his kind of specialised industry is "not that price-sensitive": perhaps four or five companies might have been able to tender for the Chinese job. But sharp changes in the exchange rate still hurt—especially when exports account for 70% of Twiflex's sales, and sales to fellow members of the European Union alone make up 50%. "We've had to match competitors' prices," says Mr Starbuck. Although volume has remained reasonable, revenue has not. Turnover in the year to April was just over £6m, down from £7m in 1997-98. Profit has fallen from £750,000 to £400,000, despite investment to boost productivity and a cut in the workforce from 101 to 80.

Another highly specialised exporter, Robin Veitch, has also found that being in a niche market provides only limited shelter. His company, Traditional Weatherwear, which employs 75 people at Cumbernauld, near Glasgow, is the world's only maker of "traditional" (ie, hand-made, rubberised cotton) mackintoshes. They sell for £300-400 a time, and 90% of the £3m sales come from abroad: France accounts for about one-third, as does Japan, while Italy buys around 10%. Mr Veitch sets his prices in January; customers place orders in March and April; they pay and he delivers in the autumn. The pound's strength since January has therefore been painful. Raising prices is hard: "There are always price points in retailing," explains Mr Veitch. "If you're above the price point, they don't stock your product." So once his foreign sales are translated into sterling, they will look far thinner than he expected at the start of the year. "The currency is very important," he says. "It's the difference between profit and loss."

There ought to be relief ahead for Britain's exporters. Most economists expect the pound to turn down as the euro area, especially Germany, recovers. This week may even have been a turning point as surprisingly strong German GDP figures lifted the euro. Then again, don't hold your breath: most economists have been predicting sterling's decline for a year or more. Strikingly, however, many exporters—including Mr Starbuck and Mr Veitch—complain less about the level of the pound than about variations in it. "If it settled at DM2.90 or DM3, then we could adjust to it," says Mr Starbuck. "The level becomes irrelevant once you've got that stability." In which case, Eurosceptic joy at the euro's weakness should be tempered. Given that the euro area accounts for half of British trade, euro-enthusiasts will suggest an obvious solution to exporters' worries.

THE PRESIDENT HAS SEEN
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Anglo-German relations

Crumbs from Blair's table

Tony Blair and Gerhard Schröder do not have as much in common as they are claiming. So what do they really want from each other?

CAN Britain win the argument in Europe for deregulation, flexible labour markets and Anglo-Saxon economics? Tony Blair's suggestion that victory is indeed possible gained a powerful boost on June 8th with the publication of a joint Anglo-German paper called "Europe, the third way, *die neue Mitte*". The paper, launched during a visit to London by Gerhard Schröder, the German chancellor, contained language that will be familiar to British readers. With its emphasis on skills, flexibility, innovation, rights and responsibilities, it is a classic New Labour mix of Anglo-Saxon economics with fuzzy talk about social justice, fairness and "traditional values in a modern context".

But can it really be true that the British and German governments are now going to pursue common economic and social policies domestically, and in the European Union? And if not, what is driving the two leaders to hide their differences behind the rhetorical bombast of the third way?

The political, economic and institutional differences between Britain and Germany remain large, in areas from welfare systems and education, to trade unions and corporate ownership patterns. Germany has never had a Margaret Thatcher to push radical economic reform, nor a Tony Blair to modernise its Social Democrat party. And despite German angst about the country's economy, Germany's export performance, productivity and income-per-head remain well ahead of Britain's.

Mr Schröder's key policy challenge, crucial if he is to be re-elected in 2002, is to reduce unemployment by at least 1m. But, in pushing through necessary supply-side reforms in taxes, regulations, and capital and labour markets, he faces opposition from within his own party, from trade unions, from a varied array of professional lobbies, and even on occasion from business groups that are threatened by particular changes.

Mr Schröder may hope that sharing Mr Blair's rhetoric will strengthen his hand domestically. But *die neue Mitte* has had a much lower profile in Germany than the



Two men in search of a middle

third way has had in Britain. And supply-side reform has been notoriously difficult in Germany for many years. Even with some reform, the differences between Germany and Britain remain great. It is not for nothing that the German embassy in London explains to German visitors that New Labour is to the right of the German Christian Democrats. These political and systemic differences may explain why one Blairite flunkey was heard to explain recently that in Europe there will be a set of third ways, not a single third way.

The group that prepared the Anglo-German paper was led by Peter Mandelson, Britain's former trade minister, and Bodo Hombach, a close aide of Mr Schröder's. The British side appears to have dominated the writing of the joint document, which is full of New Labour jargon and policies. The group ran into problems of terminology that extended well beyond the vagaries of translation. "Consensus", a favourite New Labour word, meant "tripartism" for the German side—ie, government, business and unions working together. That idea, in turn, caused consternation on the British side.

And while hoping to learn from Mr Blair's reforms of the Labour Party, there were raised eyebrows from the Germans at the British description of Blairite tactics as "soft Stalinism". More generally, many Germans are wary of Mr Blair's populist and visionary rhetoric which, coming from any German leader, would appear unacceptably nationalist.

Mr Blair seems to have much more to gain from the Anglo-German love-in. A common European rhetoric based on the third way helps the prime minister both at home and in Europe. Among European leaders, he can continue to promote his leadership pretensions, and mitigate the loss of influence caused by Britain's absence from the euro. Domestically, he can reassure voters that Europe is moving Britain's way on economic and social policy, and argue that Britain is an equal power to France and Germany (something his focus groups tell him is vital for winning a referendum on joining the single European currency). And if Anglo-Saxon economic policies are gaining ground in Europe, Mr Blair may hope to achieve his goal of combining a leading role in Europe with a strongly pro-American stance.

But France represents a large potential obstacle to these Blairite goals. Lionel Jospin, the French prime minister, responded to the London statement by saying that his philosophy bore little resemblance to the third way and that France should be "different, original". The French look suspiciously at closer Anglo-German relations, since they cherish the fact that the Franco-German relationship is at the core of the EU. The Schröder-Blair statement may give France further reason to do what it can to inhibit Britain from joining the euro. French political and economic leadership will be much greater in the absence of Mr Blair from euroland.

Indeed, events in Europe may well be the undoing of New Labour's plans to build a European policy around the third way. A common rhetoric may persuade voters to overlook substantive differences in national policies. But where common policies are needed at a European level, differences will out. And, as the referendum on the single currency approaches, the real differences between the United Kingdom and euroland may make it harder to persuade the British public to sign up to the single currency.

Campaign financing

Gift horse

FEW posters, few press ads and barely a canvasser: Britain's European Parliament campaign, which ended on June 10th, ranks among the least keenly contested elections since the heyday of the late Joseph Stalin. One reason is money. The near-coincidence this year of the European elections with those for local councils and for the new Scottish and Welsh assemblies has left party treasurers with empty pockets. Certainly none of them is likely to have spent anything near the limit of £45,000 ($72,000) per candidate set for the elections by the government for the first time.



The generous Ashcroft, donor and treasurer

The parties need some big donations, but they are discouraging them by their actions. William Hague, the Tory leader, recently wrote to the governors of the BBC seeking to veto Greg Dyke, who is head of Pearson Television and a candidate to become the BBC's director-general. His grounds: Mr Dyke had donated £50,000 to the Labour Party, and so could not be trusted to uphold the corporation's political neutrality.

Meanwhile, Tory dissidents launched a campaign of their own. They complained, anonymously, that the large donations given to the party by their treasurer, Michael Ashcroft, had reached "dangerous proportions". Sources close to Mr Ashcroft, a businessman, deny claims that he gives £4m a year, insisting that £1m is nearer the mark.

These two cases follow a row early on in the Blair administration. The prime minister was successfully lobbied against a ban on cigarette advertising in motor sports by Bernie Ecclestone, who had given Labour £1m. When this connection was revealed, Labour had to give the money back.

Whatever the merits of these cases, giving big money to political parties increasingly seems likes a mug's game. It may disqualify donors from certain jobs, and invites public controversy. Who will risk it? Last autumn, when the Conservatives first published the names of those who had given more than £5,000 to the party, only 15 individuals were listed.

Nor is giving money to political parties likely to grow more attractive. The government will publish a bill next month implementing the main proposals of the Neill Committee on the funding of political parties. Lord Neill recommended disclosure of donations of £5,000 nationally and £1,000 locally, a ban on foreign donations and on anonymous donations of more than £50, and the establishment of a committee to scrutinise cases where there might be a link between a donation and an honour.

Where then are the parties to get their money? From small donations, perhaps? But every fundraiser knows that success depends on a mix of small and large donations. Or from corporate givers? But Lady Thatcher's government made it harder for trade unions to finance the Labour Party, and Mr Blair has retaliated. A consultative paper published by the industry department in March proposed that companies wishing to give money to political parties must ask shareholders first.

In Germany, large political donations are rare and many companies which make them give to more than one party. But Germany has a generous system of state finance of political parties. In America, individual donations are important. But making donations to political parties is generally reckoned to be a mark of good citizenship. Britain is in danger of falling between two stools: on the one hand, rejecting state finance and on the other, discouraging individual donation. The result could be more elections as lifeless as this one.

THE PRESIDENT HAS SEEN
6-14-99

Carl Bildt, a good Balkan Swede

SO WHO will be the West's proconsul for Kosovo, presuming that such a job is on offer? Carl Bildt, a former international "high representative" to Bosnia, tapped last month to be the UN's special envoy to the Balkans, is a front-runner, though he fiercely denies wanting the post. Would the Americans, whom he has occasionally annoyed, let him have it? Would his fellow Europeans want him to do it? Would he be better suited to an even smarter-sounding job as the West's co-ordinator of a grand strategy for boosting the entire Balkans? And would he be up to taking on any such task?

Mr Bildt's credentials are impressive. For a start, he is a most unusual—indeed, a most unSwedish—sort of Swede who, at 49, has outgrown Sweden. This week he was nowhere to be seen in Stockholm, though he was supposed to be leading his country's main opposition party, the Moderates (who are on the free-market right), into elections to Europe's parliament. Instead, he was in Geneva, trying to get international do-gooding agencies, led by the UN, into planning a rescue package for Kosovo, before flying to New York to take matters further.



Back home, he has led the Moderates for 14 years, briefly—as prime minister from 1991 to 1994—loosening the Social Democrats' corporatist grip, before tacitly conceding that most of his compatriots are still loth to lose their high-tax, welfare-cosseted, unadversarial way of life. And Mr Bildt is ahead of the Swedish game (too much so, electorally) in other respects. Most Swedes (and their parties in parliament) are against joining NATO; cherish Sweden's long-standing neutrality; are muddled or ambivalent about the European Union; and deeply wary of joining Europe's single currency.

Mr Bildt, a passionate European who wants to see Sweden inside NATO, disagrees on all counts—and in doing so he flouts Sweden's unspoken code of dignified consensus by speaking his mind candidly, often with a waspish wit. He tends to treat people he considers fools (of whom there are quite a few) ungladly, and chastises fellow Swedes for what he sees as their limp-wristedness. He derides the Social Democrats' old boast that Sweden is (or at least was) a "moral superpower", pooh-poohs the idea of a Nordic block, and cheekily queries whether, these days, Sweden has any foreign policy at all. Since returning from Bosnia in 1997, and losing a general election (not too badly) in 1998, his heart has not really been in domestic affairs. Foreign fields are what beckon. Recently he married, as his third wife, a clever and beautiful Italian he met in Bosnia.

That was where his appetite for international trouble-shooting was whetted. His two-year term as "high rep" was, he says, "hell—but I don't regret a second of it". After co-chairing the peace talks in Dayton, he oversaw the West's stuttering efforts to re-create a civil and political order. He did well just to keep the show on the road, but was hampered by hideously unclear lines of command, by American-European rivalries, and by the reluctance of the three antagonistic communities to seek a genuine accommodation.

Refashioning Kosovo, he says, will be "militarily easier", though the degradation, after the fighting, ethnic cleansing and bombing, is much greater. And whereas in Bosnia the high representative was technically answerable to no one in particular, in Kosovo, he hopes, there will be a plainer "de facto UN protectorate, protected by NATO". The lines of command, despite the anomaly of Russian troops being somehow under but not answerable to NATO, should—must—be clearer.

One reason why Mr Bildt might not get the Kosovo job—supposing that he did want it—is that quite a few Americans, including probably Madeleine Albright, the secretary of state, are queasy about him. He has an incorrigibly independent mind. What's more, he was outspokenly hostile to NATO's bombing, particularly when combined, at the start, with President Bill Clinton's intimation, which Mr Bildt openly deplored, that NATO would not fight its way in on the ground. He even wrote an article attacking NATO as "baby bombers", and rightly predicted that the bombing would produce "1m refugees within two weeks", though he is unclear what the alternative should have been. He has a good line to the Russians, but also keeps closely in touch with Richard Holbrooke, the Americans' star Balkan fixer and ambassador-designate to the United Nations.

What Mr Bildt argues most strongly (and has for several years) is that the West must hurl itself far more heartily into reconstruction—not just in Kosovo or Bosnia, but across the entire Balkans. What is needed, he has often said, is "not an exit strategy from Bosnia but an entry strategy for the Balkans as a whole." He wants a "truly common foreign and security policy of the European Union, a new and more radical integration across the continent as a whole [including the Balkans], and a strengthened and rebalanced relationship between the EU and the United States."

In tune with his zest for European unity, he bemoans the consequences of trying to build latter-day Balkan nation-states out of the ethnic mosaic that makes up "that bloody mess called the Balkans"—because ethnic cleansing, for which he castigates Croats as much as Serbs, is the invariable means of that construction. "The Balkanisation of the Balkans has already gone too far," he says. Changing borders, let alone endorsing partition, is "a very long way down the list" of options.

The Balkans should, he recently wrote, be treated as one big region: "The EU should provide the Balkan states with a clear blueprint for reforms that would pave the way for close integration, if not full membership of the EU. This would entail a transfer of sovereignty to EU institutions in matters of economics and structural issues." Current Balkan barriers and borders, he says, must eventually come down.

Visionary, idealistic stuff, of course; Mr Bildt is indeed an idealist. But he is also tough, pragmatic and brave. "He understands power very well," says an ex-adviser. Whether he is asked to handle Kosovo or the whole region, he could be the man for the job.

mild. If he was unkeen on the KLA before, nowadays he loathes it. He is particularly affronted by the way its guerrillas wrote him off, either as dead or as a traitor, after NATO's bombing began, when he was kept by the Serbs inside Kosovo as a sort of hostage.

The KLA is itself led by **Hashim Thaci**, who is about 30. He has devoted his entire adulthood to the fight for independence. He will undoubtedly be prominent. But, if his KLA men are disarmed, as they are expected to be, Mr Thaci and his friends will have to form a political party to contest any future elections. At Rambouillet, western negotiators found him indecisive. They noted, in particular, that he dithered and wobbled when hectored by telephone from Pristina, Kosovo's capital, by **Adem Demaci**, an iconic figure in Kosovo politics.

It is unclear how Mr Demaci, sometimes known as "the Mandela of Kosovo", thanks to the 28 years he has spent in jail as a dissident, survived the past three months in Pristina, where he lived quite openly. Nor is it clear whether he will continue to exert great influence on Kosovo's nationalists.

One Kosovar who could emerge as a leader is **Veton Surroi**—if he is still alive: nobody knows. In his mid-30s, he is the tough, ambitious, founding editor of the Kosovars' most influential newspaper, *Koha Ditore* (Daily Times), who stayed on in Pristina when the bombs began to fall. Perhaps he decided to gamble with his life in the hope that, if he survived, his decision to stay would help him bid for a central role in a new Kosovo. He may well argue that he is untainted either by association with Mr Rugova and his failed moderation or with the guerrillas and their rash adventurism.

Several other Kosovars may make a mark:

Bujar Bukoshi was and, as far as he is concerned, still is the prime minister of the Kosovars' government-in-exile based in Bonn. Most important, he controls the ample funds collected over many years from Kosovars working abroad, especially in Switzerland and Germany. The KLA thinks he should hand them over.

Agim Ceku, the KLA's new chief of staff, is a former Yugoslav army officer who went over to the fledgling Croatian army in 1991. Promoted to general, he helped plan and carry out several big operations including one that led to the Serbs' "cleansing" from Croatia in 1995. The KLA now says that Kosovo needs to be demilitarised and a new police force created—by their men. Given his record in Croatia, the UN might be reluctant to make Mr Ceku head of a new police force, unless the international monitors look the other way as Kosovo's remaining Serbs flee.

Rexhep Qosja is a veteran politician with family ties to the KLA. Now in Albania, he shaved off his trade-mark beard before escaping from Kosovo. Albania's current government is keen to promote him; he is a close friend of Albania's (ex-communist) president, Rexhep Mejdani.

One Kosovar who is neither a soldier nor (yet) a politician is **Bexhet Pacolli,** who may well be the richest [illegible] anywhere. Especially in the [illegible] help rebuilding [illegible] perhaps finance? In the mur[illegible]he already ha[illegible]ress. The [illegible]ians have too [illegible]dy—and mos[illegible] Kosovo's Serb[illegible]eaking for th[illegible]ay to play a pa[illegible]e are **Momcil**[illegible]dox bishop, [illegible] the Serbian Resistance Movement which long ago predicted that Slobodan Milosevic would lead Kosovo to disaster. Whether like-minded people, with UN help, can prevent a reverse ethnic cleansing—of Serbs by Kosovars—must now, however, be moot.

Russians, Nordics and Balts

Cosy up

STOCKHOLM

FEW countries have more to gain from Europe's hoped-for return to business-as-usual, after the violent Kosovo interlude, than those bordering the Baltic Sea. Before the latest Balkan war, all in the region had been hoping for a long period of boredom, in which historical grudges, especially those involving Russians and their former empire, would fade and economic ties across the Baltic Sea would continue their sprightly growth. Baltic countries like Estonia and Latvia would learn to rub along with Russians, both within their borders and across them; Russia would gradually feel less neurotic about NATO's expansion; the EU would happily widen to the east; and the Finns and Swedes would use their political and economic clout to help north-western Russia become more prosperous and democratic.



The Kosovo war dashed all these hopes. Russia felt its worst fears about NATO's arrogance were justified. In Estonia and Latvia, which have large Russian-speaking populations, the war became painfully divisive, rivalling even the vexed questions of citizenship and language laws. With NATO and the EU looking elsewhere, Finland's plans to use its six-month EU presidency, which starts in July, to promote the idea of a "northern dimension", with the EU trying harder to strengthen its ties both with Russia and the Balts, seemed likely to be scotched. "Instead of Europe's northern dimension, we'll spend our presidency dealing with its south-eastern one," moaned a Finnish diplomat.

Now, with peace apparently imminent, things look less gloomy. Indeed, the role of President Martti Ahtisaari as the West's peace-broker (or message-carrier) in Yugoslavia may, the Finns hope, have given their plans a bit more weight in Brussels and Washington. Other EU countries seem willing to take the northern dimension seriously—helped, perhaps, by clever presentation from the Finns, who have kept notably quiet about any early financial commitments.

Russia certainly seems to be taking the idea seriously. "They don't know what it means, but they are promising all sorts of things," says a Nordic diplomat. Better ties with Europe fit in with Russia's idea, boosted by the war, of a "multi-polar world" (ie, one not dominated by America). A sign of progress has been an agreement to set up an EU-Russian working-group to look at the Kaliningrad region—a Russian exclave on the Baltic, tucked between Poland and Lithuania. Russia has long been twitchy about Kaliningrad, which it took from Germany in 1945.

What else will the northern dimension mean in practice? Probably, more support for mundane but useful projects such as treating St Petersburg's sewage, which flows raw into the Baltic Sea, past Finland's coastline. The financing for a new treatment plant came unstuck after Russia's financial crisis last year. Applications for EU membership from Latvia and Lithuania, which have been lagging behind Estonia in the race to join, might also be viewed more kindly.

But the sight of Finland playing an out-of-character part as a heavyweight in the region draws a slightly chilly reaction from Sweden. Despite being the largest country in the Nordic area, Sweden has been comparatively ineffective in EU machinations. The Finns' handling of both Russia and the EU has been rather nimble. And the Finns' economy has being growing much more perkily than Sweden's—witness, symbolically, the rise of Nokia, the Finnish electronics group and the stumbling of Ericsson, its Swedish rival. In the game of Nordic one-upmanship, diplomatic and otherwise, notch another one up to the Finns.

THE PRESIDENT HAS SEEN
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Still nervous in Macedonia

SKOPJE

DESPITE the promise of peace in Kosovo, Macedonia is still on a knife-edge. Already poor, the war has made it a lot poorer. Already ethnically divided between Macedonian Slavs and ethnic Albanians (who made up between a quarter and a third of the population before the war began), tension has risen sharply with the influx of some 300,000 Albanian refugees. On June 7th, fears that Macedonia and its 2m-odd people could be sucked further into the maelstrom grew when shells fired by Serbs in Kosovo hit Vratnica, a Macedonian village near the border.

Even those among the Albanians and Slav Macedonians who strive for harmony tend to have different ways of going about it. The Slavs stress economics, arguing that, once Macedonia gets richer, the tensions between the two main groups will die down. The Albanians, though, emphasise political rights. The current government is a coalition of broadly ethnic parties, including the main moderate Albanian one, yet most Macedonian Albanians still think they are done down and despised by their Slav compatriots.

Macedonia's foreign minister, Alexander Dimitrov, stresses economics. By the end of the year, he says, his country will have lost some $1.5 billion in war-related damages. About a fifth of Macedonia's exports were to the rump of Yugoslavia (Serbia and its rebellious little partner, Montenegro). Now, with the northern border closed (except to incoming refugees), you see Macedonian farmers trying to sell their strawberries and cherries on the edge of the road outside Skopje, the capital. Many factories have had to shut. Privatisation has stalled. Unemployment is officially as high as 40%. "In September there may be social tension, strikes and trouble," says Mr Dimitrov. "I fear inter-ethnic tension."

While poverty plainly sharpens tension across the ethnic board, long-standing attitudes spell trouble at the best of times. Many Slav Macedonians bemoan their Albanians' "backwardness" and their "fast breeding". "We are a little frightened of these people, with their guns and their lack of educated leaders," says a candid Slav Macedonian journalist. The less tolerant of her fellows say the government should use its new consignment of tanks (from Bulgaria) to keep the Albanians in their place. Slav taxi-drivers habitually refer to Albanians as "dogs" who are "a spreading cancer in our country".

Arben Xhaferi, who leads the Democratic Party of Albanians within the ruling coalition, wants social and political change. He wants more Albanians in Macedonia's police, army and civil service (up from the paltry 5% he says applies today). He wants—and may be getting—proper recognition for an ethnic-Albanian university in Tetovo, the nerve-centre of Albanian nationalism in Macedonia. And he is arguing for Albanian to be used, alongside Macedonian, in parliament, in court and in official documents.



The government has taken some wise measures. In February, it let two nationalist Albanian mayors out of jail; one may stand for the country's presidency this autumn. And the Slav part of the government realises that it is essential to keep Mr Xhaferi's lot on board, especially with the stock of the militant Kosovo Liberation Army, whose guerrillas have become influential in the refugee camps, rising fast since the war. If the Slavs cannot keep people like Mr Xhaferi sweet, the future will indeed be nerve-racking.

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Serb withdrawal—seems beyond doubt. President Bill Clinton assured Russia that its troops would not be formally subordinated to NATO, which is preparing to put in up to 50,000 of its own.

But Strobe Talbott, America's envoy, insisted on arrival in Moscow on June 10th that there would be no Russian zone. It appeared that responsibility for different parts of Kosovo would be divided between five NATO countries: America, Britain, France, Germany and Italy. The French, it first seemed, might police northern Kosovo (which Russia coveted), Germany a southern strip. This would dash Serb hopes that some areas would be set aside for troops from Russia or other Serb-friendly nations. In Moscow, critics of Mr Chernomyrdin complained that the peacekeeping structure still favoured NATO far too much.

All in all, it was a bleak week for Serbia and its Slav friends. But the 50-year-old alliance now faces its hardest peacekeeping task in a landscape of mines, charred bodies and burned villages. One of the first questions is how, if at all, it is to protect Kosovo's 150,000 Serbs from ethnic-Albanian revenge.

The Kosovars

Who speaks for them?

The emergence of Kosovo's post-war leaders will be a mucky business

HOW will Kosovo's own leaders, parties and guerrillas fit into the new order within the province? Unlike the agreement drafted at the French chateau of Rambouillet in February, the new deal does not call for elections nor does it lay out details as to how Kosovo should be run. And Kosovo's ethnic Albanian leaders are as much in the dark as anyone else. They have spent three months squabbling among themselves. Their own people have grown impatient with most of them. They are a tricky bunch.

Still, they are the only leaders they have got. Foremost is **Ibrahim Rugova**. For the past few years he has argued consistently for independence but against violence, predicting that guerrilla activity would lead the Kosovars into exactly the kind of catastrophe they have just suffered. As leader of the largest Kosovar party, the Democratic League of Kosovo, and president of the Kosovars' self-proclaimed republic, he retains a certain mystique and respect, though he is prone to periods of passivity.

Some suspect that his toughest opponents are not Serbs but the Kosovo Liberation Army (KLA). Its leaders have regularly attacked him for being—in their view—too

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Interview with **Bertrand Collomb**

Chairman and Chief Executive

■ **You have produced strongly improved results in 1998 for your shareholders. What were the highlights of the past year?**

The first point to make is that 1998 saw us successfully complete the integration of Redland and take our place in the new business activity of roofing.
We have also continued to strengthen our positions around the world, taking advantage of some remarkable opportunities for external growth created by the Asian economic crisis in particular. In all, we invested 1.9 billion euros (over 12 billion French francs) in the Philippines, China, South Korea and Indonesia, as well as the United States, Brazil, South Africa, Jordan, Poland and Honduras.
Lafarge has acquired a new international dimension. We now have operations in more than 65 countries.

■ **What kind of start have you made to 1999?**

We are forecasting a good year in all our business areas. The Group is benefiting from market trends that are favorable overall. If you also bear in mind our measures to optimize internal performance and to raise productivity, our results should certainly continue to improve.
Having said that, we will not neglect investment for the future, as we are planning to invest roughly 1 billion euros (more than 6 billion French francs) in growth through acquisition. On the stock markets, the rise in the Lafarge share price reflects the confidence of investors in our prospects.

■ **What are the main points of your strategy for the future?**

Constant improvement in our performance and international development are the two main thrusts of our strategy. We will press ahead with the development program that got well under way in 1998. But our priority this year consists in successfully integrating the acquisitions we have made in a number of countries. Making people feel welcome, modernizing production facilities, adapting Group methods and setting ambitious progress targets are the keys to making a success of these acquisitions both in business terms and on the human level.
As part of our new organization in five divisions, we will also continue to pursue our policy of cutting costs and improving sales efficiency, quality and innovation, three factors that add up to operational excellence in each of our business areas.
All our employees contribute to this collective effort, which will enable us to meet the expectations of our customers and create value for our shareholders while consolidating the position of Lafarge as a leading player in the world construction materials industry.

▸ **The 1998 Annual Report** is available on request from:
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61, rue des Belles Feuilles - BP 40
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The Economist

JUNE 12TH 1999

Messy war, messy peace



BENJAMIN FRANKLIN thought there never was a good war, nor a bad peace. Bill Clinton, Tony Blair and the other leaders of the West thought it could be otherwise. They launched the first war in history said to be in pursuit of principle, not interest. The trouble was that they had never intended to do more than drop a few bombs. Then, when a few bombs proved inadequate, they found they had stumbled into a war they did not mean to fight, had not prepared to fight and were not willing to fight, at least with men who might get killed. This is not the stuff of nobility. The Kosovo war turned out, as wars generally do, a mess. The peace, if that is what the deal finally signed on June 9th brings, looks little better.

The first shortcoming is that the West, whatever its protestations, has not won a clearcut victory. It resorted to force, remember, to make Slobodan Milosevic accept the terms he had rejected at the French chateau of Rambouillet in February. He had balked in particular at two conditions: that NATO should have the free run not just of Kosovo, but of all of Serbia, and that within three years the Kosovars should have the chance of voting for independence. These may have been foolish conditions to try to impose on Serbia; had the West never set them, it might not have mattered much that they have now been abandoned. However, they were set, and their abandonment means Mr Milosevic may legitimately claim at least a partial vindication of his defiance.

An unhappy victory

If NATO's victory lacks shine, however, it is because of the cost at which it has come and, above all, the distribution of that cost. The death figures tell their own tale: allied servicemen, nil; Serb soldiers, perhaps 6,000; Serb civilians, perhaps 2,000; Kosovars, perhaps 100,000. To these must be added the wounded and the refugees: 600,000 displaced within Kosovo, 800,000 driven out. Many of those will never return home, if only because they now have no home to return to.

Of course, the blame for most of these deaths and displacements lies with Mr Milosevic, not NATO. But not for all of them. Never mind the genuine mistakes, any dispassionate accounting of the conflict is almost certain to find the allies guilty of some terrible crimes. Even the elegant trituration of targets in Serbia, the destruction of bridges, the incapacitation of power stations, however necessary in war, when carried out night after night from the safety of the skies seemed to turn the bombing into a horrible high-tech coconut shy.

The greatest reason for questioning the nature of the allies' triumph, however, was its central failure: this was a war to stop ethnic cleansing, but the main effect was to intensify it. The bombing campaign accelerated the killing—no more than 2,000-3,000 people had died in the province before the bombing began, quite a few at the hands of Kosovar guerrillas—and it accelerated the emptying of the population at large. In humanitarian terms, the Kosovo campaign turned into a disaster.

Whether that disaster can now be mitigated may depend on Mr Milosevic. Whatever his claims of victory, for the Serb people as a whole the war has been a catastrophe. If they can get rid of him, establish a democracy and settle down to live in peace with their neighbours, then the prospects not just in Kosovo but in the region as a whole look much brighter. None of that, though, is certain. For the moment, at least, Mr Milosevic is still in charge, still in a position to frustrate progress towards peace and, because he is now officially wanted for war crimes, still with a motive to defy the West. How nice if someone could nab him and have him put on trial. Unfortunately, the allies' apparently opportunistic release of evidence about him that made his indictment possible has also made the war-crimes tribunal seem less than independent. That could be serious. Lasting peace will be even harder to establish in the Balkans without an unambiguously impartial court that can bring the region's many war criminals to book.

The unfinished business

A compromised court, however, is not the only difficulty ahead for the allies. To the costs of reconstruction and resettlement must be added the cost of garrisoning this new corner of ex-Yugoslavia. Bosnia is already a protectorate in all but name, and likely to remain so for many years. Kosovo will be in NATO's hands for just as long. Serbia itself is likely to stay turbulent, its hardliners truculent. And despite the dropping of more explosives than in any other 11 weeks in history, the Serb army remains potent: relatively few of its men have been killed, a formidable proportion of its armour, artillery and mobile air-defence systems is still intact. Though this may be consistent with Mr Clinton's avowed aim of reducing Serbia's ability to attack Kosovo's civilians, it is not impressive. The main job will lie with the incoming peacekeepers.

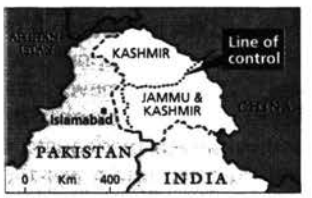
Nor, as some are claiming, has the bombing opened a new chapter in the history of warfare by showing that air power alone can produce victory. Until the last two weeks of the fighting, when the kamikaze tactics of the Kosovar guerrillas flushed the Serbs' armour into the open and rendered it vulnerable to NATO's strikes, the infamous Serb army had escaped serious injury. Even if Kosovo is now inviolate, Serb troops could still be used, say, to suppress Montenegro, the last Yugoslav republic still yoked to Serbia.

One day, several years off, a grand conference of interested

parties may be able to redraw the map of the Balkans with the consent of its people. The hope will be that by then the West will have tied the now-volatile countries of the region to its clubs—the European Union, NATO and so on—and made them at least see the merits of good behaviour. With generosity, luck and a fair wind, that might reduce the volatility, but it would be foolish to imagine that ancient animosities will by then be entirely dead, or that recent upheavals will be forgotten. Many of the refugees of the 1990s will still be displaced. More transfers of population will probably have to follow, peacefully, it must be hoped.

And has the Kosovo war made even a distant settlement more likely? Yes, despite the awful cost, if only because such a settlement would have been less likely had Mr Milosevic been allowed to expel the Kosovars without any resistance from the outside world. That he would have tried to do so seems almost certain: fully 35,000 people, maybe more, had already fled the province in the months before the bombing began. The West could surely not have just turned its back on such an outrage. But it could have shown itself ready to drive the Serbs back by fighting on the ground as well as from the air. If it now confronts a messy war and a messy peace, it is largely because it resorted to force with such inadequate preparation.

Klashmir again



Pakistan started this crisis, but only compromise will end it

WAR between us is now unthinkable, claimed the two newest nuclear powers last year, as both sought to reassure an anxious world that their newly-tested weapons were in responsible hands. Yet India and Pakistan are now at war, or something close to it, over Kashmir, a disputed state that has been the cause of two full-scale wars in the past half-century. India's air force is in action for the first time since 1971, in an attempt to dislodge Pakistani-backed militants from the snowy peaks near Kargil, on India's side of what has become, in effect, the border—the "line of control". Both countries say they want peace. Yet neither seems willing to bend for it. Pakistan's foreign minister is due in Delhi on June 12th. He should use the occasion to negotiate a face-saving retreat. Then it will be India's turn to compromise.

The latest crisis is Pakistan's doing. Springtime always brings violence across this provisional border, which separates Pakistani-administered Kashmir from India's side of the Muslim-majority state. Militants sponsored by Pakistan often cross the line to murder officials and civilians as part of a campaign to wrest control of the territory from India. Routine shelling claims casualties on both sides. This year Pakistan sent well-armed fighters (most of them its own soldiers, India claims) to try to alter the de facto border by force. Pakistan insists that the intruders are "freedom fighters" acting on their own, but few believe that. Rather Pakistan seems to be hoping that worries about escalating violence in these potentially fissile times will encourage outsiders to intervene in a dispute that India insists is no one else's business.

So far the targets of Pakistan's nuclear-backed dare have kept their cool. Foreign powers have wisely avoided interfering. India is trying to confine its counter-offensive to its side of the line of control, hoping to deny Pakistan any pretext for escalation (see page 36). Nuclear weapons have helped to encourage the crisis but are also, for the moment, helping to contain it. In 1965 a similar, albeit bigger, provocation drove India to attack Pakistan's heartland.

Yet whether the intruders are pulled out by Pakistan or thrown out by India, it will then be India's turn to show flexibility. The prime minister, Atal Behari Vajpayee, promised to turn his attention to the Kashmiri dispute during his peace mission to Pakistan in February. Pakistan's support for the militants does not release India from that promise.

India has long contended that peace would return to Kashmir if only Pakistan would stop interfering. That is, at best, a half-truth. India has tamed a decade-long insurgency against its rule. There seem to be fewer home-grown insurgents and more foreign infiltrators. But that does not mean Kashmir has returned to normal, or that its people are content to remain under Indian rule. Most Muslims there seem to want independence, rather than rule by India or Pakistan. India adamantly refuses to offer them the choice. But if it is to govern Kashmir peaceably, it needs to rebuild its own legitimacy in the eyes of Kashmiri Muslims, and to talk to Pakistan about Kashmir, even if sovereignty is not on the table.

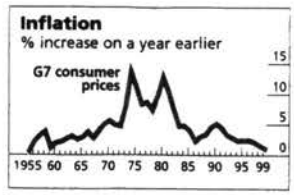
Time to talk

There was a time when even Kashmiri Muslims thought secular India would protect their distinct identity better than avowedly Islamic Pakistan. That trust could be revived. India values Kashmir in part because its Muslim majority bolsters the country's official ideology of "unity in diversity". Kashmir is not Kosovo; ethnic cleansing is the last thing on most Indian minds. It is the years of misrule by Delhi that have stoked demands for self-determination.

Kashmir remains a bullied state. It has lost the autonomy it once enjoyed. Indian policing is venal, oppressive and sometimes brutal. Kashmir's literacy rate is below India's low average. Local elections set for May and June, which officials promised would demonstrate Kashmir's capacity for normal political life, were postponed. India could start to put matters right by opening an unconditional dialogue with the separatists in its part of Kashmir, as some local politicians have suggested.

That would not automatically reduce tensions with Pakistan, but it might help. Hardliners will not be content until Kashmir is wrested from Indian control. But there are moderates—the prime minister, Nawaz Sharif, may be one—who might settle for something less, or at least later, if India would talk seriously about Kashmir. The problem may not be soluble. But it will not even be manageable unless Pakistan ends its brinkmanship and India responds with statesmanship.

End of a ritual



Does your company really need an annual pay round?

MOST workers today have had a pay rise every year of their working life—and most assume they always will. But contrast this with a century ago. In 1900 the average weekly wage of an American worker was $9.30 a week, exactly what it had been 30 years earlier. The result of ruthless capitalists exploiting defenceless workers? No, for this happened at a time of falling prices: real wages actually rose by almost 40% over the period. Before the first world war, prices and wages seldom rose continuously; instead they were broadly stable over long periods. The annual pay rise is an invention of the late 1950s, when inflation first became persistent. With prices stable or falling in many industries in many countries, that invention is looking stale.

In macroeconomic terms, many rich industrial economies are within sight of price stability. The average rate of consumer-price inflation in the G7 economies is running at 1%, its lowest for half a century. And central banks seem determined to keep it there. Britain's inflation is higher than most, and America may also be an exception: there are hints that inflation there may be reviving. But the Federal Reserve will almost certainly raise rates soon to put the lid back on.

Wage rage

Yet the most important changes are those affecting individual industries and companies. Even if general inflation revives or remains positive, prices are falling in some industries. This is forcing managers who have been reared on decades of inflation to rethink some of their old ways of doing business (see page 57). In particular, the case for a general annual pay rise, tied to consumer-price inflation, is vanishing.

A periodic pay review is welcomed by many managers: it is easier than an ad hoc approach, and is less liable to cause conflict and jealousy. But there is no reason why it should be annual, especially in industries where prices are falling.

Many employees feel differently. Trade unions in particular might feel undermined. Moreover, people like an annual pay rise even if it provides no real gain. In other words, they suffer from money illusion. When inflation was 10%, people felt good about getting a 10% pay rise; in hard times they might even have accepted a 7% rise—a 3% cut in real terms. But when inflation is close to zero, a pay freeze is regarded as an insult, even if it leaves living standards unchanged. And since it is hard to cut nominal wage rates, price stability could put a floor beneath real wages. There is thus a risk that price stability may make relative wages even more rigid.

This is why some economists argue that a little bit of inflation, say 3%, is a useful lubricant for relative wage adjustment, because it makes it easier to disguise real wage cuts. Yet this is a dangerous argument: the past three decades have shown that a little bit of inflation, just like a little drink, can easily get out of hand. A better solution is to make wages more flexible—down as well as up. This requires not only reconsidering the negotiation of annual pay rises; it also suggests linking a bigger share of pay to profits or individual performance. The wage bill would then fall automatically in hard times. That would mean lower take-home pay—but most people would surely prefer that to losing their jobs.

More variable pay might also increase the incentive for employees to raise their productivity. In the 1950s, a pay rise was a special event—the result of promotion or a reward for individual merit—and not an automatic annual expectation. Since then, annual pay negotiations have not only served to keep inflation going; they have also sometimes obscured the signals that link effort to reward.

Central bankers may argue, entirely correctly, that inflation is bad for the economy and for growth. Yet employees (and often their employers, too) are rather fond of it. Inflation, as J. K. Galbraith once said, rescues firms from the errors of optimism and stupidity. It is time that bosses and workers learnt the advantages of living without it.

Right on debt



Debt relief could do much to help poor countries' prospects. But only if it is properly designed and financed

WHEN pop stars and the pope join forces, politicians take note. That is why debt relief for the world's poorest countries will be high on the agenda of the rich world's leaders at their summit in Cologne on June 18th. In recent months, politicians from the Group of Seven (G7) have been falling over themselves to propose ever more generous-sounding plans to cut debt burdens. Most of them trumpet massive debt relief—but offer few specifics on how to pay for it. This summit must go beyond such posturing. These poor and heavily indebted countries need genuine help, not headline-grabbing but empty promises.

To start with, debt relief needs to be considered in a broader context. Debt forgiveness for its own sake may have a moral or even a religious justification, as well as being politically popular. But in practical terms it could be of only limited value. Whether it actually helps the world's poor depends crucially on two other things: how it is financed (if it is merely an accounting exercise or comes at the expense of other aid flows, it simply shifts money between creditors or between poor countries); and how the proceeds are used (countries

that spend their savings from lower debt repayments on guns will do little for their impoverished citizens).

The existing debt-reduction initiative for heavily indebted poor countries—known by the inelegant acronym HIPC—goes some way to achieving both goals. It aims to reduce a poor country's debt stock to a level that, after several years of sound policies, should be sustainable in relation to export earnings. Unfortunately, at a time when commodity prices have been falling, the HIPC initiative has proved too slow, too narrow and too stingy. Only three countries have actually seen concrete debt reduction; a mere 29 are likely to be eligible; and the actual reduction in debt-service payments on offer can be almost non-existent. Hence the clamours for quicker, broader and deeper debt relief.

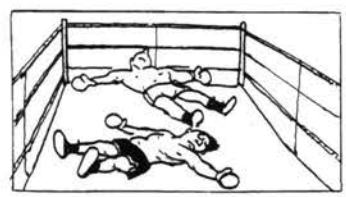
Pay up and pay the game

Although G7 countries accept the case for change, they disagree over how far to go. The cost of the existing initiative, discounted in net-present-value terms, is some $12.5 billion, split about equally between bilateral government creditors and multilateral institutions such as the World Bank and the IMF. The Americans favour doubling this to $25 billion. The British are pushing an even bigger scheme; but meanwhile countries with big bilateral loans to poor countries, such as Japan and France, are being stingier.

Next week's G7 summit ought to be able to compromise over how generous to be. But it also needs, more significantly, to come clean on how the initiative is to be paid for, particularly in so far as it involves the reduction of multilateral debts. Some resources can come from selling the IMF's holdings of gold and earning interest on the proceeds; some more can come from the World Bank's profits, though most of these are already being used to meet other G7 demands. But the rest, which means as much as half, will have to come from rich-country taxpayers. Unless the summit promises to provide these resources without reducing their flows of aid to other less indebted poor countries, they will end up simply robbing Peter to pay Paul.

Even more important than bickering about figures and financing is making sure that the money is well used. That means rewarding only sensible policies, which is why it is always a mistake to grant relief too easily. It also demands creative ways to "lock in" good behaviour. One option, pioneered in Uganda, is to set up a specific, publicly monitored, fund that spends the savings from debt relief only on desirable projects. Another is to rethink the mechanisms for giving aid, attaching conditions that maximise the beneficial impact. Debt relief will certainly not end poor countries' dependence on foreign aid—but at least it could be used to try to stop any repeat of the profligacy and fraud that created today's mess.

Enough is enough



World leaders must find a new boss for the World Trade Organisation as a matter of urgency

IT IS both tragedy and farce. The World Trade Organisation—the defender of free-trade rules—has proved so hobbled by national lobbies that it cannot even come up with a new director-general. It has been leaderless since May 1st, when Italy's Renato Ruggiero left office. The WTO's credibility as global trade policeman was already looking shaky after a series of bruising trade disputes between Europe and America. Now it is in danger of becoming a laughing stock.

Most of the WTO's 134 member countries think that Mike Moore, once New Zealand's prime minister, is the right choice. But a sizeable minority favour Thailand's Supachai Panitchpakdi, who is stubbornly refusing to pull out of the race. Efforts to break the deadlock have come to nought. An extension to Mr Ruggiero's term? Not an option: he will not stay. (He even booked a Caribbean cruise to deter attempts to co-opt him.) A vote? Impossible, because many countries insist that the WTO work only by consensus—even though in this case it is not working at all. A straw poll, after which the loser would bow out gracefully? That is too radical a precedent for many, and neither candidate seems minded to follow it.

This stalemate could scarcely have come at a worse time. It is hampering preparations for a big WTO summit in Seattle in November, which was supposed to prepare for a new round of world trade talks. It is creating bad blood, especially between the Americans and many Asian countries, that will make it even harder to agree on an agenda for further liberalisation. There is a growing risk that the Seattle summit will be a failure—which could easily reopen the door to protectionists. The WTO urgently needs a new leader to knock heads together and give it momentum and direction.

Ideally, Mike Moore should be appointed without delay. His record is exemplary: under his watch, New Zealand's protected markets were thrown open to foreign trade. He is a convincing advocate for free trade, and commands the respect of businessmen and politicians alike. He has the political savvy to sweet-talk and twist arms in order to clinch trade deals. And he has the support of a clear majority of WTO members.

But Mr Supachai's camp is now so bitter and entrenched that it looks increasingly unlikely that either candidate will get the job—or that either would be able to do it effectively. So it is time to look for a compromise candidate. This is not a decision that should be taken lightly. One risk is that the new process could drag on throughout the summer. So there needs to be a clear commitment from America, the European Union and Japan (which has been Mr Supachai's most prominent backer) to resolve the matter swiftly. Another risk is that a weak and inoffensive placeman is chosen. That would be a terrible mistake: the WTO needs, above all, a strong leader.

One plausible candidate is José Miguel Insulza, Chile's foreign (and trade) minister. He is respected, and could satisfy the Americans and Europeans, as well as the block of countries that want the WTO's new head to come from a developing country. This whole spectacle of choosing the boss of the world's most important economic institution has been unedifying. It needs to be got over with, and fast.

6/19/99

After you have seen we will send to Burkhardt.

From:

Dennis M. Cimaral.

And

Ready to come!

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, DC 20500

6-14-19

BHC did a gift form for the cars already

Sandy

THE PRESIDENT HAS SEEN
6-14-99

'To injure no man, but to bless all mankind'

BOSTON · MONDAY
JUNE 14, 1999

THE CHRISTIAN SCIENCE MONITOR

VOL 91, NO. 138 COPYI

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Work&Money *Meet Bob chief who challenges other*

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CLOTHES CALL



JACQUELINE ARZT/AP

SCHOOL UNIFORMS: Is it fair to require skirts for girls?

A British girl's bold bid: dress like the boys

By Alexander MacLeod
Special to The Christian Science Monitor

LONDON

A MOTHER'S insistence that her daughter should be allowed to wear trousers to school instead of a skirt appears set to become a minor legal *cause célèbre* in Britain.

Claire Hale, a professor at Leeds University, in Yorkshire, says she is determined to sue Whickham Comprehensive

A page turns in Europe's history

■Just as collapse of Berlin Wall altered the east, fight over Kosovo transforms West's role.

By Peter Grier
and James N. Thurman
Staff writers of The Christian Science Monitor

WASHINGTON – NATO's 11-week war against Yugoslavia may be the most important geopolitical event to occur in Europe since the fall of the Berlin Wall in 1989.

THE BIGGER PICTURE

In a way, the victory over Serb strongman Slobodan Milosevic represents the second act of the drama that began when Germans attacked their concrete partition with hammers and bare hands.

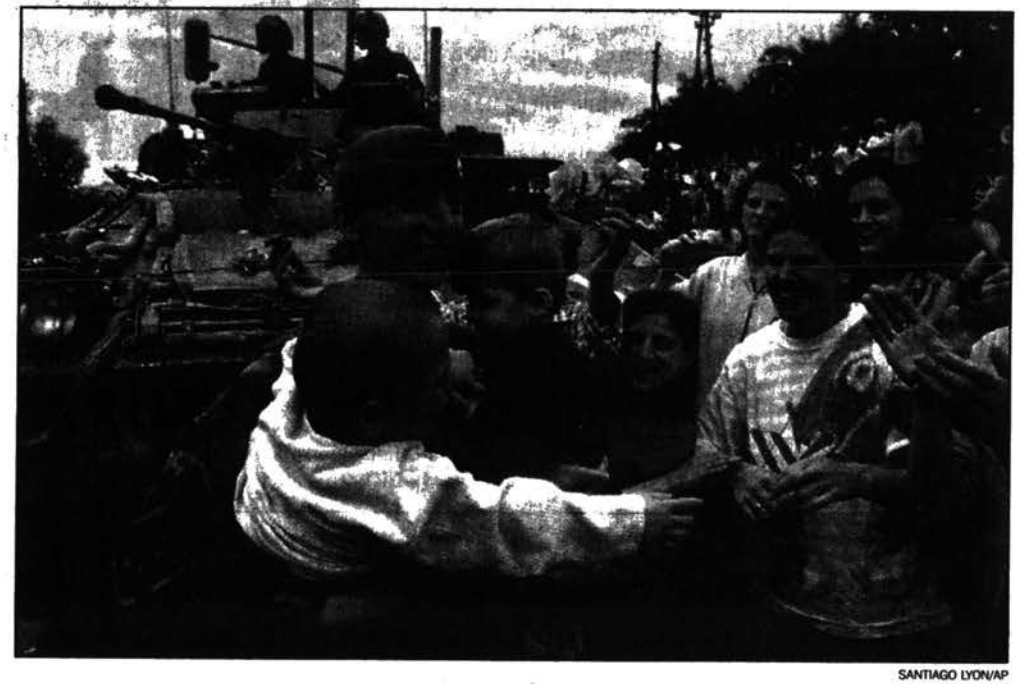
The wall's demise transformed the eastern part of the Continent. The USSR fell, the nations of the old Warsaw Pact awoke from the deep sleep of Communist rule.

Now the bombing campaign over Kosovo could transform the West. Specifically, it may define the purpose of NATO in the post-cold-war era. Stability in southeast Europe could become the alliance's raison d'être and a hinge on which relations with Russia and other remnants of the Soviet empire turn.

In the struggle of wills with Mr. Milosevic, "first prize is responsibility for a perpetual protectorate in the Balkans," says Walter Russell Mead, a foreign policy expert at the Council on Foreign Relations in New York.

If nothing else, the effort to protect Kosovar ethnic Albanians has crossed something of a threshold in world affairs. By intervening in a dispute that Yugoslavia claimed to be its own internal business, NATO has in effect

See **NATO** *page 10*



SANTIAGO LYON/AP

A SOLDIER'S WELCOME: Ethnic Albanians greet a British NATO soldier who, with hundreds of troops from the Western alliance, streamed yesterday into Pristina, the capital of Kosovo.

USA

Kosovo war redefines Europe – and NATO's role in it

NATO *from page 1*

said there are times when the desire to enforce human rights can trump the need to respect national sovereignty.

That's a lesson that US officials want to draw from the whole experience, anyway. "This victory brings a new hope that when a people are singled out for destruction because of their heritage and religious faith, and we can do something about it, the world will not look the other way," said President Clinton in his address to the nation last week.

Maybe. But when it comes to Mr. Clinton's definition of "the world," it's not clear how many nations would count themselves in. Most prominently, Russia did not applaud NATO's "humanitarian" intervention. Indeed, the preemptive arrival of Russian peacekeeping troops in Kosovo – a move that surprised and vexed NATO leaders – is seen by some Western diplomats as a way for Russia to say it won't be sidelined any further in eastern Europe.

"The Russians have made their statement," says one Western military observer. "Let's hope it remains at that."

Russia may not have great cause for worry. For a number of reasons, the Yugoslav conflict may turn out to be a one-time event, as opposed to the beginning of a trend, say experts.

To begin with, Milosevic was a repeat offender. US and European leaders had been embarrassed by their earlier weak responses to Serb aggression in Bosnia and Croatia.

Moreover, Milosevic was too close for comfort. He was Europe's unruly neighbor, the guy down the block who throws his trash over your fence and dares you to do something about it.

"It may be that Milosevic was a uniquely reviled person.... I can't imagine NATO using force in essentially similar circumstances in the future," says Hurst Hannum, a professor of international law at the Fletcher School of Law and Diplomacy at Tufts University in Medford, Mass.

NATO may not have time, anyway. Russia's entanglement notwithstanding, the alliance could be preoccupied with policing the most restive part of the European subcontinent. The United States and its allies already have thousands of troops enforcing peace in next-door Bosnia. Now they will be cop, mayor, and banker for a bombed-out region swarming with Kosovo Liberation Army guerrillas looking for revenge.

Albania, Macedonia, and other front-line states that housed refugees will be looking for their reward. Montenegro, the province of Yugoslavia whose pro-Western leaders refused to fight NATO, may be looking for protection.

Before the Kosovo crisis, NATO was riven by an internal dispute about what its focus should be in the 21st century. US officials wanted the alliance to broaden its aims, to become a sort of global security force looking to fight scourges such as drug trafficking and nuclear proliferation wherever they might be found. Many European allies resisted this approach, fearing they would be drawn into long-term commitments to the Middle East and other far-flung places.

But the US doesn't talk so much anymore about expanding NATO's "out of area" mission. Keeping 19 democracies in step for the Kosovo campaign was hard enough.

During the decades of the cold war, NATO was a defensive alliance standing against the shadow of the Soviet Union. In the first years of the 21st century, at least, NATO may be a more offensive-minded force intent on stamping out the last sparks of instability in its own region.

NATO may become a more offensive-minded force intent on stamping out the last sparks of instability in its region.

That could take a long time and a lot of effort. "The lack of movement [toward reconciliation] in Bosnia reflects what will be a lack of movement in Kosovo and a long-term NATO commitment," says Mr. Hannum.

Whether NATO's change in emphasis has a long-term effect on US and European relations with the rest of the globe remains to be seen. Some nations in Asia see the West as hypocritical for intervening in the name of human rights in Kosovo, after ignoring greater tragedies elsewhere, such as Rwanda. China has been angered by the inadvertent destruction of its embassy in Belgrade by a NATO bomb. Anti-Americanism is growing in Russia, fueled by the perception that the world's sole superpower has become a swaggering bully.

"A backlash is possible," says Peter Balakian, director of the Center for Ethics at Colgate University in Hamilton, N.Y. "It remains to be seen whether we've established or further destabilized this complex region, and alienated Russia."

Even after Russia and NATO work out whose troops will be where in Kosovo – and under whose command – the side-by-side closeness in Kosovo could prove to be an irritant in the overall relationship. Nobody in the US leadership knows what Russia's president, the mercurial Boris Yeltsin, will do next.

First impression of Bush on trail

BUSH *from page 1*

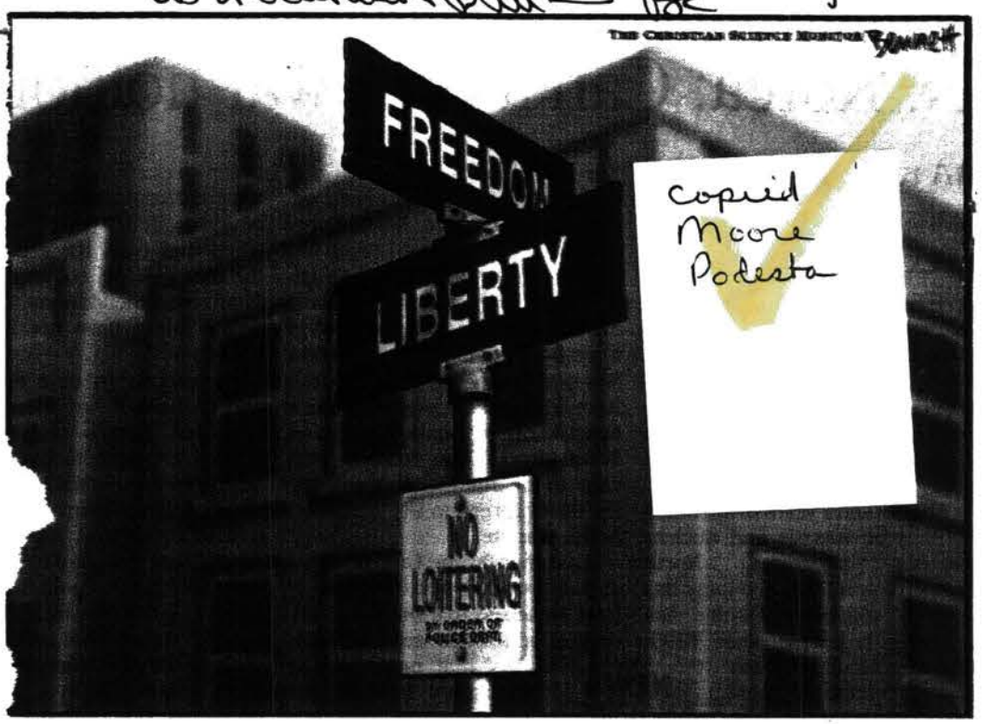


Lamar Alexander repeated his rejection of compassionate conservatism as "weasel words." "You don't beat Al Gore by trying to sound like Bill Clinton," he said.

In a way, though, Bush appears to be trying to borrow the successful side of Mr. Clinton's legendary campaign style – the open-hearted, feeling-your-pain empathy – while contrasting himself with the presi-

THE PRESIDENT HAS SEEN
6-14-99
THE CHRISTIAN SCIENCE MONITOR

Design - find out how much Monsanto gave to Kelly by 25 Executives to him — Box



Genetically engineered foods raise many concerns

The Monitor's editorial stance on genetic engineering of plant species contains the same old sleight-of-hand frequently used by Monsanto Co. and the other multinational bioengineers ("Green Genes," June 8). You equate plant breeding with gene splicing as if the two techniques are the same.

You write, "Had agro-Luddites prevailed in previous generations ... hybridization ... would have been banned as being an unnatural intervention of humans in nature's workshop." In fact, hybridization and mutation occur in nature constantly with no human intervention, and are therefore "natural" processes we have put to good use. But fish do not hybridize with fruit (salmon genes introduced into commercial tomatoes). And insects do not mate with leafy plants (firefly genes spliced into tobacco).

Behind the put down of "Luddite" and the claim of "extra cautious" safeguards I hear the voices of earlier technocrats who, before Three Mile Island and Chernobyl, insisted that the chances of a nuclear power catastrophe were "less than one in a billion."

When it comes to experimenting with the food supply of an entire population, while promising no ecological catastrophe from introducing manmade organisms into the wider environment, thinking "Luddites" everywhere will pass on playing the odds.

Scott Savage ***Barnesville, Ohio***

Government officials say transgenic foods are safe, but canola oil, already gene-spliced multiple times, has never been included in any allergy studies. People are e-mailing the Canadian Canola Council Web site complaining about gastrointestinal problems. Where are those studies?

The problem with gene-splicing silkworms into potatoes, fish into strawberries, and viruses and bacteria into various plants is that unknown allergens can be formed.

Colleen Robison ***Oak Hill, Va.***

On one hand you say that "extra-cautious safeguards should apply before gene-altered plants are used commercially," yet you denounce Prince Charles as a Luddite in spite of the fact that he is calling for exactly the same thing: labeling, independent testing, and scientific caution.

You state that "caution has been used with early lab products such as frost-resistant strawberries." Yet the truth is that not one genetically altered food crop has undergone even a single independent human safety study. The FDA is now being sued over this very issue.

Genetically engineered foods are not created with the same natural breeding techniques of Gregor Mendel and Luther Burbank, where the genome remains whole and undamaged. To use your example, fish genes are now implanted in our strawberries.

READERS WRITE

Potentially dangerous viruses are implanted in genes. These viruses can jump species barriers, and are retained in every cell of the plants we eat.

Bt-toxin is bred into many genetically altered crops. Accelerated pesticide-resistance to Bt has already been confirmed.

There are religious and ethical conflicts. People who choose to eat Kosher or not to eat meat at all, don't want animal genes in their vegetables.

Genetically altered foods are not labeled, so we can't avoid them if we wanted to. Independent surveys show that the vast majority of people worldwide want them labeled.

Monsanto was the single largest funder of the Clinton campaign. The politics of big money are overriding standard practices of scientific caution and democratic principles.

Charles Behrens ***Chelmsford, Mass.***

The Monitor welcomes your letters and opinion articles. Because of the volume of mail, only a selection can be published, and we can neither acknowledge nor return unpublished submissions. All submissions are subject to editing. Letters must be signed and include your mailing address and telephone number.

Mail letters to 'Readers Write,' and opinion articles to Opinion Page, One Norway St., Boston, MA 02115, or fax to 617-450-2317, or e-mail to **oped@csps.com**

Nancy -

'99 JUN 14 PM12:08

We have sent another copy of this to the President but want to ensure that he gets it. Would you please make every effort to see that he gets a look at it.

6-14-99

Sean -
How should we handle given the date of this letter?

DAN — LET'S DISCUSS

Carol.

April 14, 1999

President Bill Clinton
White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear President Clinton:

It is with the deepest respect that I make this request. I ask you to please reconsider the pardon application of Russell Wayne Lee. I have known Wayne well over twenty years both personally and professionally.

He attended college with my two doctor sons and has practically been a member of our family over the past twenty years. I have had a very good opportunity to observe him for quite a long time.

Like many others, I was disappointed when he got in trouble in 1985 and lost his law license as a result of a federal conviction. Wayne has acknowledged his mistake openly and publicly and had led an exemplary family life. Wayne has a beautiful family, wife and three children. He teaches Sunday school and works very diligently with our youth in all kinds of sports and scouting.

Wayne has always been one of the Clinton fans here in Arkansas. He speaks with pride about attending the Democratic National Convention at Madison Square Garden in 1992 and being in the VIP Lounge with the celebrities. He is equally proud of having attended your inauguration with J. T. Compton. In fact, he was on CNN with your brother at the first Arkansas Ball after your first inauguration.

Mr. President, Wayne, like Jane and myself, has two pictures he displays proudly in his home. One with you at the Arkansas barbecue on the South Lawn several years ago and another of you, him and his wife in the Oval Office in November 1997, when they traveled to Washington with Sandy and Buddy King. Like myself and family this is an iron clad Clinton family.

Wayne applied for a Presidential pardon during the last few months of the Bush Administration. His pardon was pending for a very long time and this January he was notified that it had been denied. President Clinton, this is a very good friend of both me and my family (My wife Jane, our two doctor sons Dr. David Jacks and Dr. Dennis Jacks) and we plead with you to please consider this pardon. Wayne has been without his law license for the past 15 years. He has paid dearly for his one mistake. Mr. President I have served on many boards while you were Governor of our great State and am very honored and privileged to have been your friend for a very long time.

I have never written to ask for anything and I would consider it a personal favor if you would consider this pardon.

Sincerely Yours,

Ray Jacks

Ray Jacks

P.S. Thanks for the kind note at my Fire Department retirement party last month. It meant a lot to my family and me.

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P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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David C. Jacks, M.D., FACS*
David A. Lupo, M.D., FACS*
Dennis W. Jacks, M.D., FACS*

Diplomate, American Board of Urology
*Fellow American College of Surgeons

April 14, 1999

President Bill Clinton
White House
1600 Pennsylvania Ave
Washington, DC 20500

Re: Pardon Application of Russell Wayne Lee
SSAN (b)(6)

Dear President Clinton:

It was with great dismay that I recently learned that the pardon of Wayne Lee had been denied. Wayne has been a very close personal friend of mine for the past 25 years and the purpose of this letter is to ask that you reconsider this pardon. As you may recall, Wayne was practicing attorney from 1977-1985. He represented most of the police and fire associations in the state and was a well-respected attorney with Milas Hale's firm. (In fact, I think he escorted you to the Cooper Bowl police football game early in his career). In 1986, he was convicted of mail fraud involving the overbilling of the City of Little Rock in the amount of approximately $10,000. His case was very similar to the recent difficulties encountered by Webb Hubbell, only to a far lesser degree. As a result of this conviction, Wayne lost his license to practice law and spent 6 months at a FPC in Texarkana.

Wayne clearly made a mistake and has paid dearly for that mistake. Since his conviction 14 years ago, he has admitted his wrongdoing and unlike many, has taken great strides to maintain a productive Christian life. He has been a great supporter of yours throughout this time attending the Democratic National Convention in New York and both inaugurations. (In fact he and Roger sat together at the Arkansas Ball after your first inauguration). He has visited the White House twice. He proudly displays pictures of you and he on the South Lawn during your Arkansas Barbecue a few years ago.

In fact, his most prized possession is a picture of you, he and his wife, which was taken in the Oval Office in 1997 after he, his wife and Sandy King and her husband attended the taping of your weekly radio show. He wrote a scathing letter to his longtime friend, Asa Hutchison about the impeachment hearings. (I have enclosed a copy of Asa's three-page response for our review).

As the Chief of Staff at Jefferson Regional Hospital and a longtime member of the State Medical Board, I am often faced with having to sit in judgment on professionals who have made mistakes in their lives. As you might imagine from the length of this letter, I feel very strongly about his matter. Wayne has done everything humanly possible to insure that he has learned from his mistake and has led a most exemplary life since that time. The Arkansas Real Estate Commission has fully investigated his past and chosen to grant him the right to seek a real estate license. However, without this pardon, he will never be able to do that which he loves-to practice law again. I can unequivocally state that if ever there as a person who deserved a pardon, it is Wayne. This pardon has been pending since the final years of the Bush Administration. As you know, I have always been a vigorous supporter of you, both in your endeavors as a Governor and as President. This is the only time I have ever asked for your consideration on any issue. I would respectfully ask that you personally take a look at this pardon application and reconsider whether the ends of justice would be well served in granting it.

May God bless you and your decision in this matter.

Sincerely,

David

David C. Jacks, M.D. FACS

DCJ: hlm

ASA HUTCHINSON
3D DISTRICT, ARKANSAS

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House of Representatives

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E-Mail: Asa.Hutchinson@mail.house.gov
Internet: http://www.house.gov/hutchinson

January 12, 1999

Mr. Wayne Lee
6900 Incas Drive
North Little Rock, Arkansas 72116

Dear Wayne:

Thank you for contacting me in opposition to articles of impeachment against President Clinton. During this difficult time for our country, I appreciate you taking the time to let me know how you feel.

For over 25 years Bill Clinton has been a state and national star. President Clinton carried our State of Arkansas in the last election. He ran for the seat in Congress that I now hold and has served our state as attorney general and governor. During this process, his negatives have been emphasized, but I am mindful that there are many qualities of Bill Clinton's that I admire. When he was elected president, it was a unique opportunity for our state -- not likely to be repeated. I know this process impacts him and his family, and that is a deep concern of mine. When he expresses regret for his actions and requests forgiveness for his conduct, I have no hesitation in saying he should receive our compassion and encouragement. For those reasons, among others, this is not a pleasant experience for me.

After a full airing of the facts of this case, including a lengthy presentation by the President's defense team, the House of Representatives approved two articles of impeachment. I voted for these articles after conducting an independent analysis of the charges against the President, weighing the President's explanation of his actions, studying the law and precedents of the Constitutional standard for impeachment, weighing the comments of my fellow Arkansans, and searching my own conscience. I am at peace with my decision and would appreciate the opportunity to explain my votes to you.

As I reviewed the material associated with this case, I decided that I would send articles of impeachment to the Senate only after determining that there was clear and convincing evidence to document the charges. Evidence substantiating the articles has been established to my satisfaction through sworn testimony under oath, corroborated in many instances by documentary evidence from computer disks to telephone records. The sworn testimony includes that of Bill Clinton, Monica Lewinsky, Betty Currie and Vernon Jordan and demonstrates a pattern of false statements, deceit and obstruction. By committing these actions, the President

moved beyond the private arena of protecting embarrassing personal conduct. His actions to conceal, mislead and falsify -- while under oath -- invaded the very heart and soul of that which makes this nation unique in the world: the right of any citizen to pursue justice equally. The conduct obstructed our judicial system and at that point became an issue not of personal concern but of national consequence.

I believe that damage to the state and to the integrity of government occurs when those in high office violate a court oath and the Constitutional oath to ensure the faithful execution of the laws. One of President Clinton's current defenders, former Congressman Wayne Owens, stated in 1974, that for an action to be impeachable conduct, "it must be a violation of a principle of conduct which Members of the House determine should be applied to all future presidents and established as a *Constitutional precedent*." I believe Mr. Owens is correct. I have no trouble in setting a benchmark that future presidents cannot willfully and repeatedly lie under oath in an official Judicial proceeding without jeopardizing their office. On the contrary, I have a great deal of trouble in lowering the standards to say to future presidents: lying under oath no matter how often and no matter how intentional is considered acceptable conduct.

As the Supreme Court said in the case of *United States v Holland*, "perjury, regardless of the setting, is a serious offense that results in incalculable harm to the function of the legal system as well as to private individuals." In my judgment perjury goes to the heart of our judicial process and our very system of government and constitutes a high crime and misdemeanor. Failure to act would be to quietly embrace, and even abet, the gradual subversion of our core belief that we are a nation of laws and that all of us — regardless of wealth or power — receive equal treatment under the law.

The articles of impeachment have now been referred to the Senate for trial. You have my word that as this process continues, I will do all I can to ensure that the President is given ample opportunity to present his defense and that my colleagues in the Senate carefully consider the charges sent to them.

Let me finally say a word about censure. I certainly understand the appeal of this alternative approach, however, I strongly believe that such a response would be unconstitutional and unwise. Our founding fathers provided one avenue for addressing an abusive executive and it is laid out in Article I of the Constitution. Constitutional scholars agree that a censure would disrupt the constitutional principle of separation of powers and would likely be considered a "bill of attainder" -- legislation that punishes a particular person -- in violation of Article I, Section 9 of the Constitution. In addition to concerns about the constitutionality of censure, I believe it would be unwise to set a precedent that Congress can condemn a president for actions it finds unappealing. With a decision to censure in this case, future Congresses may decide to censure a president for vetoing a particular bill, appointing a particular individual to the cabinet, or for any other official act of the executive branch that members oppose. This poses a dangerous precedent and is a direct assault on the independence of the executive branch. With these

thoughts in mind, I opposed a motion of censure offered during the Judiciary Committee proceedings.

I hope this information better explains my decision. I recognize that we might not see eye to eye on all these issues, but I value your input and want to thank you again for taking the time to contact me. If you would like to be kept up to date on developments in the 106th Congress, I encourage you to visit my Webpage at (www.house.gov/hutchinson/eletter/index.htm) and sign up to receive my Electronic Newsletter.

I look forward to your continued correspondence.

Sincerely,

Asa Hutchinson
Member of Congress

AH:sis

U. S. Department of Justice

Pardon Attorney

Washington, D.C. 20530

JAN 12 1999

Mr. Russell Wayne Lee
6900 Incas Drive
North Little Rock, AR 72116

Dear Mr. Lee:

Your pardon application has been carefully considered in this Department and the White House, and the decision has been reached that favorable action is not warranted. Your application has therefore been denied. There is no appeal from this decision.

As a matter of well-established policy, we do not disclose the reasons for the decision in a pardon matter. In addition, deliberative communications pertaining to agency and presidential decision-making are confidential and not available under existing Freedom of Information/Privacy Acts case law.

Sincerely,

Roger C. Adams

Roger C. Adams
Pardon Attorney

OLLYNEAL

Ollie Neal - 1896-1978
Mose Neal - Circa 1860 -
Jim Neal - Circa 1830 -

Willie B. Jones Neal - 1912-1968
Mary Macklin - 1895-1958
David Macklin - 1856 - 1944

15 April 1999

Honorable William Jefferson Clinton
President
The White House
Washington, D.C.

Mr. President:

I am writing this letter to recommend that you favorably consider the **pardon** application of Russell Wayne Lee. Mr. Lee was convicted of a federal offense involving over billing the City of Little Rock in 1985.

I have known Wayne since our days together at law school, and have had an opportunity to observe him both before and after the incident. While I am certain that all of us were truly disappointed in Wayne's conduct, I am equally certain that he has dearly paid for this mistake.

Wayne's pardon application has apparently been pending since the latter part of the previous President's administration. I am writing you in my personal capacity as a friend asking that you please closely examine this pardon application and give it serious consideration.

Respectfully,

Olly Neal

Olly Neal

ON/pal

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JOINT LEGISLATIVE FACILITIES

THE SENATE
STATE OF ARKANSAS

April 14, 1999

The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

I have known Wayne Lee for many years. I have worked with him on several projects, each resulted for the common good.

It has been 16 years since Wayne was convicted and lost his license to practice law. He has been a contributing member of society ever since. There is not one blemish on his record. Wayne has given hours of public service voluntarily.

He deserves a Presidential Pardon. I hope that you will grant him one.

Sincerely,

Jay Bradford

JTB/sp

D. David Jacks
Oak Knoll
4303 Mulberry St.
Pine Bluff, AR 71603

LITTLE ROCK, AR 722
JUN 9 1999

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Ms Nancy Heinen
Office of the President
White House
1600 Pennsylvania Ave.
Washington, DC 20500

Meagan M. Earley 06/14/99 09:34:13 AM

Record Type: Record

To: Todd Stern/WHO/EOP@EOP

cc:

Subject: Ray Kelly info

Todd -- I spoke to David Cohen, Commissioner Kelly's Chief of Staff. The Commissioner had a triple bipass Friday night. He is at Georgetown Hosp. and recovering very well. His home phone number is 202/638-2794 and his wife's name is Veronica Kelly. David Cohen suggested we call her at home to get address, etc. but I wanted to check with you first. Would you like to call or do you want me to take care of it?

6-14-99

Sean - RED Dot

Todd has asked if we could do a letter to Commissioner Kelly -

Send to Burkhardt -

Yes ✓

No _____

C

BC SIG FOR TUES 6/15

THE WHITE HOUSE
WASHINGTON

Commissioner Ray Kelly
801 Pennsylvania, NW
~~Apt.~~ PH10
Washington DC 20004
202/638-2794

IT COSTS A BUNDLE

Wiring for the 21st Century

By Eric C. Evarts
Staff writer of The Christian Science Monitor

Competition in the cable television industry and recent mergers between telephone and cable companies likely mean two things for consumers: better service and higher prices.

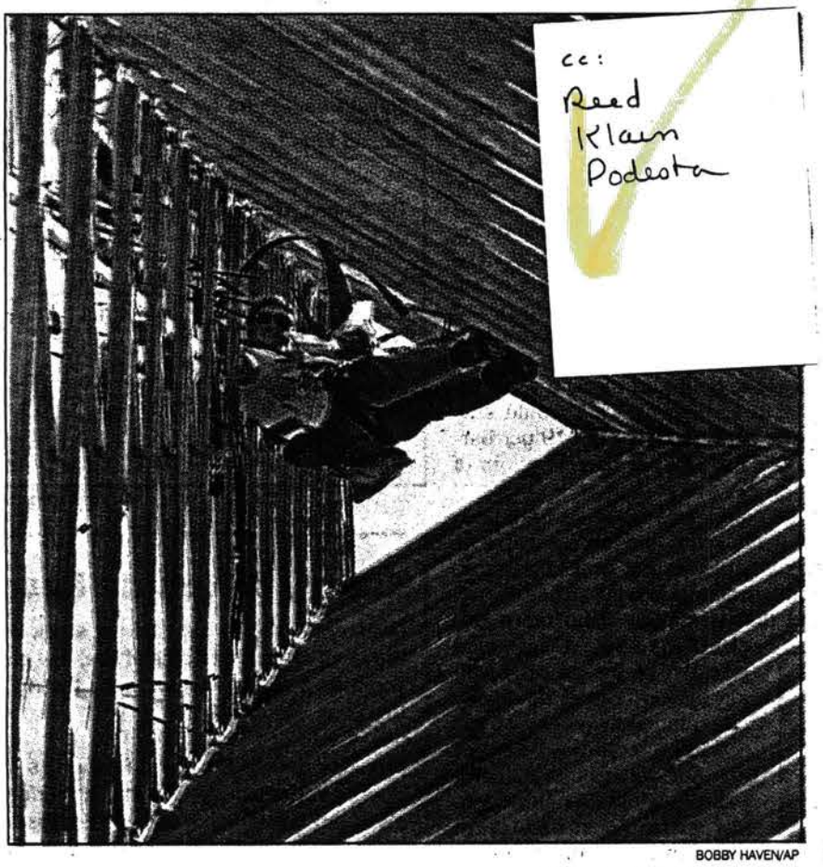
The scramble is on among cable-TV, telephone, and Internet companies to connect with the latest word in fast, convenient technology for delivering consumer communications.

That word is "broadband," and it means a wider, faster information superhighway – a single home connection that carries television, telephone, and Internet services at lickety-split speed.

But at a price.

AT&T's recent purchase of broadband king MediaOne means 8 million new homes will have access to this communication technology of tomorrow.

And more recently, America Online's agreement with Direct TV will provide Internet access on customers' TVs over phone lines or via satellite.



BOBBY HAVEN/AP

TOWER POWER: A worker hooks up wiring at the top of a cable television antenna in Thomasville, Ga. Soon, consumers will get cable, Internet, and phone service from a single provider.

Soon more than 25 million Americans will gain access to the Internet with only a television set and a set-top box, like the ones cable TV companies provide today.

That box will provide faster Internet access, extra phone lines for pennies a month, and interactive TV – where you can choose among 500 channels, talk back to hosts, buy products or services, and ask for more information about events.

It also means monthly telephone, cable TV, and Internet service bills will be wrapped into one.

"I think people would be drawn to one service for one price," says AT&T spokesman Mark Segel.

But it's likely to be a whopper of a price: $200 a month, says Brian Adamik, a consultant with the Yankee Group, a Boston-based firm that focuses on the communications industry.

AT&T wants to charge a premium for the convenience of bundled services, says Mark Cooper, director of research at the Federal Communications Commission.

While Mr. Segel won't speculate on what AT&T's high-speed cable Internet access may cost, he argues that many people who currently use premium Internet, cable, and long distance services already pay more than $200 a month combined.

"Initially, bundling doesn't necessarily equate to lower prices," Mr. Adamik says. "In the long term, prices should come down," as companies begin to compete for individual customers.

Meanwhile, wealthy communities, whose residents can afford $200 a month, will get the technology first – what Mr. Cooper calls "electronic redlining."

> Millions of Americans will soon access the Internet with only a TV and a set-top box.

"The economics are such," says Adamik, "that [utilities will install the services] in neighborhoods with the heaviest use" of Internet and phone services, he says.

The first customers to get "broadband" service, he says, will live in major metropolitan markets and scattered small towns served by aggressive providers such as AT&T.

Rural areas – more expensive to service – may have to wait up to 15 years.

In addition, it will take at least three years before cable companies begin competing for local phone service, Adamik says. Such competition won't become widespread for 10 to 15 years

Even then, competition will reach only perhaps 75 percent of US households, he says, while people in rural areas may have only one provider – and thus higher rates.

■ *Send e-mail to* **evarts@csmonitor.com**

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received 4 stars for the 3- and 5-year periods. The top 10% of the funds in
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Interview / **Daniel Yergin**

Globalization: a balancing act

by James L. Tyson
Staff writer of The Christian Science Monitor

WASHINGTON

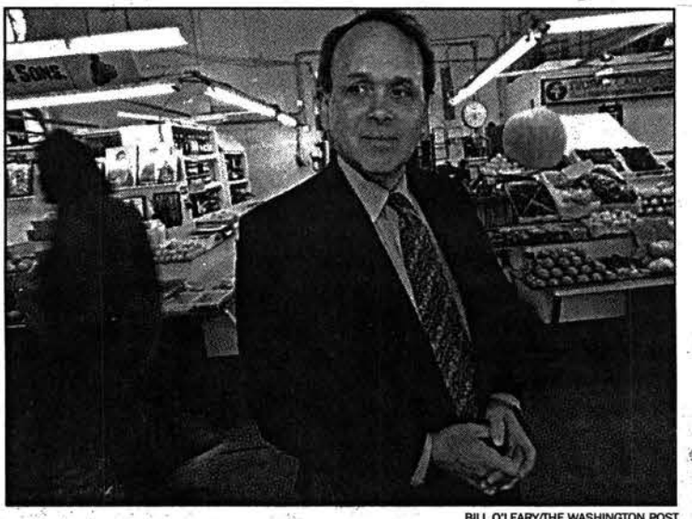
Jakarta explodes in unrest. Industrial and financial titans merge into global colossi. European countries surrender sovereign monetary control to a regional bank. And although US unemployment rests at a three-decade low, a frenzy of layoffs persists.

What in the world is going on?

The answer: globalization. Capital, commerce, high technology, and the free-market ethos have spread worldwide as never before.

Few analysts have traced the rise and complexity of globalization with the acuity of Daniel Yergin. His book "The Commanding Heights" describes the shifting balance this century between market forces and state economic control.

Recently the Monitor interviewed Mr. Yergin, chairman of Cambridge Energy Research Associates and author of the Pulitzer-Prize-winning book "The Prize: The Epic Quest for Oil, Money, and Power." Here are excerpts:



BILL O'LEARY/THE WASHINGTON POST

WHAT DOES THE MARKET HOLD? Consultant and author Daniel Yergin (shown at a Washington D.C. supermarket) says Americans who have watched the stock market soar, 'don't feel it's a bubble economy.'

Is the world economy seeing a cyclical downturn intensified by financial market turmoil or is this a classic deflationary bust after years of loose credit?

Part of it is boom/bust because when you look at Asia you realize that both people there and in the rest of the world were mesmerized by the growth rates into not seeing the underlying weakness, particularly the buildup in short-term debt and this remarkable unfolding of contagion.

In Europe it is more like the old fashioned business cycle, combined with the rigidities of the European economy, which has prevented most countries from coming to grips with unemployment.

But if you look at Asia, Russia, Latin America, it is contagion, and in Japan they're still paying for the speculative excesses of the 1980s.

I think there are still things to be very worried about. Clearly to have the second-largest economy in the world in the condition it is in and a lack of Japanese recovery could have far-reaching impact.

Also, China is wrestling with very difficult economic problems.

Is the US market in equities a bubble ready to burst?

The dilemma for those who are concerned, who believe the market is overvalued, is the really difficult political problem of what to do with it.

We have in the book the famous quote that the job of central bankers is to remove the punch bowl before the party is over. Well, this is a punch bowl of huge dimensions.... So to manage that is not a science, it's an art.

In Japan and Europe, you hear about the US bubble economy, but people in this country don't feel it's a bubble economy.

But to those people like the Japanese who have lived through a bubble, it looks a lot more dangerous.

What can we expect from Japan? Is the economy turning around?

I got an e-mail from a vice minister from one of Japan's ministries and he said many Japanese have made the move from looking for equality of result to looking for equality of opportunity.

Even though the Japanese have had the slump, the country has a strong social safety net and a consensus behind it, and the Japanese are struggling with how to adjust it along with the role of government.... The Japanese have now made the calculated view that they need to get [foreign investors] to help jump start the economy.

Because they had extraordinary performance over four decades, their system worked brilliantly, but over an eight-year period you have seen an erosion of confidence.

I don't know whether Japan will be different in three years but if you get a shift in consensus, once they do that they will move and we see companies restructuring. I think it is there.

Will global financial turmoil prompt a repudiation of the laissez faire free-market system?

This is the fundamental question. It is not laissez faire, it is not like governments are disappearing.

Governments in industrial countries account for 30, 40, 50 percent of GDP, and you could make an argument we are more or less regulated even in this country.

There is less economic regulation and more of a conviction that competition rather than regulation is what you need in a fast-moving economy.... It is really the question of where the relative balance is, and the change is toward greater confidence in the ability of markets to work and deliver results as opposed to ... skepticism and suspicion of markets.

And that is the shift, and that is the difference between old Democrats and new Democrats, old labor and new labor.

But is there a repudiation? Yes and no. In Asia it is not a recession, it is a depression for millions and millions of people but they have come to the conclusion there's not really much of a back to go back to.

So if we don't see a rejection of the market, will there be gentler swings between socialism and laissez faire?

The swing of the pendulum, the arc, will be gentler.

A shifting back of the pendulum would not mean state ownership. The classic New Deal regulation in the US, that era seems to be coming to an end, whether you look at telephones, telecommunications, financial systems, electric power, natural gas, airlines.

We see an awful lot of countries are trying to figure out how to go from state ownership to markets and set up a regulatory structure.

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Questions abo
Guy Halverson
The Christian S
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A new merger: the dollar, yen, and euro?

Finance experts from 14 nations discuss the merits of a single world currency

By David R. Francis
Staff writer of The Christian Science Monitor

CHATHAM, MASS.

Europe, Japan, and the United States will all have a common currency at some point.

Not now, says Richard Cooper, an economist at Harvard University, Cambridge, Mass. It is not politically realistic. Rather, in a decade or two.

Mr. Cooper sees a common currency as a logical way to deal with the fragility and fickleness of financial markets. Over time, this shakiness could worsen. One reason is that financial transactions between nations, as versus trade, will dominate foreign-exchange markets even more than they do today.

ECONOMIC SCENE

A currency union would eliminate foreign-exchange volatility in these three industrial areas, which produce two-thirds of the world's output. It would add stability to what is fast becoming a global economic system. It would facilitate trade and investment.

Cooper tossed out the idea at a conference here on "Rethinking the International Monetary System," put on last week by the Federal Reserve Bank of Boston.

The timing was appropriate. At the end of this week, there is a summit of the Group of Eight in Cologne, Germany. Kosovo promises to be the hottest topic on the agenda of President Clinton and the leaders of Germany, Japan, Britain, France, Italy, Canada, and Russia.

But the leaders will also look at what can be done to make the global system less crisis prone.

They may peek briefly at whether private financial institutions in rich countries should be required to help pay for losses emerging nations incur during a crisis. It's not likely.

Also on the table: Whether the International Monetary Fund should be strengthened to become a genuine "lender of last resort" in an international crisis, much the way a national central bank will rescue an important domestic bank in financial jeopardy. Not likely either.

But they are likely to move ahead with greater debt relief for the world's poorest nations, most of them in Africa.

Experts at the Fed conference, coming from 14 nations, do not expect the Eight to make major changes in the architecture of the international financial system anytime soon. "What we are going to see is tinkering at the margin," says Sebastian Edwards, an economist at the University of California, Los Angeles.

What's more probable, says Mr. Edwards, will be changes by individual nations. Some will impose controls on short-term capital movements. More countries will "float" their currencies, that is, let their value in relation to the US dollar and other currencies be determined by sales and purchases on the foreign exchange market. Currencies worth trillions of dollars trade on that market every day.

Also, more nations will attach their currencies to the dollar, the euro, or the yen through what are known as "currency boards." And some will go whole hog and "dollarize," that is, replace their own currency with the US dollar.

Panama already uses the dollar as its currency. In Argentina, the dollar is legal tender and widely used along with the peso. A currency board keeps the value of one peso fixed to one dollar.

There has been considerable discussion in Argentina about going fully with the dollar and abandoning the peso.

Pedro Pou, Argentina's top central banker, complained here that despite eight years of a relatively inflation-free peso, it is still not "a true national currency." People, citizens or foreigners, are reluctant to borrow long-term in pesos, still remembering years of hyperinflation. This raises the cost of capital used to develop the nation.

Full adoption of the US dollar, he says, would improve Argentina's economic performance over the next 10 years.

One theory is that currency blocs will form around the dollar, the euro, and the yen. Then the three currency "biggies" would merge into a single currency.

Cooper sees the creation this year of the euro by 11 European nations as a major step in the direction of a single currency for the industrial democracies.

But Paul Volcker, former chairman of the Federal Reserve, doubts that any step will end financial crises, as long as greed, fear, and hubris are "built into the human genome." It is these characteristics that are behind crises.



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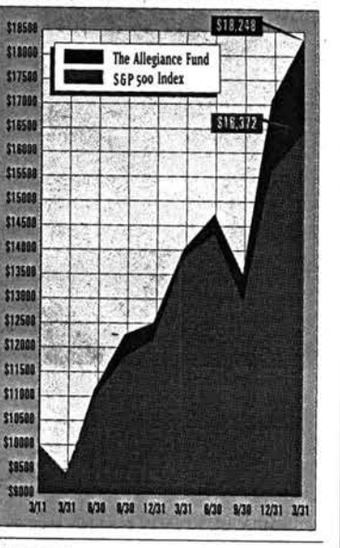
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Kosovo's lessons for underdogs

■ NATO's success may rally ethnic groups across Europe to redouble efforts for autonomy or separation.

By Robert Marquand
Staff writer of The Christian Science Monitor

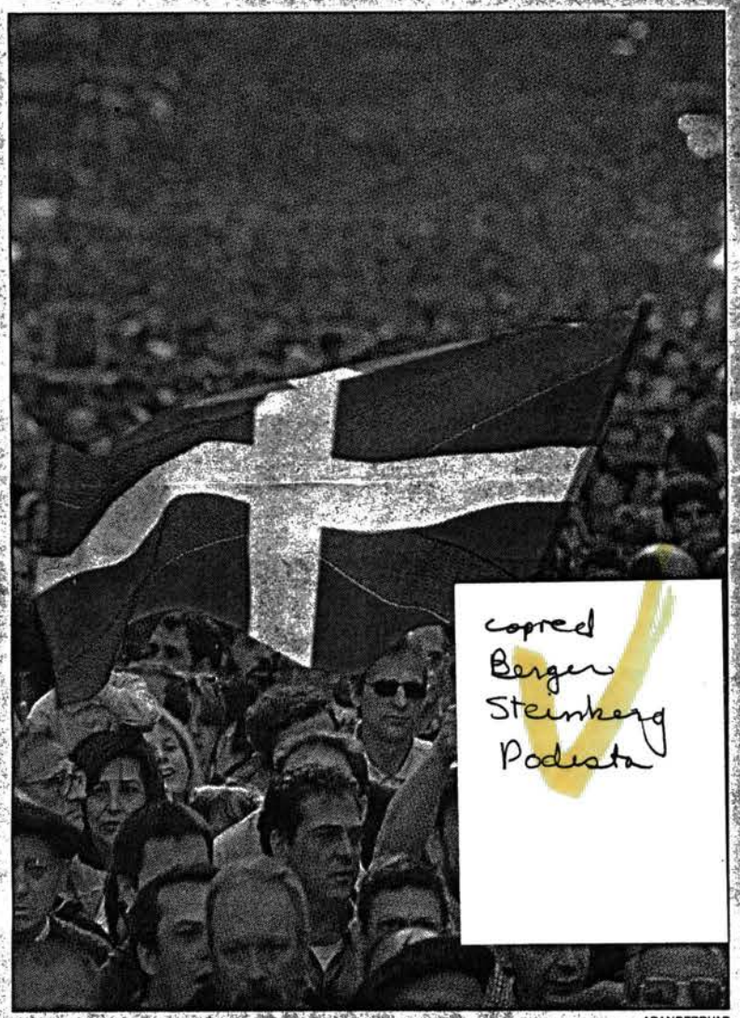
BUDAPEST, HUNGARY – As peacekeepers enter a ravaged Kosovo, and with the West trying to resolve a surprise Russian deployment of troops there, uncertainty exists over the rules, precedents, and expectations emerging from a new kind of war – one waged on behalf of a group long denied basic human rights.

The NATO intervention represents the first time in modern history, as Czech President Vaclav Havel notes, that human rights outweighed the sovereignty of state borders. British Prime Minister Tony Blair has called it "moral intervention."

Kosovar Albanians – who actually make up a 90 percent majority of the province – have been jubilant over NATO prevailing. "I am very happy," said Avni Grainca, an ethnic Albanian student as he stood by the side of the road 10 miles south of Pristina, the Kosovar capital, to welcome NATO troops. "NATO has stopped the killing in Kosovo." Small children nearby chanted "NATO, NATO," while their beaming parents flashed the victory sign.

Yet in the larger interplay among nations, does Kosovo actually represent an anomaly – a one-of-a-kind intervention to stop "ethnic cleansing"? Or might it give greater succor to leaders of aggrieved national minorities in Europe and elsewhere?

The answer may be both.



ARANBERRI/AP

BASQUE MOVEMENT: In April in Bilbao, Spain, marchers protested the Spanish government's activity and demanded a peace process in the Basque region. Other European groups that may push for more rights are Hungarians in Romania and Circassians in France.

Other ethnic aspirations

In the Hungarian parliament, a former playwright, Istvan Csurka, who now leads a nationalist party, is asking for part of Vojvodina, a region of Serbia with 350,000 ethnic Hungarians – to be "annexed" to Hungary. In Macedonia, a grass-roots ethnic Albanian movement seeks to divide that country along ethnic lines. Serbian leaders in Bosnia say that if Kosovo becomes a de facto independent entity tied to Albania proper, their Serb Republic enclave should be allowed to join Serbia.

Most European politicians, for their part, see Kosovo reflecting a need for greater European integration into a civil society. They want minority grievances reified and resolved by prosperity, cooperation, and the security brought by large multilayered alliances like NATO and the European Union.

But for these politicians, the threshold for action is extremely high: on a par with the "ethnic cleansing" in Kosovo. "No governments want an avalanche of minority claims, and they are going to keep the lid on," says Albert Rohan, a senior Austrian Foreign Ministry official in Vienna. "There is an enormous reluctance for Western and European countries to allow Kosovo to become any kind of precedent."

Yet many of the universal principles and values espoused by EU and NATO leaders are lost in the popular discourse on the street. If the Albanians in Kosovo, why not us?, is the logic often heard from politicians like Mr. Csurka in Hungary.

Concerns are quietly being voiced around the Continent that Kosovo may rally minorities ranging from Basques in Spain, Hungarians in Romania, Circassians in France – as well as by Albanians in several countries – to redouble their efforts for autonomy or separation. For now, the most aggrieved minority, the Kurds of Turkey and neighboring countries, are sidelined in the wake of the capture and trial of rebel leader Abdullah Ocalan.

Only the beginning

"This isn't the end of the story; this is the beginning," says a Hungarian diplomat in Vienna, citing the 2.5 million Hungarians in Romania who desire cultural autonomy and the teaching of their language and history in schools.

"A lot depends on the speed with which these countries are taken into European integration," says Miklos Derer, secretary-general of the Hungarian Atlantic Council in Budapest.

The Serbian region of Sandzak may also present new difficulties in the wake of Kosovo. A sliver of land bordering Bosnia, the Sandzak has a compact majority Muslim population that is unhappy with its lot. For much of this decade the residents, tired of an intrusive Serbian police presence, have wanted a mainly Muslim administration. But, as in the past in Kosovo, Serbian authorities have inserted a rulership more loyal to Belgrade.

The war in Kosovo will have lasting meaning, argues Mr. Havel, only if it heightens a common understanding that people's identity and their basic human rights cannot be limited or constrained by ethnic or national definitions – be they Serbian, Albanian, or other. "The notion that it is none of our business what happens in another country, and whether human rights are violated in that country, should vanish down the trapdoor of history," Havel stated recently.

Yet Kosovo is far from a past lesson; many issues remain to be resolved. Despite their enthusiasm for the implementation of the NATO presence, most Kosovar Albanians are fearful that retreating Serbian forces may attempt final acts of fury.

And the fear is mutual. Among many Serbs there is the fear that the Kosovo Liberation Army will seek vengeance and that the NATO force will not protect them.

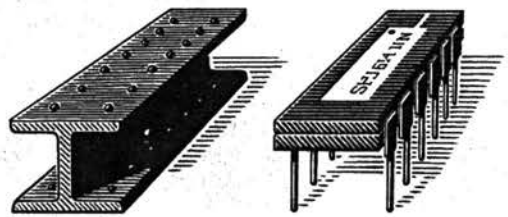
Lt. Gen. Michael Jackson, commander of the KFOR implementation force, has pledged to build a "secure environment for all people of Kosovo, whatever their ethnic background," but the words are unlikely to impress them.

■ *Lucian Kim contributed to this report from Pristina, Yugoslavia.*

THE PRESIDENT HAS SEEN
6-14-99

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SOURCES OF SUBSTANTIAL WEALTH MAY HAVE CHANGED.



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Computer Chips
1999

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Stereo Review

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WORD & IMAGE BY MAX FRANKEL

The Information Tyranny

Despite the Internet's 'democracy,' a corporate plutocracy dominates political speech in America.



The Web nuts of America career around the Internet celebrating a new freedom to shout and spout anything into the ether: no more restraints on speech, they insist; no more hierarchy of thought. I hope they were watching old-time public television for just an hour last week, as Bill Moyers documented our society's slide into a new information tyranny, how corporate wealth is monopolizing debate, corrupting politicians and dictating policy. (The program will be rebroadcast tonight on WNET in the New York area.)

Moyers's thesis, oxymoronically titled "Free Speech for Sale," began with a modest morality tale about how special interests can easily mislead the public. It featured Cindy Watson, the first Republican in a century to represent her rural district in the North Carolina Legislature. Responding to her constituency, she helped pass a moratorium to limit the growth of hog farming until something was done to control the hog waste that spewed nauseating ammonia fumes across the landscape.

What the hog corporations did instead was lay waste to Cindy Watson, using their wealth to, essentially, buy the franchise. They spent $2.6 million on TV ads to smear her reputation and to conduct fake polls designed not to sample public sentiment but to ask suggestive questions about her "flip-flops" and "loss of the voters' trust." Unable to afford rebuttal ads, Watson drowned in the muck and lost her seat in 1996.

When corporate interests are unable to mislead the public, Moyers showed, they concentrate their wealth to intimidate Congress. The obvious example: last year's $40 million television ad campaign to redefine an anti-smoking bill as a "tax and spend" public burden. Even after victory, the triumphant industry kept buying commercials to assist the campaigns of loyal senators. No one bankrolled an opposing interest.

Finally, as if monopolizing media time were not enough, some corporate behemoths have bought favor and protection simply by buying the media. Vast conglomerates like Disney, Fox and General Electric have acquired control over entertainment hardware and software — both the wires into every home and the images they carry. Not incidentally, that also gives them control over all the television news concerning their own conduct. That is why the giveaway of perhaps $70 billion worth of spectrum space — reserved channels in which broadcasters will greatly improve and multiply their transmissions — was passed last year with hardly any public discussion. The television networks allowed no serious on-air debate of the possibility of auctioning off such a valuable public resource.

In this distortion of democratic values, the obvious culprit is a legal mythology that grants every corporation — already enjoying immortality and limited economic liability — the same First Amendment rights of free speech as those guaranteed to individual citizens. That relatively recent reading of the Constitution produces a false equality between a corporate shout and every ordinary citizen's whisper.

As Bert Neuborne, the legal director of the Brennan Center for Justice at New York University's Law School, told Moyers: "The First Amendment is aspirational. It's romantic. It says that the purpose is to create a world in which people can speak freely and equally to one another. And therefore there's an obligation to step in at some point and even the playing field so that individuals can actually have real discussions and real debates. . . . What we've now got is not a real democracy with real debate but . . . a plutocracy in which money talks."

And on television, money talks out of proportion to all other speech. So it is the field of political talk on television that needs leveling. The great effect and high cost of tele-

vision commercials corrupt all politics and most politicians. If the commercials cannot be banned altogether, they should at least be offset with free and fair time for opposing views. As Kathleen Hall Jamieson, dean of the Annenberg School for Communication at the University of Pennsylvania, has said to the broadcast industry: "If you're getting that kind of income out of this advertising process, don't you have some obligation to provide some alternative access to the alternative points of view?"

The disingenuous opponents of such reform contend that "full disclosure" of who is paying for a propaganda blitz should suffice to keep politics honest. But the discovery that the "Farmers for Fairness" who knocked off Cindy Watson are really corporate hogs who stood to profit enormously did not come nearly in time to do her much good. After the 1996 election, even a paper with the resources of The Wall Street Journal needed more than a year to track the contributions — including 165,000 individual checks for $5,000 — that the hedge-fund industry made to Republicans to induce them to pass an amendment yielding huge profits to their industry.

As for legislated "limits" on corporate giving, they have been rendered farcical. Even corporations that bother to observe the limits now give to a wild variety of committees, party units, "issue" campaigns and far-flung state and local do-good organizations, all of whom invariably mock the law by directing the money to the campaign chests of specific candidates.

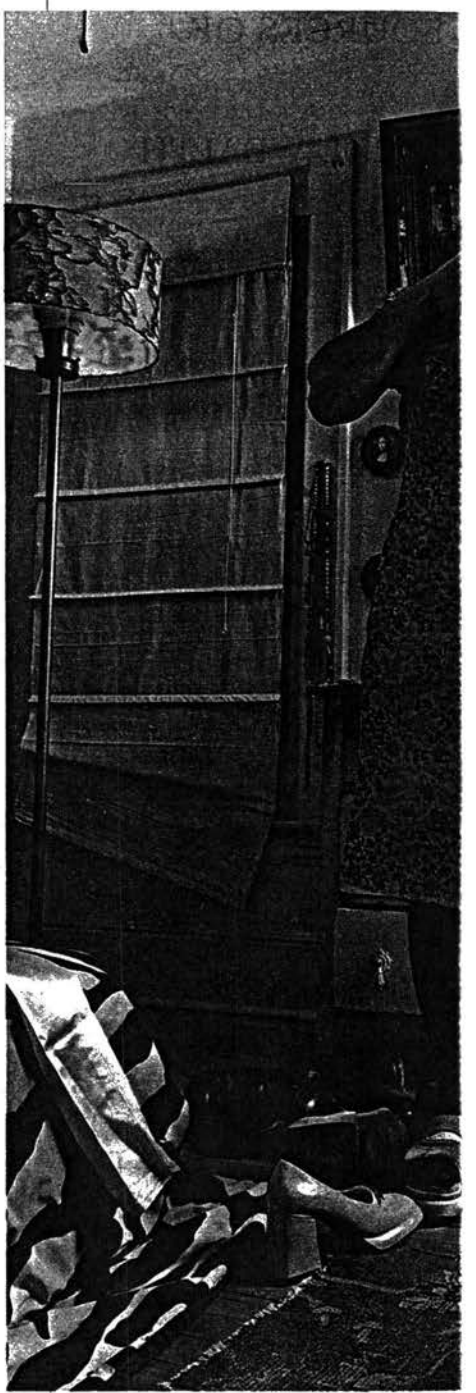
As has become painfully obvious, the winners of elections by these means are in no mood to change the rules. Can reform be accomplished without them? Can a victimized public somehow circumvent the cynical maneuvers by which both major parties protect their corrupting quest of funds and the influence of wealth? Under pressure from Congress, the Federal Communications Commission has refused to revive the fairness doctrine that once required broadcasters to give equal time to opposing views. But Dennis Morrisseau, now of Oak Island, N.C., once had an idea whose time may have come.

When I last addressed the issue, Morrisseau recalled that as a hugely "underfunded" candidate for Congress in Vermont 25 years ago, he sued the local TV station and the F.C.C. in Federal Court, demanding that they halt the overpowering commercials of his opponents. He said the great effect of television commercials and their high cost meant, in combination, that broadcasters were using the public air to establish an unconstitutional "means test" for achieving Federal office.

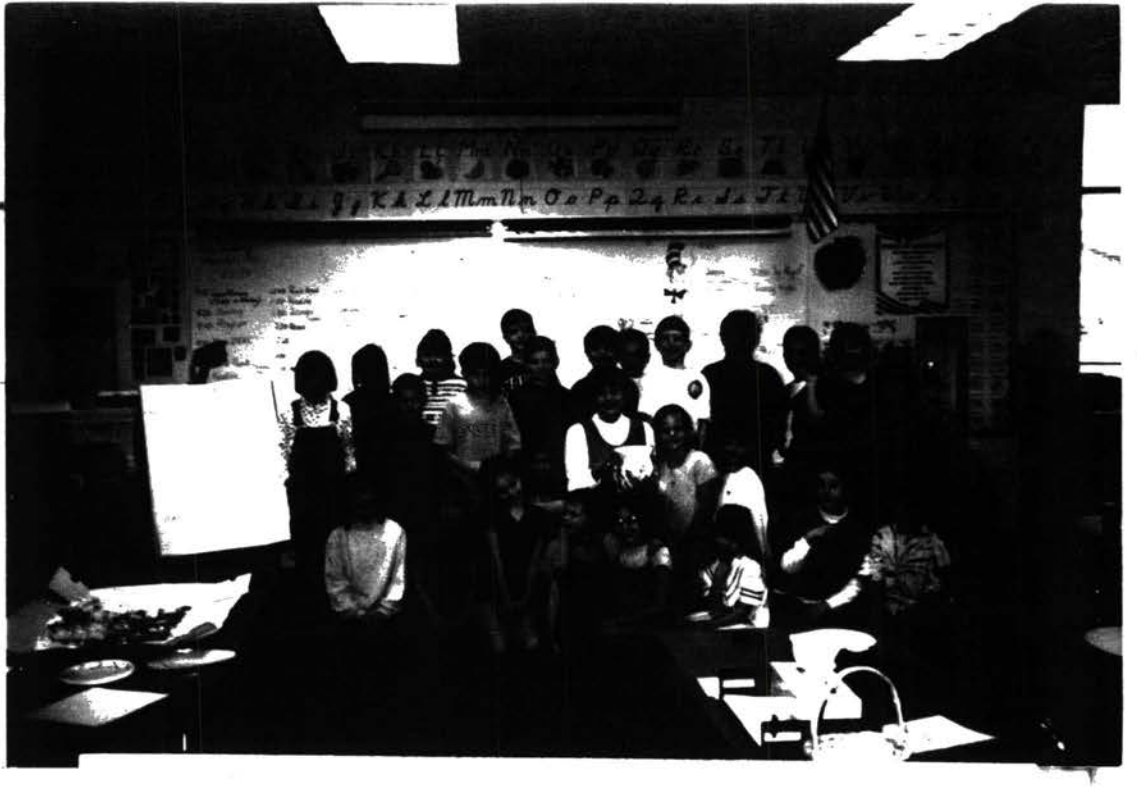
His case was thrown out, but "I still like the point," Morrisseau writes.

So do I, and so would most folks if they were told enough about how our information democracy has been hijacked by a corporate tyranny. ■

WHAT THEY WERE THINKIN(



"I was sort of obsessing about what to
Oh, my God, what if it gets pul
If I did, I certainly wouldn't let her s
look kind of grotesque. My bra
thinking something. Mostly I was thi
know seeing a picture of me. I sort of
Chinese-style dress I wore at



Carolyn.

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Can photo be autopenned _
Can we mention letters?

B

6-14-99

Send to Burkhardt?

Yes ✓

No _____

C

June, 7, 1999

Dear President Clinton,

My name is Tessa. I live on Newland Road. I go to Boeckman Creek school. My teacher is Mrs. Pinkney. Me and my mom are going to Washington D.C on June, 10, 1999. We are going to visit my mom's friends Matt and Lara. They had a new baby and named it Tessa, Marie after me.

Where did you live when you where a kid? I have lived in Oregon all of my life. I went to Washington D.C when I was in my moms tumy. I live on a farm and I have 4 hourses, 3 cats, 1 dog, and 3 sheep. I have one brother and two sisters. Mrs. Pinkney our teacher is retiring this year. I think you are a great president to the usa.

Love,

Tessa Marie Scott

June, 4, 1999

Dear President Clinton,

Hi I'm Charles. I have a friend named Grant and we like playing basketball together at school. You might have already gotten his letter maybe not, but if you haven't its coming. I like playing basketball, baseball and football. I have the nicest teacher in the world and the nicest president.

Your friend,
Charles

6/4/99

Dear Mr. President

Hi, my name is Grant, I'm 9 years old and I am a boy. I enjoy playing basketball with my friend Charles, You would think he is a nice kid. In school we studied about animals. I studied about mice. Do you like mice, I do!

What is it like living in the White House? I think it would be cool! How many storyies are there in the White House? How old is your daughter?

From,
Grant Wilson

Joan Casamo
6 Hassell Pl.
New Paltz, NY
12561

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Laura Small
Grade 1

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Picture dictionary




RADIO FLYER

THE PRESIDENT HAS SEEN
6-14-99

Kate Britton

To: The President

Monday, 11 pm

Letter: 4 pp

attachments: 8 pp

Jennings

interesting material from a pro-life friend worth reading

KB

copied
Jennings
Podesta

Kate Britton

The Washington Post, Front Page, Sunday, May 23, 1999
"Federal Embryo Research Is Backed"

"A presidentially appointed ethics panel has decided to recommend that the federal government begin funding some research on human embryos, saying the moral cost of destroying embryos in research is outweighed by the social good that could come from the work. [The commission states that,] 'We have moral obligations to the future health...of people, and we need to balance these with...the symbolic moral obligation we have to the embryo...It is...permissible to destroy embryos where it is necessary to save people.'"

Monday evening, May 24, 1999

Dear Bill,

I feel compelled to respond to the decision by your panel to recommend to you the killing of human embryos, which it seeks to justify by stating that the intention of the killing is the enhancement of the lives of other humans. My response will be to quote for you from the teachings of two of this century's most eminent spokesmen in the arena of bioethics, Dr. Jerome Lejeune and Pope John Paul II.

Jerome Lejeune, M.D.
From France, known as the "Father of Genetics" for his discovery of the first-known genetically based human disorder, Down Syndrome.

The excerpt which follows has been taken from testimony given before the Honorable William Dale Young, August 10, 1989, Circuit Court for Blount County, State of Tennessee. Proceedings concerned a domestic relations case in which a divorcing couple were in dispute over the matter of possession of frozen embryos conceived by them in an in vitro fertilization procedure undertaken earlier. The father desired the embryos to be destroyed; the mother desired either to retain

mother. Dr. Lejeune traveled from Paris to serve as an expert witness in the field of genetics. The Court found in favor of the mother, determining that the best interest of the children [sic]was that they be made available for implantation, their only hope of survival. Dr. Lejeune's testimony has been judged subsequently to be a masterpiece of science and ethics, conveying truth which can be of benefit far beyond the boundaries of the State of Tennessee.

Q. Doctor [Lejeune], can you tell us what we can tell about these human beings from [the stage of] three cells forward?

A. The amount of information which is inside the zygote [Note: When a zygote divides it becomes an embryo.]**...is [so] big that nobody can measure it. I have to explain that very simply. You have the two meters of DNA, one coming from the father, one coming from the mother...[T]o spell out this amount of information which is absolutely necessary (otherwise no life would be possible)...[n]o computer in the world would have a storage enough just to fill the amount of data...Nobody knows how to do it. You have to realize that this...information which makes a man enormous compared to the...computer [is] because it's a man which has made the computer; it's not the computer which has made the man.**

Q. Do you regard an early human being as having the same moral rights as a later human being such as myself?

A. You have to excuse me. I'm very, very direct. As far as your nature is concerned, I cannot see any difference between the early human being you were and the late human being you are, because in both case[s], you were and are a member of our species. What defines a human being is: He belongs to our species. So an early one or a late one has not changed from its species to another species. It belongs to our kin. That is a definition. And I would say very precisely that I have the same respect, no matter the amount of kilograms and no matter the differentiation of tissue.

Q. [Dr. Lejeune], I take it you would believe, from your testimony today, that it is morally very wrong to intentionally kill a zygote?

A. I think it's no good; it's killing a member of our species.

Q. And it would be the same as if we were to kill twenty years later the person the zygote would become?

A. It's difficult to tell because you ask me a justice question. I'm a biologist.

Q. But those are your beliefs?

A. My belief is that it's no good to kill a member of our kin, very simple belief. [End of Dr. Lejeune]

Pope John Paul II
The Splendor of Truth
Encyclical Letter, 1993

Section 51. **Only in reference to the human person in his unified totality, that is, as a soul which expresses itself in a body and a body informed by an immortal spirit, can the specifically human meaning of the body be grasped...By rejecting all manipulations which alter human meaning, the Church serves man and shows him the path on which he can find God.**

Section 80. **Reason attests that there are objects of the human act which are by their nature "incapable of being ordered" to God, because they radically contradict the good of the person made in His image. These are the acts which, in the Church's moral tradition, have been termed "intrinsically evil": they are evil *always and per se,* on account of their very object, and quite apart from the ulterior intentions of the one acting and the circumstances. Whatever is hostile to life itself...[and] whatever violates the integrity of the human person, such as mutilation...[is] a negation of the honor due to the Creator.** [Note: Mutilation of the human embryo by dissection, which causes death, is required in order to harvest stem cells.] **So long as they infect human civilization the[se practices] contaminate those who inflict them more than those who suffer the injustice [of the practices]...[I]t is never lawful, even for the gravest reasons, to do evil that good may come of it (cf. Romans 3:8)--to intend directly something which of its very nature contradicts the moral order, and which therefore must be judged unworthy of man, even though the intention if to protect or promote the welfare of society in general.**

(4)

Section 81. **Intentions can never transform an act intrinsically evil by virtue of its object into an act "subjectively" good or defensible as a choice.**

Section 82. **An intention is good when it has as its aim the true good of the person in view of his ultimate end.** [Note: Man's ultimate end is full participation in the life of God.] [End of Pope John Paul II]

Bill, I appeal to you to deny as unethical any granting of federal funds for research which requires the killing of human embryos, who in fairness must be considered "non-consenting human subjects." Many prominent scientists attest to the fact that there are alternatives to the harvesting of stem cells from embryos as well as that the need for fetal cells as a source of stem cells for medical research has already been eclipsed by the more readily available (to say nothing of the capacity for consent!) adult stem cells. [See attachments.]

Scripture informs us that man's dignity comes from his capacity to honor His Creator by his choices. Implicit in our freedom, great as it is, is the truth that not all choices do honor Him. Some options have only the trappings of good, but in fact are evil and require rejection. *"You may eat freely of every tree in the garden; but of [this] tree you shall not eat."* Genesis 2:16

Bill, I ask you to use your executive authority to inform the National Institutes of Health that your own sensitivities (informed, cautious and resonating with the majority of Americans) must determine the outcome of the matter of the killing of human embryos. God will not fail to supply you with the necessary *fortitude* for this decision, if you ask Him. (See *today's* meditation on that!) Tell them, on this one, you've got to live with yourself.

"Whoever receives one child in My name, receives Me." Matthew 18:5

+ In the love of Christ,

Kate

Apology for length yet I could have said so much more. I have tried to select the best for you to consider and pray about.

Kate Britton

Scientific Experts Agree: Embryonic Stem Cells Are Unnecessary for Medical Progress

Now research suggesting that nerve stem cells "can de-differentiate and reinvent themselves" as blood-producing stem cells "means that the need for fetal cells as a source of stem cells for medical research may soon be eclipsed by the more readily available and less controversial adult stem cells."

- D. Josefson, "Adult stem cells may be redefinable," *British Medical Journal*, 30 Jan. 1999, p. 282

* * *

Commenting on the same findings: "The research shows 'there are alternative strategies' to harvesting stem cells from embryos, said Dr. Ronald McKay, a National Institutes of Health researcher and a pioneer in stem cell studies."

- P. Recer, "Patient's Cells May Grow New Organs," Associated Press, Jan. 21, 1999

* * *

Recent research shows that mesenchymal stem cells in adult bone marrow "can in principle be used to repair bone, cartilage, tendon and many other injured or aged tissues... The cells would be derived in many cases from the patient's own bone marrow and thus present no problem of immune rejection."

- N. Wade, "Discovery Bolsters a Hope for Regeneration," *New York Times*, April 2, 1999, p. A17

* * *

Due to advances in the use of the anti-aging enzyme telomerase, "the ability to rejuvenate specific cells in the body opens up a dazzling array of possibilities. Doctors could grow skin grafts for burn victims using their own skin, insulin-producing cells for diabetics, or muscle tissue for sufferers of muscular dystrophy."

- R. Larson, "Scientists find new life for old cells," *Washington Times*, Dec. 29, 1998, p. A1

* * *

Adult "precursor" or stem cells "may prove much more useful to medical science" than embryonic cells. "Scientists used to think that such potential for cellular regeneration was present only in embryos – that, for example, humans had made their lifetime supply of brain cells by age 17. But that canon is steadily eroding... 'I think we will find these stem cells in any organ that we look,' says Harvard Medical School researcher Evan Y. Snyder."

- L. Johannes, "Adult Stem Cells Have Advantage Battling Disease," *Wall Street Journal*, April 13, 1999, p. B1

* * *

"This suggests that there is a stem cell in the adult bone marrow that is capable of becoming anything if you give it the right signal."

- Bryon Petersen of University of Pittsburgh Medical Center, quoted in P. Recer, "Cell Used to Make New Liver Tissue," Associated Press, May 13, 1999

* * *

Commenting on new ways to "regenerate" and transplant patients' own brain cells to treat Parkinson's and other diseases: "What we have is a protocol in which we don't have to harvest 12 or 15 fetuses, we don't have to give immunosuppressant therapy, and we don't have to worry about viral disease transmission."

- Michel Levesque, director of neurofunctional surgery at Cedars-Sinai Medical Center in Los Angeles, quoted in M. Moran, "For cell transplants, is one brain better than two?", *American Medical News*, May 3, 1999, p. 29

* * *

"For generations, scientific dogma held that the adult brain cannot repair itself, because it lacks stem cells. Wrong. Recently, scientists found that adult brains do indeed harbor stem cells... Since stem cells divide endlessly, a single sample started from a human fetus could provide all that's needed. But the recipient's immune system might attack these as foreign. Perhaps the patient's own body is a better source of stem cells... [Moreover,] brain stem cells may not be a necessary ingredient for custom-making new brain tissue. Scientists believe it may be possible to reprogram more readily available kinds of stem cells, such as the ones that produce skin, so that they will churn out brain cells, instead."

- D. Haney, AP Medical Editor, "Scientists Try to Grow Brain Parts," Associated Press, May 1, 1999

Engineering Researchers Help Biomedical Firm Win Grant for Novel Treatment of Tendon Injuries

April 2, 1997
Contact: Chris Curran
(513) 556-1806 (O)
chris.curran@uc.edu

Cincinnati -- People who suffer serious tendon injuries like President Clinton's might recover more quickly and more completely using a new treatment being tested by researchers in the University of Cincinnati College of Engineering. The treatment was developed by Osiris Therapeutics, Inc. of Baltimore.

The treatment is based on human mesenchymal stem cells, embryonic-like cells responsible for the formation of cartilage, bone, muscle, tendons, ligaments and other connective tissue. Osiris is developing therapies using a patient's own stem cells to regenerate tissue damaged by injuries or disease. Normally, the healing process is very slow and inefficient because there are so few stem cells available.

Preliminary research results using animal models indicate that stem cell implants dramatically reduce the time required for healing following tendon surgery. Randell Young, the manager of preclinical studies for Osiris, said experiments showed "a significant increase in tendon repair strength as early as four weeks after surgery" with continued improvement up to 12 weeks after surgery.

David Butler, a professor of engineering mechanics at the University of Cincinnati, found that stem cells could regenerate about two-thirds of normal tendon strength within four weeks. The re-grown tendon could also absorb nearly the same amount of energy as a normal tendon. More important, the quality of tissue was good. "It was a rapid improvement in both quality and quantity of tissue," said Butler.

The preliminary results were reported at the annual meeting of the Orthopaedic Research Society in San Francisco. The next phase of the research will focus on the patellar tendon and the Achilles tendon, because those two tendons are subjected to the greatest amount of force. And as President Clinton will find, the normal recovery time is typically quite long.

"It's going to be debilitating for him," said Butler. "it will be six weeks to three months of rehab. Jogging? He's done with that for quite some time, at least six months."

There are over half a million injuries in the United States each year to patellar, quadriceps, Achilles and rotator cuff tendons. Those numbers are likely to increase in coming years as the number of older Americans increases. "Age is a factor," said Professor *Ed Grood*, who collaborates with Butler in the *Noyes-Giannestras Biomechanics Laboratory* at UC. "As you get older, your ligaments and tendons get weaker. They're more susceptible to injury."

The National Institutes of Health just awarded Osiris a two-year $750,000 Small Business Innovation Research (SBIR) grant to continue development of the treatment in collaboration with the University of Cincinnati researchers.

Osiris President and CEO James Burns said he's encouraged by the progress made so far on the research and said the large SBIR grant indicates the National Institutes of Health believes stem cell implants are a promising approach. "The ability to restore patient function to normal within one to two months would provide a substantial breakthrough in the treatment of soft tissue injuries," said Burns.

A key to using mesenchymal stem cells is the way they are implanted into the body. Researchers have found that the cells respond not only to chemical signals inside the body, but also to physical stresses. Therefore, Osiris has developed customized implants which maximize the quality and quantity of new tissue produced. Osiris researchers are also exploring the use of mesenchymal stem cells to regenerate bone, cartilage and muscle.

Human studies are awaiting FDA approval.

-30-

chris.curran@uc.edu
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Stem Cells Move Closer To Treating Patients

The stem cell story continues with today's news that some forms of these pluripotent cells are much closer to treating human disease than previously suspected. In a report in the April 2 issue of *Science*, researchers announce they're much farther along in the ability to prod certain stem cells into becoming normal, mature human tissues than most people realize.

(Editor's Note: For an earlier UniSci story on research in this area, see Cultured Stem Cells Open New Era In Biology And Medicine.)

The stem cells used in the current study, unlike the embryonic stem cells (ESs) unveiled last November at Johns Hopkins -- which theoretically can produce any cell type in the body -- are more specialized. They typically develop into a smaller number of specific tissues.

In this case, the researchers have nudged the stem cells in question -- called mesenchymal stem cells (MSCs) -- into forming cartilage, bone and fat cells apparently identical to the usual human versions.

The MSCs are harvested from adult tissues, skirting the ethical issues that the more basic stem cells carry and avoiding the prohibition on the use of federal money for research using human embryonic stem cells.

MSCs are currently being tried experimentally for breast cancer patients whose bone marrow has been damaged by chemotherapy; the scientists have also used human MSCs to repair tendon and bone injury in animals. Possibilities abound, they say, for such applications as restoring heart muscle after heart attacks or repairing cartilage in joints before arthritis really sets in.

The research reported in the *Science* paper took place at Osiris Therapeutics, a Baltimore biotech company. Daniel Marshak, Ph.D., the lead researcher, has appointments in two departments at the Johns Hopkins University School of Medicine.

[Contact: Marjorie Centofanti]

02-Apr-1999

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Cell Used to Make New Liver Tissue

By Paul Recer
AP Science Writer
Thursday, May 13, 1999; 3:06 p.m. EDT

WASHINGTON (AP) – Special bone marrow cells have been shown to convert into basic liver tissue, raising the possibility of one day using a patient's own marrow to repair failing livers, researchers say.

In laboratory rat studies at the University of Pittsburgh Medical Center, researchers found in bone marrow a master, or stem, cell that under special conditions will convert itself into functioning liver tissue cells.

Bryon Petersen, lead author of the study to be published Friday in the journal Science, said the work is the first step toward learning how to rescue failing livers using the body's own stem cells.

Petersen said that in new experiments he already has shown that injecting the special marrow cells into rats causes the animals to form new liver tissue.

Although the work only has been demonstrated in laboratory animals, Petersen said other studies strongly suggest humans also have bone marrow cells that will convert into liver cells.

``What we have learned from the rat, we should be able to extrapolate to the humans," said Petersen. But he cautioned that perfecting the technique for humans may take a decade.

Dr. John M. Vierling, liver specialist at Cedars-Sinai Medical Center in Los Angeles and chairman of the board of the American Liver Foundation, said the research raises ``very exciting" possibilities for reviving dying livers.

Vierling said that other researchers have been trying with little success to find in the liver stem cells that could make new tissue. If the cells can be isolated from the bone marrow and cultured, he said, it raises the possibility of finding a virtually unlimited supply of key liver cells.

``The ability to take something from scratch, so to speak, and grow it up in the quantity that you need would be extraordinary," Vierling said.

Dr. Mark F. Pittenger, a researcher at Osiris Therapeutics in Baltimore who recently found in bone marrow the stem cells for bone, cartilage and fat, called Petersen's ``a significant step forward."

``It bodes well for our learning how to regenerate organs," said Pittenger. ``Liver disease is a very serious problem."

The American Liver Foundation says about 26,000 Americans die annually from liver disease. About 5 million in the U.S. are infected with hepatitis B or C, virus diseases that are a major cause of liver failure.

Petersen said that his research investigated how some people with liver failures are able to grow new liver tissue. Some patients with failing livers recover after the organ spontaneously grows new cells, he said.

The liver often can generate new hepatocytes, or a type of healthy liver cells, after an injury or disease. But Petersen said that some patients who do not make new hepatocytes still end up growing new liver tissue and recovering.

Just how this happens, said Petersen, long has been a mystery. Researchers suspected some special cells in the bone marrow somehow were prompted to start making new cells for the distressed organ.

Peterson said research using the lab rats proves the bone marrow is the source of these new liver cells.

In the study, Petersen and his colleagues destroyed the bone marrow of female rats and replaced it with marrow from male rats. This meant that the female rats had bone marrow that carried the male Y chromosome, which could be used to identify cells.

The scientists treated the female rats with a chemical that prevented their livers from regenerating and then damaged the livers, mimicking an injury.

Two weeks later, the livers were removed and the researchers found they contained new liver cells that carried the Y chromosome marker. This meant that cells from the bone marrow had gone to the failing livers and started the regeneration process.

``This suggests that there is a stem cell in the adult bone marrow that is capable of becoming anything if you give it the right signal," said Petersen. ``I have been able to show that there is a cell in the bone marrow for the liver."

He said there is preliminary work in his lab that shows the bone

marrow also has a stem cell that converts into pancreatic cells.

Petersen said that once researchers learn to isolate stem cells from the bone marrow, switch them into liver cells, and then grow them into large quantities, it may be possible to rescue failing livers with simple injections.

Vierling cautioned, however, that the technique would not totally replace the need for liver transplants.

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washingtonpost yellowpages

6-14-99

John Podesta

We should do
more than veto
the gun bill—
otherwise Democrats
be beat—

BS

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Podesta

6-14-99

Foreign connections confuse steel fight

U.S. firms point finger at partners

By James Cox
USA TODAY

EAST CHICAGO, Ind. — The dormant No. 3 blast furnace at Inland Steel hulks over two union halls here, a rusting reminder of the tumult that nearly destroyed the steel industry in the 1980s.

Today, the U.S. steel business is under siege again. This time, labor and management have put aside a century of mutual mistrust to strike out at a common foe: the foreign steel that has flooded the U.S. market since mid-1997. "Stand Up for Steel!" is the cry of the industry's $4 million lobbying campaign against imports.

But standing up for American steel has never been so confusing, especially in northwest Indiana's 1st Congressional District, where sprawling mills rim the tip of Lake Michigan. The district's 30,000 steelworkers punch the clock at mills now controlled by Japanese, Dutch and Greek parents or partnered with British, South Korean and German interests.

Since the last crisis, foreign producers have invested heavily in the U.S. steel industry, bringing new technology to outdated mills, forming joint ventures with U.S. steel companies and buying U.S. producers outright. The result is that the U.S. steel industry is blaming its current woes on the same companies that helped save it.

Typical of U.S. producers, Chicago-based Inland has kicked in close to $600,000 to fund the Stand Up for Steel campaign. Inland also has joined dozens of U.S. steelmakers in formal complaints to the federal government, accusing foreign firms of dumping — illegally selling steel in the USA for less than it costs to make.

Who owns Inland? The USA's sixth-largest steelmaker is part of Ispat International, a Netherlands-registered, London-based steel giant controlled by an Indian billionaire. The lineup of foreign firms accused of dumping includes Inland's sister units in Canada, Trinidad and Germany. Another alleged dumper is Nippon Steel of Japan, Inland's partner in two steel-finishing plants in New Carlisle, Ind.

Inland says its Canadian sister was removed from the list of dumping offenders; its two German siblings make a specialty product U.S. companies don't produce; and its Trinidad affiliate has been cleared in past dumping cases and will be again.

Parent company Ispat "has worked diligently" to avoid violating U.S. trade laws, says Inland CEO Robert Darnall. He says there is no conflict between practices at other Ispat units and Inland's "full support" for the Stand Up drive. As for Nippon Steel, Inland's Japanese partner, the two companies have "agreed to disagree" on the dumping matter, Darnall says.

Another steelmaker, National Steel of Mishawaka, Ind., also has separated the issues of dumping and ownership.

National filed a complaint against foreign producers of hot-rolled steel, used to make pipes, tubes and other products. The company's parent, NKK of Japan, is accused of dumping in the hot-rolled case.

National touts its role in the anti-import Stand Up effort on its Web site. Its annual report notes that National's 9,200 workers have rallied against surging imports.

"It really puts us in a pickle, the fact that we're owned by the Japanese," says Bob Humbers, president of United Steelworkers of America Local 6103 at National's Portage, Ind., plant. "The members talk about it. I tell them, 'Their money is green. They're not paying you in yen.' "

COVER STORY

Five of National's nine directors are from NKK, including National CEO Yutaka Tanaka. But Humbers says the union has not appealed to Tanaka to ask NKK to halt the alleged dumping. "I think he should, but I'm not on his level," Humbers says. Tanaka did not respond to repeated interview requests.

LTV Steel of Cleveland also is a dumping petitioner. "Illegally traded foreign steel" has caused "disappointment and frustration" at LTV, the company's 1998 annual report says.

The report does not note that LTV's joint venture partners — British Steel, Sumitomo Metal Industries of Japan and Krupp of Germany — are named in dumping complaints.

Industry giant U.S. Steel is another producer that wants the government to slam foreign steelmakers with punitive duties. But it has entanglements, too. Japan's Kobe Steel and South Korea's POSCO, both joint venture partners of U.S. Steel, face dumping charges.

"It's hypocrisy, pure and simple," says Dave Phelps, head of the American Institute for International Steel, a lobbying group for buyers and sellers of imported steel.

No foreign ties

It's no coincidence that Bethlehem Steel, one of the few big producers without a foreign tie-up, is the point man in the Stand Up campaign.

The interlocking relationships in steel are "old news," Bethlehem CEO Hank Barnette says. "Ownership of a company may be an interesting fact, but it does not change (the U.S. firms') absolute right to the remedies our legal system provides."

Foreign producers have kept a low profile. But William Barringer, a lawyer for several foreign steelmakers, made clear how they felt during a U.S. government hearing in May.

Without foreign investment, Barringer said, some of the biggest names in the U.S. steel industry would have vanished. "They are here today because of Japanese and Brazilian investments and technology."

Rep. Pete Visclosky, the Democratic congressman for northwest Indiana, is chief sponsor of a bill to cap steel imports. Foreign investment in his district has left him with mixed emotions, he says. "It's not prejudice against another country" but rather the feeling that "we've lost an edge" in an industry once led by the USA.

International alliances are so common in the steel industry that they have all but blurred the issue of national identity. About 42% of steel shipments in the USA come from U.S. mills owned or partly controlled by foreign companies, industry analyst Chuck Bradford says.

Among producers griping about foreign steel are Gallatin Steel of Ghent, Ky., which is half Canadian owned; Canadian-owned IPSCO of Montpelier, Iowa; and British-owned Tuscaloosa Steel of Tuscaloosa, Ala.

Another company straddling the controversy is Japan's Kawasaki Steel. Kawasaki, accused of dumping, owns half of Fontana, Calif.-based California Steel, a dumping plaintiff.

Import surge

The industry's dumping complaints are the result of a two-year import surge set off by the global economic crisis that started in Asia and spread to Russia and Latin America. Battling plunging currencies and falling sales in their home markets, steelmakers in South Korea, Russia, Brazil and other countries increased shipments to the USA. The glut of cheap imports dramatically undercut prices in the U.S. market.

The Stand Up steelmakers want the U.S. International Trade Commission to hit foreign steel with heavy duties that would raise prices in the USA.

Critics say the contention by the Stand Up campaign that imports have cost U.S. steelmakers more than 10,000 jobs is grossly overstated. The main threat to big U.S. steelmakers, they say, comes not from foreign steel but from smaller, nonunion producers using electric arc furnaces rather than traditional blast furnaces.

Big steel "is in a slow death spiral," says Robert Crandall, a Brookings Institution scholar. "We're protecting a hopeless industry. Tell the steelworkers there's going to be no growth and no sudden decline in employment. But if they think their kids are going to work in the mills, they're nuts."

As it is, U.S. producers export little, because they don't have enough capacity to meet steel demand in the USA. Domestic mills, in fact, buy about 25% of the foreign steel shipped to the USA, processing it into finished steel and specialty products.

"The industry is very international, but the domestic companies have never gotten past the protectionist policies of the '70s and '80s," Phelps says. "Crying to Washington is what they do best."

Globalization has transformed other manufacturing industries, but few others have managed to put such a firewall between their interests and those of their parents and partners.

Should domestic steel producers be complaining about injuries caused by their foreign parents and partners? "Interesting question, but we don't see it that way," says Mark Tomasch, spokesman for LTV. "We make no apology for asking that our laws be fairly enforced."

In Indiana, the USA's No. 1 steel-producing state, the call to defend U.S. steel jobs resonates powerfully. But the intertwining of foreign and domestic companies gives some in steel country pause for thought.

"On the one hand, we're saying, 'Stand up for steel.' But on the other hand, we're wondering what our Japanese partners think about it," says Humbers, whose local represents 1,150 workers at National Steel. "It's confusing."

USA TODAY · MONDAY, JUNE 7, 1999

Workers, makers fight steel woes differently

By James Cox
USA TODAY

GARY, Ind. — Sleek white casino boats bob in the cold waters of Lake Michigan near the smokestacks and coke plants of the USA's largest steel mills.

Ashore, steelworkers and producers fighting the tide of cheap imports have placed decidedly different bets on the best way to get the job done.

The workers have thrown their lot in with Rep. Pete Visclosky, D-Ind., who wants to cap imports at pre-1997 levels. His quota bill, with 204 co-sponsors, won approval in the House in March. Similar legislation is expected to face a Senate vote this month. The White House has promised a veto, saying both bills violate World Trade Organization rules.

Steelmakers have taken a different tack, initiating a series of costly dumping complaints. "We don't believe in quotas," says Inland Steel CEO Robert Darnall.

The dumping cases, filed by product category, must wend their way through the Commerce Department and the U.S. International Trade Commission, a quasijudicial agency that determines the impact of imports on U.S. industries.

If the agency rules that a foreign producer engaged in dumping, it can jack up tariffs on imports. That makes foreign steel more expensive and lifts prices on domestic steel. But dumping calculations are complex and can take months — or be short-circuited, as happened when the White House negotiated a "suspension agreement" with Russia.

The split in approach highlights a lingering divide between labor and management, ostensibly partners in the "Stand Up for Steel!" public awareness and lobbying campaign.

At Local 1010 of the United Steelworkers of America, members are uncomfortable standing shoulder-to-shoulder with their bosses and managers.

For one thing, they are unsure of the loyalties of U.S. producers that have foreign owners and partners. For another, they aren't sure how workers benefit from victories in the dumping cases. Lastly, much of the industry is in contract talks, making this a tense time.

Local 1010 represents Inland workers. It has seen membership shrivel from 18,000 in the early 1980s to 6,200 today. "There are some conflicting statements by the companies," says the local's president, Tom Hargrove. "But we know where we stand."

Lotteries accused of targeting poor

Two-year study cites 'misleading' ads

By Greg Farrell
USA TODAY

NEW YORK — State lotteries are going to need more than a dollar and a dream to advertise themselves if a federal gambling panel gets its way.

In a draft of its two-year probe into the effects of gambling on society, the National Gambling Impact Study Commission takes a dim view of state lottery advertising practices. It accuses lotteries of running "misleading" ads that prey on "vulnerable populations, specifically youth and the poor."

George Andersen, director of the Minnesota state lottery and president of the North American State & Provincial Lottery Association, says the panel ignored or discounted data from his group that contradicted its findings.

"No survey shows that we prey on the poor. We couldn't afford to target different groups. It's politically ignorant and fiscally irresponsible."

The panel's recommendations, due to be delivered to Congress on June 18, include:

▶ A ban on "aggressive advertising strategies, especially those that target people in impoverished neighborhoods, or youth anywhere."

▶ Application of truth-in-advertising rules to state lotteries and Native American gambling. Currently, state lotteries are exempt from FTC advertising guidelines.

▶ Adoption of enforceable advertising guidelines and the creation of private-citizen oversight boards.

While ad industry groups have no problem with the application of FTC regulations to lottery ads, they are concerned about any move to ban "aggressive" ads.

"What in the world is aggressive advertising?" asks Jeff Perlman of the American Advertising Federations. "Any advertising that is honest and nondeceptive for a legal product is constitutionally protected. That's a little too paternalistic."

Lottery marketers say charges they prey on the poor are false. "I don't know of a single lottery that targets advertising in poor areas," says Penelope Kyle, director of Virginia's lottery.

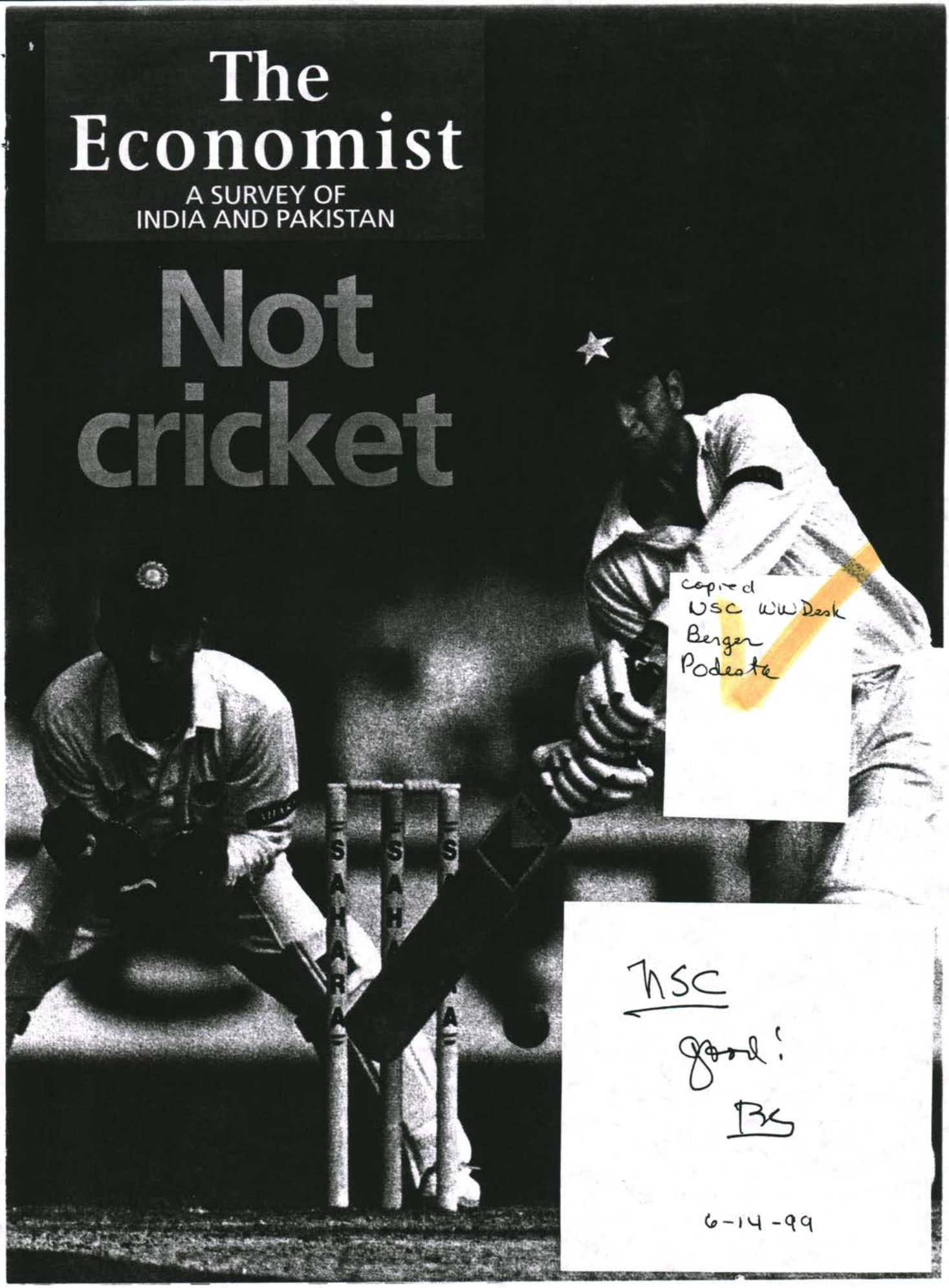
"There's no way we are focusing on disadvantaged areas," says Larry Varnes of Grey Advertising, which handles the New York and California games as well as Caesar's World casino. "But if you start to assume that the populace doesn't have the intelligence to make decisions, this country is in a lot of trouble."

USA TODAY · MONDAY, JUNE 7, 1999

The Economist

A SURVEY OF
INDIA AND PAKISTAN

Not cricket



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good!

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INDIA AND PAKISTAN



Vajpayee and Sharif shake hands on hope

Not cricket

After decades of strife, India and Pakistan are trying to normalise their relations. But, says Brooke Unger, plenty of obstacles remain in the way of peace

IF YOU go to the main border crossing between eastern and western (Indian and Pakistani) Punjab at sundown any day of the week, you can watch a curious ritual. Wearing an expression of patriotic hauteur, a red-crowned border guard from each side marches towards the other with perfect synchrony, lowers his national flag and furls it, hoping to outdo the other in speed and precision. This prickly display, reminiscent of a stand-off between peacocks, is a symbol of kinship between the two countries that used to be one. But it is also a reminder that their bloody partition, their three wars and their continuing quarrel over Kashmir remain unforgotten. Their common border is meant to be contemplated rather than crossed.

Until recently, at least. On February 20th India's then prime minister (and now caretaker pending elections due in the autumn), Atal Behari Vajpayee, crossed the Punjabi customs post in a gold-coloured bus to meet his Pakistani opposite number, Nawaz Sharif. That bus journey launched a regular service between Delhi, India's capital, and Lahore, the capital of Pakistani Punjab, aimed at encouraging ordinary traffic in people, goods and ideas between estranged neighbours that now brandish nuclear weapons. Whatever their differences, Mr Vajpayee and Mr Sharif promised, they would be settled peacefully.

That promise seemed to pull India and Pakistan out of a subcontinental tail-spin. Their tit-for-tat nuclear tests in May 1998 had brought them opprobrium and economic sanctions, but they had also made the world sit up and notice them. Although South Asia's seven countries have a population larger than China's, and the biggest concentration of English-speakers outside the United States, their low levels of income and literacy had made them easy to ignore. When people still talked about the Asian century, they rarely thought of South Asia—and when they did, few were optimistic about it.

South Asia seems one of the likelier places on earth for some sort of Armageddon—if not caused by a nuclear explosion, then perhaps by some population or environmental bomb. Lesser cataclysms happen all the time. Violence, or the threat of it, is part of the ambient noise. Ghazi Salahuddin, a Pakistani journalist, calls India and Pakistan "two jinxed countries".

Mr Vajpayee's bus trip lightened the mood. It made nuclear war seem less likely and offered hope that India and Pakistan would end a rivalry that has distorted the development of both countries. Mr Vajpayee and Mr Sharif seemed to be saying not just "Let's be friends" but also "Let's be normal."

This survey is about the prospects for normality in South Asia's two most populous countries. Normality, of course, is a loaded word. As Samuel Huntington famously argued, what is normal in the West may not be normal in other civilisations. And civilisation is a word that means a lot in India and Pakistan. India's multi-layered culture has a literary and religious history stretching back to the Rig Veda, written about 3,000 years ago; Pakistan has that, plus a national commitment to Islam. These traditions blended and clashed and bumped into others, producing achievements and sensibilities shared with no other part of the world. The last thing India and Pakistan want is the sort of normality that would wash their civilisations away.

What they do need, this survey will argue, is a





normality of norms. These norms are few, basic and ought to be universal, but India and Pakistan have trampled on them too often, compromising the lives and welfare of their people. They include abjuring violence, starting from the assumption that people are equal, and distinguishing public duty from private preference. Both countries are beset by violence, inequality and corruption.

Such sweeping assertions require immediate qualification. Anything you say about two countries with a total of 1.1 billion people, especially two as diverse as these, will be wrong much of the time for many of the people. It is natural to allow headlines to sum up a place, but in India and Pakistan it is more often than usually wrong.

All their fault

To what extent should India and Pakistan blame their woes on each other? They achieved independence and separation in searing circumstances. India's founding fathers, Mohandas Gandhi and Jawaharlal Nehru, were Hindus but wanted India to be a tolerant country embracing all its many religions and peoples. Muhammad Ali Jinnah, Pakistan's founder, did not trust them. India's Muslims, he thought, could achieve equal rights and dignity only in their own homeland. The departing British carved India into Muslim- and Hindu-majority states, bisecting Punjab and Bengal and creating a Pakistan of nearly equal parts a thousand miles apart. It was a bloody business. Muslims in Pakistan turned on Hindus and Sikhs; Hindus and Sikhs in India slaughtered their Muslim neighbours; and victims on both sides retaliated. In all, perhaps a million people died and 17m fled to whichever state offered them the security of majority status.

South Asians have tried to forget this unforgettable event, says Ashis Nandy, an Indian scholar who is rescuing its memory by recording the testimony of witnesses. "There is a tremendous silence, and yet it informs public life at every stage." This is true in some obvious ways. Pakistan devotes a crushing share of its resources to defence, mainly against the threat from India. Pakistan has been on a war footing all its life, and has been ruled by military governments for nearly half of its 52 years. India's obsession with Pakistan is less intense, and its effect on the country's evolution has been subtler. Ayesha Jalal, an historian, argues controversially that the Indian National Congress, which ejected the British from India and ruled the country for most of its first 50 years of independence, could have stopped Jinnah from breaking away by decentralising (perhaps more than any victorious party would have done). Instead, it took over the state apparatus of the Raj. These insufficiently accountable institutions are responsible for much of what is wrong with India and Pakistan today.

That each country exists is a reproach to the other. Pakistan was founded on the "two-nation theory", which holds that Hindus and Muslims are defined most potently by their religion, making it impossible for them to live together. That idea justifies Pakistan's claim on Kashmir, India's only state with a Muslim majority, and suggests that India's 120m or so Muslims—almost as many as in Pakistan—are living in the wrong country. Indians on the right of the political spectrum cannot forgive Pakistan for rupturing their country; those on the left cannot accept the two-nation logic on which Pakistan was founded. In 1971 India helped Bangladesh break away from western Pakistan. To India, the secession by Bengali-speaking Muslims showed that language and culture are thicker than religion. To Pakistan, it was proof of India's malign intent.

In Pakistan, the suspicion lingers that India will try again. The smaller country's internal divisions seem an invitation to mischief. Three of its provinces are restive about the dominance of the fourth, Punjab. Fanatics among the Sunni majority are killing members of the Shiite minority, who have their own murderous fanatics. Some people worry that fundamentalists returning from Pakistan-backed *jihads* in Afghanistan and Kashmir will try to purify Pakistan with their Kalashnikovs.

India, meanwhile, sometimes wonders whether it really is one nation. Many of its 25 states are big enough and different enough from each other to be large countries in their own right. Bids by various regions for more autonomy were accommodated (most of the time), bought off or suppressed by the Indian government with varying degrees of finesse. Clashes of caste, class and creed periodically undermine order, if not India's territorial integrity. India is pocked with small wars, from the tribal insurgencies of the north-east to the caste wars of Bihar, where upper-caste private armies slaughter *dalits* (formerly known as untouchables), and Naxalite (Maoist) militias murder landlords in return.

Only Kashmir, though, could drag India into a

The story so far

August 1947: India and Pakistan are partitioned and gain independence from Britain. About a million people die in sectarian violence.

October 1947: An invasion of Kashmir by Pakistani tribesmen triggers the first war between India and Pakistan. The Hindu maharaja of the Muslim-majority state agrees to accession to India.

April 1948: A UN Security Council resolution calls for the withdrawal of Pakistani forces from Kashmir and the holding of a plebiscite, with a choice between accession to India or Pakistan.

October 1962: China invades India and defeats its army.

October 1964: China conducts its first nuclear test.

September 1965: Pakistan's invasion of Kashmir provokes an Indian counter-attack against Pakistani Punjab.

December 1971: The third Indo-Pakistani war results in the secession of East from West Pakistan, creating the new state of Bangladesh.

July 1972: In the Shimla agreement, India and Pakistan promise to maintain the status quo until they settle their differences peacefully.

May 1974: India tests its first nuclear bomb.

July 1989: Insurgency against Indian rule breaks out in Kashmir.

May 1998: India tests five nuclear devices; Pakistan answers by testing six. International sanctions are imposed on both nations.

February 1999: In the Lahore declaration, India and Pakistan agree to discuss Kashmir and take steps to avoid the risk of nuclear war.

Neighbours 1

1997	India	Pakistan
Population, m	966.2	130.6*
GDP per person, $	390	490
Average GDP growth, 1980-97, %	5.8	5.7
External debt, % of GDP	27.3	52.5
Foreign (excl. gold) reserves*, $m	27,341	1,028
Economic-freedom index†	3.7	3.4
Televisions per 1,000 people	69	65

*1998 †Lower scores means freer economies; scale ranges from 1 to 5
Sources: UN; Heritage Foundation; IMF; World Bank

wider war. Disgruntled Kashmiris have a powerful patron in Pakistan; a 50-year-old UN Security Council resolution accords them the right to choose between India and Pakistan by referendum. Given the chance, they would leave India, demolishing the one-nation theory on their way out.

Mirror, mirror

Secular, democratic India v sectarian, coup-prone Pakistan: no question, surely, which would win a political beauty contest? Set India's $30 billion of foreign-exchange reserves against Pakistan's near-bankruptcy, India's world-class software engineers against Pakistan's outdated cotton mills, and awarding the economic prize looks just as easy. Yet the comparison is not as lopsided as it seems at first. Travellers to Pakistan are often surprised to find its people looking more prosperous than Indians. Pakistan's income per head is indeed higher than India's, even leaving aside the giant black-market economy. Pakistan also appears to be a more equal society, even though most members of parliament still belong to the landed elite. India may boast that democracy has churned the social make-up of its political class, yet the caste system, despite half a century of deliberate erosion, still blights Indian society. In Pakistan, you would not see a scene witnessed by your correspondent on a railway platform in Mysore: a small, dark-skinned man being shooed off a bench by a corpulent, lighter-hued woman as though he were a stray dog. As for Pakistan's fabled lawlessness, Delhi's murder rate last year was roughly the same as Karachi's.

Scholars such as Ayesha Jalal argue that Indian democracy is more formal than real, and there is not much to choose between India's and Pakistan's civil institutions. This is overstated: India has checks and balances and a democratic tradition the absence of which is leading Pakistan astray in increasingly sinister ways. Pakistan's bureaucracy, police and public services are so infested with corruption and political favouritism, and so starved of resources, that few Pakistanis expect anything from government except employment, made gainful by bribe-taking. India's courts are more independent and its press less subject to harassment, but corruption is equally pervasive. What Ronald Reagan, in his presidential days, was fond of calling "waste, fraud and abuse" hobbles the state at all levels in both India and Pakistan. Less of it would mean a healthier and better educated population, a more robust infrastructure, more competitive enterprises.

There could be less of it if India and Pakistan make genuine peace. The sense of siege each instils in the other has the usual effect of threats on nations: making people think that citizens ought to serve the state, rather than the other way around. The governing classes have exploited this sentiment. Again, a qualification is in order. The two countries' mutual obsession with each other recedes in proportion to the distance from Delhi and Lahore. In Tamil Nadu it is not the contest between the Ramayana and the Koran that rankles, but the victory of the northern god Rama over the Dravidian anti-hero Ravana. Kashmir stings less in North West Frontier Province than it does in Punjab.

If these two Asian laggards inspire both pity and fear, both also have reservoirs of resilience and sanity that make hope a third option. India has a few leaders who seem to understand that the state should serve its electors rather than its elect. In Pakistan, there are remarkable examples of the private sector taking over the duties of a corroded state and performing them well. Mr Vajpayee's visit in Lahore to the tower marking the spot where Jinnah called for the creation of a Muslim state was a hint that the old arguments over one nation or two nations may be coming to an end. But hope depends on whether Pakistan and India, perhaps without Mr Vajpayee at the helm, are prepared to let the logic of Lahore overrule a half-century of national instinct.



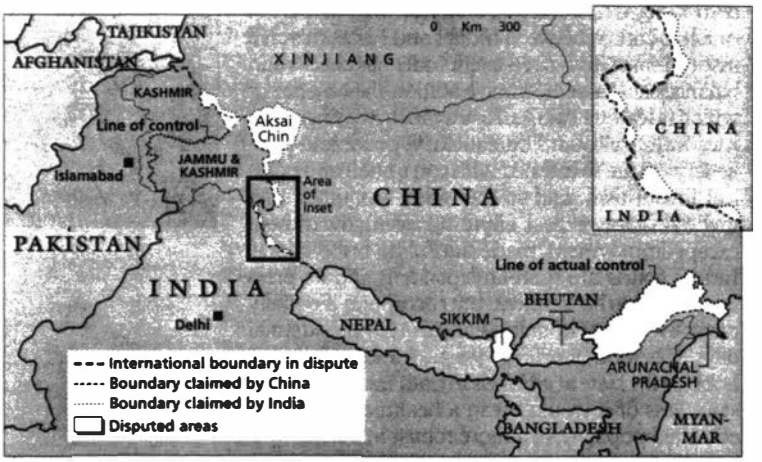
The most dangerous place on earth?

It depends on how India handles the nuclear issue

"THE arms race between India and Pakistan poses perhaps the most probable prospect for future use of weapons of mass destruction, including nuclear weapons," said the director of America's Central Intelligence Agency. That was in 1993, more than five years before the two countries came out of the nuclear closet one year ago.

And now? The chief spy's gloomy assessment is no doubt still accurate. It is harder to say whether last May's nuclear tests warrant deeper gloom. The tests set in train two contradictory processes. They forced India and Pakistan to own up to their nuclear capabilities, to think hard about nuclear deployment and to talk to each other about ways to reduce the risk of war. That is encouraging. On the other hand, nuclear deterrents are designed not for hopes of peace but for threats of war, however remote. They have a momentum of their own. In a crisis, the risk that nuclear weapons will be used depends as much on the minutiae of methods of deployment, intelligence capabilities and command-and-control systems as on the wisdom of political leaders.

The initiative lies with India. It has more money, more fissile material for making bombs, and more nuclear know-how than Pakistan. Unlike Pakistan, India aspires to be a great power, which means that it may not want its nuclear deterrent to be seen as second-rate in Washington. Most important, the remote threat for which India will design its nuclear arsenal comes not from Pakistan but



from China, which has a bigger and more sophisticated nuclear capability than either subcontinental country can aspire to.

China did almost as much damage to India's self-esteem as India has done to Pakistan's with its invasion in 1962, marching deep into Indian territory and humiliating India's army. Although China pulled back, it still occupies 38,000 square kilometres which India considers its own. China's claim does not end there: its maps show all of Arunachal Pradesh as Chinese, and tiny Sikkim as independent of India. Most irksome has been China's alliance with Pakistan, which gave Pakistan a nuclear capability and China a way of dividing India's energies.

More recently, relations have improved. The two countries signed a Peace and Tranquillity Agreement in 1993, and another pact to lessen the risk of clashes along the disputed border in 1996. China has also started leaning less obviously towards Pakistan. With the end of the cold war China, like the United States, began to correct its bias against India. It now hints that Pakistan should accept the UN line of control in Kashmir as the border, the solution most Indians but few Pakistanis would accept. China cannot afford to spoil relations with "our second-biggest neighbour", says Cheng Ruisheng, once China's ambassador to India and now deputy director of its Centre for International Studies. He calls China's policy in South Asia one of "non-involvement".

But there are limits. China needs Islamic friends, first of all to curb a separatist movement in Xinjiang, a province with a Muslim majority which some analysts consider more dangerous to China than Tibet. Islamic friends are also handy for making America rethink projects like the proposed "theatre missile defence" for Taiwan and Japan. There is a hawkish school in India that scents malicious intent behind China's professions of goodwill. Brahma Chellaney, convenor of the government's national security advisory group, castigates China for refusing to provide maps that indicate the "line of actual control" along the border. Indians think that China is the brains behind Pakistan's instant ripostes to Indian nuclear and missile tests. And last May's nuclear blasts were a setback from which Sino-Indian relations are only now recovering.



India's quarrels with China have nothing like the explosive power of the dispute over Kashmir. India now has military parity along the border with China, which makes war even less likely. Yet it is for war with China that India's nuclear planners must prepare. Their tricky task is to arm India against its bigger neighbour without provoking an arms race with the smaller one.

How many nukes keep you safe?

India has not said much about what its nuclear arsenal will look like. There are doubts about whether India has the capacity to put a nuclear warhead on a missile that would carry it to China. Some scientists think last May's tests did not yield enough information to be sure, a suspicion flatly denied by Indian officials. If true, however, it would mean that India would need further nuclear tests to develop a nuclear deterrent that would threaten China. Since it has already declared a moratorium on further testing, that would be politically costly, even if the election delays the signing of the Comprehensive Test Ban Treaty.

The two pillars of its strategy are a "minimum credible deterrent" and a doctrine of "no first use" of nuclear weapons. It is developing missiles that can take a nuclear warhead far enough to threaten Chinese population centres. Brajesh Mishra, India's national security adviser, says India will not seek nuclear parity with China, which has a medium-sized arsenal. Yet, for its deterrent to be credible, it needs nuclear weapons in sufficient numbers, and sufficiently dispersed across the country, to enable them to survive a first strike and cause "unacceptable damage" to the aggressor. Mr Mishra says that India knows, but is not saying, how many it needs and how they will be deployed.

Everyone else has to guess, and the guesses are all over the place. V.R. Raghavan, a former director-general of military operations now working at the Delhi Policy Group, a think-tank, reckons that since the attacker will know where the missiles are, India will need a lot of them to ensure that enough survive. And to make the threat credible, the warheads would have to be ready for immediate launch.

This is the sort of deterrent that the United States, for one, devoutly hopes India will not build. It requires infallible command-and-control systems to ensure the weapons are not launched accidentally or in panic. Non-Indian strategists are, perhaps unfairly, sceptical about India's capacity to control nuclear weapons on a hair trigger. "If you say they have to be ready to go and have to be dispersed, you have to trust more and more people," notes Gregory Jones, an analyst at the RAND Institute in California. "The Indian prime minister [Indira Gandhi] was assassinated by her own hand-picked guards."

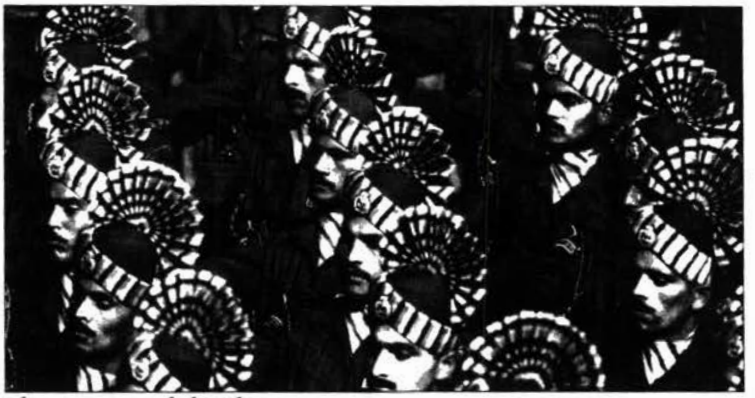
Not everyone thinks India needs such an elaborate armoury. C. Raja Mohan, a well-informed correspondent for the *Hindu*, a daily newspaper,

Fighting fit 2

1998	India	Pakistan	China
Total active armed forces, m	1.18	0.59	2.82
Air force	140,000	45,000	470,000
Defence budget, $bn	9.9	3.2	11.0
Nuclear capacity			
Number of tests	6	6	45
Estimated warheads total	50-60	12-18	400

Sources: IISS; Reuters; Natural Resources Defence Council

thinks India can get away with relatively few warheads stored well away from any border, which would be coupled to missiles only after a nuclear attack. India would need more time to counter-attack, but the nukes would be less likely to go off without deliberation. That is the sort of "non-deployed weaponised deterrent" Pakistan has in mind. But its policy depends on what India does. Whatever that may be, "Pakistan will have to come up with a matching response," says Rifaat Hussain, a professor at Quaid-i-Azam University in Islamabad. A top Indian official says that "depending on talks with Pakistan, there is flexibility" on how India deploys its nukes.



The power and the glory

Let's talk

Such talks will be one of several simultaneous conversations between India and Pakistan, all with the object of reducing the risk of war. Most components of this "composite and integrated dialogue" have nothing directly to do with nuclear weapons. They are about things like fostering trade, settling border and water disputes, and ending a tiny but ridiculously costly war atop a Himalayan glacier. Progress depends largely on how Kashmir is handled. India wants normal relations with Pakistan as quickly as possible; Pakistan thinks being too matey will mean surrendering to the status quo. Fortunately both sides have agreed to keep nuclear issues apart from their argument over Kashmir. When India and Pakistan tested missiles in April, they notified each other in advance, as promised at Lahore.

Barring proper peace, India and Pakistan should be able to continue what Ashley Tellis, another boffin, has described as "ugly stability". He has argued that neither country has a big enough conventional edge over the other to win a reasonably short war. There is, therefore, little temptation for Pakistan to make a grab for Kashmir or for India to invade Pakistan. The fear of nuclear attack makes adventurism even less appealing. To believe in the impossibility of war, however, is to be willing to court the risk.



Some academics think that Pakistan has the confidence to back the insurgency in Kashmir only because since the mid-1980s it has had the capacity to build a nuclear weapon. India retaliates only within Kashmir or by firing across the line of control, but it is easy to imagine that a future harder-line government might have other ideas. Pakistan might misinterpret a punitive strike as an attempt to dismember it, and might respond by exploding a small nuclear weapon over an Indian tank battalion rather than a city. Would India then consider itself released from its no-first-use pledge? Faulty intelligence, mixed signals between governments or within them, or a breakdown in command and control could raise the risk of resorting to nuclear weapons with each step up the ladder.

Because nuclear weapons make such miscalculations so costly, they make them less likely. But the risk will remain as long as India and Pakistan are at loggerheads over Kashmir. The issue most likely to provoke war is the one on which least progress was made at Lahore.

The Valley of the shadow

Why Kashmir remains at daggers drawn

A STRETCH of the main road from Srinagar, Jammu & Kashmir's summer capital, to Anantnag is lined with workshops that fashion the local willow into cricket bats. There is something cheering about these little enterprises making a living from South Asia's favourite pastime in the region's most contested territory.

The cheer quickly dissipates. Gulam Qadir (not his real name) says he shifted his stock from road level to the first floor of his shop because counter-insurgents, former anti-Indian militants who have changed sides, have been harassing him. Sometimes they just demand free bats; when angry, they "take up these sticks and beat us," Mr Qadir claims, gesturing towards the stacks of unfinished planks. He wants what almost everyone in the Kashmir Valley seems to want, *azadi*—independence. But like most businessmen, Mr Qadir has a pragmatic streak. "Before *azadi*, we want a relaxed atmosphere," he says, "which is not happening."

Mr Qadir and his fellow Kashmiris are caught up in one of the world's most intractable disputes. There is a legal side to it, there is a fiendishly complex issue of self-determination, there is a regional tussle that involves China as well as India and Pakistan, and then there are the realities on the ground, kept rigid by the power of the gun. These forces pull in different directions. But India is happier with the status quo than are the other main players, Pakistan and the Kashmiri people, and it is with India that a solution must start.

The Kashmir problem is part of the aftermath of partition. The Hindu maharaja of Kashmir wanted independence, but hurriedly acceded to India in 1948 after Pakistani tribesmen invaded his realm. The principle that Kashmiris be allowed to determine their own future was established at the beginning. India's first prime minister, Jawaharlal Nehru, struck a deal with the maharaja, but thought that his (mostly Muslim) subjects should be the the true masters of Kashmir. A 1948 UN Security Council resolution, designed to end the first hostilities be-



tween India and Pakistan, calls for the withdrawal of Pakistani forces, followed by a plebiscite allowing Kashmiris to choose between joining India or Pakistan. It never happened. The state remains divided into zones of Indian, Pakistani and—because the Pakistanis let them have it and China occupied a chunk on its own—Chinese control. Pakistan regards union with the rest of Kashmir as "the unfinished business of partition". India, for its part, deems the state an integral part of its territory. China says it will talk about its slice once the other two have reached a deal.

Missed opportunities

India might have won a plebiscite had it not governed Kashmir so badly. Nehru had an ally in Kashmir's most popular leader, Sheikh Muhammad Abdullah, who thought of himself as a Kashmiri first and a Muslim second, and preferred Indian secularism to Pakistani sectarianism. It was a rocky relationship. Abdullah flirted with independence, and the central government never reconciled itself to the autonomy it had granted Kashmir. India's best friend in the state was imprisoned twice for a total of 18 years between 1953 and 1975. He won Kashmir's first genuinely free election in 1977. Yet in 1984 his son, Farooq, was dismissed as chief minister by Nehru's daughter, Indira Gandhi. There followed a period of obtuse and thuggish rule by the central government, a flawed election in 1987 that gave a more obedient Farooq another spell in power, and the outbreak of violence two years later.

It has been an ugly war that does none of the parties involved much credit. The 400,000 or so troops that India keeps in Kashmir have often shown the same brutality as their foes. So far, about 24,000 people have died in the decade-long insurgency, say the police. The militants say 60,000. Either way, more have been killed than in all three Indo-Pakistani wars put together.

Pakistan insists on sorting out the mess by holding the plebiscite as envisaged in the UN resolutions. That would bring more self-determination than at present, but not much. Jammu & Kashmir's population of 9m-10m is far from being all Muslim (see map). The Kashmir Valley has become almost all Muslim. Jammu has a Hindu majority and Ladakh a Buddhist one. It is a safe bet that in a plebiscite both would vote to remain with India but be dragged into union with Pakistan by the overall Muslim majority. In that event the Kashmir problem might well go on, with oppressor and oppressed swapping identities.

More important, the UN-mandated plebiscite does not offer Kashmiris what most of them really want: *azadi*. A 1995 poll found that 72% of the Valley's inhabitants wanted independence. Being mostly Muslims does not make them Pakistanis. Their separate identity is based on place, kinship and culture as much as on religion.

In India's view, Kashmiris would become loyal citizens again if only Pakistan would stop interfering. It sees the insurgency as a proxy war, which would end as soon as Pakistan stopped giving militants money and weapons and letting them infiltrate Kashmir across the line of control. Most militants, India claims, are foreign zealots imported from other holy wars, such as that in Afghanistan. It regards separatist political groups, two dozen of which are grouped under the All Parties Hurriyet Conference, as stooges of Pakistan.

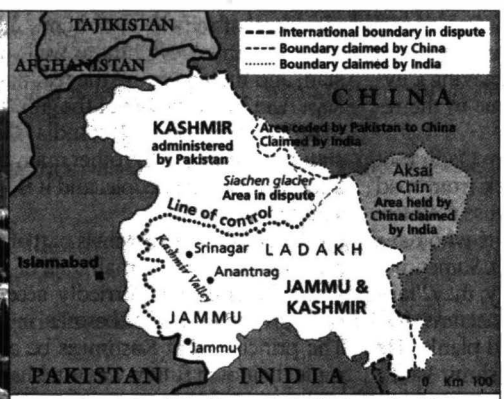
Pending a diplomatic solution, India thinks the war is going well. "We are happy," says C.S Pokharia, deputy inspector-general of the Border Security Force, which keeps order in Kashmir. Fewer militants are infiltrating from Pakistan, and "the killing of militants during encounters is quite favourable."

Mr Pokharia has some grounds for smugness. After a period when militants ruled the roost in big towns like Srinagar and even ran a parallel administration, the government now has the upper hand. Militants have been pushed out of the towns and the bazaars bustle again, though there are still sporadic shoot-outs even in the middle of Srinagar. The security forces are trying harder to target combatants and spare civilians. Elections in 1996, which were boycotted by the separatists, replaced direct rule from Delhi with a government headed by Farooq Abdullah.

Normality is relative. Srinagar still looks like a city dumped inside a maximum-security prison, with guns poking through piles of sandbags on nearly every corner. Tourism, Kashmir's biggest industry, is still way below its pre-insurrection peak. Without the money spent by soldiers and their families, the economy would be flat on its back. And the war is far from over. The militants lie lower but strike harder, sometimes at the security forces, sometimes at innocents who happen to be Hindus. Casualties among security forces last year just fell short of the 1995 record.

The security forces have become choosier, but no less brutal. Ravi Nair, head of the South Asian Human Rights Documentation Centre, says that captured foreign militants are summarily executed in faked "encounters". Detainees are routinely tortured. Kashmir is still subject to laws that permit security forces to shoot suspects and destroy property. And when they abuse their powers, there is no redress. Parveena Ahanger speaks for





	% of Muslims	% of Hindus	% of Others
Kashmir Valley	94.96	4.59	0.45
Jammu	29.60	66.25	4.15
Ladakh	46.04	2.66	51.30*

Source: Census 1981, Govt. of India *Buddhist

the parents of 300 missing children, including her son, who disappeared in 1991 after the National Security Guard arrested him: "Not one person has been found, not one person has been punished."

Why peace is hard to do

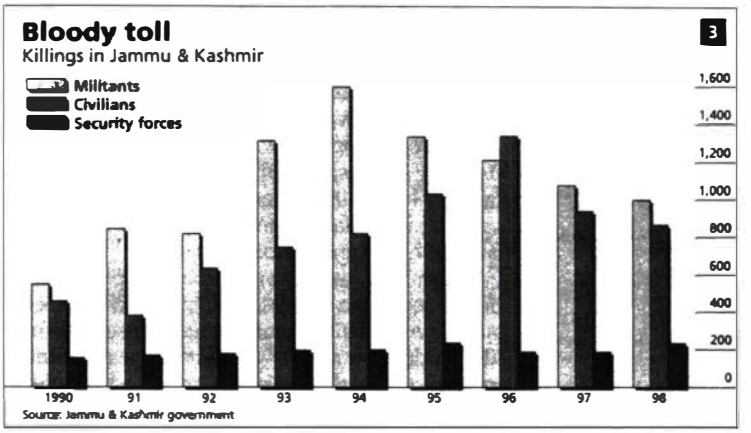
Competing claims of sovereignty and self-determination can never be resolved to everyone's satisfaction. Even modest ambitions, such as a lessening of violence, have been frustrated because every concession has been looked upon as a surrender of principle. It is unlikely that the Indian and Pakistani prime ministers bent their principles in Lahore. Compromises offered by either country always fall short of the other side's minimum demands. Thus India might accept the line of control as the permanent border, and Pakistan is willing to talk about holding a plebiscite in Kashmir by region rather than for the whole state, which would allow the parts populated by Hindus and Buddhists to vote to remain with India. But the crunch issue for both countries remains the disposition of the Muslim-dominated Kashmir Valley.

Mr Sharif is as close to being soft on Kashmir as any Pakistani leader is likely to get. Looking over his shoulder are Islamic fundamentalists, who have already branded his meeting with Mr Vajpayee a betrayal of Kashmir; the armed forces, whose budgets depend on continued tension with India; and Inter-Services Intelligence, the part of the armed forces thought to be arming and training fighters both in Afghanistan and Kashmir.

In India, there are two distinct schools of thought on Kashmir. The weightier one, to which Mr Vajpayee and probably his electoral rival, Sonia Gandhi, belong, argues that there can be no compromise over the sovereignty of Indian-held Kashmir. But there are others who see merit in giving Pakistan some say in the affairs of the Valley—though such creative solutions are unlikely to be tried for years to come.

There need not be a grand settlement for things to improve in Kashmir, but two things will have to happen: Pakistan will have to squeeze the supply of violence and India will have to discourage the demand for it. If violence inside Kashmir goes down, India could reduce its security forces in the interior.

Will Pakistan rein in the rebels? It denies giving them anything other than moral and diplomatic support, and claims to have limited power to curb them. It probably exaggerates its impotence. It has a large army along the line of control, which it uses selectively. The mujahideen of Lashkar-e-Taiba, one of the main guerrilla groups, mill about their office in Lahore impressively armed in full view of the police. Mr Sharif is under intense pressure from the United States—which controls the flow of money to Pakistan's bankrupt economy—to reduce tensions with India. But he is also on the hit-list of one of the extremist Islamic groups, and may be reluctant to provoke such groups further. India's behaviour towards its Kashmiri citizens should not depend on the number of terrorists infiltrating across the border. Farooq Abdullah's National Conference government in Kashmir, which had a flimsy mandate to begin with, has lost whatever popularity it had because of its clumsy administration and its failure to fulfill its promise to win back some of Kashmir's autonomy. Moreover, Kashmiris feel they are being ruled not by a popularly elected government but by policemen who behave more like an occupation force. Secessionist leaders, who represent an important slice of public opinion, play hardly any part in politics. The All Parties Hurriyet Conference is not an impressive body. Its two dozen members agree on little except opposition to Indian rule. Its leaders, fearing harassment by Indian forces, have little contact with the people they claim to represent.





Mehbooba Mufti, a member of the state assembly from the Congress party, thinks the government should open an "unconditional dialogue" with militant groups and their political representatives. So far the separatists have held out for tripartite talks with India and Pakistan—"the only kind we will accept," says Yaseen Malik, leader of the pro-independence Jammu & Kashmir Liberation Front. But Ms Mufti reckons that even hardened separatists would agree to talk to the government on its own. "Militant boys want a normal life—with honour, not with surrender," says Ms Mufti. She may be wrong. But if India is to prevail over the separatists, it will have to persuade rather than simply punish them.

Sorry states

THE office of Muhammad Adeel, deputy speaker of the assembly of North West Frontier Province, one of Pakistan's four provinces, is laid out like a small amphitheatre. Petitioners occupy the banks of chairs that encircle his desk. One wants admission for his daughter to college. Another wants a permit to mill flour, someone else a visa to India. "It is a tragedy for our country," says Mr Adeel when he manages to escape the throng. To get a telephone, a street light, even a hospital bed, "you have to have a recommendation." And even then, sometimes, enough cash to pay off the appropriate official.

Wherever you find politicians in Pakistan and India, you will find swarms of supplicants. Like the

Both India's and Pakistan's institutions are crying out for reform

queues outside Moscow shops in Soviet days, they attest to a cock-eyed relationship between citizens and the state. The state hoards resources; to get at them, citizens must often prove their merit with loyalty or cash. But the problem is not always that the state is too strong, as it was in communist countries. In many spheres, the Indian and Pakistani states are too weak. This has often caused them to make a mess of jobs that communists did relatively well, such as health and education.

Although Pakistan and India have pursued different economic policies, their social achievements are almost equally dismal. India cut itself off from the world economy for 40 of its 50 years of independence whereas Pakistan remained relatively open. Pakistan had constant balance-of-payments crises, whereas India was a rare suppliant at the IMF. India poured money into heavy industry, developing huge steel and refining industries. Pakistan has little industry worth mentioning. Nonetheless its economy outgrew India's until recently, and its GDP per head is a good 20% higher.



Poorest and most deprived

No matter. Pakistan and India are clustered together at numbers 138 and 139 respectively in the UNDP's 174-country ranking of human development, which takes into account such components of well-being as life expectancy, education and gender equality. Two years ago the Human Development Centre (now the Mahbub ul Haq Centre) in Islamabad described South Asia as the "poorest, the most illiterate, the most malnourished, the least gender-sensitive—indeed, the most deprived region in the world". India and Pakistan account for the bulk of South Asia's population.

One mitigating factor is that deprivation is not evenly spread. Literacy and life expectancy in Kerala in southern India are nearly as high as in developed countries, and its birth rate fell to replacement level ten years ago. Yet in Uttar Pradesh, India's biggest state, the literacy rate for everybody over the age of seven was only 56% in 1997, and in Bihar, the second most populous state, it was below 50%. It is also true that many forms of deprivation have diminished, even in the poorest regions. Illiteracy and infant mortality have fallen slowly but steadily in both India and Pakistan, whereas life expectancy has risen. The share of India's population living in poverty has dropped, from half in 1951 to about a third in 1995. Nonetheless, rapid population growth has meant that the number of people living in misery has risen even as the proportion has been shrinking. Pakistan has a slightly lower poverty rate than India.



In South Asia, income and development do not march in step. Pakistan is richer than India, yet its literacy rate is lower and its women are more deprived. Among India's richest big states, Punjab, Haryana and Maharashtra, only the last has a respectable literacy rate (74%). Conversely, in Kerala, India's star development pupil, income per head is below average.

Not just money alone

The combination of rapid growth and better infrastructure, health and education has eluded both India and Pakistan largely because their institutions are weak, or obstructive, or both. The failings start with their priorities. Both governments spend too little on health and education: 5.1% of GDP in India, 4.5% in Pakistan. The average for developing countries is 5.6%. Both have allowed interest payments to consume an excessive share of public spending. Pakistan compounds the problem by lavishing resources on its military establishment, to the tune of 4.9% of GDP last year compared with India's 2.6%. India splashes out on subsidies which supposedly benefit the poor but end up helping the well-off. In both countries tax revenues are below 15% of GDP and come largely from customs, which discourages imports, or from other indirect taxes. The rich are unsoaked: only about 1% of the population in either country file income-tax returns.

A brief survey of the shelves of any bookshop—one institution that gives good service in both countries—will tell you what Pakistanis and Indians think of the state of their nations. Recent titles include "Pakistan: the Economy of an Elitist State", "Who Owns Pakistan?", "The Corrupt Society" (about India), "Foul Play: Chronicles of Corruption 1947-97" (ditto), and so on. In April a Pakistani court convicted the leader of the main opposition party, Benazir Bhutto, of corruption, at the behest of a government widely regarded as corrupt. In India, the leaders of the biggest political parties in Bihar and Tamil Nadu are both fighting corruption charges. The frequent coupling of crime and politics is evidence of a deeper malaise. "The political class has an extractive relationship with the society in which it lives," says a diplomat in Islamabad. "Everything else flows from it."

It would be too easy to ascribe economic failure to the ruling classes' greed. The correlation between corruption and deprivation is imperfect. One academic argues in a forthcoming book* that in India political greed has helped economic liberalisation. "Governing elites", he writes, "were attracted by the potential of liberalisation to provide new sources of patronage to substitute for some of those forfeited by the shrinkage of the state's regulatory role."

In both India and Pakistan, the decrepitude of the state sector has made room not just for mafias but also for vibrant private initiatives. In Karachi the bus system is run by single-vehicle entrepreneurs, and many of the schools in its poorest neighbourhoods are run by non-government organisations. In India, NGOs run a host of public services, from toilets to farm irrigation.

But where the state is left in charge, all too often its agents demand bribes in exchange for services, fail to deliver services to which taxpayers are entitled, and conspire with the private sector to plunder public resources. At the simplest level, corruption acts like a tax, which often falls on those least able to

*"Democratic Politics and Economic Reform in India", by Rob Jenkins. Cambridge University Press, 1999

afford it. In one famine-plagued district of Orissa, families entitled to 10kg of subsidised grain end up getting 4kg after bureaucrats and middlemen have taken their cut.

Greed combined with lack of accountability undermines essential public services such as education. In a recent survey† of schooling in some of India's poorest and most populous states, researchers making unannounced visits to schools found hardly any teaching going on. They reckoned that, on average, schoolchildren got one minute per day of individual attention from a teacher. In Pakistan, teachers pay a tenth of their salaries to divisional education officers for the right not to teach, says Hamid Maker, director of a charity in Karachi called The Helpline Trust. The same recipe pits the roads, clogs the drains and generally chips away at the quality of life for most Indians and Pakistanis.

Nor is that all it does. In Pakistan, outright corruption has knocked the stuffing out of the economy. The bad loans that have crippled the country's banks are the "accumulation of 15-20 years of patronage," says a banker. Cotton spinning, which still accounts for more than half the country's industry, has been wrecked by subsidies and scams. Until 1993 cotton mills were permitted to buy raw material at 20-40% below world market prices, which meant they could make money with little investment and no management skill, and attract investors. Now that subsidies and easy capital have stopped flowing, mills have closed in droves. Rampant tax evasion has pushed the government close to bankruptcy; theft of electricity has undermined the public-sector utility. Pakistan's latest IMF loan comes with conditions that would put a stop to such pillage, but will they stick longer than those attached to the loan's 16 forerunners?

By comparison, India looks virtuous. Unlike Pakistan, it had little strategic value to the West during the cold war, so it could not count on periodic bail-outs. Yet tax evasion and electricity theft hurt India's public finances almost as much as they do Pakistan's. In many anti-poverty programmes, "the non-poor go to the head of the line, the poor to the back," according to a recent World Bank report.

The state performs its most basic function—the protection of life and property—perhaps least well. Indians regard the police as corrupt, brutal, unprofessional and politicised, says G.P. Joshi of the Commonwealth Human Rights Initiative. Four-fifths of the country's prison inmates are awaiting trial rather than serving sentences, and the conviction rate has dropped steadily in the past 30 years from around 60% to 40%. Well-off criminals are likely to enjoy freedom for years while their cases drag through the courts. Killings of less fortunate suspects in "encounters" are frequent in both India and Pakistan. "Police are paid hardly 2,000 rupees ($38) a month," notes Jameel Yusuf, head of the Citizens-Police Liaison Committee in Karachi. But they do have automatic weapons "and the power to book you, which could lead you to the death cell." That is why they take bribes, says Mr Yusuf, and "why we have torture and extra-judicial killings". So the ante-rooms of bureaucrats and politicians fill up with supplicants who cannot get satisfaction from the state any other way.

† "Public Report on Basic Education in India". Oxford University Press, 1999

Who's the fairest? 4
1997

	India	Pakistan	China	Sri Lanka
Literacy rate, men over 15, %	67	55	91	94
Literacy rate, women over 15, %	39	25	75	88
Life expectancy, 1995-2000, years	62.6	64	69.8	73.1
Number of men per 100 women	106.9	107.2	106.3	98.8
Defence spending, % of GDP	3.3	5.8	5.7	6.1
Corruption index*, 1998	2.9	2.7	3.5	n/a
Income inequality†	5.0	4.7	n/a	4.4

Sources: EIU; ISS; Transparency International; UN; World Bank; Human Development Centre

*Where 10=least corrupt
†Ratio of highest 20% of income to lowest 20%, 1990-96



The politics of corruption

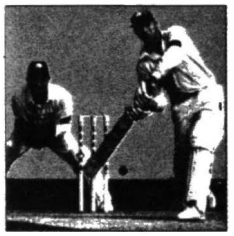
Many of the politicians are as bent as the systems they should be straightening out. According to one study, 40 MPs in India's last parliament but one had criminal records. And the unindicted are not necessarily honest. "The two Marxist parties are the only ones with genuine party elections and practically no corruption," says an Indian top civil servant.

Pakistani politicians are equally self-serving; but despite these similarities, the political configurations in the two countries are strikingly different. India's outgoing parliament, the shortest-lived in its history, was a melange of nearly 40 parties plus independents, with the largest party having just a third of the seats. In Pakistan the ruling party has a comfortable majority on its own. India has several regional barons, any one of whom can make or break a government. Pakistan has just two politicians with national clout, one of whom, Miss Bhutto, has now been barred from political life. Indians are enthusiastic voters, with an average election turnout of around 60%. In Pakistan, at the last election only a third of the electorate went to the polls. India may bemoan the instability created by its riotous, fragmented political system; but it does look healthier than Pakistan's brittle monolith.

A capacity to scare

Is Pakistan living at the edge of disaster?

"WESTERN democracy will never work. We will have the kind of revolution Iran had... It will be a bloody revolution." This is not the fulmination of some religious zealot but a gloomy prediction by a mild-mannered office worker in Karachi. Wherever you go in Pakistan, you will hear that something drastic is about to happen: an Islamic revolution, a military coup, or the break-up of the country. Even in Washington, DC, the cartoonish spectre of mullahs with nukes is taken seriously. That is why, last November, the American government prodded the IMF to lend Pakistan $1.6 billion



for its 17th bail-out. Pakistan used to live off its strategic importance to the West; now it trades on its capacity to scare.

Few parts of the world seem more combustible. The government is broke, the police and courts have been discredited, the three smaller provinces are bridling under the domination of Punjab, Sunni and Shia extremists are murdering each other, and Pakistan is sponsoring holy wars in Afghanistan and Kashmir that some think will turn on Pakistan itself. In Nawaz Sharif, Pakistan has a prime minister who flirts with the excesses of Pakistan's past. Like his political mentor, General Zia ul Haq, who ruled Pakistan from 1977 to 1988, he is pushing Islamisation as the cure to the country's ills. And just as Zia executed Zulfikar Ali Bhutto, a former prime minister, Mr Sharif has arranged to have Bhutto's daughter, Benazir, put out of political action, depriving the country of its main opposition leader.

To a visitor, Pakistan does not look like a country on the verge of explosion. Its cities are cleaner than India's, and its people appear more prosperous. Smuggling, and cash from their compatriots in the Middle East, keeps many Pakistanis fed and clothed. Karachi, the famously violent capital of Sindh, has calmed down since November, when Mr Sharif imposed direct central rule on the province.

Ijaz Gilani of Gallup Pakistan, a polling firm, says Pakistanis are indeed disgruntled, more with lawlessness than with the economy. But, he says, "there is no feeling of despair to the extent you hear it amongst the select elite." Most people still regard elections as the best way to remove a failing government. Voters are looking for leaders who can provide competent administration, employment, decent schooling and reliable courts. "That is not the image religious-party candidates have," says Mr Gilani. In elections, religious parties in total consistently win less than 15% of the vote.

Pakistan is not Afghanistan, where 20 years of war so enfeebled the state that an extremist religious faction such as the Taliban could march into power largely unopposed. But Pakistan's state is far from healthy, and "Talibanisation" is far from being the only threat.

If its borders were inscribed by ethnicity or language rather than religion, Pakistan might be six nations instead of one. Baluch tribesmen are the main inhabitants of Baluchistan; Pathans dominate



Miss Bhutto vanishes



North West Frontier Province (NWFP). Rural Sindh is populated mainly by Sindhis, but the big cities have been settled largely by mohajirs, Urdu-speaking Muslims who migrated from India. Punjab contains two main groups: most people speak Punjabi, some Seraiki.

There has been strife among the smaller nations, but the most serious rift is between Punjab and the three smaller provinces. With 56% of Pakistan's population, Punjab dominates the country in more ways than one. Punjabis control the central bureaucracy and are over-represented in those of other provinces. Most of the provinces' money comes from centrally collected taxes, distributed according to population. That gives Punjab the lion's share, even though Sindh produces two-thirds of the revenue, thanks largely to Karachi's port, banks and multinationals.

Mr Sharif has sharpened the resentment caused by these inequalities. He broke the unwritten rule that a Punjabi prime minister should be partnered by a non-Punjabi president. He enraged Pathans by deciding to build a dam they fear will flood much of NWFP. Erstwhile allies, like NWFP's Awami National Party, have pulled out of Mr Sharif's coalition. Last year, nationalist parties formed the People of the Oppressed Nations Movement.

The oppressed nations do not want to leave Pakistan, but they would like to see a drastic overhaul. Muhammad Adeel, deputy speaker of NWFP's assembly and a member of the Awami National Party, would leave only four powers with the federal government: foreign affairs, defence, international communications and the currency. That might be too much decentralisation for any government.

Mr Sharif has shown his softer side to the religious fundamentalists, of whom there are many different kinds. What they have in common are political agendas that do not square with ordinary notions of democracy. Mr Sharif's strategy of co-opting some Islamists while cracking down on others is a perilous one, especially when dealing with armed groups. There are two sorts of these. The first might be called "jihadist", Pakistan-linked militias that fight alongside the Taliban in Afghanistan, or against India in Kashmir. Pakistan began its patronage of such groups with the enthusiastic backing of the United States in 1979, after the Soviet Union invaded Afghanistan. The second, "sectarian", sort

concentrate on Pakistan itself. They have made the most noise in central Punjab, where terrorist groups presenting themselves as defenders of the Sunni and Shia variants of Islam have committed ghastly atrocities against members of the rival community.

The government is fighting sectarian groups while it succours jihadist ones, but can the two kinds be kept apart? Mujahideen returning from Afghanistan and Kashmir know little beyond an intolerant form of Islam and the use of a gun. "They fall into the hands of people who say, 'Why just kill non-believers in Afghanistan?' " says one official.

So far, radical Islam has failed to attract widespread support, but there are pockets of the country where fundamentalists make the law. Members of Jamiat-ul-Ulema-e-Islam, a party that is part of Baluchistan's government, recently shut down video shops in Quetta, the state's capital. Along the Afghan-Pakistani border in NWFP, controlled by Pathan tribal leaders rather than the government, disputes are settled and crimes punished according to a rough form of justice that combines *sharia* Islamic law and the tribal code. In cases of rape, the tribal code says the death penalty can be imposed on both rapist and victim. "The imam in the villages says the same things as the Taliban," points out Rahimullah Yusufzai, Peshawar bureau chief of the News, an English-language newspaper, and himself a Pathan tribesman. That does not mean that the villagers embrace the Taliban's political creed. But Mr Yusufzai gives warning that: "If alienation with the system of justice continues, that would accelerate the Talibanisation of Pakistan."

Would the army, which has so often decided Pakistan's fate, go the same way? The United States is worried enough about fundamentalism in the army to be considering resumption of a training programme suspended after the nuclear tests. Stephen Cohen, an analyst of the Pakistani army, thinks such fears are overblown. "Most generals and colonels reflect Pakistani society,", he says. "They want to be liked by the West, they want Pakistan to be Islamic and they are afraid of Taliban elements."

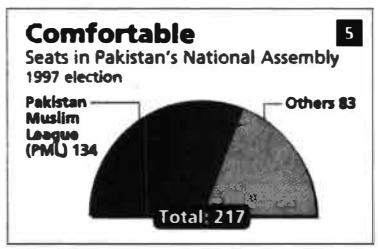
The law is what I say it is

Mr Sharif realises that establishing the rule of law is the reform that would give force and meaning to all others. He seemed well-placed to achieve this, becoming prime minister for the third time in February 1997 with what looked like an overwhelming mandate. His Pakistan Muslim League won two-thirds of the seats in the lower house of parliament (see chart 5), albeit on a low turnout. With his defeated foe, Benazir Bhutto, tainted by charges of corruption, Mr Sharif promised to make *ehtesab*—accountability—the hallmark of his administration.

Instead, he has made himself perhaps the most powerful civilian prime minister in Pakistan's history. Dissent within his party is suppressed. He weakened the presidency with a constitutional amendment, saw to it that a crony got the job, and ousted a recalcitrant chief justice of the Supreme Court. Reversing the traditional balance of power between the military and civilian government, Mr Sharif has seen off an army chief, Jehangir Karamat. Mr Sharif has now pressed the army into mundane service. It runs the main public utility company, and was briefly in charge of summary anti-terrorist courts in Karachi, until the Supreme Court insisted they be turned over to civilians. And recently his government has embarked on a campaign of harassment and intimidation against those members of the press who question his misuse of power.

Taming the army is not a bad idea, nor is clipping the wings of an over-powerful president. But Mr Sharif seems to have no notion what to put in their place. And the Ehtesab Bureau he set up to root out corruption in government is a mere appendage of the prime minister's office. The bureau's energies have been largely consumed by the pursuit of Miss Bhutto and her husband for corruption. Miss Bhutto may have deserved her conviction, and anyway is no paragon of democratic virtue. But she was the only political leader in Pakistan who could have unseated Mr Sharif in an election. While she is sidelined, it is hard to see how normal democratic politics can resume.

Mr Sharif's other big idea is to install *sharia* as the supreme authority in Pakistan, upsetting the balance between fundamental rights and Islamic values. This looks like a clever way to co-opt the fundamentalists, the only group bar the army that might bring his government down, while giving voters the swift, sure judicial procedures they crave. But *sharia* in the form Mr Sharif has proposed would be a disaster. The intended constitutional amendment would give the government the power to "prescribe what is good and to forbid what is wrong", which on some readings would give Mr Sharif absolute power.



It would also further skew a constitution and a legal system that already discriminate against women and minority groups. The constitution deems Pakistan an Islamic republic and endows it with a Council for Islamic Ideology and a *sharia* court to ensure that laws pass religious muster. But the resulting legal practices disadvantage women and non-Muslims. In trials for first-degree murder, for example, a woman's evidence is deemed insufficient as a basis for handing out the maximum sentence. Reserved seats in parliament for Hindus and Christians, a measure meant to protect them, in fact cut off these minorities from the political mainstream.

There is enough life left in Pakistan's institutions to slow Mr Sharif down. The upper house of Parliament has so far refused to pass the *sharia* bill. The Supreme Court struck a blow for judicial independence by disbanding the military courts in Karachi, though the new anti-terrorist courts to take their place will not be much less draconian.

Mr Sharif is probably congratulating himself. In his two years in office Pakistan has dodged bankruptcy with the help of the IMF, proclaimed its military prowess while opening peace talks with its main enemy, shown that ex-prime ministers are not above the law, kept the army out of politics and brought down crime in Karachi. Such achievements, by another leader in another place, would be worth celebrating. But Pakistanis have seen before what happens when their leaders confuse muscular government with good government.



Creative chaos

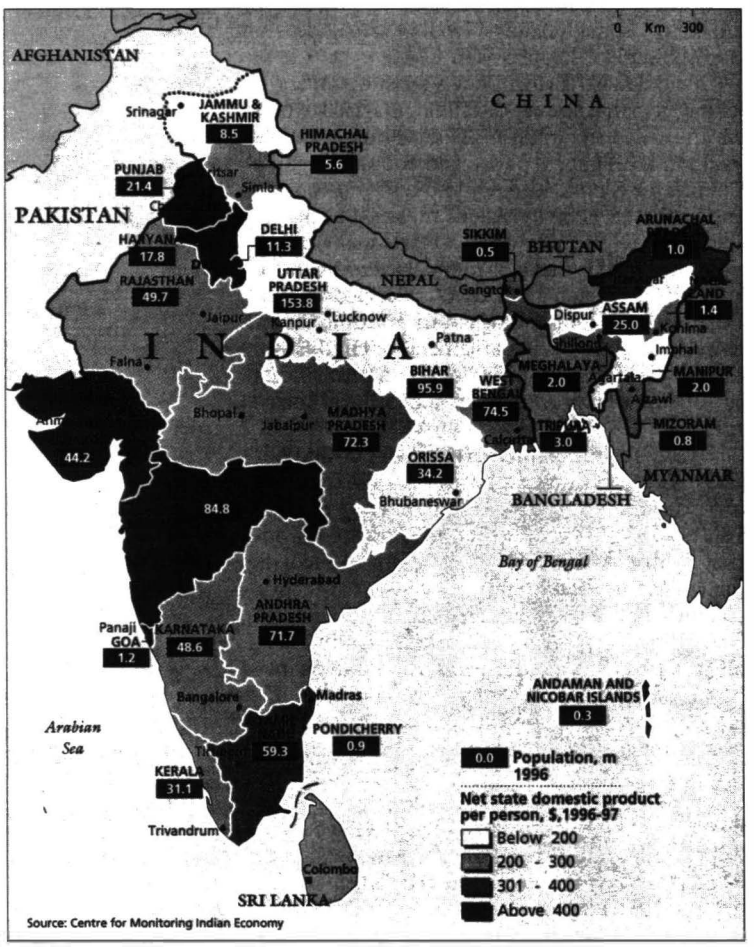
India's democracy is a work in progress

"THE world's largest democracy": India's boast has many subtexts. You are meant to understand that India is not just big (which makes it important) and democratic (which makes it better than, say, China), but also that there is a tension between the two characteristics. India's diversity and size sometimes make it difficult to enact reforms or to be totally fastidious about human rights. The appellation is partly a plea for understanding.

As an accolade, it is largely deserved. India is indeed vibrantly democratic, and democracy is one of the few things that command the universal reverence of a diverse people. Voters eagerly exercise their rights: a study by the Election Commission found that in the past 11 parliaments an MP had on average only a 25% chance of being re-elected to the lower house. According to Yogendra Yadav, a political scientist at the Centre for the Study of Developing Societies in Delhi, India experienced a "second democratic upsurge" in the 1990s, with a sharp increase in voting and other forms of political participation by *dalits* (formerly untouchables) and members of tribes and other economically and socially deprived groups. India may be the only country in the world, says Mr Yadav, where the lower down the social scale people are, the more likely they are to vote.



This makes India the world's largest paradox: a land of appalling poverty and stunning social inequality, despite the assertiveness of the downtrodden. Some 300m people still live below a meanly defined poverty line. According to a recent report by Human Rights Watch, based in New York, violence against India's 160m former untouchables (a status formally abolished by the constitution in 1950) is rising. Indians sometimes wonder whether democracy has denied them the relative well-being and equality that China enjoys. All the same, there are reasons to hope that Indian democracy is beginning to find ways of curing its own defects.



Source: Centre for Monitoring Indian Economy

Few would deny that Indians have a talent for political revolution. They showed it when Nehru and Gandhi demolished the British Raj, and again after independence, when lower-caste leaders demanded access for their constituents to government jobs and education. But they have shown no equivalent flair for social or economic revolution. This is not to deny that for most of them living conditions have improved dramatically since independence, thanks to higher agricultural productivity and better health care. The disappointment is that India has done so much less well than it might have done.

Once elected, politicians join what amounts to a political caste, consumed with intrigues and minutiae of no interest to the voters. Detachment is encouraged by ideologies that at best address only one dimension of a citizen's well-being. Thus the Communists of Kerala are good at promoting literacy but bad at encouraging growth. The Bharatiya Janata Party, ousted from government in April, is good at instilling pride in India's Hindus, but bad at making Muslims and other members of minority groups feel like fully fledged Indians. Caste-based parties do wonders for the self-esteem of lower castes, but little for their living conditions. Laloo Prasad Yadav, the popular former chief minister of Bihar, was once accosted by a constituent who complained about the quality of roads in the state. His retort was, roughly: "You elected me to build roads? I thought it was to give you dignity."As India has become more democratic, it has become more chaotic. The erosion of the Congress party's monopoly of power, which began in 1967, opened the door to a host of regional parties. Most ideological and caste-based parties are also, in effect, regional parties. Indeed, there are only two truly national parties: Congress, which has not won a majority in parliament in 15 years, and the Hindu-nationalist BJP, which has never had one. The chances are that whichever of these comes out on top in the election due in the autumn will still have to scrabble around for coalition partners among the minnows.

The government that collapsed on April 17th, an 18-party fricassee, had been the fifth since 1996. During its 13 months in office barely a day went by when one of its constituent parties did not hold it to ransom. Some people hope for a two-party system, or at least a two-block system, and see signs of it in the decline of a "third force" that had opposed both national parties but has constituents that are now gravitating towards Congress. The clash between Congress's secularism and the BJP's emphasis on the Hindu way of life (*Hindutva*) is titanic enough,

they believe, to become the principle around which politics is organised. But there are complications. Several states have their own two-party systems in which at least one of the main players is not one of the two national parties.

It is easy to overlook what India has gained from democratic profusion. For one thing, small parties have had a tempering effect. The BJP's coalition partners curbed the party's nationalist agenda, insisting that it drop ideas such as the withdrawal of Kashmir's constitutional right to autonomy and the introduction of a uniform civil code, which would have denied Muslims their personal law.

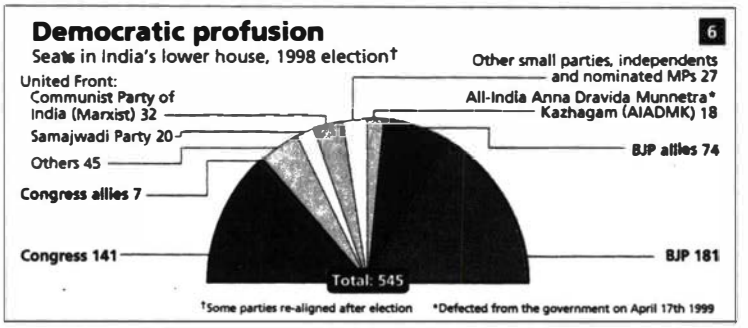
Caste-conscious politics began in southern India, which in the 1950s expanded reservations in government jobs from the lowest ("scheduled") castes to intermediate ("other backward") castes. States such as Karnataka and Kerala now reserve more than half their government jobs for members of lower castes. Reservations have created the core of the lower-caste middle class, opening avenues that would have been closed by religious and social stigma. "Other backward castes" got reservations for central-government jobs only in 1990. If the south's relative prosperity and better governance are linked to the early assertiveness of its lower castes, there may yet be hope for Mr Yadav's constituents in Bihar.

With the rise of regional parties able to dictate terms to the centre, power has shifted from Delhi to the states. Thanks also to liberalisation, they now compete for investment and negotiate directly with lenders such as the World Bank. India is not a federation, but unlike Pakistan it has used federalism in the past to contain regional yearnings. Yet federalism can go too far. A battle is looming in 2001 when the allocation of seats by state in the lower house of parliament, which has been frozen for more than 20 years, is due to be revised to reflect shifts in population. States that have done a good job controlling their population, such as Tamil Nadu and Punjab, are already arguing that they should not be penalised for their good performance. If their argument succeeds, it could lead to one of India's worst constitutional crises since language riots forced the redrawing of state boundaries 43 years ago. India might gradually begin to resemble a confederation, something very different from the dreams of its founding fathers.

Try the parish pump

After a half century of democracy, the gears of politics may at last be meshing with the concerns of ordinary people. There is something of a fad among states for *panchayati raj*, rule by elected village bodies. Amendments to the constitution in 1992 required states to hold their first *panchayat* elections, but gave states considerable discretion over how much power to devolve to *panchayats* and the other two tiers of local government. Plenty of states, jealous of their powers, have starved the *panchayats* of money and power. But a few have been willing to give them a try.

West Bengal, for example, is using *panchayati raj* to reform an education system that had been compromised by the ruling Communist Party's penchant for appointing party hacks as teachers and leaving them in the jobs for life. The state is establishing new types of primary schools supervised by management committees on which parents hold three-quarters of the seats. Teachers are now appointed on renewable one-year contracts. The West Bengal government also turned the management of tube wells for irrigation over to their users.



Panchayati raj speeds up social change as well, since under the constitution elected bodies must reserve a third of their seats for women and a portion for scheduled castes. Even where states are reluctant to cede much power to the *panchayats*, the reservations bring new blood into politics. Kripa Ananthpur, an academic who has produced a series of radio programmes to popularise *panchayati raj* in Karnataka, tells of several *devadasis*—women bound to a form of religious prostitution—who became members of their village assemblies and "felt recognised as human for the first time".

Chandrababu Naidu, the visionary chief minister of Andhra Pradesh, is trying to make government more transparent and responsive by making it electronic. He has automated the recording and issue of property titles, cutting down waiting times from days to minutes and eliminating middlemen who funnelled bribes from citizens to bureaucrats. With the help of McKinsey, a consultancy, Mr Naidu has produced a report called Vision 2020 that offers an inspiring picture of what Andhra Pradesh might be like in two decades: a state free from poverty and illiteracy, a government made responsive and efficient by high technology, a business environment that beguiles investors.

Digvijay Singh, his counterpart in Madhya Pradesh, is more interested in grass roots than fibre optics. He is devolving power to villages and has set up an innovative education guarantee scheme, which promises a school within three months to every community with 40 potential students that demands one. During the first 18 months of the scheme, nearly 20,000 new schools were created. Mr Singh's re-election last November shows other politicians that devolving power may be a good way to retain it.

These experiments are still too new to judge. Mr Naidu in particular has his critics. His high-tech passions, they say, leave the countryside cold, and he may not win re-election later this year. Yet Mr Naidu is making a point which India desperately needs to take note of: that there is no conflict between efficiency and social justice, and that enterprise need not be the enemy of equality. The sort of revolution Mr Naidu is aiming for in Andhra Pradesh—a managerial, not an ideological one—is exactly what India needs.



Unfinished business

Plenty at home and abroad, for both countries

Thanks are due to a number of people to whom this survey owes an intellectual debt: Sumit Ganguly of Hunter College, Arif Hasan of the Urban Resource Centre in Karachi, Tanvir Ahmad Khan of Pakistan's Institute of Strategic Studies, Sunil Khilnani of Birkbeck College, University of London, Najam Sethi of The Friday Times, and Ashutosh Varshney of Columbia University.

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THERE is an unfinished quality to the work begun at partition and independence. India's constitution is full of clues to irresolution. It proposes a uniform civil code for all citizens, yet Muslims and Christians are governed by their own personal law; it sets a deadline for ending caste reservations in parliaments, but the date keeps shifting; it says English will wither away as an official language, but its use persists. Pakistan sees itself as an Islamic republic but is not sure how much authority religion should carry, and whether it should subsume ethnic and regional identities. With no colonist around, Pakistan and India have accused each other of thwarting national oneness.

The political drama in both countries turns largely on ideologies that would banish ambiguity: Nawaz Sharif's attempt to fix Pakistan's character through *sharia*, and the BJP's championship of *Hindutva*, which suggests that the Hindu way of life is India's defining characteristic. To their promoters, these ideas continue the process of self-determination that began when India and Pakistan chucked out the British in 1947. Those sovereignty-boosting bombs added an extra flourish.

But to many Indians and Pakistanis, other issues of self-determination matter far more. The insurgents of Assam and Nagaland in India's northeast shout that message with their rifles, but you can hear it, too, in the grumbling of Sindhis and Baluchis in Pakistan or in the self-assertion of India's *dalits*. Jean Drèze and Amartya Sen, in a book about Indian development, call poverty "ultimately a matter of 'capability deprivation' ", a variation on the problem of self- determination.

It is sometimes argued that the fate of the 1.1 billion people of India and Pakistan hinges on whether the 10m of them who happen to live in Kashmir get self-determination. This survey has argued that, rather, it is the failure of both countries' institutions to protect the vulnerable, to represent the aggrieved, to give opportunity to the ambitious that denies self-determination to so many. Even more than relatively homogeneous countries, polities as diverse as India and Pakistan need a liberal institutional framework to protect rights and promote choice.

Normality in civil and political life could bring a missing element of ordinariness to the two countries' relations in other spheres as well. Since 1985, the seven nations of South Asia have been part of the South Asian Association of Regional Co-operation (SAARC), a relative newcomer among regional groupings which has proved a slow starter. Despite a preferential trade arrangement for the region, trade among the seven accounts for less than 4% of their total trade. Evaluating the record of SAARC in July last year, a group of experts noted tartly that the grouping's food-security reserve had not been used to alleviate shortages, and that conventions on terrorism and drug trafficking "have had no impact".

Turning propinquity into partnership is never as easy as it should be. For SAARC, it has been made more difficult by the frostiness between India and Pakistan. Pakistan, in violation of World Trade Organisation rules, has failed to extend most-favoured-nation trading status to India, though it is said to be reconsidering. As a result, India's official trade with Pakistan is a fifth of its trade with Bangladesh, a considerably smaller economy. In frustration, India has struck bargains outside the SAARC framework: a free-trade agreement with Sri Lanka has been signed and one with Bangladesh is in the works.

If only

The opportunity for Pakistan to trade more with India is certainly there. For example, politics permitting, Pakistan could generate or transport much of India's energy. One big project, a proposed pipeline bringing natural gas from Turkmenistan to India, through Afghanistan and Pakistan, has been put on hold because of Afghanistan's war. But another, a $2 billion plan to bring gas from Iran to India across Pakistan, looks likely to go ahead. Visionaries talk of a South Asian Economic Union.

If South Asia is indeed headed for integration along European Union lines, it would be unwise to force the pace. Pakistan suspects that India would use commerce as a way to undermine its fidelity to Kashmir. Behind that lies the fear that India wants to absorb Pakistan into an India-dominated South Asian union.

Mr Vajpayee tried to reassure Pakistan symbolically at the Minar-e-Pakistan in Lahore, the spot where Jinnah proclaimed an independent Pakistan; but a senior party official still talks of "confederation" with Pakistan. Yet Pakistanis are not Indians who happen to go to mosques on Fridays. They look as much towards Central Asia and the Middle East as to South Asia, all the more so since Bangladesh broke away. They have no interest in "confederation". At best, some day the two countries may achieve the same degree of concord as two other nuclear powers once ruled by a single sovereign that have fought wars in the past but now regard each other with amused disdain: France and Britain.



The signatures that started it

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Podesta

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Gene

What about this?
What was the reason your
were working to run on
the ticket of Reform
Party instead?

BG

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A Millennial Gift to Developing Nations

By Jeffrey Sachs

CAMBRIDGE, Mass.

About 700 million people — the very poorest — are held in debt bondage by the rich countries. The so-called Highly Indebted Poor Countries are a group of 42 financially bankrupt and largely destitute economies. They owe more than $100 billion in unpayable debt to the World Bank, the International Monetary Fund, regional development banks and donor governments, often reflecting the failures of past development loans.

Many of those loans were made to tyrannical regimes to suit cold war aims. Many simply reflect misguided ideas of the past. The moral and practical case for freeing these countries from their debt bondage is overwhelming.

Jubilee 2000, an organization supported by people as diverse as Pope John Paul II, Jesse Jackson and Bono, the rock star, has called for outright elimination of the debt burden of many of the world's poorest countries. This idea is often scoffed at as unrealistic, but it is the "realists" who fail to understand the economic opportunities facing the world today.

The financial bankruptcy of the poorest countries has been evident for at least 15 years, but the I.M.F., the World Bank and the rich countries have delayed real solutions to this chronic problem. The World Bank and I.M.F. take great pride in claiming that their loans never go bad. So instead of recognizing reality, they lend the poorest countries new money to repay the old debts, claiming that the loans are still sound.

Economics ministers from poor nations spend all of their time negotiating to stay one small step ahead of outright default, without the time or financial stability to address long-term problems. The only winners are the staffs of the I.M.F. and World Bank, which have invented a perpetual motion machine for endless missions to these hapless countries.

In 1996, the creditors inched toward slightly bolder measures. The I.M.F. and World Bank announced a relief program with great fanfare, but without including any true dialogue with the affected countries.

Three years later, these plans have failed. Just two countries (Bolivia and Uganda) were given about $200 million, while 40 others continue to wait in line. In this same period, the stock market wealth of the rich countries has grown by more than $5 trillion, more than 50 times the debt owed by the 42 poor countries.

So it's a cruel joke for the world's wealthy governments to protest that they can't afford to cancel the debts. The poorest nations owe about $106 billion in total to the I.M.F., World Bank, international commercial banks and rich-country governments. The I.M.F. is sitting on $22 billion of unrealized capital gains on its gold reserves, since it values its gold at $47 per ounce rather than the true market value of $262 per ounce.

By selling just a third of its gold reserves, it could achieve the $7.8 billion needed to write off the debts to the International Monetary Fund in their entirety, without even touching the remaining balance sheet. In addition, the I.M.F. balance sheet already abounds with special reserve accounts intended to absorb loan losses in an orderly way.

Similarly, the World Bank could readily absorb a full writedown of its claims out of its own resources. It would have to use special reserve funds already set aside for loan losses, dip slightly into its capital base and slim down its future lending to the poor countries. But with debt relief, the poor nations would no longer need this financing at the same level.

The commercial banks in total have claims of about $19 billion, a tiny fraction of their lending to developing countries. Most of this is already written off in their balance sheets, so a full writeoff would be easily absorbed.

The United States, for its part, isn't so foolish as to count its roughly $6 billion of claims on the poor nations at face value. These loans are already carried on the books at about 10 percent of their face value, or around $600 million. Thus, to cancel entirely the American claims on the poorest countries would require a budget outlay of just $600 million.

Their debt is unpayable, and forgiving it won't cost much.

The situation is analogous for other creditor governments.

Rough guidelines might hold that 80 percent or so of the debts would be canceled outright. The remaining 20 percent would be repaid in local currency, for uses in new social programs aimed at overcoming the multiple crises of health, nutrition, water and sanitation that threaten the very survival of these societies.

The problems of H.I.V. and AIDS, malaria, malnutrition and water control all cross national boundaries, especially in Africa. Therefore, we should insist that Africa's regional groupings, like the Southern African Development Community, help set the terms. By forcing cooperation among the poor countries, the donors would be emulating the strategy of the United States in designing the Marshall Plan, which achieved success in part by fostering extensive economic cooperation among European countries.

Important leaders throughout Africa, tested at the ballot box, are in place to lead this effort, including President Obasanjo of Nigeria, Thabo Mbeki of South Africa, Navin Ramgoolam of Mauritius and Yoweri Museveni of Uganda. In the case of the poor countries, today's visionaries may prove to be the realists. □

Jeffrey D. Sachs is the director of the Center for International Development at Harvard University and serves as an economic adviser to Jubilee 2000 and to many developing countries.

The New York Times
FRIDAY, JUNE 11, 1999

THE PRESIDENT HAS SEEN
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Sarah Brady

Gun Registration: It's Common Sense

'We don't need to ban guns in this country to reduce gun violence.'

In an interview on "Good Morning, America" last week, the president said that we should consider registering guns just as we register cars. He's right, of course. In the same way that we require the registration of cars, we should require that the sale or transfer of firearms—at least handguns—be reported to law enforcement authorities.

Registration is a vital law enforcement tool. It's a crime-solver. By permitting guns to be readily traced back to their last lawful owner, police can more readily identify who pulled the trigger and, if the shooter is a prohibited purchaser, who illegally sold or transferred the gun to the shooter. When police are unable to trace a gun, a criminal and his accomplice can, quite literally, get away with murder. And that's what happens all too often.

It took law enforcement officials two weeks to determine who sold the TEC-9 assault pistol to the two shooters in Littleton, Colo. And if the seller hadn't identified himself, the police might never have made the link. The police in Littleton were not searching for the killers; the two killed themselves. But in many criminal investigations, the shooters and their accomplices are not identified and, thanks in part to weak gun laws, they may never be caught.

The gun lobby will insist that the president has made a critical miscalculation. No sitting president since Lyndon B. Johnson has dared suggest that firearms should be registered. The NRA would like everyone to believe that gun registration, in whatever form, is the third rail of American politics.

Some third rail. A public opinion survey conducted last year by the National Opinion Research Center found that 85 percent of Americans, including 75 percent of gun owners, support mandatory registration of handguns.

It all comes down to common sense. Almost everywhere else in the world, sales or transfers of firearms must be recorded. Some countries, such as Japan and Great Britain, have banned handguns altogether.

Meanwhile, in this country, it took a massacre the size of Littleton for congressional leaders to acknowledge that background checks should be conducted at gun shows. And it was regarded as a giant step forward when the Senate a few weeks ago voted to prohibit the sale of AK-47s and Uzis to children. Requiring gun manufacturers to provide a simple safety lock with every handgun they sell was, by American standards, a major accomplishment.

So as the House of Representatives prepares to consider the Senate-passed gun legislation, congressional leaders are urging caution. Some on both sides are suggesting that going beyond the Senate-passed bill may be going too far. Establishing a minimum 72-hour waiting period on handgun purchases so that law enforcement can do a more thorough background check? Not likely. Limiting handgun purchases to one handgun per month so that professional gun traffickers cannot go around buying 50 or 100 guns a month? Forget it, too controversial.

And while the House might consider prohibiting the sale of handguns at gun shows to those between the ages of 18 and 21, it might stop short of prohibiting 18-year-olds from actually possessing handguns. It doesn't seem to matter that 18- and 19-year-olds lead the nation in homicides. These youth shouldn't be limited, so the argument goes, to possessing rifles and shotguns. They need handguns.

Is it any wonder that the president seemed upset the other day when he was questioned about his commitment to tougher gun laws? This president has done far more than any other to advance our thinking about guns, and yet Congress is still playing political games. When the Senate took up the issue of guns a few weeks ago, the first amendment that passed was one that would have gutted our gun laws, stopping Brady background checks on criminals reclaiming guns at pawn shops and permitting federally licensed gun dealers to sell at gun shows in all 50 states. Now some in the House want to limit the time that can be taken for background checks at gun shows—even if the records are showing a problem, such as a felony arrest, that needs more investigation. Allowing felons to get guns in the interest of promoting quick gun sales makes no sense.

When is this insanity going to end? Anyone who bemoans the "inconvenience" that these new gun-show restrictions might impose on gun-show promoters should be required to talk to as many victims of gun violence as I have. Let them start with some of the 13 mothers who every day lose a child to gun violence. And then let them talk to some of the many children who have lost classmates.

The simple truth is that we don't need to ban guns in this country to reduce gun violence. All we need are common-sense gun laws. Since the Brady Law was passed in 1993, gun crimes have dropped sharply. But we still have so far to go. Common sense, when it comes to guns, remains in short supply. At least in Congress.

The writer is the chair of Handgun Control and the Center to Prevent Handgun Violence.

The Washington Post

FRIDAY, JUNE 11, 1999

6-14-99

Bruce

Do we need a response to this?

TB

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Podesta

6-14-99

Loitering Law Aimed at Gangs Is Struck Down by High Court

Justices See Excessive Leeway for Chicago Police

A1

By LINDA GREENHOUSE

WASHINGTON, June 10 — Chicago's anti-loitering law, which other cities looked to as a model for reclaiming the streets in gang-infested neighborhoods, was declared unconstitutional by the Supreme Court today on the ground that it gave the police too much discretion to single out innocent people. The vote was 6 to 3.

The Chicago police arrested more than 42,000 people under the law during the three years it was in effect, from 1992 to 1995, when it was struck down by a state appellate court. The law made it a crime to "remain in any one place with no apparent purpose" in the presence of a suspected gang member when ordered by a police officer to move on.

In his opinion for the Court today, Justice John Paul Stevens focused on the absence of adequate guidance to police officers. Under the law, he said, "it matters not whether the reason that a gang member and his father, for example, might loiter near Wrigley Field is to rob an unsuspecting fan or just to get a glimpse of Sammy Sosa leaving the ball park."

In either case, he said, as long as their purpose was "not apparent" in a police officer's "inherently subjective" judgment, the pair were subject to arrest for refusing the officer's order to disperse. And by the same token, Justice Stevens said, "the entire ordinance fails to give the ordinary citizen adequate notice of what is forbidden and what is permitted."

The opinion suggested that Chicago could repair the law's unconstitutional vagueness by defining the prohibited behavior more precisely or by limiting the law's scope.

Justice Sandra Day O'Connor, in a concurring opinion that Justice Stephen G. Breyer also signed, made this point more explicitly, asserting that "there remain open to Chicago reasonable alternatives to combat the very real threat posed by gang intimidation and violence." Among the two Justices' suggestions were requiring that loiterers have some "harmful purpose" before they can be arrested, or making a target only of gang members themselves rather than people who are simply standing nearby.

The law was challenged by the American Civil Liberties Union's Chicago office on behalf of 66 defendants, 34 of whom were not alleged to be gang members themselves when they were arrested and prosecuted. After the Illinois Supreme Court declared the law unconstitutional, in a 1997 ruling that affirmed an earlier decision by the Illinois Appellate Court, the city brought the case to the United States Supreme Court. Thirty-one states, along with the Clinton Administration, filed briefs supporting Chicago's appeal, Chicago v. Morales, No. 97-1121.

In Chicago, Mayor Richard M. Daley said this morning that the city would try to draft a new ordinance to overcome the Court's objections. But Harvey Grossman, an A.C.L.U. lawyer who argued the case for the defendants, said in an interview that he doubted whether a law aimed at sweeping gang members off the streets could be both effective and constitutional. Mr. Grossman said that while a law that prohibited loitering when coupled with specific conduct, like loitering to commit prostitution or to sell drugs, would be unobjectionable, such a law would require the very proof of individualized wrongdoing that the Chicago law sought to avoid.

The Chicago City Council adopted the law in 1992 after witnesses testified at public hearings that street gangs, using loitering as a strategy to claim territory, were taking over neighborhoods and terrifying the residents. Violation of the ordinance was a misdemeanor carrying a fine of up to $500 or imprisonment of up to six months.

However measured the Court's approach today, it provoked a stinging dissent from Justice Antonin Scalia, who attacked the majority's analytic method as well as its conclusion. Sarcastically accusing the majority of endorsing a "Fundamental Freedom to Loiter," he said it should not be the Court's concern whether the law covered "too much harmless conduct by innocent citizens," because "in our democratic system, how much harmless conduct to proscribe is not a judgment to be made by the courts."

Speaking from the bench today, at times reading from a written summary of his dissent and at times extemporizing, Justice Scalia said emphatically that if he lived in a gang-infested area, "I would trade my right to loiter in the vicinity of a gang member in return for the liberation of my neighborhood in an instant."

Justice Clarence Thomas dissented as well, in an opinion that Chief Justice William H. Rehnquist and Justice Scalia also signed. Justice Thomas and Chief Justice Rehnquist did not, however, add their names to Justice Scalia's opinion. Whether his tone was too strong for them or whether they simply had different points to make was not clear.

Justice Thomas's dissenting opinion emphasized the historical pedigree for the "well-established principle that the police have the duty and the power to maintain the public peace and, when necessary, to disperse groups of individuals who threaten it."

His opinion also included some pointed language. "By invalidating Chicago's ordinance, I fear that the Court has unnecessarily sentenced law-abiding citizens to lives of terror and misery," Justice Thomas said, adding that the Court had the luxury of focusing on the " 'right' of gang members and their companions" because "the people who will have to live with the consequences of today's opinion do not live in our neighborhoods."

Chicago defended its law on both pragmatic and analytic grounds, offering statistics to show that while the gang-related homicide rate fell by 26 percent in 1995, the last year the law was in effect, the rate climbed by 11 percent during the year following the law's invalidation. But Justice Stevens, noting that the homicide rate then went back down the next year, by 19 percent, said it was difficult to evaluate these statistics "or to reach any firm conclusion about the ordinance's efficacy."

On analytic grounds, Chicago argued that there was nothing at all vague about the requirement to obey a police officer's order to move on. Justice Thomas agreed with this argument. "There is nothing 'vague' about an order to disperse," he said.

But the majority found this argument insufficient. "That the ordinance does not permit an arrest until after a dispersal order has been disobeyed does not provide any guidance to the officer deciding whether such an order should issue," Justice Stevens said.

The majority opinion emphasized the law's ability to put innocent people unknowingly at risk.

"Friends, relatives, teachers, counselors or even total strangers might unwittingly engage in forbidden loitering if they happen to engage in idle conversation with a gang member," Justice Stevens said.

Further, he added, the law has the "perverse consequences" of not applying at all to the most dangerous type of gang-related loitering, that for which the purpose is apparent — to deal in drugs, for instance.

The case was argued more than six months ago, and the combined opinions, totaling 79 pages, bore the earmarks of institutional struggle. While Justice Stevens, joined by Justices David H. Souter, Ruth Bader Ginsburg, and Anthony M. Kennedy along with Justices O'Connor and Breyer, spoke for a majority of the Court on the vagueness issue, that was not the case on the separate issue of how to evaluate the underlying constitutional right that was at stake.

Only Justices Souter and Ginsburg subscribed to Justice Stevens's view that "it is apparent that an individual's decision to remain in a public place of his choice" is an aspect of personal liberty protected by the 14th Amendment's due process guarantee. Justice Scalia, in his dissenting opinion, aimed so much of his ire at what was only a few paragraphs of due process analysis in Justice Stevens's opinion as to suggest that the analysis might have had a more prominent place in an earlier draft.

In any event, the majority's stolid tone today differed notably from the approach the Justices took nearly 30 years ago, when a series of decisions struck down an earlier generation of vagrancy laws that cities in the South had been applying in a racially discriminatory manner. Papachristou v. City of Jacksonville, a 1972 opinion by Justice William O. Douglas, was essentially a paean to nonconformity and to the lure of the open road as extolled by Thoreau, Walt Whitman and Vachel Lindsay. Justice Douglas spoke admiringly in his unanimous opinion of "lives of high spirits rather than hushed, suffocating silence."

Justice Stevens, trying to hold a majority on a much different Court, cited the Papachristou opinion today, but only as a "see also," in passing.

The New York Times
FRIDAY, JUNE 11, 1999

THE FRESH AIR FUND:
MAKING SUMMER SPECIAL

THE PRESIDENT HAS SEEN

6-14-99

B Reed / C Jennings

Will call to discuss action — can we get more on Pres. commit on Pugwash Group?

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C. Jennings
Podesta

Nation Is Falling Short Of Health Goals for 2000

But Some Progress Is Also Being Reported

By PHILIP J. HILTS

BOSTON, June 10 — The United States has met only about 15 percent of its health goals for the year 2000, set 20 years ago, the Department of Health and Human Services reported today, but progress has been made on 44 percent.

For about 20 percent of the objectives, the nation is getting less healthy and is moving away from the goals, Surgeon General David Satcher said at a news conference at Harvard Medical School in Boston.

"In some ways we are doing well," Dr. Satcher said, "and in others we still have challenges and more to do."

In Washington, Donna E. Shalala, the Secretary of Health and Human Services, said, "As the century draws to a close, we can be proud that we have made significant strides in improving the health of Americans."

Dr. Shalala said the progress report "lets us measure the overall progress we have achieved in preventing disease and promoting health."

The report, Healthy People 2000 Review, outlined 319 different health goals for the nation that were set at the start of 1979 and reviewed in 1989. They include progress on such disparate measures as infant mortality, the rate of dental cavities, average physical activity, teen-age pregnancy, hearing impairment and the rates of a variety of diseases.

Among the areas where goals have been met are reductions in infant mortality, childhood mortality and breast cancer deaths. Among those where the report showed the nation was getting worse were in the level of physical activity, the number of children taking physical education and the number of people overweight or obese.

Dr. Julius Richmond, who as Surgeon General established the Healthy People 2000 program, said watching the change in health patterns over the past 20 years had produced some surprises. Among the most surprising is a 35 percent drop in heart disease and a 65 percent decline in strokes.

"That just came unexpectedly," Dr. Richmond said, "and we are still not sure of all the factors that contributed to it."

A disappointment among the data is that while infant mortality has continued to decline, and is almost at the goal, there remains a great disparity between the rate for whites and for blacks. The death rate among black infants is about twice that for whites, Dr. Richmond said. "and has been that way for decades."

Dr. Satcher said other health disparities among ethnic groups were also troubling. Hispanics are twice as likely as whites to be diabetic and African-Americans have a disproportionately high death rate from diabetes. African-Americans are also much more likely than whites to be hospitalized or die from asthma.

Declines of 35% in heart disease and 65% in strokes.

Dr. Satcher also noted that some of the most important challenges were in diet and fitness.

For example, he said, the percentage of overweight Americans was about 26 in the mid-1970's. The Government established a goal of 20 percent of the population for the year 2000, and many people believed that it might be achieved as more Americans appeared to become interested in nutrition and fitness over the past 15 years. But instead, the number of people overweight rose to 35 percent by 1995, the latest year for which data was given in the report.

In the 1970's, about 15 percent of adolescents were overweight, Dr. Satcher said, and that figure has risen to 24 percent.

"And there are several categories in which more than half the adults are overweight," he said, "for example Hispanic and African-American women."

Dr. Anne Becker of the Harvard Medical School and the Harvard Eating Disorders Center said there was a paradox in the latest data.

"Americans are spending $33 billion a year on dieting products and services," Dr. Becker said. "There has been a proliferation of weight loss programs and pills. One would think that would have some effect on losing weight."

Another figure in the report suggested that while diet pills and plans may be widespread, sensible weight-loss plans are declining. The report noted that "sensible weight loss practices among overweight people 12 years and older" had dropped substantially, to 15 percent of people using them in 1995 from 25 percent of people using them in 1985. The goal for 2000 was 50 percent.

A sample of figures given in the report, the last one before the Government begins work on its Healthy People 2010 goals and data, include these:

¶Average daily intake of vegetables, fruits and grains among those older than 2: in 1989, an average of 4.1 servings; in 1996, an average of 4.7 servings. The goal for 2000 is 5.

¶Breast-feeding shortly after birth: 54 percent of women did so in 1988; 62 percent did in 1997. The goal is 75 percent.

¶Mothers who die in childbirth: it was 6.6 per 100,000 live births in 1987; it rose to 7.5 in 1997. The goal is 3.3.

¶Proportion of students, grades 9-12, who took part in daily school physical education: it was 42 percent in 1991; it declined because of budget cuts to 27 percent in 1997. The goal is 50 percent.

¶Proportion of children using seat belts and safety seats: it was 48 percent in 1988; it rose to 61 percent in 1996. The goal is 70 percent.

¶Infant mortality: It was 10.1 in 1987; it dropped to 7.1 in 1997. The goal is 7.

The goals were set by groups of experts from Federal, state and local governments, as well as outside experts, who passed their recommendations to a steering committee of officials in the Department of Health and Human Services for approval.

The New York Times

FRIDAY, JUNE 11, 1999

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COVER STORY

Hollywood examines its soul

Worried about censorship, leaders debate how to uncreate a monster

By Claudia Puig
USA TODAY

SANTA MONICA, Calif. — In a swank beachfront hotel Friday, screenwriters and producers debated the topic "Guns Don't Kill People . . . Writers Do."

"We who create entertainment must honestly acknowledge and urgently address the responsibility we all have to eliminate excessive or gratuitous or unpunished violence," veteran writer Sy Gomberg said. "Otherwise, children will continue to kill children."

Diametrically opposed was writer/director Brian Helgeland, who wrote *L.A. Confidential* and directed the ultra-violent *Payback*.

"I wouldn't know how to respond to a code or a consensus as to what's responsible and what isn't acceptable," said Helgeland, whose long blond hair and shorts suggested he was ready to hit the nearby surf. "That is only for me to answer in my mind."

Hollywood is divided on the issue of its responsibility in the face of youth violence. But no matter which side each individual comes down on, the mood these days is downbeat and worried in the wake of an impending federal inquiry into the entertainment industry's marketing practices to children.

While some in the industry believe that violence is a serious issue in entertainment today, others fear that President Clinton is straying perilously close to censorship in calling for an investigation into the marketing of violent films, video games and music.

"It's a very interesting dichotomy," said Warren Littlefield, former entertainment president of NBC and now a producer. "There's a very strong 'don't tread on me' free speech and 'we are not the problem' line of thinking.

"At the same time, there's 'but we have to be part of the solution.' "

Since Clinton's surprise announcement Tuesday, entertainment execs have been bracing themselves in anticipation of internal correspondence being subpoenaed by the Department of Justice and the Federal Trade Commission, which will oversee the 18-month study.

"This is probably going to cost the industry millions of dollars in legal fees," said Jack Valenti, head of the Motion Picture Association of America. "The reality is we're going to have a study and there are going to be subpoenas. You prepare for it by getting your lawyers all organized."

Most in the industry are upset by the recent school shootings and by teen violence. "We would have to be so insensitive to the point of being dead not to feel some self-imposed pressure and not to question our own responsibility," said producer Mark Johnson, whose television show *Falcone* (inspired by his film *Donnie Brasco*) was shelved at CBS because of its violent subject matter.

"We in Hollywood are Dr. Frankenstein right now," said screenwriter and playwright William Mastrosimone (*Extremities*). "We think we are so clever and so brilliant and that we have these great creations we want to give to the world, but we have created a monster. I'm not saying it's all our fault. But in the equation of lethal violence in schools, I say we are a factor."

Others in the industry who have contributed to Clinton's campaigns and to the Democratic Party feel betrayed, though no one will go on the record about it.

"Damn it, I think he's right! We can't do this to our kids," said Gomberg (*When Willie Comes Marching Home*).

There is widespread concern in Hollywood about a study that can subpoena memos and e-mail. "Anything that smacks of government intervention is scary," Johnson said.

At the weekend conference where filmmakers and television programmers met to discuss many entertainment-related topics, a strong current of cynicism wafted in with the sea air.

Hollywood is an easy target, most agree.

"This is the classic hunt for a scapegoat yet again and a pandering of politicians to the public's need to pin the blame on someone and 'do something about it,' " said Tess Taylor, president of the National Association of Record Industry Professionals. "The main thing that will keep people from committing crimes is values, not an investigation by bureaucrats."

Industry insiders do want bureaucrats to consider other aspects in the dialogue about youthful violence. Those include:

▶ **Guns.** Many quote statistics about countries like Japan and Canada, where violent entertainment is as available as in the USA but which have markedly fewer violent crimes because of the unavailability of guns.

"Hollywood could do better, but Washington doesn't need to go 3,000 miles to figure out what the problem is," said screenwriter Paul Attanasio, a creator of TV's *Homicide: Life on the Street*. "The problem is the government is not controlling guns."

Variable culpability. Most attending the weekend conference attacked the video game industry as being more dangerous than movies, TV or music. "There *is* the marketing of violent materials to youths in America," said producer Sean Daniel (*The Mummy, The Jackal*). "But . . . I believe that the video game industry, which has gone completely unregulated, is clearly coming in for its well-deserved attention."

Screenwriter Stephen Sommers (*The Mummy*) agreed. "I passed by a video arcade the other day and saw pure violence. They were kicking each other's heads off, and blood was spewing. I would rather my 4-year-old daughter watch most R-rated movies than go to a video arcade."

▶ **Self-policing.** The industry must come up with creative solutions before any are imposed, most entertainment insiders say. "We ought to be smart and head it off by showing more than hubris and arrogance to the world," Mastrosimone said.

John Rousseau, publisher of *GamePro* magazine, urged video game companies to self-police content in their products and ads. The magazine recently pulled an ad that featured a ghoul impaled by another with the words "Destroying your enemies isn't enough. . . . You must devour their souls."

▶ **Proactive stances.** Some writers attending the conference urged their colleagues to avoid creating violent material.

Gomberg formed the Committee to End Violence. Mastrosimone wrote *Bang, Bang, You're Dead*, a play available free on the Internet that's "intended to be performed by school kids as a tool for students to confront the potential killer in the audience," he said.

He denounced Hollywood's "strident silence" toward needless violence. "I'm not against violence. I'm against gratuitous violence. The violence where there is no remorse. . . . Violence that is made to look like fun, filmed in slow-motion, lighted beautifully and adorned with glib lines and uncaring heroes."

▶ **The pumped-up volume of violence.** On the "Guns" panel, writers discussed the studio practice of increasing the violence in movies. "Every picture I have done has come out more violent than what I wrote," said screenwriter Steven De Souza (*Die Hard, Die Hard 2*). "I have sat at the screening of one of my movies and been stunned at the level of mayhem that somebody put on the screen." It is that kind of practice that Clinton's investigation aims to document.

▶ **Political posturing.** "Today, politicians live by polls, and the polls show that if you attack Hollywood, it sends your numbers rising," Valenti said.

"I think the idea is worthy," producer Brian Grazer (*Ransom, Liar Liar*) said of Clinton's investigation. "What trumps it up and makes the lunacy of it is it's being initiated by somebody whose own morality is deeply in question."

Some say Clinton is desperately seeking a positive legacy by championing a popular issue. "Nobody is thinking Bill Clinton is going to clean up violence in Hollywood," Sommers said. "But it's sexy. It's better news to go after Hollywood."

Contributing: Josh Chetwynd, Bruce Haring and Mike Snider

6-14-99

Louella

Just returning
with the signed
consent forms for Annie Mae

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Podesta

MARY McGRORY

Star Corps

What in the world would any rational person have against AmeriCorps, the organization that wants to do at home what the Peace Corps does abroad?

Generation X is supposed to be a selfish, soulless group, fixated on the bottom line and instant gratification. It is true that in some neighborhoods like mine, hundreds of future leaders are camping on the sidewalk to see "Star Wars, Episode I." But thousands of others are working for peanuts to help people who need help. AmeriCorps volunteers are making life easier for citizens who had no reason to think anyone cared about them.

AmeriCorps volunteers are building playgrounds, landscaping rundown schoolyards. They drive sick people to the doctor. They'll do what needs to be done, including tying somebody's shoes. Forty thousand people across the country are pitching in.

They dissolve racial barriers, try to persuade the homeless that all is not lost. For this, they receive $4,700 a year, and after two years of community service, they get a bonus of $4,700, a sum a young Wall Street trader would sneer at.

Peace Corps volunteers who do similar jobs in Third World countries are treated royally. They jump to the head of the line when jobs or university entrance is the issue. Congress wouldn't dream of cutting their appropriations. When retiring Peace Corps Director Mark Gearan appears before a committee, he is treated with respect. But when Harris Wofford, director of AmeriCorps, shows up, "I am heckled," he says.

Wofford gets static about "paid volunteers"—as if the Peace Corps people didn't get a stipend of $200 a month for living in mud huts and eating the local cuisine. Wofford is philosophical about the unequal treatment he gets. He was present at the creation of the Peace Corps in 1961, and he noticed that it acquired its great cachet after Kennedy's assassination. Today's critics hate to give President Clinton a Kennedy-type legacy.

He has proceeded with monumental tact to smooth Republican hackles. They rail against all government programs, and he has braided AmeriCorps projects into those of non-governmental organizations that are pursuing the same ends. They cooperate with some 700 groups—Habitat for Humanity, City Year and almost countless corporations that are introducing their employees to the once exotic notion of getting your kicks out of helping the down and out with literacy, housing and job training.

Two years ago, Sen. Jeff Sessions (R-Ala.) moved to take $30 million from the AmeriCorps budget and transfer it to the space program. The Senate beat him by 21 votes and Wofford thinks the worst of the opposition is over. It isn't just that Republicans have finally noticed that AmeriCorps is popular in their home states and that Republican governors are becoming fans one by one. Rep. John Kasich of Ohio, a Republican presidential candidate, is a convert. He writes a rapture in his campaign book.

Last week, City Year, a highly successful Boston project, held a big assembly at Howard University, at which Colin Powell spoke about volunteerism. All over Washington, AmeriCorps projects were on display. At Trinity College, a number of AmeriCorps volunteers were doing their usual day of helping high school dropouts to get their General Equivalency Degree. They don't just like their work, they love it.

Littleton and its cliques and guns seemed a long way away. So did the round-the-clock lines for the latest "Star Wars" movie. They don't care that the Peace Corps gets the glory or that their classmates are up to their armpits in dividends. "I'd rather make a difference," said a pretty girl just out of Ohio University.

The Washington Post
THURSDAY, JUNE 3, 1999

Sandy

Jason up w/ this guy - his a Marine officer who worked on Joint Fighter project in Pentagon - sounds smart — knows intel issues - Pls. have this reviewed give us feedback

BC

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Berger
Podesta
NSC WW Desk

6-14-99

FROM JIM DURHAM
11 JUNE 99

Bill,

Congratulations on the Kosovo success. Now on to your legacy. Many folks are going to be trying to get you to pay back the Air Force for their magnificent efforts over Kosovo. You should do that, but don't do it exactly the way the Air Force will want you to. All service requests are short-sighted in that they are designed to bolster their number one program on the Hill - in this case, the F-22. The F-22 is a good machine, although it is "gold plated" and costs way too much, but it's an air superiority fighter and we need more multirole fighters like the F-16s, F-18s, A-10s and F-15Es that did most of the bomb dropping in Kosovo. In order to reward the Air Force and keep your legacy of "rightsizing" intact, you need to reward the Air Force by accelcrating the production of their next-generation multirole strike fighter, the Joint Strike Fighter. If you remember, the Joint Strike Fighter is the tri-service (Navy, Air Force, and Marines) that is being co-developed with Great Britain (another partner to reward). This Joint Strike Fighter is saving your administration billions right now in development costs, and it will save even more by forcing the services to adopt common practices based on the common aircraft they'll be flying. It will set the stage for more consolidations among services by consolidating the huge civilian acquisition workforce that currently supports each service separately. (You really should get an acquisition reform brief on just what the Joint Strike Fighter program has done for you already in that regard).

So, how can you accelerate Joint Strike Fighter? Right now Joint Strike Fighter is not scheduled to start the next major phase, engineering manufacturing development (EMD), until the first quarter after the new administration is sworn-in. The Joint Strike Fighter contract is the largest in history and both Boeing and Lockheed Martin are competing for it. The most probable scenario is that the new administration won't want to make such a huge decision just before the new congressionally mandated defense review, the Quadrennial Defense Review (QDR), so they will probably defer it until after the QDR. That will mean nearly a year slip, and it's only a 50/50 chance that it will survive. After all, this Joint Strike Fighter program is the hallmark of the Clinton administration, and they may not want it to survive.

The solution - piggyback on the victory in Kosovo and pay back the Air Force by getting the Joint Strike Fighter EMD contract decision moved up 6 months so that this administration selects and awards the EMD contract for Joint Strike Fighter. We then present the next administration with Joint Strike Fighter as a fact, not possibility, and the administration's legacy is preserved. There are those who will say you can't do that, but if you bring it up with Bill Cohen, I'm sure you will find him VERY willing to look at it carefully. And, after looking at it, the answer will be "Let's do it". The Air Force, of course, won't be as thrilled in private (because they want all press to go towards the F-22), but in public they will applaud your vision. And this one will be relatively cheap. It will only cost about $100M -$150M to accelerate the Joint Strike Fighter EMD contract award.

I'd like to do this all by myself and just tell you what we've done, but I'm not in the place of influence that I was for the last 7 years, so I have to depend on you to initiate the issue

with Bill Cohen. The rest of the process will just fall into place. One thing I've been noted for is my visionary ability, and I can see clearly just how all these pieces will fall into place. The tri-service Joint Strike Fighter was a dream of John Deutch and Paul Kaminski and it is certainly held in the highest esteem by Bill Cohen. It will be the most lasting legacy you can leave the military, not only the Joint Strike Fighter itself, but also the process of having the services work together to define and build the next generation of equipment - that's something everyone from Goldwater on have tried to do and failed - this one is so close we can taste it.

Blessings,
Jim

Bipartisan Social Security Agreement

THE PRESIDENT HAS SEEN
6-14-99

Senator Judd Gregg
(R-NH)

Senator John Breaux
(D-LA)

Senator Bob Kerrey
(D-NE)

Senator Chuck Grassley
(R-IA)

Senator Fred Thompson
(R-TN)

Senator Chuck Robb
(D-VA)

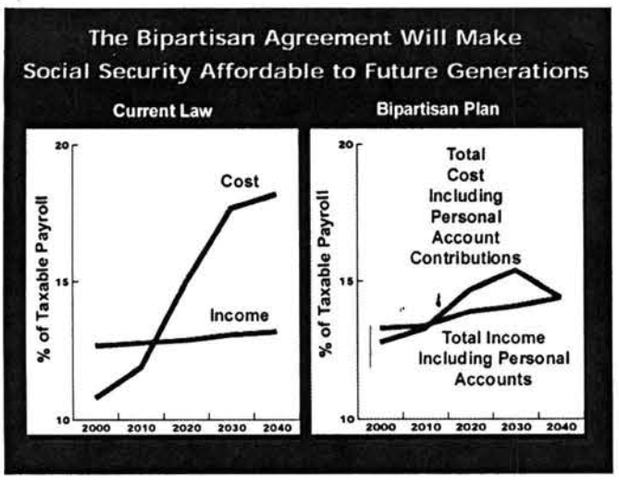
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Senator Craig Thomas
(R-WY)

Gene

What assertion do Hoagland really work-up surplus? BC

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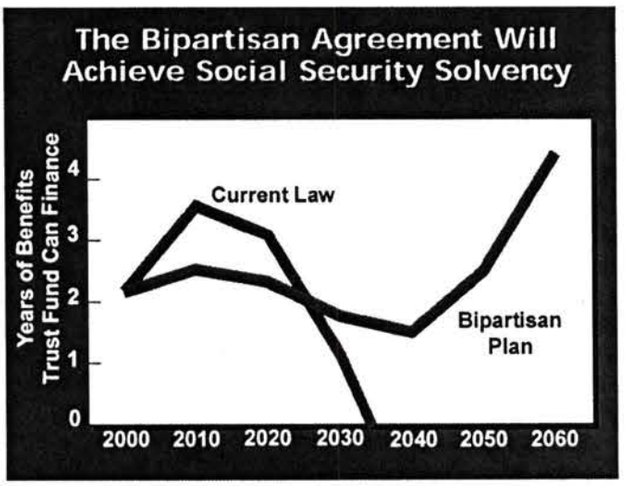


The Bipartisan Agreement: Something For Everyone

Low-Wage Earners	Average Earners	High Earners
Increases of up to 34% over promised benefites and up to 84% over what current system can fund*	Increases of up to 18% over promised benefits and up to 69% over what current sustem can fund*	By 2034, eliminates more than $2700/year in income taxes needed to fund Social Security benefits
A progressive match program to increase value of voluntary contributions	Savings of more than $750/year in income taxes by year 2034	Guarantees Social Security benefits above what current system can presently fund

*-High figures assume stock return rate and completed transition to new system (all figures in 1999 dollars)





TEN THINGS TO KNOW ABOUT THE BIPARTISAN SOCIAL SECURITY REFORM PLAN

- Creates ownership of personal savings accounts for all working Americans.
- Uses surplus to boost contributions for low income Americans.
- Increases traditional Social Security benefit for low income earners
- Gives every child a chance to create retirement wealth by opening a savings account at birth (KidSave).
- Eliminates the earnngs test so that Social Security beneficiaries can continue to work.
- Saves taxpayer dollars by correcting cost of living indexes. Holds current seniors harmless from changes to the Social Security program, including reforms to the Consumer Price Index (CPI.)
- Keeps the Social Security trust fund solvent.
- Maintains women's Social Security benefits.
- Creates a life expectancy index for use in benefit calculation.
- There is no tax increase. Period.

TEN THINGS TO KNOW ABOUT THE BIPARTISAN SOCIAL SECURITY REFORM PLAN

1. Creates ownership of personal savings accounts for all working Americans.

   - Allows all workers to divert 2 percentage points of their payroll (FICA) tax into individual retirement savings accounts.

   - Supplements the worker's traditional Social Security check at retirement. The accounts will be modelled after the Federal Employees' Thrift Savings Plan: the accounts will be administered by the government, managed by private fund managers, and owned and controlled by individual workers.

   - Stipulates that individuals own all proceeds from their personal accounts and can "pass on" their accounts to their heirs.

   - Offsets the monthly benefit a worker is entitled to from Social Security by the amount the worker's account would have accumulated if it was annuitized and grew at the T-Bill rate.

2. Uses surplus to boost contributions for low income Americans.

   - Includes a progressive matching fund program to increase the value of voluntary savings contributions made by low-income workers.

   - Provides all workers an opportunity to contribute (at a minimum) an amount equal to 1% of the taxable wage base in their individual account (1% of this year's taxable wage base is $726 based on the 1999 base of $72,600). Specifically, wage-earners whose 2% contribution is less than 1% of the taxable wage base will:

     -- Receive a $100 contribution by the federal government when they make their first dollar of voluntary contribution.

     -- Receive a dollar-for-dollar match by the federal government on voluntary contributions, up to a total account contribution limit of 1% of the wage cap.

     In sum, the total contributions made from the payroll tax contribution, plus the added $100 federal government contribution, plus the 1:1 government match is limited to 1% of the current wage base annually.

   - Allows all workers to contribute up to $2000 of additional savings to their individual accounts each year.

3. Increases traditional Social Security benefit for low income earners.

   - Includes a provision which will add an additional "bend point" to the Social Security benefit formula to boost the traditional Social Security benefit replacement rate for low income workers.

4. Gives every child a chance to create retirement wealth by opening a KidSave savings account at birth.

   - Qualifies all children with a Social Security number and born after 1995 for a $1,000 savings account at birth.

   - Adds $500 to the KidSave account for each of the first five years of life, for a total contribution of $3,500.

   - Provides for individuals to roll KidSave accounts into the Social Security individual account to serve as a nest egg for each worker's retirement.

5. Eliminates the earnings test so Social Security beneficiaries can continue to work.

   - Eliminates the earnings for all beneficiaries age 62 and older so that retirees may continue to contribute to the American economy without being penalized. Under the current earnings test, benefits are reduced for over one million beneficiaries because their wages exceed the earnings limit (currently the earnings limit is $9,120 for those aged 62 to 64 and $15,500 for those aged 65 and older). The Social Security Administration has estimated that the long-run cost of eliminating the earnings test is zero.

   - Rewards work by correcting the actuarial adjustment for early and late retirement. Under current law, individuals do not receive back the value of extra payroll taxes contributed if they delay retirement. This proposal increases both the early and delayed retirement adjustments to the level appropriate to recognize additional tax contributions.

6. Saves taxpayer dollars by correcting the cost-of-living indexes.

   - Makes an adjustment of .5 % to maintain more accurate cost-of-living indexes.

   - Applies corrections to all indexed programs (both revenues and outlays) except Supplemental Security Income. Increases in revenues that occur due to CPI adjustments on the tax side will be credited to and "recaptured" for the Social Security Trust Funds.

   - Guarantees that all persons currently age 62 and older will not be affected by the adjustments to the cost-of-living indexes.

7. Keeps the Social Security Trust Funds solvent.

- Restores the Social Security Trust Funds to actuarial solvency over a 75-year period.
- Ensures that there will not be a substantial funding shortfall beyond the 75-year window.
- Recaptures Social Security revenues currently diverted to the Hospital Insurance Trust Fund and redirects them back to the Social Security Trust Funds (phased in between 2010 and 2019).

8. Maintains women's Social Security benefits.

note what Patty Murray said –

- Credits all years of earnings in calculating benefits. Under current law, only an individual's top 35 years are used to determine one's Social Security benefit. Under this proposal, every year of earnings, no matter how small, would be included in the Social Security benefit formula. (The denominator of the AIME formula would gradually be phased to 40).
- Provides five "dropout years" to the individual with lower earnings from every two-earner couple, in recognition of the likelihood that a spouse may have taken time away from work to raise children.

9. Creates a life expectancy index.

- Allows workers to continue to receive early old-age benefits at age 62.
- Continues to gradually phase in an increase in full eligibility for old-age benefits to 67 by 2011.
- Applies a life expectancy index to the Social Security benefit formula after the current-law eligibility age increase is fully phased in. If projections of life expectancy or other factors cause a significant change in projected solvency, for better or worse, the Social Security Trustees will be required to present Congress with a proposal to alter the life expectancy factors, upon which Congress must act or take an alternate action to restore the system to balance.

10. There is no payroll tax increase.

- Includes NO increases in the payroll (FICA) tax rate.
- Maintains the taxable wage base at 86% of total wages.



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18/03/99 Beveridge Lecture
Speaker: Prime Miniser
Location: Toynbee Hall: London

6-14-99

Today I want to talk to you about a great challenge: how we make the welfare state popular again. How we restore public trust and confidence in a welfare state that 50 years ago was acclaimed but today has so many wanting to bury it. I will argue that the only road to "a popular welfare state" is radical welfare reform.
And I will set out our historic aim that ours is the first generation to end child poverty for ever, and it will take a generation. It is a 20 year mission but I believe it can be done.

It is worth recapping briefly on the enormous amount of reform now underway. Partly because the Opposition aren't quite sure what to say about it, it has been less controversial than many anticipated. But those who predicted timidity have been proven wholly wrong. In two years we have:

- reformed the whole of student finance;

- introduced the largest programme for the young unemployed ever put in place in Britain;

- published and are now legislating, the Welfare Reform Bill that will modernise the whole of disability provision, benefit claims and support in bereavement and introduce stakeholder pensions;

- set out a framework for future pension reform that will alter the entirety of pension provision over the next 20 years, whilst introducing the Minimum Income Guarantee for today's pensioners;

- made radical proposals to reform the CSA and the whole of legal aid;

- and of course, we are changing through the WFTC, the new family credit and 20 per cent increase in Child Benefit, the whole of provision for children and for families.

And we are now turning our attention to long-term care and housing benefit. It is the fullest programme of reform of any Government this century.

And I believe it is wholly in the spirit of Beveridge.

Beveridge the man

Beveridge was perhaps the greatest British social reformer of the 20th century. He was a brilliant but difficult man. He devoted his life to understanding and abolishing poverty starting here at Toynbee Hall. He was a remarkable talent and enthusiast. Permanent Secretary at 39. And able to say at 80 that "I am still radical and young enough to believe that mountains can be moved". He was in the Liberal party but really a forerunner of modern social democracy, arguing for top class public services for all. When people ask me why I favour stronger links between Labour and the Liberal Democrats, I say and mean that my lexicon of political heroes include Keynes and Beveridge, alongside Keir Hardie, Bevan and Attlee.

Beveridge laid the foundations of the modern welfare state. His plan, published in 1942, heralded the first British comprehensive system of free health care; universal family support; and rights to minimum rates of social insurance benefits during old age or in the event of unemployment, sickness, or disability. It transformed Britain for the better. It improved the health of the nation and in large measure removed absolute poverty and destitution from our country. It was an enormous step change, ending the lottery of state welfare that had existed since the Poor Law.

But as Tony Atkinson has said, Beveridge would have been "profoundly irritated" by any assumption that his plan could serve the needs of the 21st century as well as it has served the 20th century. His views were constantly evolving, constantly changing to meet new needs.

Social Change

Social justice is as relevant today as it was for Beveridge. It is our aim. It is our central belief - the basis for a community where everyone has the chance to succeed.

Social justice is about decency. It requires that any citizen of our society should be able to meet their needs for income, housing, health and education.

Social justice is about merit. It demands that life chances should depend on talent and effort, not the chance of birth; and that talent and effort should be handsomely rewarded. The child born on a run-down housing estate, should have the same chance to be healthy and well educated as the child born in the leafy suburbs. It is only when you put it like that you see the distance we have to go.

Social justice is about mutual responsibility. It insists that we all accept duties as well as rights – to each other and to society.

Social justice is about fairness. In a community founded on social justice, power, wealth and opportunity will be the hands of the many not the few. These words come from the new Clause 4 of the Labour Party constitution and they are what New Labour is about.

Social justice is about values. The values are timeless. But their application must change with

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– We should look for an opportunity to give a major forward speech like this on what radical + why/where it's 2 GO + still + what challenges lie ahead—
6-14-99 PK

changing times. That is why it is New Labour.

As John Hills has written Beveridge's plan for the "abolition of want" was based on his reading of research on the nature of poverty and society in the 1930s. His solution was tailored to fit the needs of the day. In the last 60 years the world has changed dramatically. It would be surprising, lazy even, to believe that the solutions that suited a post-war Britain could work just as well in today's global economy.

Most strikingly the position of women has changed. Beveridge drew on the 1931 census to argue that:

"More than seven out of eight of all housewives, that is to say married women of working age, made marriage their sole occupation, less than one in eight of all housewives was also gainfully occupied."

He assumed that after the war, when women had worked in far greater numbers, the world would remain the same. But it didn't. Sixty years on women's lives have been transformed. Half the workforce is made up of women. And Beveridge would have been amazed that one in five of all families with children was headed by a lone parent.

Our society has aged. This would have surprised Beveridge less. Only 10% of the population was over state pension age in 1931. In 1991 it was 18%. In 2021 it will be 21%. And while there is no "demographic timebomb" in Britain, as some would have us believe, we have gradually become an older population

Work patterns have changed. Beveridge like most of his contemporaries, was committed to full employment, delivered by Keynesian demand management.

The assumption of enduring full employment held good during the 1940s and 1950s when jobs were plentiful thanks to post war reconstruction. It didn't matter so much how poorly skilled people were. Work was easy to come by, though in the main, of course, it was men who worked. That assumption began to come apart as early as the 1970s when traditional demand management failed to curb rising unemployment.

Today the assumption has completely broken down. Globalisation has placed a premium on workers with the skills and knowledge to adapt to advancing technology. People without skills find it very hard to compete. If they can find work it is too often short term and so poorly paid that it does not provide a springboard out of poverty. New groups of unemployed have appeared: people taking early retirement because of incapacity and parents bringing up young children on their own.

By the 1970s it was plain that the welfare state of the first half of the 20th century wasn't going to be right for the second half of the 20th century. One of the key insights of Beveridge was his fundamental belief that the concept of social welfare had to fit economic policy. He fashioned the welfare state around a view of the economy – the full employment, mass production economy of the 40s.

By the 1970s, economic policy and social policy were becoming divorced. Welfare policy – redistribution, social security – were seen almost as antithetical to sound economic policy. The welfare state was in certain quarters being seen as a burden to be paid for at the expense of wealth creation.

The left, trapped in a false confusion of means and ends, resisted changing the welfare state on the grounds that to modernise the welfare state, was to undermine it. Social justice became, on the left, identified with rigid policy prescriptions, good for the 40's, increasingly out of date for the 70's. The right moved in.

The record of the previous government –failure of the Right

I asked David Piachaud to write a paper in preparation for this speech.

As he points out,

after 18 years of Conservative government there was more poverty –one third of children living in families under half average income levels.
More inequality between rich and poor.
More dependent on benefits, particularly means tested benefits.
More homeless on the streets.

The right came to power, committed to cutting welfare costs. The fundamental irony is it ended up in increasing them. No budget of any department rose more under the last government than Social Security. This was despite many measures – like ending the link between earnings and pensions – which cut costs.

The reason is simple. Whereas the old left regarded the application of social justice as unchanged; the right regarded it as irrelevant. They believed it didn't matter; and that it had no connection with economic efficiency. Indeed, it is that curious alliance of the Right and old left that I have witnessed and struggled against all my political life, both far left and right divorced economic efficiency from social justice. Both saw wealth creation as in opposition to social justice.

The right were not mistaken about the importance of markets and greater competition. But they failed to see in the modern world, that it is not enough.

Keynes wrote of this flawed approach.

"The Economists were teaching that wealth, commerce and machinery were the children of free competition ... But the Darwinians could go one better than that – free competition had built Man. The human eye was no longer the demonstration of (God's) design, miraculously contriving all things for the best; it was the supreme achievement of Chance, operating under conditions of free competition and laissez-faire. The principle of the Survival of the Fittest could be regarded as a vast generalisation of Ricardian economics. Socialistic interferences became, in the light of this grander synthesis, not merely inexpedient, but impious, as calculated to retard the onward movement of the mighty process by which we ourselves had risen like Aphrodite out of the primeval slime of the Ocean."

So under the last Government, social security spending went up, but poverty and social exclusion went up too. So they cut away at the Budget, sometimes creating problems along the way, for example, encouraging fraud in their cuts to housing benefit. But they failed to tackle the fundamental weaknesses of the welfare state. They left unreformed areas that had become outdated such as the inadequacy of childcare support for working women. They failed to create a modern welfare state fit for the modern world.

Therefore welfare became unpopular. Welfare, though not the concept of the welfare state, became a term of abuse. It became associated with fraud, abuse, laziness, a dependency culture, social irresponsibility encouraged by welfare dependency. Welfare was blamed as the problem not the solution.

This is dangerous.

For if people lose faith in welfare's ability to deliver, then politicians have an impossible job persuading hard pressed taxpayers that their money should go on a system that is not working. If all welfare – the good spending as well as the bad – becomes stigmatised then the security of children, the disabled, pensioners is put at risk.

The Welfare State was popular in Beveridge's day. Because Beveridge made it popular. It was associated with progress and achievement. Providing people with their first pension, a decent home, peace of mind when unemployed. Our job is to make the welfare state once again a force for progress. I want to make all of the welfare state as popular as the NHS because it is providing real security and opportunity, because we have rooted out fraud and because we are giving greatest help to those with the greatest needs.

A modern vision of welfare

The 3rd way in welfare is clear: not to dismantle it; or to protect it unchanged; but to reform it radically – taking its core values and applying them to the modern world.

Above all, we must reconnect social justice to economic vision. Our economic vision for Britain in the 21st century is clear: stability in economic management; and then, on that foundation, build the knowledge economy, where we compete by skill, talent and technology. Education is an economic as well as a social imperative. In the Green Paper on welfare, published last March, we called for a new welfare contract between the citizens of the country based on 'Work for those who can work; security for those who can't'. This means refocussing dramatically the objectives and operation of the welfare state. If the knowledge economy is an aim, then work, skill and above all, investing in children, become essential aims of welfare. Of course, security for those who can't work or are retired is vital; and big change is needed there too. But a welfare state that is just about ' social security' is inadequate. It is passive where we now need it to be active. It encourages dependency where we need to encourage independence, initiative, enterprise for all.

By linking it to an economic vision, the welfare state, radically reformed, can be popular because everyone, haves and have nots, can see its raison d'etre.

The characteristic of the modern popular welfare state will be the following.

First, it will tackle social exclusion, child poverty, community decay in an active way; and tackle it through tackling the fundamental causes: structural unemployment; poor education; poor housing; the crime and drugs culture. The talent we waste through social exclusion, we waste not just for the individual but for the nation. Let us liberate it and use it for the nation.

Second, welfare will be a hand-up not a hand-out. Mutual responsibility. We have a responsibility to provide young people with life chances. They have a responsibility to take them. Parents have responsibility for their children. Those who can do so have a responsibility to save for their retirement.

The state becomes an enabler, not just a provider. Otherwise the costs are out of control and the consent for the taxpayer to fund welfare declines.

Third, where people really need security, the most help should go to those with the most need.

These will always be a mix of universal and targeted help. But the one is not 'superior' or "more principled" than the other.

Fourth, we must root out fraud and abuse in any way we can and as Frank Field has rightly said, not just in individual cases, but by ending the systemic encouragement of fraud in the way the welfare state is designed.

Fifth, the welfare state need no longer be delivered only through the state or through traditional methods of Government. Public/private partnership and the voluntary sector will have and should have a greater role to play.

Sixth, welfare is not just about benefits. Active welfare is about services too – schools, hospitals, the whole infrastructure of community support.

What New Labour is doing in government

So that's the vision for a popular welfare state. What are we doing to make it happen? At every level, we are implementing it.

We are getting people back into work. The New Deal embodies the new ethic at the heart of our reforms – mutual responsibilities. It means government offering real opportunities, but people having an obligation to take them or risk losing benefits. 230,000 young people have already joined the programme, and 60,000 are already in jobs. Since we took office long term unemployment among young people has halved, and the combination of sound economic policies and active policies in the labour market mean that Britain has now created - net nearly half a million new jobs, a huge advance in opportunities. And we have extended it from the young unemployed to lone parents, the disabled who want to work and to the over 50s. To make the system work better we are introducing a "single gateway" into the welfare system for all benefit claimants of working age. That means personalised help for people but a requirement they attend interviews.

Despite some carping from the usual suspects, the new deal is an extraordinary success. 40,000 employers are signed up. Their biggest complaint is they can't get enough of the New Dealers. The New Dealers' biggest complaint is trying to get on to the New Deal. To the cynics, I say: talk to the young people and the lone parents, thousands of them now in work. The New Deal is no YTS; no skivvy scheme. It is empowerment in action and I am proud of it.

We are making work pay. The Working Families Tax Credit, the minimum wage, the childcare credit will make work pay for millions of families. Our deal: if you work hard you will not be in poverty. Our guarantee: that if you work full-time you will take home at least £10,000 a year and you will not have to pay any tax until you earn £12,500 a year.

On April 1 this government will introduce Britain's first ever minimum wage. This will be a great landmark for the country. A symbol of fairness. An act of social justice that Beveridge would have been proud to call his own.

We are modernising public services. The £40bn into health and education is money for modernisation. In education we are taking the action needed to turn round our schools so that every parent can rely on a decent education for their children. We are focusing on literacy and numeracy; better pay, recognition and status for teachers; a relentless attack on failure where ever it occurs.

In health we are trying to turn a treasured but often unresponsive health service into a modern, consumer focused, quality NHS through modern building and equipment, modernised primary care services, proper quality audit and faster care.

We are tackling social decay. £800m in the New Deal for Communities to turn around our poorest housing estates. Action in London and other cities to ensure that no-one has to sleep rough on the streets. Measures to stop the truancy and exclusions that mean that thousands leave school without any qualifications. All bringing the different parts of government to work together. All about preventing tomorrow's problems rather than only picking up the pieces from missed opportunities in the past. Bringing hope to communities that had lost hope. We are fostering local and community innovation. Local people know best what they need and how to provide it.

I asked Bob Holman who is a community worker and sociology professor in Glasgow what he thought. He told me of one neighbourhood project in Easterhouse. A woman who started to help out at a local lunch club then became a member of the local co-operative eventually becoming its chair. As her self confidence grew she was able again to take custody of her child and is now a respected community activist. It is stories like these that I want to see replicated across the country.

We are proving real security for those who can't work or have retired. Severely disabled people with the greatest needs will get a big increase in income. Pensioners are now benefiting from a guaranteed income that will go up in line with earnings not just prices. Free eye tests are being restored from April. And we are raising the winter allowance to £100 so that today's pensioners can benefit. Real security for those most in need.

And in doing so we are building new public and private partnerships. There needs to be a mixed economy in the funding of welfare comprising the state, private and voluntary sectors. In pensions we are shifting the balance of funding from the state to the private sector. Currently funding is split 60% state, 40% private. This will reverse to 40% state, 60% private, as the less well off take up the new stakeholder pensions.

But we also need to develop mixed partnerships in the delivery of welfare. We have made a start in the new deal involving the private providers, the voluntary sector, parents and we intend to go further.

But above all our welfare reform programme will give children –all children - the support they need. Our approach on children brings together all the lessons we have learned from applying reform in other areas.

We have made children our top priority because as the Chancellor memorably said in his Budget 'they are 20% of the population but they are 100% of the future'.

The levels of child deprivation are frightening:
Almost one in three children in our country lives in poverty.

Poor children are 2 ½ times more likely to have no qualifications.
Girls from deprived backgrounds are 10 times more likely to have a teenage pregnancy than girls from well off families
Poor children are more likely to play truant.
More likely to get excluded from school.
More likely to get in trouble with the police.
More likely to live in a deprived area.
More likely to be from an ethnic minority family.
More likely to be brought up by one parent.

And in the last 20 years the tax burden on families has increased. At the very time that families have come under increasing pressure, juggling work and home, the state has made it harder than ever for them to cope.

We need to break the cycle of disadvantage so that children born into poverty are not condemned to social exclusion and deprivation. That is why it is so important that we invest in our children.

But our reforms will help more than the poorest children. All parents need help. All children need support.

Across Government, children are getting a better deal. Our family policy is geared to children and their well being more than the type of family that child is born to. I make no apologies for that. Education is our number one priority because without skills and knowledge children will not succeed in life. And our welfare policy does all that it can to lift children out of poverty at key points in their lives.

Throughout their childhood children are getting the support they need.

At birth families are getting more child benefit, a new children's tax credit and extended maternity support.

In the early years, we want all parents to have the chance to spend more time with their children. So we have introduced new rights to parental leave. We want children to be ready to learn when they start school. So we are expanding childcare and nursery care, with a special Sure Start programme for children at particular risk of social exclusion. These new services will also help parents who wish to return to work, supported by the working families tax credit and minimum wage.

In their school years , we want our children to have the best education possible. That is why we're driving up school standards, tackling failing schools, concentrating on giving children the basic skills of reading, writing and numeracy that they need to get on. But we also want them to have worthwhile activities to go to outside school. There is nothing more dispiriting than seeing a 13 year old hanging around on the streets with nothing to do. That's why we're bringing in a national network of after school clubs providing opportunities to learn and play.

Our plans will start by lifting 700,000 children out of poverty by the end of the Parliament. Poverty should not be a birthright. Being poor should not be a life sentence. We need to sow the seeds of ambition in the young.

Our historic aim will be for ours to be the first generation to end child poverty, and it will take a generation. It is a 20 year mission but I believe it can be done.

The results of our reforms

The consequence of these reforms is a quiet revolution. They are being carried through by a quiet revolutionary- Alistair Darling.

We are already beginning to see the results. The messages we send into the system about the importance of work do bear fruit. Since we came to government we have cut the real growth of social security spending by almost 1% a year. In our first two years we have spent over £5 billion less than the previous Government planned for.

In the future we will increase provision on our priority areas – children, pensioners, disabled people. So we are keeping our promise to cut the bills of social and economic failure, whilst spending more on education, the NHS and those who really need help.

We will have welfare spending under control.
Good spending on areas we want money spent on -like child benefit and pensions – is going up.
Bad spending on the bills of economic failure is coming down.

Spending this Parliament on children will increase by more than £6bn.

We are creating a welfare system which is "active" not ""genuinely providing people with a "hand up" not a "hand-out". Previous governments were satisfied simply to dole out money. The Tories spent over £90 billion on benefits, but a fraction of that sum on getting people back to work. That is not our approach. We believe that the role of the welfare state is to help people help themselves, to give people the means to be independent. We are creating an active welfare state focused on giving people the opportunities they need to support themselves, principally through work.

"Popular welfare" –part of new Labour's vision for Britain.

I believe Beveridge would have been proud of the changes we are making. The aims have not

changed. The means are radically reformed. I would go further. I would like to think that he and Keynes would have been proud to be supporters of New Labour or at least let us say on the co-operative wing of the Liberal Democrats! Both are part of the heritage that today's Labour Party draws upon. That is because Labour has, through New Labour, returned to our roots. At its best, the centre-left of politics and here I include people outside my Party as well as in it, has stood for two things, progress and justice. To be the advocates of the future with fairness. Modernising always, but for a purpose: to build a better, fairer, society, where economic prosperity and social justice go hand and hand and where, as the new Clause IV says, we live together freely in a spirit of solidarity, tolerance and respect.

A modern popular welfare state is an integral part of a bigger picture. The vision for Britain under New Labour is:

A modern economy based on stability and knowledge;

A modern civic society based on a reformed welfare state;

A modern constitution which gives more power to the people;

A modern approach to the world in which Britain loses its post-Empire lack of confidence, and reaches out strong and engaged to play its full part in Europe and the wider world.

It is within our grasp. As the 21st century beckons, it is time to make that vision, and the modern popular welfare state at its heart, a reality.

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TRENT LOTT
MISSISSIPPI

6-14-99

United States Senate

OFFICE OF THE MAJORITY LEADER
WASHINGTON, DC 20510-7010

June 10, 1999

Podesta
Do I want to write to confirm?

The Honorable William Jefferson Clinton
The White House
Washington, D.C. 20502

copied Podesta

Dear Mr. President:

I appreciate our conversation this morning, and our mutual desire to come to an understanding about recess appointments. We have often worked together to help promote the smooth operation of the government, and I believe that we can once again come to an agreement.

As you know, the recent recess appointment of the U.S. Ambassador to Luxembourg has caused great concern to many members of the Senate. I believe that it would be constructive for us to reach an understanding in principle on how we will now proceed to ensure that we avoid similar sparring between the Executive Branch and the Senate in the future.

I agree that we will use the understanding reached between President Reagan and Senator Byrd in 1985, cited by your Chief of Staff today. That understanding, described in the Congressional Record of October 18, 1985, states "...prior to any recess breaks, the White House would inform the Majority Leader and [the Minority Leader] of any recess appointment which might be contemplated during such recess. They would do so in advance sufficiently to allow the leadership on both sides to perhaps take action to fill whatever vacancies that might be imperative during such a break."

I believe that this is both a reasonable and a constructive framework. Following this precedent will help us to proceed in a cooperative and expeditious manner on future nominees.

Mr. President, I appreciate your stated desire to work with me on this issue, and I look forward to hearing from you soon.

Sincerely,

Trent Lott