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001. cable	President Mubarak to POTUS (2 pages)	07/09/1999	P1/b(1)

COLLECTION:
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Staff Secretary
Sean Maloney (Chron File (Jul 99))
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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]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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]

C. Closed in accordance with restrictions contained in donor's deed of gift.
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Freedom of Information Act - [5 U.S.C. 552(b)]

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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(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]

Karen – Great article. Well deserved. BC

THE PRESIDENT HAS SEEN
7-12-99

THE WEST WING'S GO-TO LABORER

BY ALEXIS SIMENDINGER



RICHARD A. BLOOM

KAREN A. TRAMONTANO: "It's an opportunity of a lifetime to work here, and to work for this President."

copied
Tramontano
Podesta.

In the basement of the White House, there is a low-ceilinged, windowless office painted a mischievous shade of cotton-candy pink. On the door to this office there ought to be a sign: Department of Sticky Problems. But no one in the White House, or for that matter in the Clinton Cabinet, really needs one. They all know whom to call.

Karen A. Tramontano, assistant to the President and counselor to White House Chief of Staff John D. Podesta, has earned a reputation as "The Fixer," the person senior Administration officials seek out to handle the trickier questions that arise in the process of devising Clinton policy positions, matching policy to politics, and packaging both for public consumption.

"I get all the hard problems, and the hardest problems, I give to her," Podesta said.

The list of items Tramontano juggles for the President is, at any given time, a tangle of headaches. A random roster of some of the issues she was coordinating in June included the continuing White House friction with industry, organized labor, and lawmakers over imported steel; the 1997 nomination, eventual recess appointment, and resulting dust-up with conservative lawmakers over an ambassadorial post for James C. Hormel, who is openly gay; the ongoing battle with Congress over preferred techniques for completing the 2000 census; initial planning for the World Trade Organization ministerial meeting in Seattle at the end of the year; and the development of a collection of pro-labor initiatives, unveiled recently in Geneva by President Clinton in a speech to the International Labor Organization.

The 42-year-old Tramontano, a labor lawyer by training, has become what amounts to the chief of staff for the chief of staff, a behind-the-scenes lieutenant so trusted by her boss that she can speak for him both inside and outside the White House. She is part administrator—she is the one, for instance, who makes the last round of nightly calls to White House officials to sort out which issues should be the next day's priorities—and part mediator. Possessed of a sharp intelligence, a well-attuned political ear, and a capacity for detail, she is a generalist who understands both the politics and policy of issues well enough to coach sometimes-reluctant partners toward desired goals.

She is also something that every White House needs—a reliable back channel. White House and Cabinet honchos rely on Tramontano when they want to discreetly head off what they fear might be trouble for themselves or the President, and to push information past doorkeepers farther up the chain of command.

Moreover, Tramontano is a key White House link to organized labor, having served as the right-hand woman to John J. Sweeney as he made the leap from the Service Employees International Union to the presidency of the AFL-CIO. When she came from the SEIU to the White House staff in 1997 as deputy assistant to Clinton and counsel to then-Chief of Staff Erskine B. Bowles, some of Tramontano's colleagues feared she would act as a special pleader for the unions. But her performance, they said, quickly demonstrated that she understood she had one boss.

"She sees herself as a problem solver," said White House economic adviser Gene B. Sperling. "She can go back from Sweeney to [Treasury Secretary Robert E.] Rubin with enormous trust on both sides, even on a difficult steel or trade issue. I really do think of her as the glue in the West Wing."

Sweeney said it's reassuring to have a pipeline to Tramontano when the AFL-CIO "can't talk directly to the President." But he also volunteered that his former aide is an honest broker. "She's not just

taking a pro-labor stance," he said. "She's very fair. She can balance things in terms of where there can be differences between the Administration and ourselves."

Tramontano—a 4-foot, 11-inch coiled spring—is sometimes blunt, but mostly when her opinion is invited or required. Unlike some White House aides who are admired chiefly for the largeness of their talk, Tramontano is seen by colleagues as a classic doer. She favors teamwork, prefers a low profile, and moves easily among both the Administration's gentry and its peasants.

She gets along well, for instance, with Rubin, with whom she is a study in contrasts. The elegant Treasury Secretary, a millionaire and former Wall Street investment banker, was a Miami Beach rich kid who glided through Harvard University, the London School of Economics, and Yale Law School before dabbling first in corporate law. Tramontano scraped up enough money to earn degrees from Boston College and Catholic University's law school by socking away her $16.90-an-hour Teamster wage as a 4 p.m.-to-midnight billing clerk for a Rhode Island freight hauler. "They seem to make an interesting couple," said Clinton senior adviser Douglas B. Sosnik of Tramontano's alliance with the outgoing Treasury Secretary. "She speaks his language, which is: facts, no bullshit, no hyperbole, a get-it-done mentality."

Rubin, who has worked with all four of Clinton's chiefs of staff during what will have been a six-and-a-half-year government career when he winds it up in July, just laughs at the odd-couple notion. "I think she's terrifically effective, and beyond that, she's good-natured and calm in an environment that's not always calm," he said. "She's just very, very good."

Tramontano knew a bit about stressful environments and challenging personalities before she came to work for the President. In the early 1990s, after giving up her law practice and serving as Washington, D.C., Mayor Sharon Pratt Kelly's liaison to both the labor and gay and lesbian communities, Tramontano became Kelly's third chief of staff as well as her legal counsel for a tempestuous four-year period.

She spent two years at the SEIU before Podesta snapped her up following the President's reelection. Clinton expressed his gratitude soon after she arrived by telling the union that Tramontano was "a gift you gave me, or a theft I accomplished."

Podesta and Sosnik still argue over who should get the credit for the larceny. Podesta, then deputy chief of staff, said he interviewed Tramontano for the Democratic National Committee's executive director post (on Sweeney's recommendation to Vice President Al Gore), and promptly decided she should instead work at the White House. "We just clicked. It is not true, always, that opposites attract," Podesta joked. "She's sort of a short, mean, hot-blooded Italian, and has a good sense of humor. So, I think I liked that."



THE WHITE HOUSE

WITH THE BOSS: Tramontano and Clinton work on a draft of a speech. Economic adviser Gene Sperling calls Tramontano "the glue in the West Wing."

Sperling said he passed up an opportunity to consider Tramontano for a special-assistant job at the National Economic Council, realizing—too late—that she would have made an ideal deputy. "It's one of the worst personnel mistakes I've ever made," he said.

Tramontano appears to be enjoying herself in a life of seven-day work weeks and mandatory overtime. In an ideal world, she says, she'd like to escape more often with her partner of 13 years, Teresa Rankin, for weekends at a cabin on Maine's Blue Hill Bay. But she isn't complaining.

"It's an opportunity of a lifetime to work here, and to work for this President," Tramontano said in an interview wedged between an afternoon's buzzing phones and West Wing meetings. "The President has a robust agenda, and John works 24/7 for the President and leads by example. It just lifts you up; you just reach higher and do more, and that's what this is about." ■

KAREN A. TRAMONTANO

Born: June 1, 1957, Providence, R.I.
Education: B.A., Boston College, 1979; J.D., Catholic University of America Columbus School of Law, 1982
Resides: Washington, D.C., with partner, Teresa Rankin, a national representative for the National Education Association
Hobbies: Swimming, running
Professional: 1998-present, White House assistant to the President and counselor to the chief of staff; labor adviser to the President; one of three openly gay individuals appointed by Bill Clinton to the top rank of assistant to the President
1997-98, deputy assistant to the President and counsel to the office of the chief of staff
1995-97, assistant for governmental affairs, then chief of staff, to John J. Sweeney when he was president of the 1.1 million-member Service Employees International Union
1991-95, director of the District of Columbia's Office of Labor Relations and Collective Bargaining, then chief of staff and legal counsel to D.C. Mayor Sharon Pratt Kelly
1988-91, managing law partner, Martin & Tramontano, specializing in employee and union representation
1983-86, Democratic counsel, Senate Labor and Human Resources Committee
1982-83, general counsel, NEA's Overseas Education Association

FYI - will reply

BR

7-12-99

copied
Echaveste
Sperling
Podesta
Berkhardt
(original for reply)

SMITH WHILEY & COMPANY

June 22, 1999

7-12-99
After you have see we will send to Berkhardt -

Carl

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

Dear President Clinton,

As a native of Harlem, an investment banker and a yellow dog Democrat, I can't begin to tell you how thrilled I am over your New Markets Initiative and the promise it holds both for communities like the one I grew up in as well as for the bottom line interests of the business community, if only they can see it.

In my twenty years in the finance business, most recently in private equity, I have continued to be mystified by the fact that Wall Street is a mere twenty minute subway ride away from Harlem but somehow there has never been a way to connect the dots. My concerns have been heightened over the past few years as money poured into the private equity business buoyed in part by U.S. pensions funds' new appetite for private equity's historically enviable investment returns. Just last year, $85 billion in private equity was raised and invested primarily in some of the massive industry consolidations we read about daily. Ironically, this surge in investment has resulted in huge amounts of capital chasing very few deals, a spiraling of prices paid for business acquisitions and, consequently, a general decrease in the potential investment returns.

Given these marketplace dynamics, some time ago my company took a close look at where we thought the next opportunities would be to achieve the most attractive private equity returns. First we concluded that the small and middle market companies who would never even be on the radar screen of the multi-billion dollar private equity funds offered the best opportunity to create value for our investors. Second, we looked at demographics and reached the startling but obvious conclusion that given the spending power, the consumer spending patterns, the population density and the unavailability of capital, the urban markets which we personally know so well offered the potential for outstanding investment returns. The spending power in the African American community alone is $500 billion and when combined with other minority communities reaches over $1 trillion, an incredible business and investment opportunity for those who recognize it. With 75% of African Americans residing east of the Mississippi and 80% of Hispanic Americans residing in just 5 states, it required no rocket science for us to conclude that investing in companies which effectively target and sell to these marketplaces spelled opportunity in capital letters. Moreover, when we looked at the

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Fax: (847) 675-5493

New York City
444 Central Park West
New York, New York 10025
Tel: (212) 316-3400
Fax: (212) 316-2598

www. smithwhiley.com

availability of capital to minority businesses targeting these communities, we found that last year only $1-2 billion private equity capital was available versus an estimated need of $144 billion annually. Consequently, we formed the VISION FUND, a summary of which is enclosed, with the goal of raising $250 million to make private equity investments in businesses in our untapped urban markets. We will invest in both minority and majority owned firms and, hopefully, we will be able to spur the creation of some joint ventures akin to Magic Johnson's endeavors, i.e., impressive investment successes which also create employment opportunities, spur additional economic development in the communities they serve and, importantly, bring a new aesthetic, a new standard of excellence which has been a sorely missing ingredient in economic development in urban America.

We believe in what we are doing and in the outstanding investment potential it offers. Equally important to us is establishing for mainstream America that our underserved communities can become a vibrant force in our economy if those dots between opportunity and capital can be connected. But we also know that we could proselytize about an opportunity that we find is so patent from now until the cows come home with little success unless that vision is shared by someone with credibility and influence who buys into the concept and can act on it. That is why it was like manna from the heavens when I heard your references to America's untapped markets in your State of the Union address. I ran around Washington D.C. furiously trying to get details which I am delighted to see have culminated in this creative, bold initiative to spur private sector investment in both urban and rural America.

I know that parts of the plan require legislation and I will be working doggedly to garner support from my colleagues in the business community. I also plan to be as active as possible in spreading the word to potential supporters and investors. And, after attending last week's magnificent presentation of the Congressional Gold Medal to Rosa Parks, I thought that perhaps an aggressive education of some radio personalities on this Initiative might be a dramatic way to start phones ringing off the hook on Capitol Hill in support of the upcoming legislation.

Finally, your initiative also has personal meaning for me. I became active in national Democratic politics when Ron Brown became chairman of the Democratic National Committee and I was a Wall Street neophyte and somewhat of a pioneer at Salomon Brothers. Ron and I spent many hours talking about how to change the community we grew up in, the community we wanted to live in and where we felt we should and could

have every service available to us that we could have anywhere else. So it is especially meaningful that the President he worked so closely with is the person creating the vehicle for the kinds of changes we envisioned.

Thank you for being so smart, so bold and for seeing things as they should be not as they are. That is what leadership is all about.

Very truly yours,

MARIANNE CAMILLE SPRAGGINS
Senior Managing Director

THE PRESIDENT HAS SEEN
7-12-99

THE WHITE HOUSE

Tab B - Reed/Podesta/Burkhardt to do reply

MR. PRESID

Tab C - Podesta/Frampton

Attached a

Tab E - Ibarra/Podesta/Burkhardt to do reply. /Streett

(A) Up

Tab F - Marshall/Balderston/Podesta/Burkhardt to do reply

(B) DP

pg 2 - Counsel's Ofc/Podesta

(C) CE

Tab H - Lewis memo: Lewis/Podesta

(D) L

Tab I - Cahill/Podesta

(E) In

Tab J - Johnson/Podesta

(F) C

pg 2 Echaveste/Reed

(G) P

(H) C

Tab L - Yellen/Podesta

(I) P

pg 6. Reed/Sperling/Podesta

(J) F

(K) E

(L) V

Sean Maloney

THE PRESIDENT HAS SEEN
7-12-99

THE WHITE HOUSE

WASHINGTON

July 11, 1999

MR. PRESIDENT:

Attached are the following weekly reports:

(A) Update on Global Markets/Interest Rates and Stock Prices

(B) DPC

(C) CEQ

(D) Legislative

(E) Intergovernmental

(F) Cabinet Affairs

(G) Political Affairs

(H) Communications/Ongoing Projects

(I) Public Liaison

(J) Race Initiative

(K) Envoy for the Americas

(L) Weekly Economic Briefing

Sean Maloney

THE WHITE HOUSE

WASHINGTON

July 9, 1999

copied
Reed
Podesta
Berkhardt -
to do reply

'99 JUL 9 PM 7:15

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: DPC Weekly Report

1. Education – Class Size: As you know, the House Education and Workforce Committee recently reported legislation which we have threatened to veto because it would significantly undermine our class size program. The House bill would include class size funding in a broader teacher quality bill and allow it as an eligible purpose. However, it would not require a dedicated stream of funding for class size nor the achievement of any class size goals or targets. In other words, under the provisions of the bill, a state could spend virtually nothing on class size and still receive funding. This bill is expected to move to the House floor within the next two weeks.

House Committee Democrats are split on the issue. Some -- led by Congressman Roemer, possibly Miller and others -- do not share the Administration's view on the need for a dedicated funding stream for class size, nor do they seem to agree with us as to the importance of the class size goal. Others – Representatives Clay, Kildee, Martinez -- strongly support us from a policy perspective but seem doubtful about our ability to hold Democrats on this issue. To broaden support for the Democratic substitute we plan to amend our proposal to give more flexibility to states and school districts that have a preexisting class size reduction plan in effect, and to districts that need to spend more on recruiting and training in order to attract qualified teachers to reduce class size.

DPC, OMB, the Department of Education, and Legislative Affairs recommend a legislative strategy to unite as many Democrats as possible on a class size Democratic amendment and to attempt to achieve a veto sustaining margin against final passage. Our conversations with staff this week suggest that it may be possible to achieve a good Democratic vote on the amendment but it will be difficult to ask members to vote against the bill. They believe that many Democrats will not want to oppose a bill which purports to promote teacher quality. However, we believe that it will also be very hard to explain away an overwhelming vote for the final bill as anything other than a defeat for class size since the Goodling bill clearly kills our program.

Democratic Leader Gephardt's staff has given a reluctant blessing to our approach but has conveyed concern about whether or not Democrats can remain united on this issue. It is our sense that the Democratic leadership's willingness to take on this issue will depend in part on our aggressive leadership and our ability to demonstrate that it has a reasonable chance of success. We will press Representative Gephardt to provide more leadership on the issue of class size,

which was a critical victory for all Democrats last Fall.

7-12-99

AFT and NEA as well as the Great City Schools are highly supportive of our approach and have indicated that they will work members at the grassroots level. The Senate Democrats (as represented by their staff) are extremely firm on this issue and have already demonstrated their willingness to take this issue to the mat by agreeing to sustain a veto of the ED Flex bill if it had eliminated class size as it did in the Senate bill.

2.Welfare – Food Stamp Announcements: Earlier this year, we promised that we would prepare a package of executive actions you could take to make the food stamp program more accessible for working families. These actions are now ready, and you may want to announce them in your DLC speech next week to highlight your record of requiring work and ensuring work pays better than welfare. Like child care, EITC, and Medicaid, food stamps are an important support for working families – a family of three with a full-time worker earning the minimum wage can get $220 a month in food stamps. While families are eligible for food stamps up to 130 percent of the poverty line -- about $8.50 an hour or $17,748 for a family of three -- participation among working families is low. Presently, only 39 percent of individuals with earnings who are eligible for food stamps benefits receive them, compared to 71 percent of all eligibles and 97 percent of those on cash assistance. The package includes: 1) new policy guidance making it easier for working families to own a car and still receive food stamps; 2) new regulations making it easier for families to report income and ensure states serving working families won't be penalized for small errors in estimating families' future earnings; and 3) a new outreach campaign to inform low-income families of their food stamp eligibility.

3. Welfare – Welfare-to-Work Update: Our $1 billion Welfare-to-Work reauthorization proposal is beginning to gain some momentum in Congress, though it will take a concerted effort from the White House to ensure that new funding is achieved this year. Our proposal -- including funds to help recipients with the greatest challenges to employment as well as fathers who need jobs to pay child support -- has been introduced by Democrats in both the House and Senate. Republican Ways and Means subcommittee chair Nancy Johnson has expressed some interest in working on a bipartisan basis on a fatherhood bill, but there are indications that she and her Republican colleagues are hesitant to move a bill with new funding. Meanwhile, Senator Bayh is developing a broad-based fatherhood proposal with Senator Domenici; we expect him to include elements of our Welfare-to-Work proposal, including an expanded focus on fathers using existing funds, but no new funding.

Since state and local grantees have up to three years to spend current funds, some resources will continue to be available even if we do not enact new funding this year. However, there is overwhelming demand for Welfare-to-Work funds: the Department of Labor received 1,400 applications for competitive grants last year totaling $5 billion and only had funds to award grants of $468 million.

On a more personal note, we thought you would be interested in news from Carlos

PRESIDENT HAS SEEN
7-12-99

Rosas, the young father who introduced you at the January 25th event unveiling your Welfare-to-Work budget proposal. Carlos reports that he has now graduated from the technical college he was attending as part of the responsible fatherhood program in St. Paul, and has gotten a new job as a technician servicing business machines which will enable him to pay even more child support.

4. Crime – Guns: We have tentatively planned for about 80 Denver-area high school students to attend a White House event on Thursday to highlight the gun issue. The students, many of whom are from Littleton, are affiliated with S.A.F.E. (Sane Alternatives to the Firearms Epidemic) Colorado and will be in town to urge Congress to move quickly to pass gun legislation. At the event, we hope to release a brief report on the first six months of the National Instant Criminal Background Check System (NICS). The report will contain information detailing the types and number of gun sales blocked by the NICS. On a related note, on Wednesday, the D.C. district court dismissed a case filed by the NRA challenging the ability of the FBI to retain records for up to 6 months under the NICS.

5. Health Care -- Upcoming Activity on Medicare and Patients Bill of Rights: Your advisors have developed a coordinated White House strategy to highlight your priorities on both Medicare and the Patients Bill of Rights over the next few weeks. On Sunday, Larry Summers and John Podesta are appearing respectively on *This Week* and *Meet the Press* to discuss your Medicare reform package and contrast your effort to strengthen and modernize the program with the proposed Republican tax cuts. On Monday, you are meeting with the bipartisan Congressional leadership to discuss Medicare reform within the context of the current negotiations on the budget. Before departing for Florida, where you will speak to the Communication Workers of America on Medicare reform, you will give a departure statement on the floor debate on the Patients Bill of Rights. Finally, early next week, you will hold an event promoting your proposed Medicare prescription drug benefit.

THE PRESIDENT HAS SEEN
7-12-99

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

'99 JUL 9 PM2:16

July 9, 1999

Podesta
We need to get out a veto
statement & both pass
this -
BC

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. GTF
Acting Chair

SUBJECT: CEQ WEEKLY REPORT

BUDGET

Interior Appropriations

We continue to work with OMB and Legislative Affairs to create a strategy to deal with the most objectionable anti-environmental riders on the Senate Interior Appropriations bill. On Wednesday, the *New York Times* printed an article (attached) describing how ~~many~~ of the riders in the Senate bill benefit special interests such as mining, logging, ranching, and oil and gas. The illustrates that these riders are ainin national attentio We also are working to address the deep cuts in funding in both bills for your Lands Legacy initiative.

RESOURCE STEWARDSHIP

American Heritage Rivers

Last Friday, the DC Circuit Court of Appeals affirmed the decision of the U.S. District Court for DC to reject a lawsuit challenging your American Heritage Rivers initiative. The lawsuit, filed by Representative Chenoweth and four other House Members alleged that your creation of the initiative via Executive Order exceeded your statutory and constitutional authority. They argued that this deprived them of their right to debate and vote on the program. Last year, the U.S. District Court for DC dismissed the lawsuit, ruling that the House Members did not have standing because the program did not harm their rights. The appeals court affirmed that decision, holding that the Members lacked standing to challenge the program.

On another front, the House Interior Appropriations bill includes a rider that prevents any funds to be used by CEQ or other EOP agencies, or any agencies funded in the Interior Appropriations bill, to support the American Heritage Rivers initiative. Affected agencies include all Interior agencies, the U.S. Forest Service and the Advisory Council on Historic Preservation. This rider will seriously limit what has proven to be a very positive, popular program.

Copied
Podesta
Frampton

Antiquities Act

The House Resources Committee has reported out legislation to amend the Antiquities Act. Proposed by Representative Hansen, the amendment would require the President to consult with the Governor and Congressional delegation of a state 60 days before establishing a new National Monument, and also to "solicit public participation and comment."

The Act embodies a unique presidential authority used successfully over 100 times by virtually every President since 1906 -- an authority untouched over that time period. We are working with OMB and Legislative Affairs to generate a Statement of Administration Policy opposing this amendment.

Attachment

Recycled Paper

Senate Riders Put Some on the Inside Track

Mineral Interests Are Among the Winners in Interior Bill Add-Ons

By TIM WEINER

WASHINGTON, July 6 — The Senate is setting up a festival of favors for oil, gas, timber, mining and ranching interests in its spending bills this year.

Oil companies would keep hundreds of millions of dollars in royalties that the Interior Department says they owe the public. Miners would be able to dump thousands of tons of waste on Federal land. Loggers would reap new harvests in Alaska's forests. Ranchers could let their cattle graze in a national recreation area.

None of these measures might pass easily on their own. But all are wrapped as riders inside the bill financing the Interior Department, which must pass in some way, shape or form. It was approved by the Senate Appropriations Committee last week.

In 1997 and 1998, the 105th Congress used riders to promote timber cutting in national forests, block a clear-air program for national parks, freeze fuel-efficiency standards for cars, let more livestock graze on Federal lands and increase logging in California forests.

This year, in the Senate, Western Republicans like Senators Larry E. Craig of Idaho, Slade Gorton of Washington and Ted Stevens of Alaska, chairman of the Senate Appropriations Committee, have inserted measures into spending bills that have gladdened oil men, loggers, miners and ranchers. Since 1991, these three pivotal Senators have received more than $850,000 in campaign contributions from those interests, Federal records show.

Environmentalists say there is a direct connection between the money the Senators receive and the laws they write.

"Mining, timber and oil industries are using key senators as political pawns to checkmate the environment," said Courtney Cuff, legislative director of the group Friends of the Earth.

The Senate used to have the century-old Rule XVI, which in principle barred members from adding new laws to spending bills. But in 1995, while trying to undercut the Endangered Species Act, Republicans killed the rule with a swift parliamentary blow.

Its death opened the way for amendments and riders to piggyback on spending bills. It meant that new laws, sometimes impenetrably written, could be enacted without the usual public hearings and public debate, or public disclosure of their legislative intent.

Two weeks ago, Mr. Craig, chief of the Republican Policy Committee, inserted an amendment to the Interior bill that wipes out a rule that had limited mine dumps on Federal and Indian land to five-acre sites. The measure overturns Interior Department policies and legal rulings by the department's solicitor general. Similarly, Mr. Gorton used a rider in May to pave the way for an open-pit gold mine in Washington whose operators will crush, leach and dump nine million tons of rock.

"A mineral is where you find it," Mr. Craig said. "It may not be the most suitable place in the world."

Mining companies have more than 300 pending applications for new projects on Federal land affected by Mr. Craig's measure, the Senator said. One proposed mine would create more than 220 tons of waste for every ounce of gold it produces, Interior officials say.

A newly popular tactic: making law in spending bills.

Gold mines use cyanide to separate the metal from rock, and that poison can wash into streams and rivers, killing fish and wildlife, environmentalists protest.

The measure could create hundreds of mining jobs and hundreds of millions of dollars of profit. But "the mining rider would devastate beautiful places forever," Ms. Cuff said.

Mr. Craig and Mr. Gorton together have received $100,000 in campaign contributions from mining interests since 1991, Federal records show.

Gregory Wetstone, advocacy director at the Natural Resources Defense Council in Washington, called the mining rider a case study of democracy in inaction, "an abuse of what is supposed to be an open democratic process and an open door for special interests."

"It's hard to imagine a more telling example of unconscionable legislation that could never be passed in the light of day," Mr. Wetstone said.

Another amendment, by Mr. Stevens and Senator Kay Bailey Hutchison, Republican of Texas, would spare oil companies from paying the public hundreds of millions of dollars.

The Interior Department contends that oil companies have underpaid royalties on oil extracted from Federal land. These royalties go to Government environmental programs and to state public education funds. The money due, by some estimates, is $856 million and growing.

The Senators' amendment places a continuing moratorium on the oil companies' having to pay up.

Other senators have riders that bar the Interior Department from prohibiting lead mining along the Ozark National Scenic Riverways in Missouri, open a national recreation area in Washington State to cattle ranchers and promote logging in Federal forests.

The White House is threatening to veto the Interior spending bill over such riders. The Senate will soon vote on the bill; assuming it passes, it will then be reconciled with the House Appropriations Committee's version, approved on Thursday, which contains no environmental riders.

The Senate's fondness for such riders grew mightily after it abolished Rule XVI. Ever since, Mr. Craig said, "appropriations bills have become vehicles" for all manner of riders as Democrats and Republicans alike have loaded laws onto spending bills for seven Federal agencies. Just last week, Senate Democrats tried to attach a patient's bill of rights onto the agriculture spending bill, stalling its passage.

"In all fairness," Mr. Craig said, "the reason that has happened is that appropriations bills must pass."

The practice "is one of the reasons we get wrapped around the axle," said the spokeswoman for the House Appropriations Committee, Elizabeth Morra.

Legislative standoffs on spending created the Government shutdown of 1995 and a last-minute spending free-for-all last October — both of which embarrassed Congress and diminished its reputation among voters.

The Senate is now considering reinstating Rule XVI, and 85 House Democrats have signed a bill, called The Defense of the Environment Act, to outlaw special-interest riders like the Senate's. It has little or no chance of passage.

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THE WHITE HOUSE

WASHINGTON

July 9, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: **Mickey Ibarra**

SUBJECT: **Office of Intergovernmental Affairs Weekly Report –July 5 - 9, 1999**

DOMESTIC POLICY AGENDA OUTREACH

As part of our effort to mobilize state and local elected officials to support your domestic policy agenda during the Congressional recess, we briefed 75 representatives from the intergovernmental affairs community at the White House on Thursday. County Executive Wayne Curry (D-Prince Georges County, MD) dropped by the briefing to urge the group to intensify their lobbying activity in support of your agenda.

NEW MARKETS

This week we worked to include a bipartisan group of state and local elected officials at every stop of your New Markets Tour. We sense an enormous amount of support for the initiative, and are exploring whether Governor Underwood (R-WV) and Governor Patton (D-KY) can deliver an NGA endorsement of the New Markets Initiative at the NGA Summer Meeting next month in St. Louis.

GOVERNORS

Governor Mel Carnahan (D-MO) called John Podesta this week to push again for you to attend the Annual Meeting of the National Governors' Association (NGA) in St. Louis on August 10. Governor Carnahan wrote you a note on June 16 personally inviting you to attend.

Governor Paul E. Patton (D-KY) returned my call Tuesday to say he was thrilled with the success of your visit to Eastern Kentucky. The Governor requested a point of contact at the NEC to assist him with opportunities to discuss future investments with interested CEO's. We will work with NEC to respond.

LIHEAP: On Friday, we coordinated with eight states requesting LIHEAP funding as a result of this week's blistering heat in the mid-Atlantic states and the resulting energy costs inflicted on low income homeowners. It is anticipated that LIHEAP grants could be given as early as Monday, July 12.

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MAYORS

Gary, IN: On Thursday I spoke with Mayor Scott L. King (D), whose 17 year-old nephew was shot and killed June 30. Apparently his nephew got into a fight with another teenager, who later went home, stole his father's gun, and returned and shot his nephew in the head. In our conversation, the Mayor expressed his profound grief, as well as his discontent with the lack of Congressional activity to require trigger locks for guns. We have submitted a correspondence request for a condolence letter on your behalf.

Sacramento, CA: Mayor Serna (D) announced last week that he has cancer and will not be seeking a third term. A call and correspondence request has been completed. The Mayor remains in good spirits and is ready to do all he can to assist you and the Vice President.

INSULAR AREAS

UN Committee and Puerto Rico: Governor Pedro Rossello (D-PR) told the United Nations' Decolonization Committee that Puerto Rico should return to the UN's Non-Self-Governing Territories list since Congress had failed to pass a status choice bill, in spite of your support. The committee later called for the U.S. to enable Puerto Ricans to become self-governing and to end military activity on the island of Vieques. It also supported release from prison of Puerto Ricans from States convicted for crimes committed in the name of the islands' independence.

Guam at the UN: Governor Carl Gutierrez' (D) appearances at the UN raised concerns at the State Department. Guam invited the Decolonization Committee to observe a status choice vote limited to the island's indigenous people, a move opposed by the Administration. Guam also criticized the U.S. for not establishing a process to enable the territory to become self-governing.

July 4th Puerto Rico Message: At the request of Governor Rossello, Puerto Rico Interagency Group Co-Chair Jeff Farrow delivered a message from you at the islands' U.S. Independence Day ceremony. The statement reiterated your commitment to enabling Puerto Ricans to choose the islands' status among all the options.

THE WHITE HOUSE

WASHINGTON

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July 9, 1999

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MEMORANDUM FOR THE PRESIDENT

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

SUBJECT: **Summary of Cabinet Weekly Reports**
July 3 - 9, 1999

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AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **National Conference Attendance:** The following Cabinet Members will participate in the 90th Annual NAACP Convention in New York, NY from July 10-15: the Vice President, Secretaries Herman, Slater, and West, and Administrator Alvarez. Secretaries Richardson and Riley and Director Lachance will join White House Intergovernmental Affairs Director Mickey Ibarra at the 70th Annual LULAC National Convention and Exposition, which will be held from July 11-17 in Corpus Christi, TX.

- **DC Reads Participation:** Pursuant to your executive memorandum of June 17, Cabinet Affairs and the Corporation for National Service have worked together to encourage federal agencies to participate in the DC Reads This Summer volunteer tutoring program. Currently, over 1,000 federal employees from 27 agencies are helping more than 1,500 school children in the Washington, DC area to become better readers, according to Paul Glastris and others helping to coordinate the federal employee initiative. DOEd, VA, and FEMA have been particularly active in promoting and publicizing this effort among their employees.

Suggest you write to Secretary Riley

DEPARTMENT OF TREASURY

- **Kosovo Reconstruction:** On July 13, Secretary Summers will travel to Brussels to attend the first meeting of the High Level Steering Group on Kosovo, chaired by the World Bank and the European Commission.

- **Border Coordination Initiative:** On July 1-2, Under Secretary Johnson visited ports of entry along the TX-Mexico border to observe Customs' partnership with the INS Border Patrol in the joint Treasury-DOJ Border Coordination Initiative (BCI). From October 1, 1998, the month following BCI's establishment, through April 30, narcotics seizures along the border were up 33 percent over the same period during the previous year.

THE PRESIDENT HAS SEEN
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- **Osama bin Ladin:** During the week of June 28, the Office of Foreign Assets Control led a delegation, including representatives from the NSC and CIA, to the United Arab Emirates and Saudi Arabia to initiate a cooperative effort to stop the flow of fundin Osama bin Ladin. The delegation provided the host governments with information regarding bin Ladin's contacts and intermediaries, which the host governments pro to review and investigate. A follow-up trip to identify joint courses of action is anticipated in early October.

copied Counsel Podesta

- **Financial Modernization:** On July 1, the House passed the Financial Services Ac 1999 by a 343-86 vote. The bill satisfies the Administration's concerns on the Community Reinvestment Act and the right of financial institutions to maintain op subsidiaries. Two key amendments were also debated. The House defeated an amendment by Representatives Paul, Barr, and Campbell that would have eliminated provisions of the Bank Secrecy Act mandating the reporting of suspicious activity, thus making it harder to combat money laundering and narcotics trafficking. The House also adopted an amendment to provide additional financial privacy protections, which includes some of the privacy proposals that you announced on May 4.

- **New Markets Activities:** On June 8, Secretary Summers traveled to New York City to visit Harlem USA, a commercial and residential real estate development in Harlem. Harlem USA was created by local developers with assistance from Treasury, HUD, and SBA. Secretary Summers also moderated a CEO Roundtable at which Chase Manhattan Bank and the New York Partnership announced that they will lead the first local BusinessLINC coalition. This begins to implement the business mentoring initiative, first launched by the Vice President last July, and co-chaired by Secretary Rubin and Administrator Alvarez.

DEPARTMENT OF JUSTICE

- **Pine Ridge March:** On July 3, Community Relations Service conciliators helped avert violence during a second march by Oglala Sioux Indians, including members of the American Indian Movement (AIM), from the Pine Ridge Reservation to Whiteclay, NE. The marches had been organized to demand the withdrawal of liquor licenses issued to Whiteclay businesses, more aggressive investigations by federal and state authorities into the deaths of two Indians near Whiteclay, and the return of Whiteclay within the ~~boundaries of Pine Ridge Reservation~~.

Counsels Office - is there anything else we can do about this? BC

- **Violence Against Women Act:** On June 25, DOJ petitioned the Supreme Court for *certiorari* in a case concerning the Violence Against Women Act (VAWA). The issue is whether VAWA's creation of a private right of action for gender-motivated violence is a valid exercise of Congress's power under the Commerce Clause and the Fourteenth Amendment.

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- **Branch Davidian Cases Partially Dismissed:** (W.D. TX) The U.S. District Court has dismissed many of the claims brought against the federal government. The court determined that all of the individual federal defendants, with the exception of FBI Hostage Rescue Team Special Agent Lon Horiuchi, were entitled to qualified immunity. The court also granted the U.S.' motion to dismiss in part, holding that the discretionary function exception bars most of plaintiffs' numerous claims. The sole remaining issues for discovery and trial concern the use of excessive force and the possibility of negligence.

- **Clean Air Act Standards Rehearing Request:** In May, the Court of Appeals for the DC Circuit invalidated EPA's revised National Ambient Air Quality Standards for ozone and particulate matter. DOJ has filed a motion for rehearing *en banc*, asking the court to reconsider its decision that the Clean Air Act, as interpreted by EPA, is an unconstitutional delegation of authority. DOJ also asked the court to reconsider the decision on the merits.

- **American Heritage Rivers Initiative:** On July 2, the DC Circuit rejected a challenge to your American Heritage Rivers Initiative. The court upheld a district court decision that dismissed the case on the ground that Rep. Chenowith and the other House members who filed the case lacked standing to sue under Article III of the Constitution.

- **GSA Corruption, Eastern District of NY:** In the largest corruption prosecution in General Services Administration (GSA) history, five GSA supervisors pled guilty to widespread bribery and kickback schemes in connection with maintenance and construction projects at the U.S. Courthouse in Brooklyn and other federal buildings.

- **Mental Health Symposium:** On July 22-23, the Office of Justice Programs will co-sponsor with HHS a symposium on "People with Mental Disorders in the Justice System: Strategies for Building on What We Know." The forum will convene more than 150 criminal justice, mental health, and substance abuse practitioners, government officials, researchers, victims, corporations, foundations, and others to discuss juvenile offender mental health issues, emerging mental health court programs, effective corrections practices; and community partnerships. *New York Times* correspondent Fox Butterfield will be the luncheon speaker.

- **Crime Victimization Report:** On July 18, the Bureau of Justice Statistics (BJS) is scheduled to release ***Criminal Victimization 1998, Changes 1997-98 with Trends 1993-98***. The report presents statistics on crime rates from the 1998 National Crime Victimization Survey. The violent crime rate fell 7 percent in 1998 and was 27 percent lower than in 1993. The property crime rate fell 12 percent during 1998 and was 32 percent lower than in 1993. During the 1993-1998 period, there were significant decreases in every major type of violent and property crime the survey measures, and virtually every demographic group experienced substantial drops in violent victimization.

THE PRESIDENT HAS SEEN
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Both violent crimes (rape, sexual assault, robbery and assault) and property crimes were at their lowest levels since BJS began its National Crime Victimization Survey in 1973.

- **Juvenile Justice Statistics:** In July, OJJDP will publish ***Juvenile Court Statistics, 1996*** and ***Offenders in Juvenile Court, 1996***. The publications present statistics on case trends, case rates, and age, sex, and race of youth for cases handled by U.S. juvenile courts between 1987 and 1996.

DEPARTMENT OF INTERIOR

- **Trinity County Fire:** On July 2, a prescribed fire started by BLM to eliminate weeds noxious to wildlife near the town of Lewiston, CA, turned into a wildfire, buring 2,000 acres and destroying 23 homes and numerous outbuildings. An official interagency investigation is underway, and an official report is expected within two weeks.

- **NY Land Claims:** On July 6, DOI entered into a Memorandum of Agreement (MOA) with the State of NY, the Cayuga Indian Nation of NY, and the Seneca-Cayuga Tribe of OK, in which the parties agreed to the principles which will govern a final settlement agreement on NY land claims. The MOA will be submitted to the Federal District Court for the Northern District of NY on July 8. The terms of the MOA are governed by a court-imposed confidentiality order, and therefore are not subject to public disclosure. Settlement negotiations in the Oneida Land Claim continue.

DEPARTMENT OF AGRICULTURE

- **WTO Concerns:** On July 12, Secretary Glickman will be in Des Moines, IA for one of the 14 joint USDA-USTR listening sessions being conducted to solicit public comment on the upcoming round of WTO negotiations.

- **Water 2000 Initiative:** On July 12, Secretary Glickman will announce FY99 funding awards for USDA's Water 2000 initiative, whose goal is to bring safe clean drinking water to unserved and under served rural communities by 2000 -- during his trip to Des Moines, IA for an WTO listening session.

- **Vail Ski Area Expansion:** Throughout July, 50 or more protestors plan to demonstrate against the Vail Ski Area at the White River National Forest (CO). The proposal generated considerable national attention when protestors burned some of the ski facilities last winter.

- **Advancing Farm Payments:** On June 30, Chairman Combest and 19 Members introduced a bill to grant farmers early receipt of the income support payments they will receive for FY2000-02 under the 1996 farm bill; the measure is comparable to the one signed last year that advanced FY99 payments one year.

- **Commodity Markets:** High reported harvest yields and pressure from corn helped force wheat prices down last week. Corn and soybean prices moved lower on excellent growing conditions in the Corn Belt. Rice cash prices held steady, but futures fell in anticipation of a record harvest this fall. Aggressive selling by China and Australia cotton exporters helped push cotton prices down. Cattle prices fell, following lower cutout values. Hog prices plummeted following release of a very bearish USDA Hogs and Pigs report. Broilers moved higher on heavy demand by restaurants and resorts. Continued stockpiling helped support cheese prices. Butter prices dropped on still-ample stocks.

- **Biotechnology Speech:** On July 13, Secretary Glickman will deliver a major address on biotechnology at the National Press Club.

DEPARTMENT OF COMMERCE

- **NTR for China:** On June 29, Secretary Daley met with members of the Coalition for U.S. China Trade to hear about their efforts to gain support for China's annual and permanent normal trade relations (NTR) status, and China's WTO accession. Coalition members felt that a Congressional motion of disapproval on annual NTR would be defeated, and that there would also be enough votes to support permanent NTR should the U.S. and China reach an agreement. On July 1, the House Ways and Means Committee gave its support to your decision to extend NTR with China for another year. The full House is expected to take up the issue in mid-July.

- **U.S.-Israel Next Generation Internet Projects:** The U.S.-Israel Science and Technology Commission's Executive Committee endorsed the recommendations of the U.S.-Israel Science & Technology Foundation to fund three Next Generation Internet (NGI) projects. The Foundation will allocate $4 million for the following joint ventures involving U.S. and Israeli companies: NGI Access System (Ultracom Communications, Cayman Systems and Orckit); TiTan T6 Ethernet Switch (3M and BATM Advanced Communications); and Multicast Network (BroadLogic and Gilat Satellite Networks). The Foundation notified the awardees on July 1.

DEPARTMENT OF LABOR

- **Kaiser Aluminum and Chemical Co. Explosion (LA):** DOL's Mine Safety and Health Administration (MSHA) is investigating an explosion that occurred on July 6 at the Kaiser Aluminum and Chemical Company in Gramercy, LA. At least 15 workers were injured, including one in critical condition with thermal and chemical burns. The company operates a milling operation on the site, and since September 1998 about 3,000 United Steelworkers members have been locked out at this facility and others in WA and OH. The facilities have continued to operate with management and replacement workers.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **FDA Stakeholders Meeting.** On July 20 in Oakland, FDA will hold its second public meeting seeking input in the development of an overall strategy for achieving effective regulation of dietary supplements under the Dietary Supplements Health and Education Act (DSHEA). The first meeting was held on June 8 in Washington, D.C. An effort will be made to build upon themes that emerged from a June 1998 broader stakeholder meeting. These themes include the need to maintain a program that will ensure consumer confidence in FDA-regulated products, the need to maintain a solid science program staffed with highly qualified scientists, and recognition that FDA assistance to consumers and the regulated industry is important.

- **Narcotic Treatment Programs Notice of Proposed Rule Making (NPRM):** The week of July 19, SAMHSA's Center for Substance Abuse Treatment is planning to publish a Notice of Proposed Rule Making on narcotic treatment programs. The proposal will require accreditation of methadone treatment programs and shift oversight responsibility for the regulatory program from FDA to SAMHSA.

- **National Conference:** On July 14-17, Health Resources and Services Administration (HRSA), along with the Centers for Disease Control and Prevention and the National Highway Traffic Safety Administration, will co-host the National Association of County and City Health Officials' annual conference to help foster greater collaboration among Federal, State, and local health officials. Dr. Earl Fox, HRSA Administrator, will speak.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **America's Inner Cities:** This week you released a new HUD report, *New Markets: The Untapped Retail Buying Power In America's Inner Cities*. The HUD report indicates that America's inner city neighborhoods possess enormous retail purchasing power - estimated at $331 billion last year, or one-third of the $1.1 trillion total for the central cities in which those neighborhoods are located. The report suggests that businesses not yet operating in inner cities should not ignore that large domestic market. Despite their huge buying power, many of America's inner city communities are "under-retailed," with sales that fall significantly short of residents' retail purchasing power.

- **Rural Housing And Economic Development Assistance For Kentucky:** You announced $1.5 million in HUD Rural Housing and Economic Development Grants to five Eastern Kentucky organizations. The announcement was made as part of your New Markets tour.

DEPARTMENT OF TRANSPORTATION

- **Mississippi Delta:** On July 6, building upon your commitment to expand economic opportunities in the Mississippi Delta Region, Secretary Slater, Greyhound Bus Lines Executive Vice President and Chief Operating Officer Jack W. Haugsland, and Federal Express Chief Operating Officer David Bronczek announced a unique partnership to provide low-cost transportation connecting workers in Clarksdale, MS with jobs in Memphis, TN.

- **France:** On June 29-30, negotiations on intermodal codesharing were held in Washington, DC. The two sides made substantial progress towards a new agreement. However, French concerns about regulatory oversight of code-share operations and recent DOT decisions on exclusivity provisions, prevented an agreement at this round. Both sides are reviewing the open issues, with an intent to meet as soon as progress seems possible.

- **DC Reads:** DOT's Transportation Administrative Service Center (TASC) led a DOT-wide project to provide volunteer tutors in support of the "DC Reads This Summer" program. This is also a joint initiative of the White House and the Corporation for National Service to recruit federal workers in the Washington Metropolitan Area to serve as summer volunteer literacy tutors for preschool and elementary school age children. TASC conducted a call for volunteers, coordinated and participated in an orientation session for 55 tutors and arranged transportation to and from the tutoring site, Webb Elementary School, in Northeast DC.

DEPARTMENT OF ENERGY

- **Idaho National Engineering and Environmental Laboratory (INEEL) 50th Anniversary:** INEEL, established in 1949, was the birthplace of nuclear energy as a power source. Secretary Richardson will travel to ID to celebrate the festivities surrounding the 50th anniversary on July 17. Governor Kempthorne, Senator Craig, Senator Crapo, and Congressman Simpson are all scheduled to attend. Additionally, the Secretary is scheduled to visit the Shoshone Bannock Tribal Council at the Fort Hall Indian reservation. The Secretary will announce a land management transfer with the U.S. Fish and Wildlife Service, the Bureau of Land Management, and the State of ID. This involves a management agreement with the U.S. Fish and Wildlife Service to cooperatively manage a parcel of land contained within the INEEL's buffer for preservation and conservation.

- **U.S.-China Oil and Gas Industry Forum:** DOE and DOC have reached agreement with U.S. industry participants on objectives and agenda for the July 20-22 meeting of the U.S.-China Oil and Gas Industry Forum. The objectives of the meeting will be to promote: a legal, fiscal and regulatory environment in China to encourage foreign and

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domestic investment in energy infrastructure; policies that will facilitate U.S.-China business partnerships; investments in oil and natural gas projects in China; accelerated development of oil and natural gas markets in China; and development of regional gas markets in order to promote regional economic growth and enhance energy security. DOE expects around 100 U.S. industry participants and a large Chinese contingent.

- **Weatherization Grants:** DOE's Weatherization Assistance Program awarded grants this week totaling $45,441,411 to 16 States. DOE awarded $85,000,000 in weatherization grants to the other states and the Navajo Nation earlier this year. DC will receive a grant in September. Nationwide, the program's total funding this year of $130,700,000 will reduce the energy bills of approximately 67,000 low-income families, provide jobs, and improve the environment.

- **Energy in the Americas:** The Energy Information Administration has compiled a report for the Summit of the Americas in New Orleans on July 28. The report contains information on energy use, economy, and environment in the Americas, climate change, natural disasters and reconstruction in the Americas.

DEPARTMENT OF EDUCATION

- **Social Promotion Guide Distribution:** In response to your inquiry, Education has distributed nearly 17,000 copies of *Taking Responsibility for Ending Social Promotion: Strategies for Educators and State and Local Leaders.* Copies were sent to 15,800 public school superintendents, all chief state school officers, education associations, state boards of education, top civil rights organizations, and the National Education Goals panel. Mailings also went to the press, editorial boards, Members of Congress, and some specific civil rights and education associations.

- **Reading Excellence Grants:** DOEd has delayed the announcement of $241 million in FY1999 Reading Excellence Program grants. By early August, DOEd expects to announce the grants, which support research-based reading instruction, professional development for teachers, family literacy, and extended learning activities.

- **Class Size Reduction Program:** Last week the House Education and Workforce Committee reported a teacher quality bill which effectively scuttled your class size reduction program. While the bill contains a general requirement that school districts spend some funds to lower class size (a provision that enables Republicans to claim credit for class size reduction), it fails to provide dedicated funds to hire 100,000 teachers or to require that funds be used to reduce class size to 18 in the early grades.

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- **Math and Science:** DOEd expects to complete all appointments to the Glenn Commission by July 9. The Commission, headed by former Senator John Glenn, will review the current state of American K-12 math and science education, focusing on the challenges of teacher recruitment, preparation, retention, and professional growth.

DEPARTMENT OF VETERANS AFFAIRS

- **Gene Therapy for Diabetes:** VA researchers have performed gene therapy that offers new hope for millions of people who suffer from diabetes. When inserted into the liver cells of diabetic rats, a gene developed by the team at the Atlanta VA Medical Center caused the cells to produce insulin.

ENVIRONMENTAL PROTECTION AGENCY

- **Urban Air Pollution:** On July 6, EPA released the Integrated Urban Air Toxics Strategy as part of its overall efforts to reduce air toxics. The strategy presents a framework for addressing air toxics from sources in urban areas. Pursuant to the Clean Air Act, the strategy identifies a list of the 33 air toxics that present the greatest threat to public health in the largest number of urban areas. It also identifies 13 new categories of smaller commercial/industrial operations for regulation because they emit significant amounts of the urban toxics.

UNITED NATIONS

- **Libya:** On July 7, Security Council members discussed the Secretary General's 90-day report on the remaining obligations of Libya following the extradition of the Pan Am 103 bombing suspects. Some Council members advocated the adoption of a new resolution to lift sanctions on Libya immediately. Most members, however, supported a U.S. draft Presidential statement that maintains the present state of sanctions suspension, but postpones Council consideration on the issue indefinitely. Members of the Council's Non-Aligned Movement Caucus will present their ideas on the issue July 8, and agreement on a Presidential statement along the lines of the U.S. draft is expected July 9.

- **Kosovo Funding:** The General Assembly will consider start-up funding for the Kosovo Mission early next week. The Secretary General's initial request is for $250,000. The U.S. share would be about 30 percent (approximately $75,000). The Secretary General's full budget request for the Mission will be submitted later this summer. The preliminary estimate is $800 million (U.S. share approximately $240 million).

SMALL BUSINESS ADMINISTRATION

- **Enterprise Development:** SBA met with representatives from the Mastercard Corporation to discuss electronic commerce initiatives, and with Utendahl Capital Partners Equity Research to discuss financing opportunities for 8(a) firms. SBA will also meet with Secretary Slater this month to finalize a reciprocity agreement between the 8(a) Business Development and the Disadvantaged Business Enterprise certification programs.

- **Women's Economic Development:** In November, Administrator Alvarez will co-chair the Women's Economic Summit of the Americas in Buenos Aires with Ana Kessler, director of SEPYME, Argentina's business agency. Delegations of women from the Western Hemisphere will meet to discuss strategies for expanding women's business and trade opportunities.

OFFICE OF PERSONNEL MANAGEMENT

- **Mental Health Parity:** On June 28, OPM officials met with staff of the Subcommittee on International Security, Proliferation and Federal Services to discuss your directive to achieve mental health and substance abuse parity in the Federal Employees Health Benefits (FEHB) Program. Congressional staff expressed some concern that FEHB premiums would rise in response to expanded mental health coverage.

- **Federal Employees Health Benefits Children's Equity Act of 1999:** Rep. Cummings, Ranking Democrat on the House Civil Service Subcommittee, will introduce OPM's legislative proposal entitled the 'Federal Employees Health Benefits Children's Equity Act of 1999', following the July 4 Recess. This proposal would empower Federal agencies to enforce court-ordered health benefits for children.

UNITED STATES INFORMATION AGENCY

- **Landmines in Kosovo:** On June 28, Ambassador Donald Steinberg, Special Representative to the President and Secretary of State for Global Humanitarian Demining, and Donald F. Patierno, Department of State, Director for Humanitarian Demining Programs, briefed the foreign press on the continuing problems of mines in Kosovo and the American response to the situation. The speakers assessed the situation on the ground in Kosovo and outlined various initiatives and programs to rid the country of mines and educate the Kosovar people on the dangers they face.

- **Kosovo Highlights U.S. Influence:** Surveys in mid-May during the NATO air strikes found that key allied publics and partner countries still held favorable views of the United States. However, this image is tempered by the widespread perception that the U.S. exerts too much influence in the region.

- **Kosovo Summary from Russia:** To promote the U.S. stance and publicize its message on the Kosovo conflict, USIS Moscow hosted more than a dozen WORLDNET programs to portray U.S. goals in a crucial part of the world. These programs, done in cooperation with Russian national networks and broadcast on nationwide television, proved an effective way to share the U.S. point of view in an often openly hostile environment.

- **Poles See Progress Toward Democracy:** As Presidential elections loom in Poland, the public's opinion of the governing coalition is becoming more negative. Despite their criticism of politicians and institutions, Poland's democratic system is supported by a wide cross-section of society and most believe the current political system is better than communism, although democracy has yet to be fully achieved. The public's perceptions of a worsening economic situation appear to also diminish support for a free market economy in Poland.

SOCIAL SECURITY ADMINISTRATION

- **Partnership Recognition Awards:** On July 12, SSA will hold its second annual Partnership Recognition Awards Ceremony at SSA Headquarters in Baltimore, MD. The ceremony will be co-hosted by Commissioner Apfel and American Federation of Government Employees (AFGE) National President Bobby Harnage. Twelve individuals and nine groups will be recognized for their outstanding contributions to the SSA/AFGE partnership effort. SSA has over 40 partnership councils located throughout the Agency.

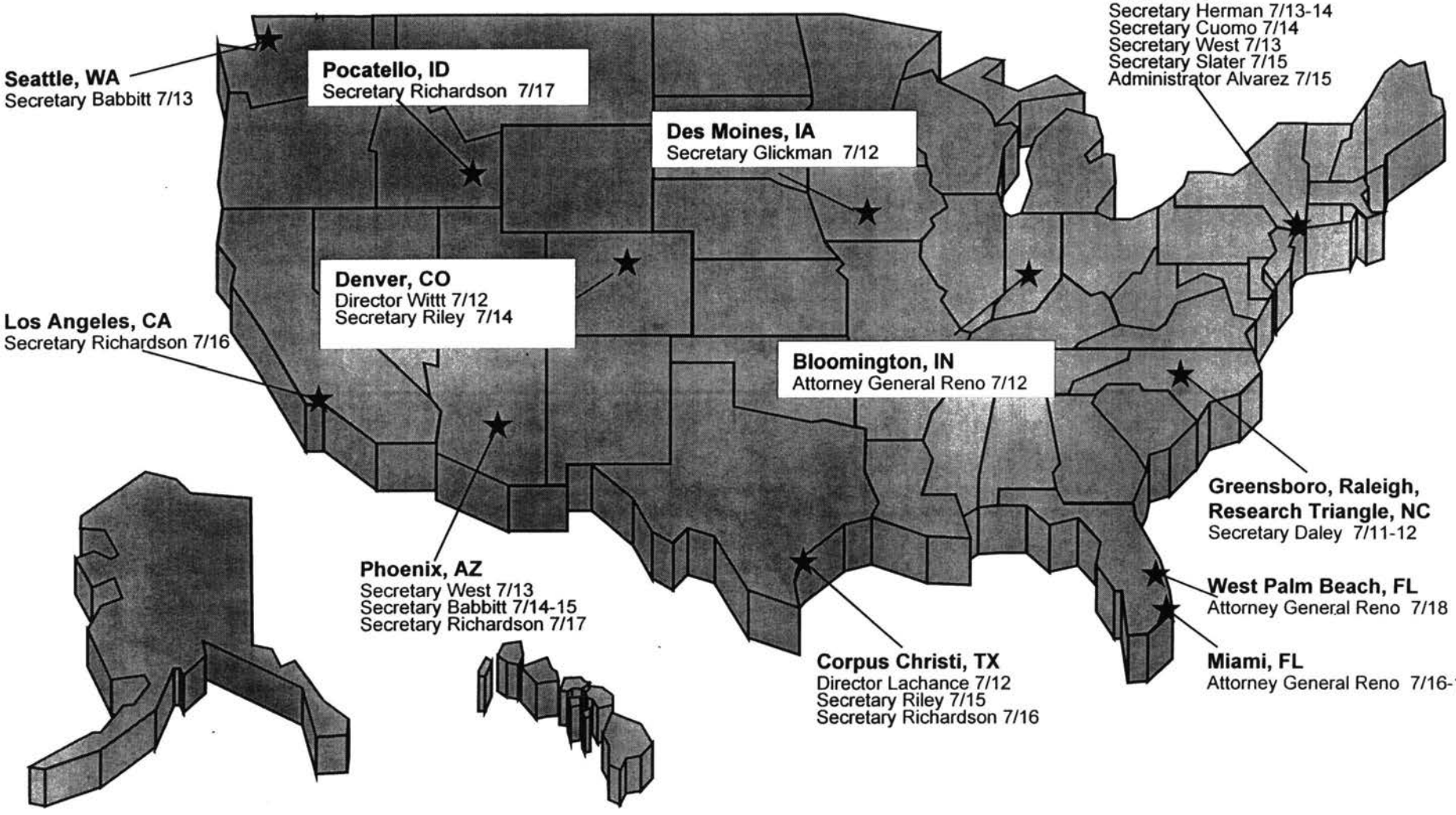
NUCLEAR REGULATORY COMMISSION

- **Incoming Commissioner:** Commissioner Greta Joy Dicus will assume her duties as Chair of the Nuclear Regulatory Commission on July 1 to replace outgoing Chair Shirley Ann Jackson.

- **Y2K:** To date, the Nuclear Regulatory Commission has received reports from all 103 operating nuclear power plants indicating that there are no Y2K-related problems which directly affect the performance of safety systems. Sixty-eight of these plants indicated that all computer systems are "Y2K ready." The remaining 35 plants reported that they have additional work to complete on non-safety computer systems or devices. Of the 35 plants, about one third have remaining work involving systems needed for power generation. None of the remaining work affects the ability of a plant to shut down safely.

Domestic Cabinet Travel

Monday, July 12 - Sunday, July 18, 1999



Hungary
Secretary Cohen 7/10-12

Albania
Secretary Cohen 7/13

Greece
Secretary Cohen 7/13

Turkey
Secretary Cohen 7/14

Belgium
Secretary Summers 7/13

Canada
Secretary Glickman 7/15-16

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

7-12-99

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July 9, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: ANN LEWIS

RE: SOME ONGOING PROJECTS

Taliban

I am continuing to work with the State Department and the Feminist Majority Foundation on the plight of women in Afghanistan. We have followed up on your student visa suggestion. At my request, Steve Trachtenberg offered 6 scholarships to George Washington University, which will serve as the nucleus for this effort. The Fund for Feminist Majority, with the support of a letter from the State Department, is now reaching out to colleges and universities for additional scholarships and funding to cover living expenses.

The Feminist Majority Foundation has raised the very serious problem that there is no current INS presence in the region. Women refugees have to go through UNHCR, which has refused some of their desperate cases. Chuck Ruff is following up and believes this is likely to be remedied soon. Ellie Smeal is pleased by your latest statement on the Taliban; however, she hopes you can include references to their treatment of women.

Religious Expression in Schools

I met with officials at the Department of Education to discuss how we can attract more attention to our *Guidelines for Religious Expression in Public Schools*. Our plan is to repackage the current *Guidelines* in a new, more attractive format. (Perhaps in bold colors with a seal like the SOTU).

This booklet, along with informational brochures and pamphlets produced for teachers, parents, and others, would be included in a kit that can be rolled out in mid to late August as an important part of our back to school schedule (perhaps with a radio address).

Iris Martin

I am working with Iris to determine how we can move forward on the film she recommended. She is working on a budget with suggestions for in-kind contributions that can cover the cost.

7-12-99

THE WHITE HOUSE

WASHINGTON

July 9, 1999

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MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: **MARY BETH CAHILL**
DIRECTOR, OFFICE OF PUBLIC LIAISON

SUBJECT: **WEEKLY REPORT** (July 2 – July 9)

I. ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES:

MEDICARE

Statements supporting Medicare prevention benefits to be circulated to Congress. OPL coordinated statements by 10 groups, which demonstrate the overwhelming supporting for Medicare prevention benefits.

PATIENT'S BILL OF RIGHTS

California Patients' Bill of Rights event a success. A Coalition promoting the PBOR welcomed the profile you gave the issue. Supporters hope you will continue to highlight the needs of people who use managed care plans in the upcoming Senate debate.

II. CONSTITUENT OUTREACH AND OTHER ISSUES:

AGRICULTURE OUTREACH

21st Century Commission on Agriculture announces "listening sessions" with farmers and ranchers. The series of forums will focus on the farm economy, *but our agriculture friends say none of the sessions are in major farming states.* They report that Sen. Cochran is assembling a $4 billion agriculture package.

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ASIAN PACIFIC AMERICAN OUTREACH

Asian Pacific American Community Plans Advocacy Day for Bill Lann Lee. The Asian Pacific American Community has set July 21st for a nation-wide day of activities to push for the confirmation of Bill Lann Lee. Press events as well as phone and letter campaigns will be generated in several key cities throughout the country.

DISABILITY OUTREACH

Disability Advocates outraged by House rejection of Funding for FDR Memorial addition. A bipartisan resolution was signed by Congress last summer supporting and funding the addition of a fifth room that would feature a statue of FDR in a wheelchair. Interior would provide $3.5 million for construction, and the statue would be financed privately. Despite this widely publicized agreement, which was announced by Gore on July 2, 1998, the House Appropriations Committee now claims it was "shocked" to see the budget request and said it "had no idea" the Park Service was considering this addition. The disability community urges the Administration to work with Congress to restore its commitment (the Senate also neglected to provide funding); they want the addition to be completed this millennium so that you can dedicate it.

ETHNIC OUTREACH

Serbian American leaders reaffirm support for removing Milosevic and promoting democratization. In a meeting with OPL and NSC, Serbian Americans leaders stressed the need for a strong commitment from the US to lead the international community in supporting opposition forces for the long term in Yugoslavia. They feel that the growing anti-Milosevic sentiment in Serbia presents a unique opportunity for democratic opposition forces, and ultimately democracy, to succeed in Yugoslavia. They are committed to working closely with the Administration to help further these goals.

RELIGIOUS OUTREACH

American Muslims in the Spotlight. Rep. Gephardt has withdrawn his nomination of Salam Al-Marayati for a commission on counter terrorism, citing the fact that it would take a year for a security clearance, and the commission has only six months in which to conduct its work. The unfortunate fact is that it is difficult, if not impossible, to name a Muslim credible to their own community who would not draw the kind of reaction Al-Marayati did from the Jewish community -- witness the attempts to unravel your nomination of Salam's wife, Laila. Coincidentally, this week eight Arab and Muslim national groups signaled their increased political activism by agreeing to work together on particular common goals: support for H.R. 2121, Bonior's Secret Evidence Repeal Act; maintaining free access to all of Jerusalem's holy sites and securing the rights of the Palestinian people to self determination; and registering voters for Election 2000.

House Vote on Religious Liberty Protection Act Expected Wednesday. The full spectrum of religious groups continues to strongly support the bill as written and to oppose any carve outs. Gay groups are supporting the Nadler Amendment that would exempt many civil rights claims from the bill.

WOMEN'S OUTREACH

Attendance at World Cup Game makes a big impact. Women and girls' groups are thrilled with your attendance at the Women's World Cup games. Billie Jean King called Donna DeVarona, Chair of the Cup, to express her enthusiasm over this Saturday's visit. According to DeVarona, your attendance at both games helps to legitimize the role of women in sports and elevates women's athletics to an unprecedented level.

Groups seek Administration commitment to ratifying CEDAW. The Women's Office and State Department hosted a meeting with 30 women's, religious, and development groups to discuss future steps towards the ratification of the Convention to Eliminate Discrimination Against Women (CEDAW). Groups want reassurance that CEDAW ratification remains an Administration priority, and that we will not be swayed by stiff opposition from Sen. Helms. As we approach UN's Beijing +5 meeting in June 2000, it is important that the Administration find ways to publicly raise the issue of CEDAW ratification.

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THE WHITE HOUSE

WASHINGTON

'99 JUL 9 PM6:39

July 9, 1999

Copied Johnson Podesta pg. 2 - Echaveste / Reed / Podesta

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: BEN JOHNSON

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

ACTIONS

New Markets: I was interviewed by several minority news outlets during the new markets trip. I gave input to the Tom Joyner show each day of the trip. We were able to tie the trip directly into your One America Agenda aimed at closing the opportunity gap between the races and other underserved communities. Additionally, I made contact with key leaders in each of the cities we visited to invite them to our events. When we arrived in Phoenix, I called Rev. Leon Sullivan and he advised me to wish you the best and tell you the tour was a great idea.

Industry Week Magazine: I was interviewed by Industry Week magazine, as a follow up to a speech I gave before the National Chamber of Commerce a few weeks back. It appears that they intend to do an article on the new market agenda and wanted to see how this office is tied into it. For some reason, everybody I talk to wants to link the initiative to a last ditch effort to rally support for the poor. I have been very direct in pointing out that you had a legacy of working with and on behalf of minorities and the underserved before you came to Washington. Additionally, your record and the facts show that you have been building on that legacy since 1993.

CABINET RACE INITIATIVE WEEKLY

Department of Commerce

NMFS Sued over Tribal Whiting Allocation: The West Coast Seafood Processors Association, the Midwater Trawlers Cooperative, and the Fishermen's Marketing Association have sued the National Marine Fisheries Service (NMFS), challenging NMFS allocation of whiting to the Makah Indian Tribe. Plaintiffs allege the allocation is more than the tribe would be entitled to under any treaty right that may exist, and that it was not based on science. The State of Oregon may also sue NMFS on this issue.

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Small, Minority and Women-owned Business Government-wide Acquisition Contract (GWAC); On June 29, Deputy Secretary Mallett conducted a 111press briefing attended by approximately 20 representatives of the trade media. Acting Assistant Secretary Bilmes met with the chosen GWAC contractors on July 7 to discuss proposed ordering procedures, metrics, and marketing plans.

Department of Health and Human Services

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Racial and Ethnic Disparities in Health: On July 20, AHCPR plans to issue a press release when the Request for Applications (RFA) is published in the *NIH Guide for Grants and Contracts*. The RFA calls for research program projects to study racial and ethnic disparities in health that are amenable to improvements in health services. The projects funded will build on previous research that has identified disparities in access to, quality of, and utilization of health services and the excess burdens of illness and death for Blacks/African Americans, Hispanic Americans, American Indians, Alaska Natives, Asian Americans, and Pacific Islanders compared to the United States population as a whole.

The RFA will analyze causes and contributing factors for the inequalities, and identify and implement strategies to eliminate them. Each project will support a broad, integrated, interdisciplinary, multi-project health services research program at a center of excellence. This program is a focused effort on the part of AHCPR to support research that will help Eliminate Racial and Ethnic Disparities in Health by the year 2010.

Department of Interior

NY Land Claims: On July 6, DOI entered into a Memorandum of Agreement (MOA) with the State of NY, the Cayuga Indian Nation of NY, and the Seneca-Cayuga Tribe of OK, in which the parties agreed to the general framework in principles which will govern a final settlement agreement on NY land claims. The parties agreed to draft final settlement legislation over the course of the next 30 days. The MOA will be submitted to the Federal District Court for the Northern District of NY on July 8. The terms of the MOA are governed by a court-imposed confidentiality order, and therefore are not subject to public disclosure. Settlement negotiations in the Oneida Land Claim are also continuing.

Hopi Tribe Denied Permit: A series of letters has been sent to the Hopi Tribe denying them a permit to take a Golden eaglet from Wupatki National Monument for religious purposes because NPS lacks the authority to grant such a permit. NPS has offered to meet with the Tribal Council and the religious leaders to explain this. The Hopi have written Secretary Babbitt, the AZ delegation, etc., and NPS is likely to hear more about this.

Maria / Bruce / Steve
Why?

Racial Desegregation Study: On June 8, the National Historic Landmarks Survey announced the initiation of a National Historic Landmark Theme Study entitled, "Racial Desegregation in Public Education in the United States." Authorized as part of the 1998 creation of the Little Rock Central High School National Historic Site in AR, the study will prepare a narrative context for the history of racial desegregation as well as identify sites with national significance and high integrity which may be nominated as National Historic Landmarks. Creation of the theme study, which will be delivered to Congress in October 2000, is a joint venture between NPS, the National Conference of State Historic Preservation Officers, and the Organization of American Historians.

Department of Justice

Racial Disputes in Whiteclay, NE, and Putnam County, GA: On July 3, Community Relations Service (CRS) conciliators helped avert violence during a second march by Oglala Sioux Indians, including members of the American Indian Movement (AIM), from the Pine Ridge Reservation to Whiteclay, NE. The marches had been organized to demand the withdrawal of liquor licenses issued to Whiteclay businesses, more aggressive investigations by federal and state authorities into the deaths of two Indians near Whiteclay, and the return of Whiteclay within the boundaries of Pine Ridge Reservation.

CRS has also provided mediation services in Putnam County, GA, to defuse tensions between the United Nuwaubian Nation of Moors, a predominantly African-American religious organization, and local officials, stemming from a dispute over health code, zoning and building code violations, as well as county enforcement actions. Since June 23, CRS has worked with county and State officials to prevent a confrontation with the Nuwaubians. At a private session between the local judge, county officials, and representatives for the Nuwabians on June 29, CRS negotiated a "cooling off" period and agreed to help mediate the zoning and building permit issues.

Department of Transportation

New Markets Amplification: On July 6, to amplify President Clinton's New Market Initiative, the Federal Aviation Administration announced a grant for $90,000 to the Rosebud Sioux Indian Tribe to complete reconstruction of the existing runway and taxiway apron of the Mission Sioux Airport. The airport provides crucial general aviation and air access for the tribe's 18,000 members living on the reservation.

ASPIRA Interns: On July 7, the first of five ASPIRA students began a four-week internship program. ASPIRA, a Hispanic student leadership organization, entered into a cooperative Agreement with NHTSA in June. The agreement was an outcome of a memorandum of understanding, in support of the Buckle Up America (BUA) campaign, signed by NHTSA and ASPIRA last August.

Department of Education

NAACP Annual Convention: From July 9-15, the NAACP will hold its annual convention in New York City. Raymond Pierce, Deputy Assistant Secretary in DOEd's Office for Civil Rights (OCR), will serve on a discussion panel that will consider how to address future legal challenges to civil rights. Pierce will also speak at the NAACP Education Workshop on the subject of "High Standards in Education, Accountability, and Equity."

Social Security Administration

African Americans and Social Security: On July 1, Paul Barnes, SSA's Deputy Commissioner for Human Resources, was interviewed by the feature editor of *Jet Magazine.* The interview focused on the impact of Social Security on African-Americans and emphasized the need for African-Americans to be fully engaged in the current solvency debate

Crow Indian Reservation: On July 21, Carolyn Colvin, SSA's Deputy Commissioner for Operations, will visit the Crow Indian Reservation near Billings, MT. Ms. Colvin will meet with Madame Chairwoman Clara Whitehip Nomee, Tribal Leader of the Crow Nation, to discuss Social Security service delivery issues. Ms. Colvin will also participate in a series of media events involving the Crow and North Cheyenne Indian Reservations and will meet with leaders from the Bureau of Indian Affairs and Indian Health Services.

THE PRESIDENT HAS SEEN
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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

July 9, 1999

copied Yellen Podesta pg. 6 Reed Sperling Podesta

CHART OF THE WEEK



Federal funds futures contracts reflect market expectations about Federal Reserve actions. In the winter, for example, markets thought the Fed might cut rates further (the expected rate implied by the April 1999 contract was below the current Fed target). The subsequent rise in the expected July 1999 rate reflected growing market expectations of a rate increase. The October 1999 contract implies that the market still sees a reasonable chance of a further rate increase by then.

THE PRESIDENT HAS SEEN
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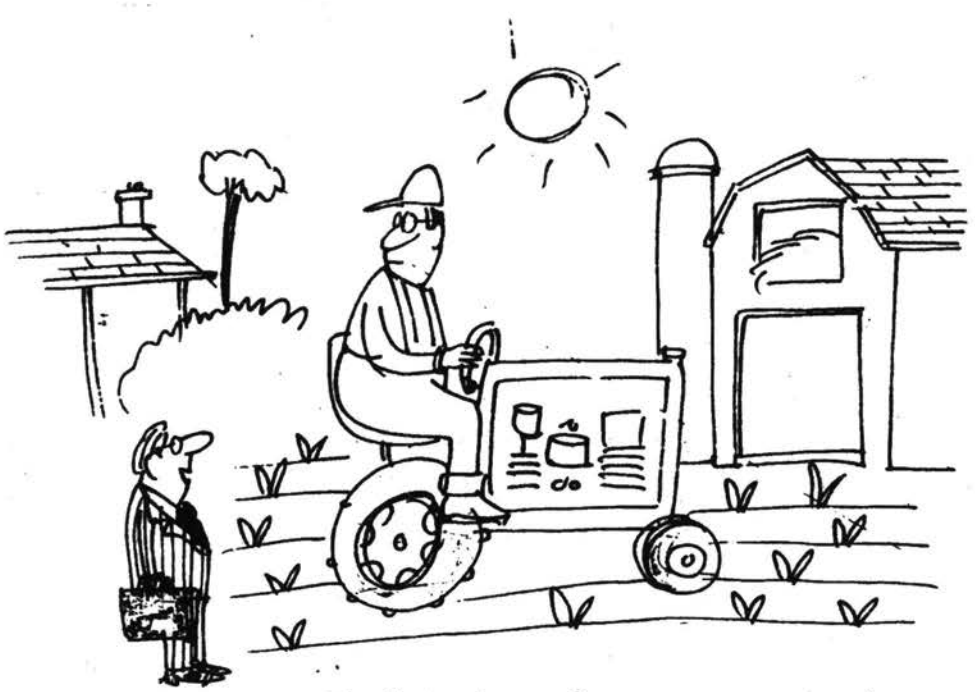
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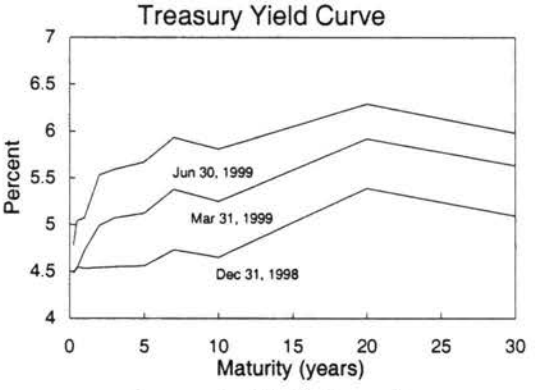


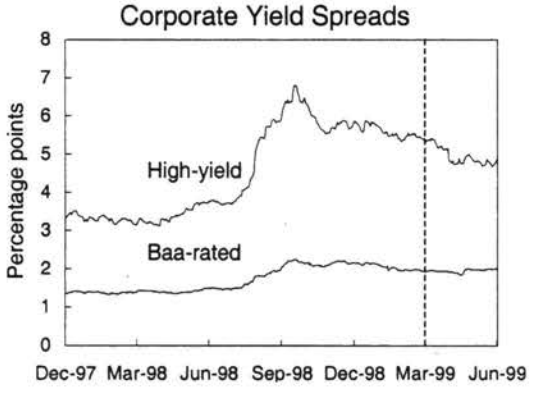
"I'm sorry, Dad. If I ever decide to get involved in farming, it will be strictly as a middleman."

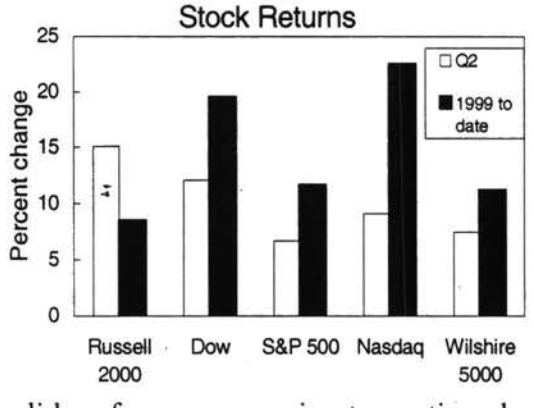
FINANCIAL MARKET UPDATE

Second Quarter 1999

Last week's decision by the Federal Reserve to raise its target for the federal funds rate by ¼ point was widely anticipated by financial markets (see Chart of the Week). Stock and bond markets rallied on the news that the Fed had also switched to a neutral stance on future rate changes, but interest rates remain near recent highs.







Interest rates. Yields on Treasury securities had been rising at most maturities since the end of last year (see upper chart), and the yield curve had reached a level not seen since late 1997. Rates rose in May when a higher-than-expected boost to core consumer price inflation and the Fed's announcement of an asymmetric bias toward tightening cemented expectations that the Fed would in fact raise rates in June. As Treasury rates have risen, yields on corporate debt have also moved up, keeping yield spreads between them roughly level (see middle chart). Spreads widened a little in May as markets reacted to the inflation news, but they have since remained stable.

Stock prices. The major stock indexes all recorded substantial gains in the second quarter, though of varying size (see lower chart) and with different relative strengths compared with the first quarter. For example, price gains for Internet stocks cooled off significantly from their rapid first-quarter pace—perhaps reflecting expectations of higher interest rates, which depress more sharply the value of stocks whose payoffs are weighted more toward the future. Blue chip stocks in sectors such as utilities and basic materials enjoyed solid performances, owing to continued robust growth in the economy. The most distinct turnaround came among small stocks: the Russell 2000 index, which fell 6 percent in the first quarter, surged 15 percent in the second quarter, leaving it up 8 percent for the year.

ARTICLE

Census Releases Experimental Poverty Measures

This week the Census Bureau released illustrative estimates of poverty rates calculated using improvements proposed in a 1995 report by the National Academy of Sciences (NAS). The trends in poverty rates during the 1990s and the distribution of poverty among subgroups in the population differ considerably from the official poverty statistics.

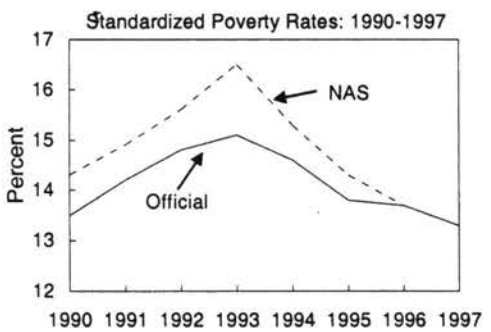
The official measure. Since 1965, poverty has been measured by comparing before-tax cash income with a poverty threshold based on family size, composition, and age. The threshold was originally set at three times the minimum amount required to purchase a balanced diet, because at that time the average family was estimated to allocate one-third of its budget to food. This threshold has been raised each year by the increase in consumer prices.

Why consider alternatives? This official measure has been widely criticized for several weaknesses.

- Outdated threshold. The NAS recommended that thresholds should: cover necessary spending for food, clothing, and shelter (including utilities); reflect regional variation in housing costs; use better adjustments for family size; and be updated regularly using data on consumer spending.

- Omission of taxes and non-cash transfers. The effect of anti-poverty policies such as the Earned Income Tax Credit (EITC), food stamps, school lunches, housing subsidies, and heating assistance are not reflected in official poverty rates.

- Distortions of income adequacy. Medical care and work-related expenses such as transportation and child care are not netted out of income, even though they are not available to pay for food, clothing, and shelter; geographic differences in the cost of living are ignored. Such treatment distorts comparisons of income adequacy for old and young, working and non-working families, and those living in different parts of the country.

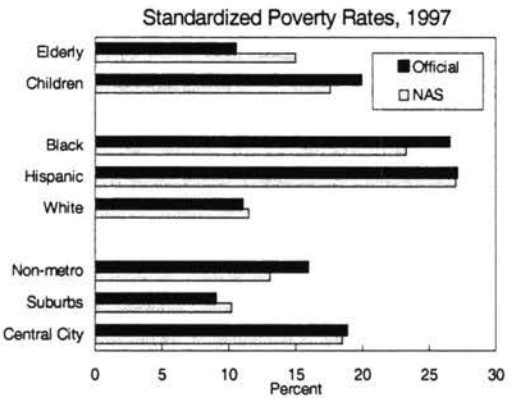


Trends in the 1990s. To make comparisons easier, the Census report provides "standardized" estimates of poverty rates, by adjusting the thresholds so that the overall experimental poverty rate and the official rate are identical in 1997. The increase in poverty rates from 1990 to 1992 is similar across all the measures, but the experimental rates

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declined faster than the official rate from 1993 to 1997 (see chart on previous page). This primarily reflects the effect of the expanded EITC, which is not accounted for in the official poverty measure.

Comparing subgroups. Out-of-pocket medical expenses make a difference to the elderly, who show the largest increase in poverty rates when the standardized NAS measure is used (see chart). Conversely, the poverty rate for children is relatively lower than under the official measure. Female-headed families and black families make up a smaller share of the poor population under the new measures than under the official one, because of the addition of near-cash transfers to income (and because blacks use medical care less than other groups). Largely due to the cost-of-living adjustment, the experimental measures reduce the poverty rate outside metropolitan areas relative to cities and suburbs, and increase poverty rates in the Northeast and West relative to the South and Midwest.



Implications. Although there is wide agreement that the official measure needs revising, there is no consensus yet on exactly how to do this. These new estimates give researchers and policy analysts the information they need to calculate poverty rates with a variety of improved methods, and give policymakers a sense of how the new measures will differ from the old.

THE PRESIDENT HAS SEEN
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BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

BadgerCare Begins in Wisconsin. On July 1, Wisconsin began a statewide program of no- or low-cost health insurance designed to fill the gap between Medicaid and private insurance and to help families make the transition from welfare to work. The program, called BadgerCare, provides health insurance for children and parents in uninsured families with income below 185 percent of the poverty line. Once enrolled, families may remain in the program until family income exceeds 200 percent of poverty. Families with income above 150 percent of poverty pay a monthly premium of 3.5 percent of family income. BadgerCare provides identical benefits to Medicaid and was implemented through waivers of Medicaid law and by using flexibility under the Child Health Insurance Program (CHIP). The State's current Medicaid entitlement will be maintained. Wisconsin is among a few states with health insurance programs designed to cover all the members of low-income families.

Bill Clinton can do more with this

Quantifying the Benefits of Reduced Gun Violence. A new study estimates that the public would be willing to pay $23.8 billion to reduce gun violence by 30 percent, or $750,000 per injury. The value of a statistical life implied by the studies' results—between $4 and $6.25 million—is consistent with estimates derived using other methods. The new study is based on data from a national survey in which respondents were asked directly how much they would be willing to pay in extra taxes for a program that reduced gun injuries by 30 percent. This methodology differs from most previous studies of the benefits of reducing gun violence that multiplied the annual number of gunshot injuries by some estimate of the cost per injury or that used differences in housing prices (across neighborhoods with different crime rates) to impute the costs of crime.

copied Reed Sperling Podesta

Estimating the Impact of the Social Security Earnings Test. Eliminating the Social Security earnings test would substantially boost the labor supply of older male workers, according to a recent study. The study uses the "natural experiment" created by three changes in the earnings test rules between 1978 and 1990 to estimate its results. The study finds that working older males bunch in substantial numbers at and just below the earnings exempt amount, and that this bunching reacts directly to the changes in the earnings test rules. Eliminating the test, it estimates, would raise average hours worked by about 5 percent for those currently at or above the exempt amount. Moreover, the short-run fiscal cost associated with workers' taking benefits earlier will be offset in the future because their annual benefits will be lower than if they had waited. The labor supply effects on older men who have withdrawn from the labor force are not addressed in the study.

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INTERNATIONAL ROUNDUP

OECD Assesses Employment Protection Legislation. In theory, employment protection legislation (EPL) may help those already working to remain employed but it may discourage employers from making new hires. A new study by the OECD finds that, in practice, EPL does not increase the overall level of unemployment, but it may change the demographic composition of the unemployed as well as the duration of unemployment spells. In countries where EPL is stricter, unemployment tends to be lower for prime-age men (who are mainly the "insiders" EPL is designed to protect) benefit most from EPL), but it may be higher for other groups, especially younger workers. Stricter EPL is also associated with lower turnover in the labor market, with both jobs and unemployment spells tending to last longer. Fewer workers experience unemployment in any given year in countries with stricter EPL, but those becoming unemployed have a greater probability of remaining unemployed for a year or more.

Africa Shows Best Return On Direct Investment. Africa shows the best returns from foreign direct investment (FDI), according to a recent report by the United Nations Conference on Trade and Development (UNCTAD). The report cites data from U.S. transnational corporations showing that their affiliates in Africa have been consistently more profitable than affiliates in most other regions: investments in Africa yielded a 25 percent return in 1997, compared with an average of 14 percent in all developing countries. Yields on FDI in Africa have risen since the early 1980s, both absolutely and relative to all other developing countries. The study acknowledges that these returns are not adjusted for risk, but argues that there is no systematic evidence that FDI in Africa is riskier than in other developing countries. Contrary to popular perception, FDI in Africa is not limited to extraction of natural resources: even in oil-exporting countries like Nigeria, services and manufacturing are key sectors for FDI. Important policy steps have improved the FDI climate, including strengthening of the rule of law, economic stabilization, and improvement of regulatory frameworks for FDI. The report cites seven countries (Botswana, Equatorial Guinea, Ghana, Mozambique, Namibia, Tunisia, and Uganda) as "front-runners" in attracting FDI: active reform has enabled these seven, which account for less than a tenth of the continent's population and GDP, to receive a quarter of FDI.

IMF Moves toward International Financial Architecture Reform. In approving a loosening of conditions under which the Fund may lend to countries in arrears on their debts to private creditors, the Executive Board of the International Monetary Fund last week took a step toward reforming the international financial architecture and tilting the balance of power away from private creditors. Whereas the Fund had previously required that negotiations be underway between a country and its private creditors before it would consider lending into arrears, it now will consider doing so if the member is pursuing appropriate policies and is making a good-faith effort to reach agreement on restructuring with its creditors.

RELEASES THIS WEEK

There were no major releases scheduled.

MAJOR RELEASES NEXT WEEK

Producer Prices (Wednesday)
Retail Sales (Wednesday)
Consumer Prices (Thursday)
Industrial Production and Capacity Utilization (Friday)

U.S. ECONOMIC STATISTICS

	1970-1993	1998	1998:3	1998:4	1999:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	4.3	3.7	6.0	4.3
GDP chain-type price index	5.4	0.9	1.0	0.8	1.6
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	2.7	2.5	4.3	3.5
Real compensation per hour:					
Using CPI	0.6	2.6	2.3	2.2	2.6
Using NFB deflator	1.3	3.8	3.4	3.8	2.6
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	11.0	10.9	11.0	11.0
Residential investment	4.5	4.3	4.4	4.5	4.6
Exports	8.2	11.3	11.0	11.3	10.9
Imports	9.2	13.0	12.9	13.1	13.2
Personal saving	5.2	0.3	0.1	-0.0	-0.5
Federal surplus	-2.7	0.9	1.1	0.8	1.4

	1970-1993	1998	April 1999	May 1999	June 1999
Unemployment Rate (percent)	6.7**	4.5**	4.3	4.2	4.3
Payroll employment (thousands)					
increase per month			321	–5	268
increase since Jan. 1993					18895
Inflation (percent per period)					
CPI	5.8	1.6	0.7	0.0	N.A.
PPI-Finished goods	5.0	0.0	0.5	0.2	N.A.

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

FINANCIAL STATISTICS

	1997	1998	May 1999	June 1999	July 8, 1999
Dow-Jones Industrial Average	7441	8626	10854	10704	11127
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.50	4.57	4.55
10-year T-bond	6.35	5.26	5.54	5.90	5.85
Mortgage rate, 30-year fixed	7.60	6.94	7.15	7.55	7.65
Prime rate	8.44	8.35	7.75	7.75	8.00

INTERNATIONAL STATISTICS

Exchange Rates	**Current level July 8, 1999**	**Percent Change from Week ago**	**Year ago**
Euro (in U.S. dollars)	1.020	–0.4	N.A.
Yen (per U.S. dollar)	122.6	1.3	–12.2
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. $)	97.66	0.6	–1.6

International Comparisons [1/]	**Real GDP growth** (percent change last 4 quarters)	**Unemployment rate** (percent)	**CPI inflation** (percent change in index last 12 months)
United States	4.0 (Q1)	4.3 (Jun)	2.1 (May)
Canada	3.2 (Q1)	8.1 (May)	1.6 (May)
Japan	0.1 (Q1)	4.7 (May)	-0.4 (May)
France	2.3 (Q1)	11.4 (Apr)	0.5 (Apr)
Germany	0.8 (Q1)	7.2 (Apr)[2/]	0.4 (May)
Italy	0.9 (Q1)	12.1 (Apr)	1.6 (May)
United Kingdom	0.7 (Q1)	6.2 (Mar)	1.3 (May)

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics.
2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for April was 9.1 percent.

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OBITUARIES

Astronaut Charles P. 'Pete' Conrad Jr. Dies

Exuberant Engineer and Pilot Commanded Apollo 12 Mission, Walked on the Moon

By J.Y. Smith
Special to The Washington Post

Charles P. "Pete" Conrad Jr., 69, a former Navy test pilot and astronaut who in 1969 became the third man to walk on the moon, died July 8 at a hospital in Ojai, Calif., of injuries he suffered in a motorcycle accident.

A highly competent engineer who also was a cheerful and exuberant extrovert who shouted "Whoopee!" when he first set foot on the surface of the moon, Cmdr. Conrad embodied qualities that have been valued by NASA since the first astronauts were chosen in 1959.

A wiry figure of 5 foot 6 with thinning hair, he had the appearance and the style of an aviator who was prepared to test the limits of flight. He was not a member of the original Mercury manned space-flight program—he did not become an astronaut until 1962, but he was regarded by colleagues as a prime example of "the right stuff" celebrated by Tom Wolfe in his classic account of the first Americans to go into orbit.

In addition to commanding the Apollo 12 mission to the moon, Cmdr. Conrad was the co-pilot of the Gemini 5 space capsule during a record eight-day flight in 1965. A year later, he commanded Gemini 11 on a flight that set a space altitude record of 850 miles and demonstrated the feasibility of docking with another capsule during orbit. In 1973, he commanded the first mission of Skylab, a permanent space station.

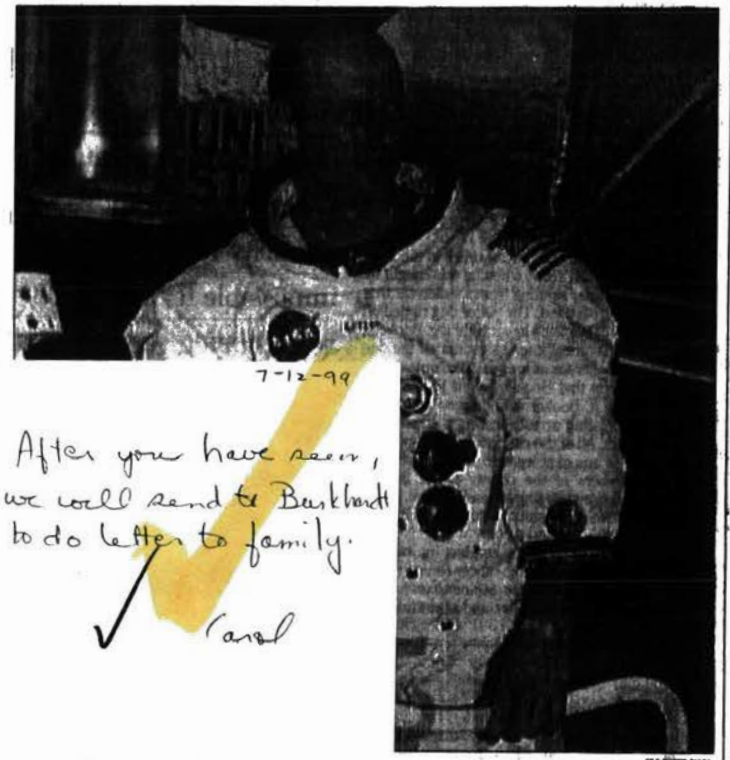
Cmdr. Conrad's decorations included the Congressional Space Medal of Honor, two NASA Distinguished Service Medals, two NASA Exceptional Service Medals, two Navy Distinguished Service Medals and two Distinguished Flying Crosses. In 1980, he was made a member of the Aviation Hall of Fame.

At his death, flags at the Kennedy Space Center in Cape Canaveral, Fla., and the Johnson Space Center in Houston were flown at half-staff.

A statement from the California Highway Patrol said Cmdr. Conrad, a resident of Huntington Beach, Calif., was thrown to the pavement when his 1996 Harley-Davidson ran off the road and into a drainage ditch on a curve on Highway 150. He was taken to Ojai Valley Community Hospital and underwent surgery for internal injuries. He died about five hours later.

Cmdr. Conrad and a group of friends were on a trip to Monterey, Calif., to attend a motorcycle event. He was the only person involved in the accident.

A native of Philadelphia, Cmdr. Conrad grew up in Pennsylvania. He became interested in flying as a child and told interviewers he spent [illegible] St. Louis,



7-12-99
After you have seen, we will send to Burkhardt to do letter to family.
Carol

FILE PHOTO/NASA

Charles P. "Pete" Conrad Jr., who commanded the Apollo 12 mission to the moon, stands with a mock-up of a lunar landing module. He was the third person to walk on the moon and spent more than 1,179 hours in space.

Three years later, while serving with a fighter squadron in California, he was chosen as one of the nine members of the second group of astronauts.

The nation's manned space program at the time was the Gemini Project, a series of two-man space flights designed to pave the way for a moon landing. Scientific considerations aside, the political imperative in the Cold War was to reach that goal before the Russians.

The Gemini 5 mission, which Cmdr. Conrad flew with Navy Cmdr. L. Gordon Cooper Jr., was designed to last eight days, the time it would take to fly to the moon and back. Its purpose was to see whether men could exist and function in space for that length of time. In doing so, it set a record, but the crew had to overcome problems with the power system that almost caused officials to order it back to Earth

landscape of the moon's Ocean of Storms, he shouted, "Whoopee! That may have been a small one for Neil, but that's a long one for me."

One of the assigned tasks of the mission was to inspect Surveyor 3, a research vehicle that was landed on the moon by remote control, and to return with its television camera. When the time came, Cmdr. Conrad brought the landing module to within 600 feet of Surveyor, an extraordinary feat of navigation for that time.

Over the next 30 hours, Cmdr. Conrad and Bean spent seven hours and 45 minutes on the moon's surface. In addition to visiting Surveyor, they set up a nuclear generating station to power experiments that they put in place.

Cmdr. Conrad's [illegible] flight was in command of Skyl[illegible]28 days in orbit in May [illegible] several

IN MEMORIAM

BROWN, JEANETTE C.
In loving memory of my mother, who passed away three years ago today. I will always keep your memory close to my heart.
Your loving daughter, LaVerne

CAMPBELL, WILLIE JAMES 12/30/46-7/10/90
Willie, You will always live forever in our hearts.
Love Always, Your Wife, Jasmine and Son, Kirk

DONNELLY, IRENE GLADSDEN
In loving memory of the most wonderful wife in the world who passed away July 10, 1992.
Irene took care of me for 49 years. I pray we will meet again and it is true I'll see you in my dreams and I always remember "Goodnight Irene". We really enjoyed life. Seven long lonely and painful years have passed. You had compassion and cared for others. There was always sunshine and fun when you were here. My heart will ache for ever. I love you so much. I miss you so. Now there is no life for me.
Don

EASTMAN, CYNTHIA DIAN
September 16, 1943 - July 10, 1981
In memory of Dian who passed away 18 years ago. We miss you.
The Family

FRAZIER, JOSEPH RICHARD
July 12, 1913 - July 10, 1962
Remembering the many years of love and support.
Wife Agnes,
Children and Grandchildren



RAMONA R. TOYER-GEORGE 11/21/28 - 7/10/97
The years may wipe out many things,
But this they wipe out never,
The memory of those happy days,
When we were all together.
Your Family

PALLANSCH, MICHAEL J.
A Memorial Mass will be held for MICHAEL J. PALLANSCH, who died Monday, June 21, 1999. Mass will be held at St. Charles Catholic Church in Arlington, VA, on Friday, July 16, 1999, at 11 a.m. Friends and colleagues are invited to join the family following the service to celebrate Mike's life at the Lyon Park Community Center in Arlington from 12 to 3 p.m. The family requests that, in lieu of flowers, donations in Mike's name be made to the Chesapeake Bay Foundation (1-888-SAVEBAY) or the United Hospice Foundation (800-544-4788).

BRINGLEY, SAMUEL EUGENE
On July 8, 1999 of Riverdale, MD. Survived by one son, Robert E. Brinkley. Friends may call at the Ft. Lincoln Funeral Home, 3401 Bladensburg Rd, Brentwood, MD on Monday, July 12 from 1 pm until time of service at 2 pm. Interment Ft. Lincoln Cemetery.

BROWN, ISAAC L., JR.
Born December 6, 1978 in Albany, NY. He departed this life on July 7, 1999. Memorial service will be held at the New Life Anointed Christian Church, 5617 Dale Blvd., in the Mapledale Plaza, Dale City, VA, 12 Noon, Saturday, July 10. Pastor Eugene Reeves officiating.

BURCH, MARY ELEANOR
On July 4, 1999, of Winchester, VA, wife of the late Preston M. Burch. Survived by daughters-in-law, Joann Heth, Davidson, NC and Anne Locher, Washington, DC; step-son, Elliott Burch, Newport, RI; six grandchildren; 14 great grandchildren; eight step great grandchildren; and one great-great grandchild. Graveside services will be held Saturday, July 10, 11 a.m. at Emmanuel Cemetery, Middleburg, VA. Contributions may be made to the M. E. Burch Scholarship, N. C. State University, School of Design, Box 7701, Raleigh, NC 27695. Arrangements by ROYSTON.

DeCOSTA, YVONNE
On June 27, 1999. Beloved mother of Edgerton and Shelette Grant; other relatives and friends. Visitation Monday, July 12, 10 a.m., services at 11 a.m., at Sacred Heart Catholic Church, 16th St. and Park Rd., NW. Interment Forest Hills Cemetery, Clinton, MD. Services by W.W. BROOKS

DEATH NOTICES

POTTS, GLADYS S.
On July 9, 1999, Gladys S. Potts. Wife of the late Francis W. Potts, Sr.; mother of the late Francis W. Potts, Jr. She is survived by her son Barry D. Potts and his wife Patricia, three grandchildren, Joshua, Brady and Bonnie.
Mrs. Potts was the first Branch Chief for the Forms Design Branch of the Census Bureau. She received a Bronze Medal for government service and retired in 1977. Mrs. Potts was a charter member of the Delta Chi Chapter of Sigma Phi Gamma Sorority, a member of the Southern Maryland Antique Association, the Hill Top Garden Club and a volunteer for the Salvation Army.
The family will receive relatives and friend on Sunday, July 11th, from 2 to 4 and 6 to 8 p.m. at CEDAR HILL FUNERAL HOME, INC., 4111 Pennsylvania Ave., Suitland, MD and on Tuesday, July 13th, from 10 a.m. until 11 a.m. Service at Ryland Epworth United Methodist Church 3200 S St. SE, Washington, DC. Interment Cedar Hill Cemetery. Arrangements by Cedar Hill Funeral Home, Inc. In lieu of flowers, contributions may be made to Alzheimer's Research or Family Relief Fund.

PRENTISS, BETTY
On Friday, July 9, 1999, BETTY PRENTISS of Damascus, MD. Beloved wife of James Prentiss; mother of Henry, Norman and the late Sean Prentiss; grandmother of Terase Prentiss; sister of Martha Cate and Mary Dodson. Relatives and friends may call at COLLINS FUNERAL HOME, 500 University Blvd., W., Silver Spring, MD, Sunday, 2 to 4 and 7 to 9 p.m., where service will be held on Monday, July 12 at 10:30 p.m. Interment Fort Lincoln Cemetery. Memorial contributions may be made to the American Diabetes Association, 1211 Connecticut Ave., NW, Washington, DC 20036; or The National Hemophilia Association.

RODDY, VINCENT S.
On Thursday, July 8, 1999, VINCENT S. RODDY, of Silver Spring, MD. Husband of the late Gertrude P. Roddy; father of Patricia R. O'Keeffe of Brackney, PA, Florence R. DiMisa, Brenda R. D'Onofrio and Beatrice R. Appold of Seaford, DE; brother of Francis J. Roddy, Rosemary Murphy of N. Kingstown, RI and Edward F. Roddy of Fresno, CA. Also survived by 10 grandchildren, six great-grandchildren and numerous nieces and nephews. Relatives and friends may call at COLLINS FUNERAL HOME, 500 University Blvd., W., Silver Spring, MD, Sunday, 2 to 4 and 7 to 9 p.m. Mass of Christian Burial at St. Peter's Church, 2900 Sandy Spring Rd., Olney, MD, on Monday, July 12, at 10 a.m. Interment Gate of Heaven Cemetery.

ROUZER, VIRGINIA ELIZABETH
On Wednesday, July 7, 1999, VIRGINIA ELIZABETH ROUZER of Columbia, MD, beloved wife of the late Carroll H. Rouzer; mother of M. Genevieve Hardesty; grandmother of Francis Guy Hardesty IV, Jan Virginia Kirschner and Glen Christopher Hardesty; great-grandmother of Tyler Bennett Kirschner. Relatives and friends may call at Epiphany Lutheran Church, 14411 Old Columbia Pike, Burtonsville, MD, Sunday from 6 to 8 p.m. and Monday, July 12, from 10 to 11 a.m., where funeral service will be held at 11 a.m. Interment Weller U.M.C. Cemetery, Thurmont, MD. Memorial contributions may be made to a charity of your choice. Arrangements by COLLINS FUNERAL HOME.

SHARPS, WILLIAM J.
On Wednesday, July 7, 1999, of Glen Burnie, MD, beloved son of Margaret M. Sharps; brother of Maureen Sharpe, John Patrick Sharps and Ellen Ernest. Also survived by a host of nieces, nephews, aunts, uncles and cousins. A Memorial Mass will be offered from St. Mary's Catholic Church, Landover Hills, MD, on Saturday, July 10, at 2 p.m. Interment private. In lieu of flowers, memorials may be made in his name to the American Liver Foundation, 1425 Pompton Ave., Cedar Grove, NJ 07009-9990.

SHAW, NORMA JEAN
On Thursday, July 7, of Capitol Heights, M[illegible] beloved wife of Reid K. Shaw, Sr.; loving mother of Paul R. Shaw, Jr., Charles Shaw (Karen), [illegible] Shaw (Suzette) and Sheryl Saipel (Barry). S[illegible] also survived by her sister, Arline Lee Carr[illegible] 11 grandchildren; four great-grandchildren. [illegible]ly will receive friends at the LEE FUNERAL [illegible] 6633 Old Alexandria Ferry Rd., Clinton, M[illegible] Saturday, July 10 and Sunday, July 11, from [illegible] and 6 to 8 p.m., where funeral service [illegible] held on Monday, July 12, at 11:30 a.m. Int[illegible] Fort Lincoln Cemetery.

SHAW, NORMA J.
The Ladies Auxiliary to the [illegible] and LA will hold memorial for NORMA SHAW, member trict Heights Ladies Auxilia[illegible] 11, 7:30 p.m., at LEES F[illegible] HOME, Clinton, MD.
Debbie Bowman, P[illegible]
Daisy Mallnosky, [illegible]

TACCONELLI, QUINTO
Of Hyattsville, MD and Clarksville, DE, on [illegible] 1999. Husband of Helen; father of Toni and [illegible] Al and Gail, Vincent and Mary, Elisa and [illegible] grandfather of Jennifer, Bryan, Angelina, Phillip and Olivia. He is also survived [illegible] mother, Elisa and siblings, Laura, Lil, Mari[illegible] and Rico. Viewing from 11 a.m. to 1 p.[illegible] Mass to be held, 1 p.m. at St. Jerome C[illegible] Church in Hyattsville, MD, on Monday, Jul[illegible] In lieu of flowers, the family asks that donat[illegible] made to Delaware Hospice or a charity [illegible] choice.

THADEN, HELEN HUMMER (Age 86)
On Thursday, July 8, 1999, of Silver Spr[illegible] formerly of Glen Echo Heights, MD, bel[illegible] of the late Edward H. Thaden; loving [illegible] ...ven and wife, Bette, CA

HAS SEE
7-12-99

THE WHITE HOUSE
WASHINGTON

July 9, 1999

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

It is with a great deal of pride and gratitude that I have had the pleasure of serving you for three years as Deputy Chief of Protocol, and for the past two years as Deputy Assistant to the President for Intergovernmental Affairs.

The past six years have been filled with the most exhilarating and profound experiences of my life. As I will be leaving the White House effective August 13, I want to thank you for your leadership and for giving me the honor of serving in your Administration and on behalf of our country.

7-12-99

Sincerely,

Fred DuVal

Should we send to Burkhardt for reply?

Yes ✓

No

THE WHITE HOUSE

WASHINGTON

The President

THE PRESIDENT HAS SEEN
7-12-99

Sandy
Is this a problem
can we fix it?
BC

copied
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THE PRESIDENT HAS SEEN
7-12-99

Food Aid: Too Much, Too Late?

Critics Say U.S. Shipments to Russia Misdirected, Unhelpful

By SHARON LAFRANIERE
Washington Post Foreign Service

A1

MOSCOW—Over the past two months, workers at the Sokolniki flour mill in northeastern Moscow have unloaded 184 railroad cars of wheat, shipped courtesy of a U.S. food aid program aimed at needy Russians. No complaints, said Viktor Drozdov, the mill's director, but for one thing: The Sokolniki flour mill doesn't really need this wheat.

Drozdov said the mill was able to supply seven of the city's bread factories just fine before the food aid arrived. Indeed, in all of Moscow, it would be difficult to find a market whose shelves are not laden with bread or bags of flour.

Supplying the well-set Sokolniki mill through a sweltering summer was surely not in the plan when the White House mounted a massive food aid program last November to save Russia from what looked like a bitter, hungry winter ahead. But critics say bad timing and a skewed list of recipients are only the most obvious problems with the $1 billion effort. They say the aid was unnecessary and benefited American farmers and shippers more than the Russian people.

Armed with Russian reports of a disastrous harvest the previous summer and a drastic drop in imported food caused by the financial crisis, the U.S. Agriculture Department declared it would give Russia about $600 million worth of wheat. It also provided a 20-year loan at 2 percent interest so Russia could buy about another $400 million worth of corn, soybeans, poultry, meat, seeds and rice.

"It is in our interest to make sure that Russians are fed through the winter," said Agriculture Secretary Dan Glickman on Oct. 28.

Eight months later, it may be the program itself that needs help. Among the problems: The winter came and went before cranes hoisted the first shipment—2,000 tons of pea seeds—onto a St. Petersburg wharf in March. The bulk of the commodities are only coming this summer just as Russian farmers begin raking in their own new harvest.

"If I was waiting for this corn, I would have killed all my birds by now," said Nikolai Bandurin, who runs a poultry farm in the Rostov region on Russia's western border.

Of the deliveries so far, 40 percent of the wheat and about one-fourth of the corn have gone to the regions around Moscow and St. Petersburg, the richest, best supplied cities in the country. Program documents listed on the Internet show the Moscow and St. Petersburg regions are slated to receive as much food as the Far East and Arctic, the only areas that reported food shortages this winter.

The American foodstuffs, plus another $400 million worth of aid from European countries, are the equivalent of 10 percent of Russia's annual agricultural output, according to minutes of a meeting of foreign agricultural attaches convened at the World Bank. To keep from undercutting Russian producers, the food aid was to be sold at current market prices.

But a dozen Russian buyers of food aid interviewed for this article said they are paying well under the Russian market price—less than half of it, in some cases.

Otherwise, "why is it called humanitarian aid?" demanded Alexei Yakovlev, a regional agricultural official who is helping to manage sales of U.S. corn to poultry farms in the Rostov region.

Beyond the problems of pricing and timing, it is not clear that Russia needed food aid to begin with. The World Bank argued from the start that the problem was not lack of food, but the cost of food. Even the bleakest regions got through the winter without mass hunger.

Instead of the 5 million ton grain deficit that officials in Moscow had predicted, government statistics compiled by the World Bank indicate that the country wound up with a surplus in June of about 2 million tons, not counting the food aid.

To the program's critics, the conclusion is hard to miss: The real beneficiaries of the food aid are not Russians, but American farmers, who were able to unload some of their own record surpluses at taxpayer expense. Food aid also helps U.S. shipping companies because the law mandates that they deliver it.

But for Russians, said Yevgeny Serova, an agricultural economist in Moscow, the aid is not only unnecessary, it is dangerous. In her view, it threatens the fledgling market system and Russian producers and revives the old Soviet-style food chain that capitalism was supposed to dismantle.

"Eight years we have been waiting for this market system to emerge," said Serova. "Now we try to destroy it."

Not surprisingly, U.S. officials see it differently. Asif J. Chaudhry, the U.S. agricultural official in charge of the program in Moscow, pointed out that the Russian government itself asked for help last October. He said the amounts of food are simply too small to disrupt the market and that prices were carefully negotiated to match existing market prices.

Although food seems abundant

The Washington Post
MONDAY, JULY 12, 1999

1/2

in Moscow and St. Petersburg, Chaudhry said the cities need aid because they were the most heavily dependent on imported food. And as for timing, "The aid has come in at a point when previous stocks and supplies have run out, and these supplies have come in and filled the gap," he said. He disputed the estimates distributed by the World Bank, saying Russia is facing another bad harvest with no grain left in stock, not even donated goods.

"All over the country, we have seen factory after factory and mill after mill are processing U.S. wheat, and they are all indicating that if they had not received U.S. wheat, they would be shut down," Chaudhry said.

The United States and the European Union, which mounted its own program, decided to come to Russia's aid last fall at a time of real uncertainty about what lay ahead. The financial collapse in August meant Russia faced skyrocketing prices and dwindling deliveries of imported food that made up as much as half of Russia's food supply. On top of that, the harvest was said to be the worst in 40 years.

But noted economists and some government officials argued that predictions of famine were vastly overblown, and that the crisis might be a blessing in disguise for Russian producers because they could sell more at home. While the current harvest was bad, economists noted, the previous year had produced a bumper crop. It was a given that Russian farmers had under-reported production, so official figures of stocks could be off by as much as 20 percent or more.

When the government queried Russia's 89 regions in early October, only one—Magadan, on Russia's Far East border—reported food shortages.

A number of Russian government officials opposed the aid, including the minister and deputy minister of agriculture, and the minister of finance. But the decision rested in the hands of Gennady Kulik, a deputy prime minister who had spent 20 years managing state-controlled agriculture under the Communist government.

Food aid not only alleviated fear, it increased Kulik's power, because it gave him goods to hand out—or not—and state contracts to award. Against the rules, a well-known friend of Kulik's heads one of four firms chosen in a closed auction to distribute the food.

Calculating prices for different goods to be sold in different regions at different times proved a daunting task. Officials finally set minimum prices and left the Russian agents to figure out and collect the additional funds if the regional market price was higher.

The proceeds from the food aid are to go to Russia's chronically under-funded pension fund, theoretically enabling it to pay off $500 million in arrears and sock away some. As of mid-June, only $3.4 million has trickled in, but state agents have months to transfer payments.

Mindful of reports of fraud that blackened a previous food aid program, the Europeans dispatched hundreds of inspectors throughout Europe and Russia at a cost of about $12 million. The United States is making do with just 14 inspectors in Russia, although embassy personnel also are supposed to check deliveries during their travels.

How much they can catch is anyone's guess: On Tuesday, officials seized 10 railway carriages stuffed with European rye. The grain was headed across the border to Estonia, despite a strict ban on the exporting of food aid.

Unlike the Americans, the EU refused to ship to Moscow, St. Petersburg and the so-called black earth provinces that produce much of Russia's crops. The Europeans also insisted that certain commodities be sold for higher prices than the Americans demanded.

While officials labored over the logistics, the winter passed, with only a few sparsely settled areas in the Far East and north reporting food shortages.

Now that the food is pouring in, some regions don't want it. The Agriculture Ministry informed the World Bank last week that it is diverting some corn seed shipments to other regions to protect Russian seed plants financed by the World Bank.

The Siberian region of Krasnoyarski Krai refused offerings of meat. The neighboring region of Kemerovo is apparently not too desperate either: Kemerovo dealers are working the Krasnoyarski processing plants, trying to resell food aid from their region, according to Russian media reports.

In Rostov, poultry farmer Nikolai Bandurin said he will buy U.S. corn rather than local fodder when it finally arrives. "If they wave it in front of us, of course we'll take it," he said. "But the policy is wrong. This help will be damaging to Russia."

Drozdov, whose Sokolniki mill is slated to receive 75,000 tons of grain, said the U.S. wheat is simply replacing what he would have bought in Russia, the other former republics of the Soviet Union or European countries such as Hungary. "We would have managed without it," he said. "The price of bread would have gone up, but not by much."

Although so far most Russian farmers do not seem to be hurt, Vladimir Kasyanenko, who runs a wheat collective farm in Rostov, is making contingency plans. He said he will simply store his wheat and sell it abroad later when the food aid programs end and export restrictions are lifted.

He might have a bit of a wait. The Russian government is again predicting a poor harvest, this time because of drought and locusts. Said Agriculture Secretary Glickman two weeks ago: "My guess is they're going to want additional assistance."

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The Washington Post
Monday, July 12, 1999

THE PRESIDENT HAS SEEN
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Podesta
Always an honor
to be among this
distinguished group
is this another
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7-12-99

Two U.S. Agencies Fight Over Embassy Security

Budget Law, Way Of Funding at Issue

An obscure clause in a 1992 budget law has turned two Washington bureaucracies against each other in the campaign to strengthen security for U.S. diplomats overseas.

In the aftermath of two terrorist bombings of U.S. Embassies in East Africa a year ago, the State Department has been fighting budget constraints to enhance security at its missions. In some cases, U.S. diplomats have tried to cut through the red tape on their own; at least two U.S. ambassadors in the past year have been in touch with private engineering firms and contractors to help in developing new, safer embassies, or to fortify existing ones. The discussions are motivated by a growing frustration with funding delays, say businessmen, diplomats and government officials in Washington.

By Wall Street Journal staff reporters Stephen J. Glain in Tel Aviv and Helene Cooper in Washington.

"More and more, Washington tells us we have to find out what needs to be done, but to fund it ourselves," says a senior U.S. diplomat at one of the U.S.'s largest missions. "If security is important, the government should finance it."

The State Department says it is doing its best within its budget to make its embassies safer. This month, the White House announced it would ask Congress to earmark an extra $264 million next year for embassy security. In late May, the State Department awarded two U.S. companies contracts valued between $30 million and $100 million each to improve security at 280 diplomatic and consular posts.

"There are a lot of people out there who would like a new embassy right now," says Patrick Kennedy, assistant secretary of State for administration. "But we don't have enough money to respond immediately to every request for one. When there's a request we can fill, we fill it. We're not foot-dragging."

The funding shortage has fueled talk both inside and outside Washington in favor of growing private-sector involvement in the development of new missions, estimated to cost between $80 million and $100 million each. State Department officials say they are pushing for "lease-purchase" arrangements, in which private companies develop new missions on their own, lease them to the State Department for 20 to 30 years, then transfer ownership to the U.S. government.

Such a process shifts the upfront costs for development from the taxpayer to the private sector, which becomes the landlord and maintenance company. The strategy has been used with great success by developing countries that need new infrastructure but lack funds to pay for it.

But by promoting lease-purchase, the State Department has placed itself at odds with the Office of Management and Budget. And that's where the 1992 Balanced Budget Act comes in.

The law, a keystone to the restructuring of the U.S. economy, requires any government agency requesting a lease-purchase agreement to set aside funds to cover the value of the lease's full term. In the case of embassy development, this provision allows the government to cover its liability, should the U.S. break off relations with a country and vacate its diplomatic mission.

It also defeats the purpose of lease-purchase, according to the State Department, which is lobbying to have the law revised. "The bottom line is I can get more embassies built faster if the private sector was doing the construction with its own money," Mr. Kennedy says.

The OMB says it isn't convinced that amending the law would be a good thing. "Lease-to-buy arrangements are generally more expensive than traditional embassy arrangements because they involve profit margins for private companies and higher borrowing costs," says an OMB spokesman.

Nonetheless, U.S. diplomats say they are increasingly turning to the private sector to help finance new facilities and cultural events. The U.S. Embassy in Egypt recently solicited bids from the private sector for a planned parking garage on the embassy premises on a lease-purchase basis.

Following the East Africa bombings last August, William Montgomery, the U.S. ambassador to Croatia, begged the State Department for approval to build a replacement for his aging, highly exposed embassy. He also spoke with San Francisco-based engineering giant Bechtel Group, according to State Department and Bechtel officials, expressing frustration with the delays in Washington. Bechtel, at about the time, was also discussing with U.S. diplomats in Baku, Azerbaijan, ways to improve their mission's security despite severe funding constraints.

As a result of these talks, Bechtel submitted a report to the State Department outlining how it could develop modern embassies faster and cheaper than the government could. "We threw it into the pot for consideration," says a Bechtel spokesman. "We have received no feedback," he says.

THE WALL STREET JOURNAL
MONDAY, JULY 12, 1999

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16% of State, Local Inmates Found Mentally Ill

By Edward Walsh
Washington Post Staff Writer

The Justice Department reported yesterday that about 16 percent of inmates in state prisons and local jails are mentally ill.

The report, the first comprehensive survey of its kind, said that mentally ill inmates were slightly more likely to have committed violent crimes than other inmates and much more likely to have been physically or sexually abused before their incarceration. It also said that a higher percentage of female inmates than male inmates suffers from mental illness, with the highest rate of mental illness—40 percent—among white female state prisoners under 25.

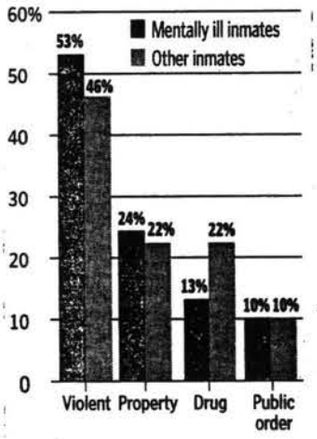
Other studies have shown that prison inmates are more likely than other Americans to be the products of dysfunctional families with prior drug and alcohol problems and physical and sexual abuse. This survey, issued by the Bureau of Justice Statistics and based on a 1997 survey of prison and jail inmates, suggests that such a history is even more common among mentally ill prison inmates.

For example, an earlier Justice Department report said that among the general state prison population, 19 percent reported being abused before their incarceration, including 16 percent of male inmates and 57 percent of female inmates. The report released yesterday said that 37 percent of mentally ill prison inmates reported being abused, including 33 percent of men and 78 percent of women.

"The mentally ill are at least twice as likely to have been abused than other inmates," said Allen Beck, chief of corrections statistics for the Bureau of Justice Statistics. "What really comes through here consistently is that the mentally ill are far more likely to come from homes that are troubled, either with parents who have been incarcerated or abused alcohol or drugs. What is cause and what is effect is hard to sort out, but there is a consistent set of negative indicators—alcohol dependence, drug use, life experiences. It's a package of really co-occurring problems."

Inmates and Mental Illness

Mentally ill inmates were more likely than other inmates to be in state prisons for a violent offense.



SOURCE: Bureau of Justice Statistics

THE WASHINGTON POST

In the survey, the Justice Department classified inmates as mentally ill if they said they currently suffered from a mental or emotional condition or if they reported an overnight stay in a mental hospital or other treatment facility. Paula M. Ditton, the Justice Department statistician who compiled the report, said that because of the methodology used, it was impossible to compare the survey's findings with statistics on mental illness among the general population.

But she said other research has shown that the mental illness rate among local jail inmates is about twice that of the general population. Ditton also said that the higher rate of mental illness among female inmates was consistent with the general population, largely because of depression.

In contrast to the 16 percent of state prison and local jail inmates that were estimated to be mentally ill, the report said that only slightly more than 7 percent of federal prisoners suffered from such conditions. Ditton said this reflected the nature of the federal prison population, which includes a significantly higher percentage of drug offenders than state prisons or local jails. For reasons Ditton said she could not explain, mentally ill inmates were less likely to have been convicted of drug offenses than other inmates.

According to the report, 53 percent of mentally ill state prison inmates had been convicted of violent crimes, compared with 46 percent of other inmates. This included 13 percent who had been convicted of murder. In federal prisons, 33 percent of mentally ill inmates had been convicted of violent crimes, compared with 13 percent of other inmates.

The report estimated that the mentally ill number 283,800 in the nation's prisons and jails. Almost a quarter of state prison inmates said their father or mother had served time in prison or jail, and 42 percent said a brother or sister had been incarcerated. The study also found that mentally ill state prison inmates were more than twice as likely to have been homeless at some point during the year before their arrest than other inmates and presented more discipline problems for prison authorities than other inmates.

The Washington Post
Monday, July 12, 1999

THE PRESIDENT HAS SEEN
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Farmers Block Canadian Border Crossings

Protesters Unhappy With Trade Policies, Prices, Agribusiness 'Concentration'

By WILLIAM CLAIBORNE
Washington Post Staff Writer

Hundreds of angry Northern Plains farmers mounted partial blockades at Canadian border crossings in Montana and North Dakota yesterday to protest U.S. trade policies, declining commodity prices and the growing concentration in the livestock and grain industries.

The farmers halted agricultural traffic across the border for several hours but said their protest was not aimed at Canadian farmers dumping low-price wheat and livestock in the U.S. market—the basis for several similar border demonstrations last year. Rather, they said yesterday's blockade was intended to call attention to what they see as a need to revise global trade compacts and try to restore price stability for American crops.

Helen Waller, an organizer of a protest at Sweetgrass, Mont., said more than 600 farmers demonstrated peacefully there, refusing to let farm trucks cross the border but not impeding other traffic. Border demonstrations were also held in Portal, N.D., and rallies were held in Idaho and Washington state, organizers said.

"We're just making a point that a sad situation exists in rural America and our congressional delegations don't even seem to know about it," said Waller, a farmer from Circle, Mont. "We need more thoughtful deliberations on our long-term agriculture policies."

Missouri farmer Bill Christison, president of the National Family Farm Coalition, said, "Our farm and trade policies are designed to transfer money from farmers to multinational corporations and subsidize the expansion of factory farms with cheap grain."

Christison, who helped coordinate yesterday's "Reclaim Rural America" day of protest across the Plains states and elsewhere, said the farmers also are upset that the Justice Department on Thursday gave an agribusiness giant, Cargill Inc., permission to buy the grain operations of its largest competitor, Continental Grain Co. Farmers have opposed the merger as another step in the concentration of the grain and livestock industries at the expense of the family farm.

> "We're just making a point that a sad situation exists . . . and our congressional delegations don't even seem to know about it."
>
> —Helen Waller, a Montana farmer

Christison called it a "tragedy" that the Clinton administration allowed Cargill, which has annual sales of $35 billion and, he said, already controls 42 percent of the U.S. corn market, to grow even larger. "Apparently, no one at the Justice Department thinks this is concentration," he said.

The coalition of farmers called for emergency price supports, a block on the Cargill-Continental merger, new agricultural antitrust investigations, mandatory price reporting for grain and livestock, and a new focus by the Clinton administration on the health of the family farm.

Protest leaders also complained that international trade agreements such as the North American Free Trade Agreement and the General Agreement on Tariffs and Trade encourage farm concentration and have resulted in unfair competition because Canada and some European Union countries subsidize farms so heavily that they can sell their commodities here practically at cost.

However, Dena Hoff, a Montana rancher and chairwoman of the Family Farm Coalition's trade task force, said the protesters were not blaming Canadian farmers. "We won't let agribusiness divide farmers to make us forget that corporate manipulation destroys the family farm economy in both countries," she said.

The protests coincided with the release of a new report by the Economic Policy Institute (EPI) in Washington that said the combination of export dependence and deregulation that has guided U.S. agricultural policy for the past several years has failed to reverse declines in commodity prices, resulting in financial ruin for a growing number of family farms.

The nonprofit policy group blamed the 1996 Freedom to Farm deregulation law, which phased out farm subsidies that dated from the Depression era, for transferring substantial risks to farmers while failing to generate export-led growth.

"There is nothing wrong with expanding trade in agriculture as long as it can be accomplished in ways that benefit U.S. farmers," said the author of the report, EPI economist Robert E. Scott. He said a combination of "inequitable" trade agreements and an unstable global economy has produced a net loss of $13 billion in the U.S. farm trade balance between 1996 and 1998.

Agricultural groups have pressed Congress for emergency assistance of between $6 billion and $9 billion this year to offset losses from low commodity prices. Although Congress adopted a record $5.9 billion in emergency subsidies last winter, farm lobbyists say that amount has not been enough to counter the decline of family farms.

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BY LARRY BECKNER—GREAT FALLS TRIBUNE

Stephen Anderson of Alma, Kan., conveys his view of U.S. farm policy with a wheelbarrow filled with horse manure at a rally in Sweetgrass, Mont.

CORRECTIONS

In roundup of Fourth of July fireworks accidents Monday, the Associated Press erroneously reported that a 20-year-old man from Dilworth, Minn., lost his right index finger and was charged with disorderly conduct after a cherry bomb exploded in his hand. The incident was not confirmed by police or medical authorities.

An article Sunday incorrectly reported a dimension of marble blocks that Guillermo Moreno cut as part of the Washington Monument's renovation. The pieces were seven inches high.

A June 13 article on a math competition at George Mason University misstated the relationship between Susan Saade and her mother-in-law, On Kim.

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First Lady at Her Best During 'Listening Sessions'

By MICHAEL GRUNWALD
Washington Post Staff Writer

SYRACUSE, N.Y.—Hillary Rodham Clinton nods her head rhythmically, slowly, like a passenger on a bus, as her hosts at a gear factory tell her about building partnerships and empowering workers and the importance of technical training. Her eyes do not glaze over. She takes dutiful notes. Her nods seem to say: Yes. You're so right. I hear that all the time. "You know, technical training is an issue I care a great deal about," she finally says out loud. "I think it's something we're not paying nearly enough attention to as a nation."

To prepare for a historic Senate race in an unfamiliar state, the first lady is spending her summer "listening to New Yorkers." She started her statewide "listening tour" last week, with well-received "listening events" in Oneonta, Cooperstown, Utica, Rome and Syracuse. She will do more listening this week in Westchester and Long Island. Her campaign spokesman, Howard Wolfson, answers most questions about her plans with the same mantra: "She wants to listen to New Yorkers in small groups and learn about the issues that matter to them most."

There is more to these "listening sessions" than mere listening; the first lady is also launching a campaign, with a media mob recording every moment of her supposedly intimate forums, and she is talking, too, starting to tell New Yorkers where she stands. The fact is, Clinton's aides believe the "listening tour" is good politics, an appropriately humble way for a carpetbagger to signal that she does not presume to know all the answers for New York. It is also a way to highlight the first lady at her wonkiest best for the local news: empathetic, curious, engaged. As Wolfson recently put it: "The listening is the message."

But there is also a certain inconsistency at the heart of the tour. Clinton says she is traveling the state to find out what issues matter to New Yorkers. At the same time, she says she is considering the race because the issues that matter most to New Yorkers are the issues that matter most to her: education, health care, jobs. Those issues, not coincidentally, were the subjects of her first "listening sessions." So does she already know what issues matter here, or is she really listening to find out? At a news conference last Wednesday, right before she launched her tour, she sounded like she had done her listening homework.

"I have to confess, when I was first approached about this, I said, you know, that seems like a very strange idea," she replied to a question about her carpetbagger credentials. "But the more people talked to me, and the more I listened, and the more encouragement I got, and the more I really began to understand the issues that New Yorkers are concerned about from one end of the state to the other, I started to think maybe I could make a contribution."

So there has been something contrived about this tour, a sense that listening is being used as campaign performance art, through scenarios where Clinton learns that education is a key issue in New York by attending an "education listening session" at the state university at Oneonta with a hand-picked panel of teachers and school administrators. So far, she has not fielded any hostile questions, and she has not disagreed with anyone in her audiences. And as New York Mayor Rudolph W. Giuliani (R) has pointed out, there is something odd about a candidate needing to take a tour to figure out what issues matter to the state she hopes to represent.

Still, there is something undeniably powerful about the sessions themselves. Clinton has attended hundreds of similar forums around the country, and as one of her advisers put it, she was born to run these events. She never interrupts, condescends or gets flustered. She seems to feel questioners' pain almost as well as her husband does. She is an expert validator, mmmhmming while she listens, asking follow-up questions before commenting, congratulating panelists on their insight: "I'm really glad you raised that issue." Or: "I agree with you 100 percent." Or: "You've really put that dilemma in a very eloquent way."

Of course, these policy discussions also showcase the first lady's straight-A-student knowledge about issues, both national and New York issues. At the gear factory in Syracuse, she noted that if upstate New York were a separate state, it would rank 49th in job creation. At a health center in Cooperstown, she mentioned that New York is one of only two states that fund Medicaid through property taxes. At a business and technology center in Rome, she explained that New York has the nation's second-highest electric rates. At every stop, Clinton discussed dual-use technologies and loan forgiveness programs and telecommuter tax incentives and managed-care reimbursement formulas with an almost unfathomable ease.

"She's very attentive, and her knowledge about issues is just incredible," said John Clow, a State University of New York professor who told Clinton about his wife's battle with cancer during the Cooperstown event. "You can see that she's heard all of this many times before."

Often, she has, so the sessions sometimes feel staged to confirm what Clinton already knows. When a parent at her education forum in Oneonta bemoaned the lack of resources for young teachers, the first lady responded: "That's what I hear just about everywhere I go, in this state and all across the country." At her senior citizens' forum in Utica, Clinton asked her audience members to raise their hands if they knew someone who had trouble affording their prescription drugs: "People tell me that's a real serious issue for seniors right now." When she was asked about rural poverty in Cooperstown, she responded that she knew all about the issue because she used to live and work in Arkansas.

In fact, in the five "listening sessions," Clinton seemed only surprised only once, when Hartwick College professor Larry Malone proposed a modern equivalent of the Rural Electrification Act to improve high-speed Internet access in sparsely populated areas. Even then, her surprise was not so much with his idea as with the way he presented it. "That's very interesting," Clinton said. "Nobody's ever mentioned it to me in quite that way."

The underlying message of the forums is that New York's key issues are the nation's key issues—the issues that Clinton, as she often puts it, has spent my entire adult life working on."

Judith Hope, head of the Democratic Party in New York, acknowledged with a grin that Clinton had a pretty strong suspicion of the issues that matter to New Yorkers even before she started her listening tour. The tour, Hope said, is a "brilliant" way to remind New Yorkers that those are Hillary Clinton issues and to figure out the New York nuances.

"She's being proven right, don't you think?" Hope said. "This whole listening tour will reconfirm that the issues she cares about are the issues New York cares about."

Jan Laytham, the owner of two radio stations in Oneonta, is the kind of voter Clinton is trying to convince of that, a political independent who complains without prompting that only 2 percent of the nation's radio stations are owned by women. After listening to the first lady listen to New Yorkers, Laytham said she'll be voting Democratic.

"You don't have to be from upstate New York to help people in upstate New York," she said. "She cares about education and health care and women's rights. Who cares where she lives?"

Then again, if America's key issues are no different from New York's key issues, Clinton still needs to find an answer to the question even she admits is nagging at her candidacy: Why New York? Leon Kalmus, a retired surveyor who attended the Cooperstown event, says the answers are obvious: She's a politician. She's looking for a job. Why not New York?

"Come on, she didn't come here to listen," said Kalmus, a registered Democrat. "She came here to talk. She came here to campaign. I don't have any illusions about that."

The Washington Post
MONDAY, JULY 12, 1999

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NAACP Plans Suit Against Gun Makers

By VANESSA O'CONNELL
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—The National Association for the Advancement of Colored People is preparing a lawsuit against the handgun industry, seeking new restrictions on the way guns are sold, according to a person familiar with the organization's plans.

NAACP President Kweisi Mfume is expected to announce the suit against gun makers, distributors and importers today at the organization's annual convention, which is being held here.

The NAACP, a civil-rights organization with more than 500,000 members, could file suit in New York as early as this week, according to the person familiar with the organization's plans. With such a move, the NAACP would join roughly two dozen cities, including New Orleans, Chicago, and Cleveland, in taking the gun industry to court.

A spokeswoman for the organization, reached at the convention late yesterday, said that the planned suit wouldn't be formally announced until today but declined to provide additional details.

Unlike the municipal suits filed thus far, the NAACP's planned action wouldn't seek money damages but instead would aim to use the court to force gun makers to better monitor how guns are marketed and sold, according to the individual familiar with the situation.

The NAACP will rely on antigun groups, including Handgun Control Inc., to help shape its case against the industry, and will attempt to argue that the industry has failed to take reasonable steps to keep guns out of criminal hands, according to this person. Handgun Control has assisted many of the cities currently suing the gun industry.

Representatives of the gun companies couldn't immediately be reached for comment.

Toyota Faces Recall Order Over Emissions Systems

LOS ANGELES (AP)—Toyota Motor Corp. and the U.S. Justice Department have failed to reach a settlement over allegedly faulty pollution-control computers on 2.2 million of the company's cars, possibly setting the stage for a massive recall.

The Justice Department is expected to seek a court order in Washington, D.C., todayto force Toyota to fix or replace the computers, which could cost the auto maker as much as $550 million.

Toyota Motor Sales USA, Toyota's Torrance, Calif., subsidiary, vowed to fight such a recall. "We tried to settle, but our reasonable offers were all rejected," a Toyota spokesman said. "Now we will go the distance."

Toyota Motor Sales USA turned down a final settlement offer by the Justice Department late Thursday that would have avoided the recall but cost the company at least $100 million in fines, USA Today reported Friday.

Federal and state pollution officials say Toyota's emissions-control computers don't detect gas-vapor leaks and fail to activate "check engine" lights properly. The settlement talks covered Toyota and Lexus cars and trucks built from 1996 to 1998.

THE WALL STREET JOURNAL
MONDAY, JULY 12, 1999

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Palestine Liberation Organization had met previously in less formal circumstances, so they were not completely unknown to each other.

``I have no illusions,'' Barak said, ``and I believe the chairman has no illusions, that we are going into tough, long negotiations with many ups and downs and crises.''

Pakistan Says Troops Withdrawing From Kashmir
By Dexter Filkins
Los Angeles Times

HYDERABAD, Pakistan Pakistani leaders said Sunday that troops they were supporting had begun pulling back from Indian territory in Kashmir, signaling an end to two months of border fighting that brought the nuclear-armed states to the brink of a full-scale war.

Pakistani Foreign Minister Sartaj Aziz said his government had decided to withdraw forces from the disputed Himalayan region to avert a larger conflict. The announcement coincided with a cease-fire to allow 1,000 Pakistani-backed fighters to retreat safely across the border.

The fighting began in early May, when the Pakistani-backed troops seized positions in the mountains along India's northern border.

Indian National Security Adviser Brajesh Mishra verified Sunday that the invaders had begun to pull back. ``We have some evidence of a withdrawal,'' Mishra said. ``The army will have to verify it.''

U.S. officials believe that the invasion was a gamble by Pakistan's leaders to force the world to intervene in the Kashmir dispute, the source of two wars between the South Asia neighbors.

The withdrawal poses a difficult challenge for Pakistan's leaders, who have raised expectations of a settlement in the Himalayan region.

As their forces began retreating from India, Pakistani officials indeed acknowledged that the military operation had succeeded in focusing attention on the 50-year-old dispute in Kashmir.

``There is a renewed worldwide realization that a just and final settlement of the Kashmir dispute holds the key to durable peace and stability in South Asia,'' Aziz said.

If the withdrawal agreement holds, it will end the worst fighting between the historic rivals in more than 30 years. The decision by Pakistan to pull back its forces followed weeks of intense diplomatic pressure by the United States and other countries.

The leaders of several Pakistani-backed guerrilla groups said Sunday that they had been betrayed by the Pakistani government, and they vowed to continue the struggle.

``These claims are a pack of lies,'' said Saleem Wani, leader of the Tehreek-i-Jihad group, one of several guerrilla groups with fighters inside India. ``We have withdrawn not a single inch.''

The moujahedeen, or holy warriors, had warned that any effort by Sharif to pull them out of Kashmir could prompt them to turn against the Pakistani government.

The announced withdrawal came one week after President Clinton secured a commitment from Pakistani Prime Minister Nawaz Sharif to pull back the forces from Indian territory. U.S. officials maintain that the majority of the invasion force is comprised of Pakistani army troops a claim that Pakistani leaders have consistently denied.

The Pakistani government has backed an insurgency inside India since 1989, but only in the current operation have its own troops crossed into India and seized territory.

The Pakistani government says it gives only moral and political support to the guerrillas and describes them as Kashmiri freedom fighters.

A White House spokesman said Sunday that the United States could not verify that the Pakistani forces were retreating.

``Certainly, if it were true, it would be a positive sign,'' Barry Toiv said.

India deployed tens of thousands of troops and jet fighters to evict the invaders, and hundreds of combatants and civilians were killed on both sides.

National Depression Grips Serbians in Wake of Bombing End
By Mark Fineman
Los Angeles Times

BELGRADE, Yugoslavia The night caller was typical of the trauma beginning to fill Borislav Radovic's crisis hotline here in the Serbian capital.

She was distraught, perhaps even suicidal. Her husband, she told the young psychologist who answered the phone, had been drafted along with tens of thousands of other Serbian men in the days leading up to NATO's air war on Yugoslavia over the province of Kosovo.

But the woman had wanted to spare their 4-year-old daughter the horrible truth of the coming war. So she'd made up a story.

``Daddy isn't at war. It's just training,'' she said. And with each wailing siren and each bomb that shook Belgrade in the ensuing weeks, she reassured the child it was only pretend.

Then the war ended, and reality returned just as it has for this entire nation of 10 million people after nearly three months of collective denial.

The child saw some of her city's finest buildings bombed to ruin, Radovic's counselor later related. And the girl blamed her father, an army reservist now returned to the hatred of a daughter and a family in crisis after surviving 11 weeks of war.

``I'm afraid this is just the beginning,'' said Radovic, a Serbian sociologist and expert on post-traumatic stress who runs one of the few private crisis-intervention centers in Serbia, Yugoslavia's main republic. The lines there now are busier than they were throughout the NATO war.

``It will take about two months before the worst of it starts showing up,'' Radovic said. ``My intuition is that by autumn, we're going to have a lot of work, as everyone confronts the reality of their situation.''

Already, city police say that Belgrade's suicide rate has soared dramatically: 96 men, women and children killed themselves in the capital from March 23, the day before the first NATO bomb fell, through the end of June. And in interviews, a wide range of Serbian psychologists, psychiatrists and social analysts said they expect that rate to increase, along with a host of psychological disorders, in the weeks and months to come.

Stress clinics and hotlines that were rarely used during the 78 days NATO's bombs fell are busy night and day. Postwar sales of over-the-counter sedatives that became popular during the war are increasing, the doctors said. And, amid growing political uncertainty, the psychiatrists reported that their caseloads are accumulating steadily.

All of this is occurring in a capital city of 2 million that cast itself throughout the war as a bastion of defiance, where rock concerts taunted NATO bombing runs, where bull's-eyes appeared on T-shirts, doorways and windshields, and where Yugoslav President Slobodan Milosevic declared victory immediately after losing Kosovo in a war he said had proved his country's ability to withstand the military force of the most powerful nations on the globe.

``Now is the time of confronting reality a reality that is not very pleasant,'' said Dr. Milan Popovic, a retired University of Belgrade psychotherapist who works part time at a city crisis center financed by the International Committee of the Red Cross.

``During the bombing, people were so concerned with the existential problem of staying alive. Now, they've relaxed from the bombing, but there are so many problems in front of them. The psychopathology we have now is not a mental illness. It's a psychopathology of everyday life.''

On the surface, this broad-shouldered city appears to be resuming its former life. Cafes are full, children play, office workers commute, revelers party into the night, and a culture that prides itself on its resilience and fierce survival seems to be on the rebound.

But tens of thousands of army reservists called up for the war have returned to unemployment, after NATO bombs demolished dozens of factories on which hundreds of thousands of Serbian livelihoods depended. Many have yet to receive their wartime pay. And with power plants and oil refineries bombed into ruins and fuel already
a precious commodity, a harsh winter looms ahead.

And cut off from the Western economy and all reconstruction aid as long as Milosevic remains in power, this nation that has endured nearly a decade under U.N. economic sanctions and wars that tore it to pieces, republic by republic, is more isolated than ever.

``What we have now is a postwar depression,'' said Dr. Vladimir Jovic, a psychiatrist at Belgrade's state-run Institute for Mental Health. ``But even worse, I think, is the internal loss of faith faith in government, institutions, society, democracy, the West, everything. It's similar, I think, to the Vietnam veterans in the States.''

Added Popovic: ``Truth is the biggest casualty of this war on both sides. Our people don't believe anybody anymore. There are just so many broken promises.''

The political implications of that credibility vacuum here are potentially huge, as street protests against Milosevic and his regime

mount by the week in a country where arms and ammunition have replaced trust and security through nearly a decade of internal wars.

``The people now express their aggression much more freely than before," Popovic said. ``There's been a radicalization within society. You have a lot of demonstrations. You have a lot of guns.

``And the question in everyone's mind is: Where this will stop? Will it just be verbal expression or will it be a more radicalized, violent expression? I just hope it won't come to civil war."

Those fears, he and other psychologists agreed, were encapsulated in a single, haunting image that appeared in every Serbian-language newspaper Saturday.

It was a photograph of Ratko Zecevic, the ruling Socialist Party district administrator in the town of Prokuplje pistol in hand, a cigarette dangling from his lips, frowning in cold resignation on a balcony overlooking an anti-government rally in the southern Serbian town Thursday.

It was taken only seconds after Zecevic unloaded all 15 bullets from the semiautomatic pistol's clip over the demonstrators' heads, just as the rally began, and one paper captioned it ``The Fastest Gun."

Psychologist Zarko Korac, a political science professor and opposition party leader, pointed to the radicalization of the pro-democracy demonstrators after more than eight years of war and 2&1/2 months of NATO bombardment.

``They're going to personalize their suffering, and it's going to be directed at Milosevic," he said. ``He's a very specific target, a high-profile target. And that puts him in danger.

NATO Combs Area for Rumored KLA Prison Sites
By John Daniszewski
Los Angeles Times

PRISTINA, Yugoslavia Italian NATO troops in Kosovo searched Sunday for sites where the rebel Kosovo Liberation Army is rumored to be holding ethnic Serb prisoners, but the attempt turned up only four unidentified bodies that had been dead for at least a month.

The daylong air-and-ground operation by 350 troops to locate a KLA detention center in southwest Kosovo underscored the ongoing uncertainty over whether such secret prisons for Serbs exist, as alleged by the government-controlled mass media in Yugoslavia. Kosovo is a province of Serbia, the Yugoslav federation's dominant republic.

International peacekeepers and nongovernmental organizations believe that such prisons are at least a possibility, but if any proof exists, NATO isn't talking.

``That is a matter of intelligence, and we do not discuss intelligence matters," said French Capt. Bernard Sandretto, a NATO military spokesman in Pristina, the provincial capital.

There have been repeated unconfirmed reports of ethnic Serbs and Gypsies being abducted by ethnic Albanians or the KLA, especially since the withdrawal of all Yugoslav army and police units from Kosovo last month, said Daloni Carlisle, a spokeswoman for the International Committee of the Red Cross in Pristina.

As of March 23, one day before the start of the NATO bombing campaign against Yugoslavia, the Red Cross had on file 140 complaints of Serbs disappearing or being abducted. Since then, Carlisle said, there have been ``many, many" other such allegations of abductions of Serbian civilians or Gypsies.

``It is certainly a big source of grief for the families involved," she said.

Although the Red Cross has an ongoing dialogue with the KLA, she said the rebels have denied any responsibility: ``They are saying, `We don't have anybody.' "

Gypsies have become targets for ethnic Albanians because some Gypsies allegedly assisted the Serbian forces that carried out war crimes including looting, armed robbery, arson, rape and mass killings during the forced expulsion of 850,000 ethnic Albanians from Kosovo in March, April, May and June.

Sandretto, the NATO spokesman, said the search for the ``supposed" KLA detention center involved Italian troops escorted by two helicopters covering a wide area east of the city of Dakovica. The bodies that were discovered were spotted inside the Dakovica industrial zone, an area through which ethnic Albanians from the Dakovica and Pec region passed in April on their way to the Albanian border.

Officially, the KLA has been disarmed in accordance with a pledge its leadership made to NATO. Its soldiers are barred from wearing uniforms or carrying weapons in public.

However, the KLA still exists as a powerful organization and commands wide loyalty among ethnic Albanians across Kosovo, and its relationship with NATO has been tense on occasion.

Until Sunday, the issue of Serbian prisoners in Kosovo had been overshadowed by the hundreds of ethnic Albanians known to be held prisoner in Serbia proper, many of whom were shipped out of Kosovo
a few days before the arrival of NATO.

These prisoners now are being acknowledged by the Yugoslav government, with prisoner lists gradually being turned over to Red Cross representatives.

Carlisle said it was too early for her to try to estimate the number of ethnic Albanians who have gone missing over the last several months. Thousands of ethnic Albanians remain unaccounted for as refugees continue to return from abroad.

Among those missing, she said, are some who were simply separated from family members during the chaos of the forced deportation of Albanians by Yugoslav forces, others who are believed to have been taken as prisoners to Yugoslavia and still others who were among the massacred.

The British government has estimated that at least 10,000 ethnic Albanians were killed by Serbian forces during the 78-day NATO bombing campaign, but the majority of those victims have not yet been identified.

Their remains either lie in mass graves scattered throughout the countryside or have been rendered unidentifiable by mutilation or by the systematic burning of corpses.

Since the arrival of NATO, some individual Serbs and Gypsies have been killed.

Also Sunday, the U.S. military said that its peacekeeping forces came under fire several times the previous day in southeastern Kosovo. No Americans were reported hurt in the shootings Saturday, but an Army spokesman said the U.S. soldiers believed they shot and killed one gunman and wounded another.

Mexico TV Curtails Graphic Crime Shows
By Mary Beth Sheridan
Los Angeles Times

MEXICO CITY There are cop-shooters, baby-stealers, wife-beaters and thugs of every stripe. They brandish pistols, knives and. in the case of one cross-dressing rapist, a tube of pink lipstick.

Such are the unlikely stars of ``Duro y Directo" (``Tough and Direct"), the latest in a series of Mexican television tabloids that have become hits through their gritty coverage of this country's crime crisis.

But as the shows' popularity has grown, so has the controversy surrounding them. Next week, Mexico's top broadcaster will scrap ``Duro y Directo" after an appeal from President Ernesto Zedillo himself. Other true-crime shows have suffered the same fate.

The cancellation demonstrates that concern about violence in the media has spread well beyond the United States. But critics maintain that blocking such violent images can censor critical opinions and important information.

``Viewers saw this show as a window onto reality," Alexis Nunez the producer of ``Duro y Directo," said in an interview. ``This was place where you could scream your desperation and point to those who cause the problems that every Mexican experiences."

Tabloid television burst onto the scene in Mexico in 1995 when an upstart network, TV Azteca, sought to grab ratings from Televisa, which had enjoyed a near-monopoly on viewers for decades.

Televisa was famous for its fairy-tale soap operas and cautious, pro-government newscasts. Azteca fought back by portraying the soaring crime that was devastating Mexico City. Soon, both networks featured wildly popular blood-and-guts shows.

``Duro y Directo" offered a typical menu: scruffy thieves, scowling hoodlums, saintly mothers coping with family tragedies. The show's jeans-clad reporters rushed to crime scenes as the announcer breathlessly announced each story: ``He humiliated his own mother!" ``He dressed as a woman to rape girls!" ``Only a miracle could save him!"

Raul Trejo, a media analyst, noted that the tabloid shows' reporters do little investigation or analysis of crime. But they have marked a new chapter in Mexican television by providing a forum for victims of crime, many of them poor and ignored by the media

``These were instruments to denounce (a crime crisis) that was known. People could go and talk about their problems," Trejo said

Occasionally, the shows generated an outcry by showing corrupt police taking bribes or permitting crime, and several journalists received threats because of their aggressive reports. The journalist

Fayetteville Women's Clinic, P.A.

William F. Harrison, M.D.

Fellow, American College of Obstetrics and Gynecology

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July 4, 1999

Bill and Hillary Clinton
The White House
1600 Pennsylvania Ave
Washington, D.C.

Dear Friends,

I can't tell you how glad I am that the long Ken Starr nightmare is over, not only for you, but for our entire country. The two partisan members of the three judge panel and their partisan right wing religious fanatic appointee to the Special Prosecutor's office have done great harm to our polilitical system and only your grace, strength and courage, and commitment to one another, has prevented it from being far worse. Certainly history will, as already have many of your contempories, recognize the vital role that you both have played in "keeping your head while all about you (were) losing theirs."

I am sending you both a copy of my book through Sean because he asked me to deliver it this way.

Your greatest legacy might be that somehow you really have rendered the Religious Right ineffective. Of course, like Dracula, and the ghosts of their god children, the Nazis and the KKK, they will stay in the background only for so long, awaiting a new nightfall (like RR's Newspeak "Morning in America") and a new frightened, ignorant and greedy generation exposed to a charming new demagogue, to rise from their shallow graves and stalk the land once more.

Your friend,

~~William F Harrison~~

4-12-99

Send to Burkhardt?

Yes ✓

No

1011 North C

Telephone: (501) 442-8166 • Fax: (501) 442-0360

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William E. Harrison

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THE PRESIDENT HAS SEEN
7-12-99

THE WHITE HOUSE

WASHINGTON

July 3, 1999

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'99 JUL 3 PM3:10

MEMORANDUM FOR THE PRESIDENT

FROM: **THURGOOD MARSHALL, JR.**
IRMA MARTINEZ IM

SUBJECT: HOT ISSUES—ANAHEIM AND LOS ANGELES, CALIFORNIA

DreamWorks Studio Plan Canceled: According to the July 2 *Los Angeles Times*, DreamWorks SKG, Hollywood's most promising new production company, has scrapped plans to invest $250 million in a state-of-the-art studio in the Playa Vista section of Los Angeles, California. High costs and financing problems put an end to the four-year-old effort to build what would have been Hollywood's first major studio, and possibly the biggest economic development project, since the Great Depression. The facility would have created approximately 4,000 high-tech entertainment jobs and about 8,000 construction jobs. (DOC)

Canadian Movie Subsidies: DOC reported earlier this month on the detrimental effects of Canadian government subsidies for television and movie production on the U.S. market. On June 25, Michael Porter of the Harvard Business School issued a report, sponsored by the Directors Guild of America and the Screen Actors Guild, on the current economic effects of runaway film and television production to Canada. The report concludes that if something is not done soon to help make the U.S. film and television production market more competitive, the domestic industry will suffer huge job losses and eventually lose its competitive advantage to foreign countries. (DOC)

1999-2000 State Budget: On June 29, Governor Davis signed the state's new $81.3 billion budget, the first on-time budget for California in six years and only the second in the last decade. Despite a budget surplus of more than $4 billion, the governor wanted to establish an $880 million emergency reserve in the budget; thus, he utilized his line item veto to cut $581 million in programs added by legislators. Nearly half the funds cut were from health and welfare programs including: cutting back on the legislature's expansion of Medi-Cal eligibility, reducing rate increases for health care providers in the Medi-Cal program, deleting $50 million for expanded child care for parents enrolled in welfare-to-work program, and cutting $20 million from the Adult Protective Services program that helps protect elderly and disabled adults from abuse. (HHS)

Public Schools Budget: The Governor also signed into law a $33.7 billion budget for public schools. The budget contains $22.9 billion, the most ever allotted for school districts to use as they wish. Despite spending more money than ever per pupil, California will fall far short of the projected national average of $7,583. (DOEd)

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THE WHITE HOUSE
WASHINGTON

July 6, 1999

MEMORANDUM FOR JOHN PODESTA

FROM: NEAL LANE

SUBJECT: Human Stem Cell Research Update

Background: In November 1998, human embryonic stem cells were successfully isolated and cultured in two privately funded laboratories. Human embryonic stem cells are primitive cells, which themselves lack a specific function but have the capacity to develop into any specialized type of cell found in the human body (such as nerve, bone, blood, or muscle cells). While this announcement stirred great excitement in the biomedical research community, because of the tremendous potential that stem cells have for treating human disease, the source of these cells (human embryos and aborted fetuses) generated a great deal of controversy. The isolation of stem cells from human embryos (but not fetuses) currently cannot be done using public funds because of the Congressional ban on the use of Federal funds for human embryo research, which has been attached to the HHS appropriations bill for the last four years. On November 14, 1998, the President asked his National Bioethics Advisory Commission (NBAC) for a "thorough review of the issues associated with such human stem cell research, balancing all ethical and medical considerations." In January 1999, HHS General Counsel Harriet Rabb issued a decision that the human embryo research ban did not include human embryonic stem cells, because stem cells are not themselves embryos, and so research using these cells would be eligible for Federal funds. The House Pro-Life Caucus has objected strenuously to this decision. However, Senators Specter and Harkin of the Senate Appropriations Committee strongly support NIH funding of human stem cell research (they held three hearings on this issue in late 1998), as does Congressman Porter of the House Appropriations Committee.

Present Status: NBAC is examining the ethics of research on stem cells derived from fetuses, embryos left over from fertility treatments, and embryos produced for research, either from fusing donated eggs and sperm or via cloning methods. They are also considering the ramifications of Federal funding of each of these activities. The Commissioners unanimously agree that the *use* of human embryonic stem cells for research is ethically defensible and should be eligible for Federal funding. However, there is still considerable debate over the ethics of *deriving* cells from the different sources, and the use of Federal funds for such research. Even though NBAC generally agrees that deriving cells from embryos left over from fertility treatments is ethically acceptable, some Commissioners may recommend against using public funds to support such a controversial activity. At this point, it appears that the Commission will not recommend Federal funding for research using stem cells derived from embryos produced for research purposes using either cloning or IVF technologies, which is consistent with the President's 1994 position opposing the creation of human embryos for research purposes. NBAC expects to finalize their report shortly after they meet next week (July 13-14) in Cambridge, MA.

NIH has drafted a set of guidelines describing the steps investigators must complete to receive NIH funds for research involving the *use* of human stem cells, to be published in the *Federal Register* for a 60-day public comment period, once they have received departmental clearance. The guidelines will parallel existing regulations covering fetal tissue transplantation research. NIH will not fund research that would include the *destruction* of human embryos as this would violate the Congressional embryo research ban.

Possible Administrative Action: The release of the NBAC report and/or the publication of the draft NIH guidelines are opportunities for an Administration statement. Two draft statements are attached, which express support for funding research using human embryonic stem cells, but emphasize the need for this research to be done using the highest ethical standards. Because valuable research can proceed using stem cells that are derived using private funds, there is no need at this time to push for a relaxation of the current Congressional ban on human embryo research.

Attachments
Tab A Draft Statement for Neal Lane and/or Joe Lockhart
Tab B Draft Statement for POTUS

cc: Bruce Reed
Larry Stein
Dan Mendelson
Elena Kagan
David Beier
Chris Jennings
Barbara Woolley
Barry Toiv
Joe Lockhart

Draft 7/7/99

Draft Statement for Neal Lane or Joe Lockhart when NIH Guidelines are Published/NBAC Report is Nearing Completion

Last November, the President asked his National Bioethics Advisory Commission to undertake a thorough review of all of the ethical and medical considerations associated with human stem cell research. In the ensuing months, a national dialogue took place highlighting the potential applications of stem cells for treating people with diabetes, heart disease, Parkinson's disease, cancer, and spinal cord injury. Ethical issues were also central to this debate, including a wide range of religious and philosophical views that are a part of the fabric of our democratic culture. NBAC has nearly completed its deliberations and appears ready to endorse the medical promise and ethical acceptability of certain types of human stem cell research.

The Clinton Administration recognizes that human stem cell technology's potential medical benefits are compelling and worthy of pursuit, so long as the research is conducted according to the highest ethical standards. NIH is putting in place guidelines and an oversight system that will ensure that the cells are obtained in an ethically sound manner. The President's 1994 ban on the use of Federal funds for the creation of human embryos for research purposes will remain in effect. Because it appears that human stem cells will be available from the private sector, such research is permissible under the current Congressional ban on human embryo research and no other legal actions are necessary at this time.

Revised Draft 7/7/99 (incorporating John Podesta's 7/6/99 edits)

Draft Statement for POTUS when NIH Guidelines are Published/NBAC Report is Released

Back in November, when I asked my National Bioethics Advisory Commission to look at the ethical and medical issues surrounding human stem cell research, I recognized the enormous medical potential of such research. The scientific results that have come out in just the past few months already strengthen my basis for hope that one day, stem cells will be used to replace cardiac muscle cells for people with heart disease, nerve cells for hundreds of thousands of Parkinson's patients, or insulin-producing cells for children who suffer from diabetes.

But I also understand that stem cell research raises ethical concerns that need to be addressed, and the national dialogue has highlighted a range of opinions that must be respected. First, I want to restate the ban I issued in 1994 prohibiting the use of Federal funds for the creation of human embryos for research purposes. Second, I will continue to insist that any Federally-supported human stem cell research be held to the highest ethical standards. The NIH guidelines, with input from NBAC, will be the principal mechanism to ensure this outcome, while helping scientists turn the promise of stem cell technology into reality.

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THE WHITE HOUSE
WASHINGTON
July 7, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: Daily Report

White House offices are tracking the following issues today:

OSTP

Stem Cell Research. John asked Neal Lane to provide an update on stem cell research/funding issues in advance of the National Bioethics Advisory Commission's report next week; Neal's memo is attached along with draft statements that you or your advisers could issue.

NEC

Steel: Suspension Agreement with Brazil Announced. Secretary Daley announced today final agreements with Brazil to suspend the pending dumping and subsidy investigations on imports of hot-rolled steel, which have fallen 99% since November 1998. Under the terms of the agreements, imports cannot resume until October and only then at a price that exceeds a minimum price of $327 per metric ton – well above current levels. The agreements would also cut hot-rolled steel imports from Brazil 28% to no more than 295,000 metric tons per 12-month period. According to Commerce officials, steelworkers are supportive but publicly neutral. Industry is split, with the large integrated companies opposed out of principle, but with smaller integrated and minimills publicly supportive. Companies supporting include California Steel Industries, Gallatin Steel Company, Geneva Steel, Gulf States Inc., IPSCO Steel Inc., Steel Dynamics, Inc., and Weirton Steel Corporation. The deadline for concluding a suspension agreement with Russia is July 12.

Capital Gains. Today, the House Republicans announced a plan to reduce capital gains taxes. For those in the upper brackets, the plan calls for a reduction in the capital gains tax rate from 20 percent to 15 percent. In addition, for those individuals who pay income taxes in the 15 percent bracket, the capital gains tax rate would decrease from 10 to 7.5 percent. The cost of these cuts is unofficially estimated at $50 billion over the next 10 years. These changes are retroactive to July 1, 1999.

COMMUNICATIONS

Patients' Bill of Rights, DLC Speech, Medicare Rollout. In advance of the Senate's consideration of the Patients' Bill of Rights legislation next week, we are planning a Friday event

in which you will press Congress to pass strong legislation. We're also working on your DLC appearance, in which you will build on your "third way" theme by announcing executive action to increase access to food stamps, and we're developing a communications and legislative strategy to build public support for your Medicare plan. We met with HHS to discuss opportunities for Secretary Shalala to support our Medicare efforts.

CABINET AFFAIRS

California Wildfires. Due to high winds, several wildfires were sparked in California during the past few days especially during the July 4 weekend. As of 3:00 p.m. (EDT) all of the large fires in the State were under control and the forecast calls for normal conditions for this time of year. In the northern part of California, 229 fires were reported burning 3,340 acres. In the south, 257 fires burned 2,911 acres. A fire on the San Bernadino National Forest, destroying 100 acres, is threatening power lines. A controlled burn started by the U.S. Bureau of Land Management (BLM) on Friday, July 2, to eliminate weeds noxious to wildlife near the town of Lewiston in Trinity County, CA, turned into a wildfire, burning 2,000 acres and destroying 23 homes and numerous outbuildings. No major injuries were reported. The fire is now under control and should be completely contained by Friday. BLM, with strong support from local, State, and other Federal agencies, has set up a victim assistance center in the nearby town of Weaverville.

NSC

See Attached Update.

THE PRESIDENT HAS SEEN
7-12-99

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To Mark Penn
FYI - Bx



A Force Now In the World, Citizens Flex Social Muscle

By DAVID BORNSTEIN

Twenty years ago social activists could identify only one independent organization working to protect the environment in Indonesia. Today there are more than 2,000, an environmental network based in Jakarta reports.

Citizen organizations have been similarly emerging across much of the world. In Slovakia, there were a handful of such organizations active in the 1980's; now there are more than 10,000. In the Philippines, registered nonprofit organizations grew from 18,000 to 58,000 between 1989 and 1996. And in the United States, aside from religious groups and private foundations, 70 percent of nonprofit organizations filing returns with the I.R.S. are less than 30 years old; a third are less than 15.

To some economists and social scientists, the astonishing growth of citizen-led organizations signals a new kind of global revolution. "It is reshaping politics and economics both at the domestic and global levels," said Lester M. Salamon, the director of the Center for Civil Society Studies at Johns Hopkins University. "I believe it is as important a development to the latter part of the 20th century as the rise of the nation-state was at the end of the 19th century."

Consider recent events in which citizens' groups were major players: the defeat of apartheid in South Africa; the end of the dictatorship in Chile; the political transformation in the Philippines; the overthrow of Communist regimes in Central Europe; the creation of an international treaty prohibiting land mines; the establishment of an international criminal court.

Organizations founded by private individuals have historically played a vital role in democracies. Writing in the 1830's, Alexis de Tocqueville remarked that nothing was more deserving of attention than America's associations. Women's suffrage, organized labor, civil rights, consumer protection, environmental protection, gay liberation and the rights of the disabled are all movements pioneered by citizen organizations.

What is different today, however, is not only the increasing number of these groups worldwide, but also the view that they are a distinct sector, one that, like government, serves essential social functions, but that has many of the entrepreneurial qualities of business. The profit, in this case, is primarily social progress.

"This new sector really is competitive like business," said William Drayton, the president of Ashoka, an organization, named for an altruistic emperor of India, that supports people working to bring about social changes in Asia, Africa, Latin America and Central Europe. "It's got open entry. Organizations are competing for money, for recognition, for staff."

Mr. Drayton and others hold that the citizen sector is leading the social half of society through the same type of changes that transformed the European economy three centuries ago.

"In the early business environment, the

Continued on Page A17



Joao Silva/Sygma, for The New York Times

Citizens' groups helped bring down apartheid in South Africa. Here, a line waits to exercise the right to vote.

Citizens Flexing Social Muscle

Continued From Page A15

right to conduct different businesses was given by the crown," said Sharon Oster, a professor of economics at the Yale School of Management. "That monopoly model fell apart and became a competitive model." As controls on economic enterprises were loosened in the 17th and 18th centuries, new players flooded the field of business.

Just as trade and manufacturing were monopolized centuries ago, colonial and authoritarian Governments pretty much monopolized the social arena. The viceroys in India, the Communists in Central Europe the generals in Latin America and Africa had little tolerance for citizens who tried to engineer broad social change.

As colonies gained independence and democracy spread, opportunities opened up for what Mr. Drayton called social entrepreneurs. These people, he said, have vision, practical ability and drive, they cannot rest until they have solved social problems not just locally, but systemwide. Think of Florence Nightingale, who developed modern nursing; Ralph Nader, who pioneered the consumer movement, or Muhammad Yunus, who founded the Grameen Bank in Bangladesh and spread the idea of microcredit — small loans to fight poverty — around the world.

At the same time, such breakthrough movements as Gandhian self-reliance and nonviolence, civil rights, liberation theology and feminism have helped prime hundreds of millions of people for social engagement. And the growth of the middle class has increased the pool of potential recruits.

Mr. Drayton sought to catalyze the citizen sector by adapting the venture-capital approach. The idea was to search for budding innovators to supply them with seed money and connect them in a global fellowship. In 1980 he created Ashoka, which has its headquarters in Arlington, Va., and now supports nearly 1,000 social entrepreneurs in 33 countries. Among them are Vera Cordeiro and Wojciech Onyszkiewicz. Ms. Cordeiro has built a program in Rio de Janeiro to help prevent recurring illnesses by providing post-hospitalization assistance to poor children and their families. Mr. Onyszkiewicz built an unusual food bank in Poland, through an exchange in which farmers donate food to the urban poor and rural children are taken on educational trips to Warsaw.

Mr. Drayton said that the business sector had grown in productivity because it developed a beneficial competitive approach that rewarded innovation. He believes competition in the social sector could generate the same kinds of productivity increases.

"When there is a critical mass of institutions, people and ideas, and they feed on one another and strengthen one another, the competitive revolution begins to set in," Mr. Drayton said. "You begin to get a culture that says: 'This is great. We're proud to be doing this. We admire people who do this well. We reward them.' It happened in business and it's exactly what you're seeing at the moment in the citizen sector."

Some successful groups attract vast sums of financing.

J. Gregory Dees, who teaches social entrepreneurship at the Graduate School of Business at Stanford University, said: "I'm seeing two broad trends. One is a shift away from the idea of this sector being primarily about charity and the transfer of wealth to being about a desire to find more systemic and sustained solutions to social problems. And the other is an increased openness to experimenting with business methods and market-based approaches."

These days, donors are more apt to stop financing organizations that cannot demonstrate their effectiveness. Some winning ideas, on the other hand, are rewarded. The Grameen Bank and the Bangladesh Rural Advancement Committee, a citizen organization, have been so successful in alleviating poverty and educating millions of villagers that they have attracted hundreds of millions of dollars of financing from around the globe. More than a thousand development programs worldwide are emulating their experiences.

Some activists fear too much competition, arguing that groups can be more effective by forming coalitions. "We need to find better ways to cooperate with one another if we are going to advocate effectively," said Laurie Regelbrugge, the chief operating officer of Civicus, an international network of citizen organizations.

Barry Nalebuff, a management professor at the Yale School of Management, points to a different kind of problem: that growth does not necessarily lead to productivity gains unless accompanied by market discipline. "There are too many nonprofits today and the reason is simply the difficulty in getting them to merge," Mr. Nalebuff said. "In the for-profit sector, if an organization is doing poorly, somebody can take it over. There is no such thing as a nonfriendly acquisition in this sector. You need to be in bankruptcy before you lose control, the result being that we have much redundancy."

And Christine W. Letts, executive director of the Hauser Center for Nonprofit Organizations at Harvard, said that to deliver the goods — i.e., social change — "at a cost that is appropriate for its performance," this new sector needs to develop better information systems and standards. "The issue is how much is wasted," she added.

Still, the advocates are optimistic. "There has been a general questioning of the capacity of the state to carry out a whole host of functions," Mr. Salamon said. "This sector represents another way of organizing the common business of society."

Past experience and a faster rate of change mean that in 20 years the citizen sector "will be almost unrecognizably more mature," Mr. Drayton said. "Many of the institutions that took business 300 years to develop will be well on their way to development," he predicted.

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THE PRESIDENT HAS SEEN
7-12-99

To See and Not Been Seen: Behind the Grids of NIMA

2 Overseas Incidents Popped Agency's Bubble of Invisibility

By Vernon Loeb
Washington Post Staff Writer

Twice in the past 18 months, the secretive agency that analyzes U.S. satellite photographs and prepares military maps has been blamed for costly mishaps: a Marine jet's collision with an Italian ski lift in February 1998 and NATO's bombing of the Chinese Embassy in Yugoslavia this May.

Until those incidents, NIMA—the National Imagery and Mapping Agency, based in Bethesda—kept a very low profile. It was all but invisible in the alphabet soup of federal agencies, even though it has about 9,000 employees, a budget estimated at about $1 billion and a vital role in U.S. intelligence gathering.

Now, some critics question whether NIMA is competent. "The world today is a come-as-you-are fight, and NIMA is not ready," says Robert D. Steele, a former CIA case officer and Marine Corps intelligence officer.

To defend itself, the three-year-old agency partially lifted its veil of secrecy, inviting a reporter to visit its headquarters, pore over its maps, and hear about its successes as well as failures in NATO's war on Yugoslavia.

Among the unheralded successes was the creation of computerized, three-dimensional imagery to guide the Army's AH-64A Apache helicopters along various routes through the mountains from Albania into Kosovo. But the Apaches never went into combat.

NIMA was created in 1996 by combining the Defense Mapping Agency—the Pentagon's mapmaking shop—and the CIA's satellite imagery analysis center, whose staff had years of experience in the arcane art of interpreting satellite photos. The theory was that merging these two disciplines would enable the new agency to produce high-tech "geospatial" products such as the 3-D Apache routes.

But the nation's newest intelligence agency was beset by problems from the outset. Many of the CIA's veteran photo analysts did not want to be merged into a mapping organization. They departed in droves. Intelligence officials also questioned whether a new agency was necessary to produce geospatial data.

Congress, after cutting the agency's budget for the first three years of its existence, is now moving to boost funding in fiscal 2000. Congressional staffers say that despite NIMA's lapses, the Hill is convinced that its director, Army Lt. Gen. James C. King, has laid out a coherent vision for moving the agency into the digital age.

NIMA does not dispute that it prepared the map used in the accidental bombing of the Chinese Embassy on May 7, which killed three Chinese citizens, wounded more than 20 others and severely strained U.S.-Chinese relations. And NIMA officials acknowledge that the map was flawed in one key respect: It did not show that the embassy had moved to a new location in Belgrade, the Yugoslav capital, in 1996.

But the agency maintains that the map was never intended for use in precision targeting.

The officials, who spoke on condition of anonymity, said the 1:10,000-scale battle map—on which 1 centimeter represents 100 meters of terrain—was designed to help in evacuating U.S. citizens and conducting "basic tactical operations," such as driving through streets in military vehicles.

"We're scrambling to take all of the data that we have and merge it together, because people are using our products in ways we never envisioned they would be used," one senior NIMA official said.

U.S. officials have told the Chinese government that the airstrike by an American B-2 bomber was aimed at a Yugoslav arms agency, the Federal Directorate of Supply and Procurement. According to the official U.S. explanation, CIA analysts who had the correct address of the arms agency, 2 Uzicka Street Boulevard, made a mistake when they tried to determine which unnumbered building on NIMA's map corresponded to it.

Then the location was fed into computer databases for review. But the mistake was not caught because the databases, maintained by other U.S. intelligence agencies as well as by NIMA, still showed the Chinese Embassy at its old site in another section of Belgrade.

According to a senior NIMA official, the map of Belgrade was one of about 2,000 detailed maps of cities



FILE PHOTO/AGENCE FRANCE PRESSE

A Marine checks damage to U.S. Embassy in Beijing incurred when protesters attacked it three days after the Chinese Embassy was bombed in Belgrade.

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around the world that the agency maintains under a standing request from the Pentagon. But it is impossible to update all the maps continually.

"A hard-copy map is outdated before it is printed," said Gen. King, 53, who took NIMA's helm in March 1996 after serving as intelligence director for the Joint Chiefs of Staff.

Most of NIMA's city maps are replaced every six to 10 years. NIMA officials say the map of Belgrade, which was completed in 1997 and reviewed for sufficiency in 1998, was considered so new that neither the Pentagon nor the CIA asked NIMA to revise it when NATO began bombing Yugoslavia in March.

One congressional aide who monitors the U.S. intelligence community argues that NIMA is at fault for not keeping its database up to date. But the aide also acknowledges that NIMA's records are only as good as the information it can obtain. He noted that the State Department still provided the Chinese Embassy's old address when it gave NIMA a new listing of Chinese embassy addresses worldwide a month after the embassy bombing in Belgrade.

"It just proves—garbage in, garbage out," the staffer said.

NIMA's maps are assembled by analysts who are fluent in dozens of languages and use maps collected openly and surreptitiously around the world. One cavernous room inside NIMA headquarters is filled, floor to ceiling, with map cases; there are seven drawers of maps of Tehran alone.

But the first tourist map of Belgrade located by the CIA that correctly listed the embassy's new address was printed by a Belgrade firm in 1998. That map, officials noted, mislabeled the street on which the Chinese Embassy was located.

"It's tremendously complicated," one official said of the mapmaking process, "because you get conflicting information."

Although NIMA failed to update its Belgrade map at the start of the conflict, the agency was far from idle. With hundreds of analysts working round the clock, it churned out 30 new maps of other Yugoslav cities and towns as well as the computerized terrain models for the Apache helicopters.

NIMA was able to produce the 3-D imagery quickly because it had been working on a Pentagon project to chart low-level obstructions around the globe. That project, in turn, stemmed from the agency's previous source of embarrassment, the 1998 accident in which a U.S. EA-6B Prowler jet based in Aviano, Italy, struck a 370-foot-high gondola cable in the Alps, sending 20 skiers plunging to their deaths.

The Marine pilots blamed a NIMA aeronautical chart for not showing the cable. But the chart warned that not all vertical obstructions above 200 feet were depicted. It also said clearly that flying below 1,000 feet was prohibited in that area. For NIMA, says the congressional aide who monitors intelligence, "Aviano is clearly a bum rap."

After the Chinese Embassy bombing, Pentagon officials directed NIMA to draw up new maps identifying hundreds of "no strike" buildings such as embassies, churches, schools and hospitals across Yugoslavia. That caused NIMA cartographers to interview people with firsthand knowledge of various cities and to show them classified satellite photos, block by block, to determine each building's purpose.

"This is the first time we've ever had to do this," one NIMA official said. "To do this job properly requires all-source work—it requires human intelligence. You can't tell what goes on inside most buildings from imagery."

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The Washington Post
Saturday, July 10, 1999

REBUILDING THE BALKANS

THE PRESIDENT HAS SEEN
7-12-99



Ending conflict in Kosovo

PRISTINA

Western leaders hope to settle their differences with the Russians about Kosovo and to bring some stability to the surrounding region. But the Balkans' ability to spawn conflict is far from exhausted. This is why

THE NATO paratroopers pounding the half-ruined streets of Pristina, Kosovo's capital, have had a crash course in geopolitics, and it has left them confused. On June 15th, British members of KFOR, as the Kosovo peacekeeping force is known, found themselves lugging much-needed water to 200-odd Russian soldiers camped out in sweltering heat at Pristina's airport. After all, said a British spokesman, "We are KFOR, they are KFOR." So what could be more natural than a spot of fraternal help with hygiene?

Two days earlier, a British officer had been yelling at the Russians to leave the airfield, where NATO had hoped to headquarter its own forces, and ran into a firm *nyet*. The first his soldiers had even heard of the standoff with Moscow was two days before, on June 11th, when they had been told to be ready, pronto, for an airborne dash from Macedonia to reach Pristina ahead of the tiny Russian unit—and then ordered, no less abruptly, to stand down. "They had been telling us for weeks about the Serbs and Albanians," said one soldier, "but nobody explained we had to fight Russia."

President Bill Clinton may well be feeling equally nonplussed as he heads to Germany for a long weekend of talks with his counterparts from the Group of Seven rich countries, plus Russia. A meeting that might otherwise have been a sort of victory celebration, devoted to planning the rebuilding of Kosovo and the surrounding region, will instead be overshadowed by the need to mend fences between the western alliance and Russia in the Balkans. If he is lucky, the terms for a bigger Russian role (President Boris Yeltsin was keen to have a distinct Russian sector in Kosovo) will have been sorted out at a Russian-American meeting that began in Helsinki on June 16th.

Whatever happens on that front, reconstruction in the region, of institutions and relationships as well as houses and factories, will be the subject of much lofty talk at the summit in Cologne. Once his guests have gone home, Chancellor Gerhard Schröder will be keen to cut sharply the high proportion of his time that he has been devoting to the Balkans. But the region's leaders are counting on continued close attention from Joschka Fischer, the Green foreign minister and author of a "stability pact" designed to involve a raft of organisations in making the Balkans more democratic, law-abiding and tolerant, as well as richer.

For Germany, which was uneasy about NATO's 11-week air war against Serbia and feels vulnerable to any blight in western relations with Russia, the dawn of peace seems like a long-awaited chance to display prowess at building bridges rather than bombing them. But hanging over the Cologne meeting will be awkward, unanswered questions. Has the moment come when the whole Balkan region can be drawn into Europe's mainstream? Or has the war simply deepened old strategic wounds whose gangrenous effect may yet spread to other places where America and Russia are locked in rivalry?

The World Bank, which will share with the European Union the main responsibility for reconstruction, plans three "donor conferences" in the hope of drumming up several billion dollars-worth of aid. The first, in late July, will concentrate on emergency relief for homeless Kosovars. Then, in the autumn, the hat will go round for public works in Kosovo, designed to rebuild homes and infrastructure and create jobs. Only next spring, on current plans, will a meeting be held on nurturing the region as a whole.

This slowish pace has not dampened the enthusiasm of Tony Blair, Britain's prime minister, who has been arguing strongly that south-eastern Europe (as the powder-keg peninsula now prefers to be called) should become like the rest of Europe: a place where rising prosperity, economic interdependence and diverse, tolerant societies make war almost unthinkable.

But the Balkan genius, unfortunately, lies not only in the concentration of a higher-than-average number of ethnic passions into a single, confined space; it also includes the ability of local warriors to draw much bigger countries into their fights. As NATO fretted over the international implications of 200 sweaty Russian soldiers, and wondered what to do about the ethnic-Albanian fighters who have become its latest partners for peace, there was no guarantee that the region's tendency to generate or even export bloody conflict had been tamed.

The outcome of NATO's stand-off with Serbia, which will not be settled as long as Slobodan Milosevic retains power in Belgrade, is being watched closely in places far beyond the Balkans—including the Caucasus. The heaviest skirmishing for two years broke out this week between Russian-backed Armenia and Turkish-oriented Azerbaijan. Perhaps naively, some Azeri officials reckon the air war against Serbia marks NATO's final triumph against the forces of Slav nationalism in Europe. They now look forward to the day when the western alliance will use its might to bring stability to their troubled region. And as though to disprove the idea that post-communist conflicts are fought along some easily definable cultural or religious axis, the Azeri hope is more or less shared by Orthodox Christians next-door in Georgia.

Are they right to think the latest Balkan war is, in effect, the last gasp of pan-Slav nationalism? The answer to that may lie not in Kosovo but in other bits of Yugoslavia—in Serbia proper and in Montenegro, its sullen partner in the Yugoslav federation.

Most western governments have insisted that there can be no reconstruction aid for Serbia as long as Mr Milosevic remains in power, either because they expect a long period of "keeping him in his box", to borrow the phrase often used of his fellow pariah, Iraq's President Saddam Hussein, or because

A lonely Serb vigil

PRISTINA

ZORAN ANDJELKOVIC, who is still, bizarrely, Yugoslavia's minister of sport (and president, to boot, of its Association for Tae-Kwondo, a cousin of karate), admits that he did not become Serbia's governor of Kosovo by choice—and knows he will be its last. A man with no power, he cuts a lonely figure in his Pristina offices. Curtains flap out of windows shattered by NATO bombing, debris is strewn around. He apologises for not offering coffee—the kitchen staff have left early, joining the exodus of Serbs from the city. "Unfortunately, I can't persuade the people to stay. Seemingly, I have failed," he admits.

The Serb police who guarded the building have now gone. Anyone can walk in. Ethnic-Albanian guerrillas of the Kosovo Liberation Army (KLA) are close by.

Mr Andjelkovic, neatly turned out in shirt and tie, says he is ready to comply with every clause of the UN Security Council resolution on Kosovo: he has little choice. That means handing over power to Sergio Vieira de Mello, the UN's interim special representative for Kosovo. But the UN is not ready to take over, and a spokesman admits there will be "a gap to be filled". For the moment, the KLA is filling it. The otherwise mild-mannered Mr Andjelkovic is angry. He has appealed to the peacekeepers to help the Serbs get out alive.

In his once well-appointed office, a portrait of Slobodan Milosevic, in Napoleonic pose, dominates the wall above his desk. Yet staff say the government in Belgrade has virtually cut them off; there are no promises of jobs or even a place to live there. The ex-governor laughs when asked if Belgrade has been in touch.



More significantly, for someone who began his career in the Communist Youth League and was an early supporter of Mr Milosevic, he dodges a question about whether he will now remain in the president's Serbian Socialist Party. Some Albanians in Pristina say that within his powers—he had no control over the ruthless Serb army and police in Kosovo—Mr Andjelkovic did a fair job. Though in theory he was the Serbs' top man in Kosovo, he has not been indicted for war crimes.

Mr Andjelkovic says he has no intention of going down in history as the second Arsenije—the Orthodox patriarch who led a flight of Serbs out of Kosovo over three centuries ago. The day after he spoke, Bishop Artemije, the province's most senior churchman and an advocate of reconciliation, led the last nine Serbian priests out of his home town of Prizren. But Patriarch Pavle, head of the whole Serbian church, boldly says he will move from Belgrade to Pec—in Kosovo.

they believe he may well be replaced by somebody more benign.

The United States has taken a particularly firm stance, stressing that, if it is to qualify for aid, any future Serbian goverment must co-operate fully with the UN's International War-Crimes Tribunal. In other words, it must hand over for trial Mr Milosevic as well as the four other senior Serbs who have been indicted by the court in connection with atrocities in Kosovo.

Mr Fischer, like some other European politicians, puts a slightly more positive spin on Germany's attitude towards Serbia. "It must be our aim to draw federal Yugoslavia into the stability pact with full and equal rights," he says. The pact itself, a pretty vague document, says that lasting peace and stability will not come to the region until "democratic values and principles" have been established in every single country.

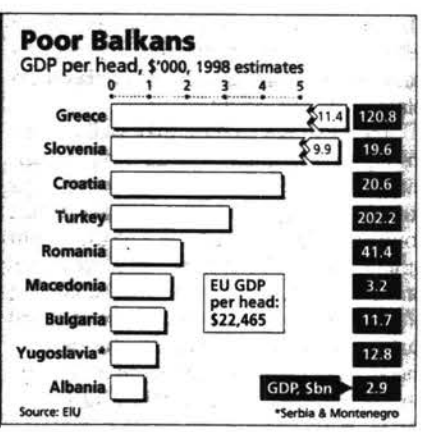
All these statements are the opening shots in some hard discussions within the EU, and perhaps across the Atlantic, about how exactly to treat Serbia as long as Mr Milosevic, or some other undesirable, continues to hold office. Some will argue that the region can be reconstructed around Serbia. For several years, countries like Romania, Bulgaria and Hungary have been developing alternative trade routes, and even the European Commission's plan for a continent-wide transport network is based on the assumption that Serbia may remain a no-go area. The bombing of bridges across the Danube has hurt shippers in Romania and Bulgaria, as well as others farther north. But that can be rectified by clearing the wreckage, which is not the same as rebuilding the bridges.

In Greece, the region's only member of the European Union and its natural engine for economic development, there is a strong feeling that redevelopment cannot bypass Serbia. This reflects partly geopolitical sympathies (solidarity among people of Orthodox belief, and, perhaps more important, a shared anti-Ottoman heritage); partly the fact that Greek investment has helped to bolster the Milosevic regime; and partly a sense that Greece may bear a heavy burden in coping with Serbs heading south if the impact of NATO's attacks on factories, utilities and transport continues to hurt.

Almost certainly, Serbia faces a cold and hungry winter. Hundreds of thousands of its citizens are expected to leave the country, many illegally, in search of work. Assuming Serb hardliners remain in power, they (and doubtless their friends in Russia) are bound to use the country's misery to bolster the argument that the West had geopolitical, rather than moral, reasons for waging war against Serbia.

Whether deliberately or spontaneously, Serbia may yet repeat its deadly trick of destabilising neighbouring countries by exporting large numbers of desperate people—only this time they could be Serbs. Or perhaps other ethnic minorities in Serbia—Hungarians, Serbian-speaking Muslims or Albanians in Belgrade—might be





picked on as Mr Milosevic's next victims.

How much hope for a change for the better in Belgrade? There are signs of political ferment, but no indication yet of an imminent change of regime. Leaders of the Serbian church, dismayed that Orthodox Christians may lose access to the holy places in Kosovo in whose name the Serbs supposedly fought the war, want Mr Milosevic to step down. Added to that, Vojislav Seselj, the head of the ultra-nationalist Radical Party, has said he is withdrawing support from the government. But many people in Belgrade doubt whether the president and Mr Seselj really have parted company. They suspect a ruse by Mr Milosevic to present himself in a comparatively favourable light.

Having kept a low profile during the war, Mr Milosevic has been congratulating his compatriots on their endurance and predicting blithely that his country is about to be reconciled with the world. The fact that tens of thousands of Serbs are now abandoning Kosovo has been played down in the official media. In the short term at least, such tactics may work. The strength of liberal critics is undermined by their own rifts. Vuk Draskovic, Belgrade's best-known opposition leader, is reluctant to team up with his fellow liberal, Zoran Djindjic, who—to the disdain of most Serbs—spent the war in the relative safety of Montenegro, more because of a justifiable fear of Mr Milosevic's hitmen than of NATO's bombs.



Serb kills Turk in Kosovo, only 610 years ago

Whatever the fate of Serbia, there are plenty of ideas for transforming the Balkans into a seamless market. George Soros, the Hungarian-born American financier, has proposed a regional customs union for the Balkans, with currencies pegged to the euro. That currency could, it is argued, help to knit the region's economies together in the same way as Central America is said to have been steadied by the pre-eminence of the dollar.

Greece has proposed tax-free zones along its Balkan borders where small manufacturers could cluster. It plans to open half a dozen more border crossings with its neighbours. A small airline shuttling people from one capital to another might, it is hoped, strengthen political and commercial ties.

As incentives for good behaviour, NATO and the EU will intensify their effort to shore up the region's fragile states, promising to incorporate them (at a faster pace than before) as full members as soon as they are ready. British officials say the wide gap between Central Europe's fast-track aspirants to integration with the West, such as Poland and the Czech Republic, and the slowcoaches to their south and the east, must now be narrowed. There is hopeful talk in western capitals of making more of new friendships with a younger generation of politicians that were forged or consolidated in the heat of the Kosovo war: for instance, Pandeli Majko and Ljupcho Georgievski, respective prime ministers of Albania and Macedonia, and Nadezhda Mihailova, Bulgaria's foreign minister. For Albania and Macedonia, the two most vulnerable countries, the most this will mean in practice is "virtual association agreements" with the EU—opening markets to their goods and offering economic help, but not a firm promise of full membership. That is still far off.

Are such hopes overblown? Youth may be an asset in throwing off communist stereotypes, but it still looks uncertain whether these untested power-broking youngsters can fully control the countries they govern, let alone lead them on a rapid march westwards. Apart from Yugoslavia itself, the biggest worries are about Macedonia, whose delicate internal balance between its Slav majority and a swelling ethnic-Albanian minority has been threatened. The size of that minority is hard to judge because most of its new members are living in families rather than in the much-televised refugee camps. The Macedonian government, headed by Slavs in coalition with Albanians, has told the West that it can hold the lid on ethnic tensions if, and only if, western aid keeps rolling in.

But sentiment among ordinary Slavs in Skopje has become more anti-Albanian. Though Slav Macedonians have a long-running feud with Greece over their use of the name Macedonia, they now find themselves aligned with Greeks (and Serbs) in their fear of Albanian nationalism, whose emergence as a new factor in the Balkans has gathered pace since the failure of Serbia's murderous drive to crush the Kosovars.

The issue of what to do about the KLA—in other words, how to interpret the "demilitarisation" demanded by the UN Security Council—has caused some hard soul-searching in western capitals this week. George Robertson, Britain's defence minister, has expressed confidence that NATO's commanders would negotiate an amicable co-existence not only with Russia but also with the guerrilla army that acted as the alliance's tacitly acknowledged partner in driving the Serbs' forces out of Kosovo.

The Greeks have reacted with outrage to KLA maps that appear to claim part of Greece; any Balkan border change, insist the Greeks, will unleash a Pandora's box of horror. In Turkey, by contrast, the emergence of an "Albanian factor" in Balkan politics and the humiliation of Serbia has, after some lively debate, on balance been warmly welcomed. The foreign ministry in Ankara feared, at first, that backing the KLA's war to secede from Serbia would create a dubious precedent (with possible repercussions for Turkey's war against its own armed Kurdish separatists) and stoke dangerous tension with Russia. Turkish army commanders, by contrast, saw NATO's campaign against Serbia as an opportunity to prove their country's value as an ally—and show that America has been right to urge the EU to treat Turkey better.

Whereas Greek (and Greek-Cypriot) public opinion was virtually unanimous in opposing NATO's air war, most Turkish newspapers and their readers rallied enthusiastically to the battle against Serbia, seeing it as a fresh blow for the interests of Balkan Muslims stranded by the demise of the Ottoman empire. Yet even in Turkey, people are not quite sure what to think about the Albanians' emergence on to Europe's stage. An influential foreign-affairs columnist has warned her readers that younger Albanians are keener on Western Europe than on their Ottoman heritage. Besides, she noted warily, a fair number of Albanians are Christians.

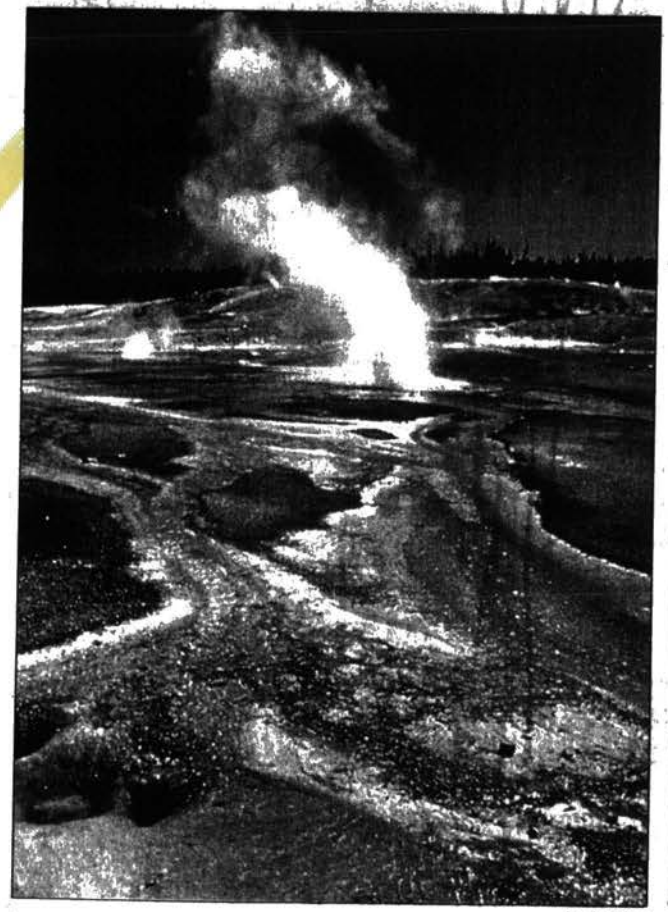
Still, the war has thrown into sharper relief some disturbing cleavages among the citizens, as opposed to the governments, of the Balkans. NATO's optimists point out that the governments of Greece, as well as would-be NATO partners such as Bulgaria and Slovakia, still managed to help the alliance, despite their thoroughly sceptical peoples. But as long as those living in and around the region watch its conflicts from starkly opposing viewpoints, the old powder-keg will retain every speck of its explosive power.

George F
Fyi - 2 interesting pieces
Pc

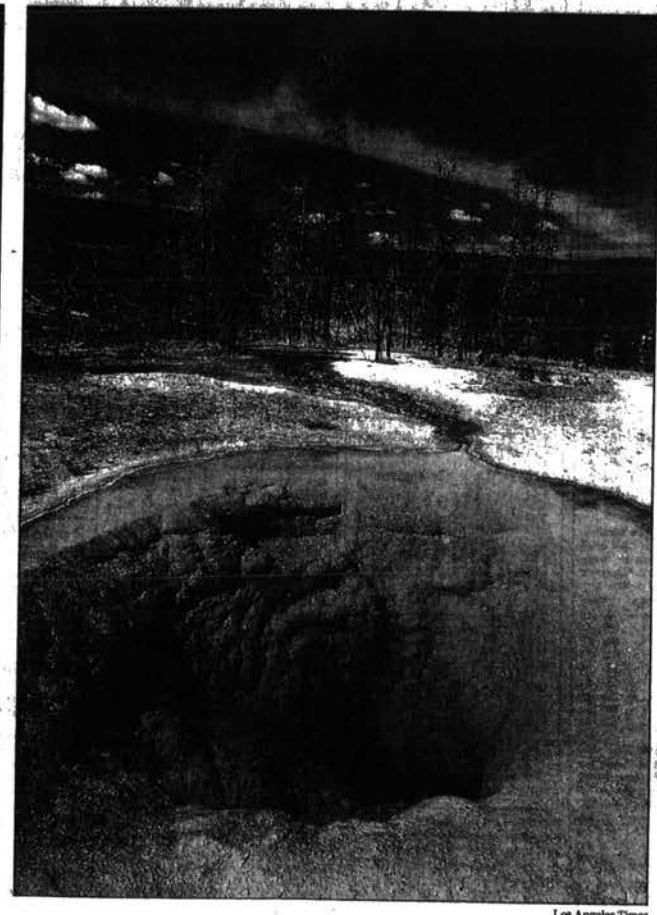
SECTION B
SUNDAY
JULY 11, 1999

REGION

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Associated Press



Los Angeles Times

Yellowstone's wonders are under siege from deteriorating infrastructure and millions of visitors. At left, Clepsedra geyser; at right, Morning Glory Pool, near Old Faithful.

'Geyser' of Effluent Strains Yellowstone's Budget, Environment

■ Parks: The $30 million needed to fix the antiquated sewage system is more than its annual budget—and another $300 million is needed to fix the roads.



They shut it down, closing restroom facilities in a parking area pending repairs. None of the raw sewage reached any water sources.

"We're always Band-Aiding," Hudson said. "Some of those Band-Aids break, and that's when we have those problems."

its annual budget—and another $300 million is needed to fix the roads. Meantime, treated waste is dumped into a meadow.

By BOB MOEN
ASSOCIATED PRESS

YELLOWSTONE NATIONAL PARK, Wyo.—Standing on historic Fishing Bridge, Cathy Cooper of Twin Falls, Idaho, took in the view—North America's largest lake behind her, the last untamed river in the country below her and majestic mountains of the world's first national park all around her.

A couple of miles away, hidden along a service road closed to the thousands of cars and recreation vehicles that wind through the park, hundreds of thousands of gallons of treated sewage were being dumped into a meadow.

Ground water entering aged sewage pipes forced the National Park Service, the park's federal custodian, to dump 6.5 million gallons of treated sewage over a 15-day period last month. The dumping was necessary to prevent catastrophic failure of a system that treats sewage from nearby crowded campgrounds and other visitor facilities, officials said. Last year, raw sewage leaked into Yellowstone Lake and into a creek near Old Faithful in separate incidents.

"I guess if I was close enough to where they put the sewage out, that would affect me," said Cooper, who was on a four-day camping stay. "But it's still Yellowstone—that's why I came here."

Yellowstone's exploding geysers, soothing hot springs, majestic mountains, abundant wildlife and roaring rivers lure 30,000 people a day this time of year.

"The park is one of the biggest towns in Wyoming in the summer," said Tim Hudson, the park's chief of maintenance.

The strain of 3 million annual visitors who create 270 million gallons of waste and use up to 18 rolls of paper a day per toilet has overwhelmed Yellowstone's antiquated man-made plumbing system.

On July 2, several thousand gallons of raw sewage spilled into a meadow between Chittenden Bridge and Upper Falls. Park staff members discovered the broken line in an unstable geologic slump that slowly has been giving way.

Hudson said. "Some of those Band-Aids break, and that's when we have those problems."

The park service has identified 142 water and sewer problems in the park that would cost about $30 million to repair. The price tag is slightly more than the park's current total budget.

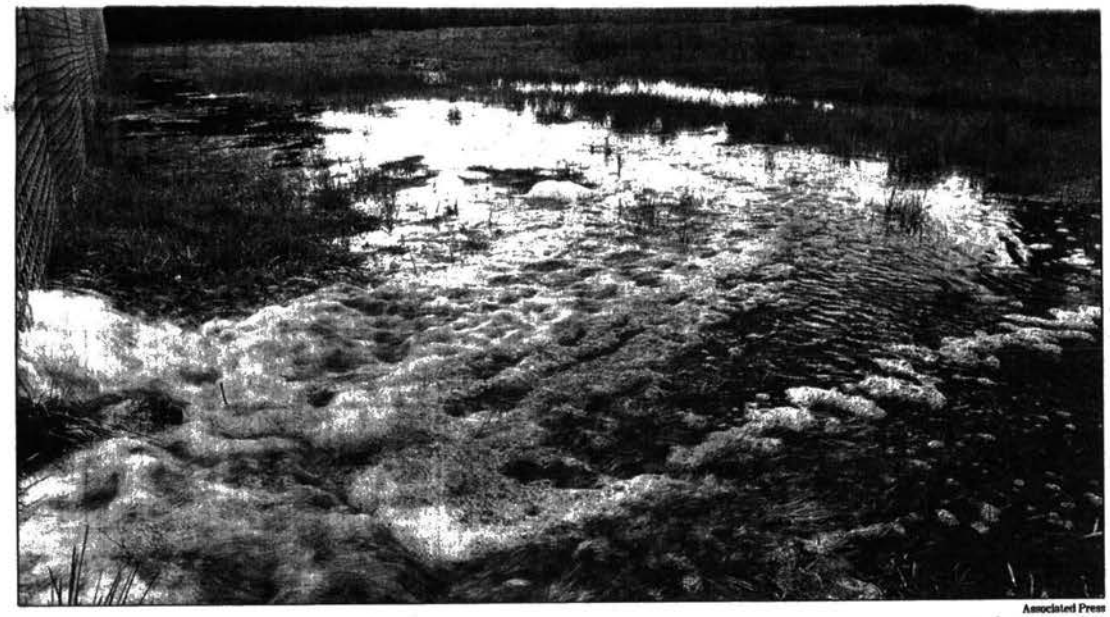
"It's probably the best example of how parks are being neglected for their infrastructure and how their infrastructure is falling apart," said Jerome Uher, spokesman for the private National Parks and Conservation Assn., which this spring ranked Yellowstone among the top 10 most endangered parks.

Three of the park's six sewage treatment plants need to be replaced. Flush toilets at Norris Geyser Basin, site of the world's tallest geyser, are inoperable because the Norris treatment plant has been shut down. Another plant is close to failing, and the third, at Old Faithful, is scheduled to be replaced by 2003 at a cost of about $5 million.

"You think of this as a very natural place, then you hear of things like that and you realize it isn't," said Dina Brennan of Chippewa Falls, Wis., after traveling 1,055 miles for a five-day camping trip in the park. "You would think this would be a top priority."

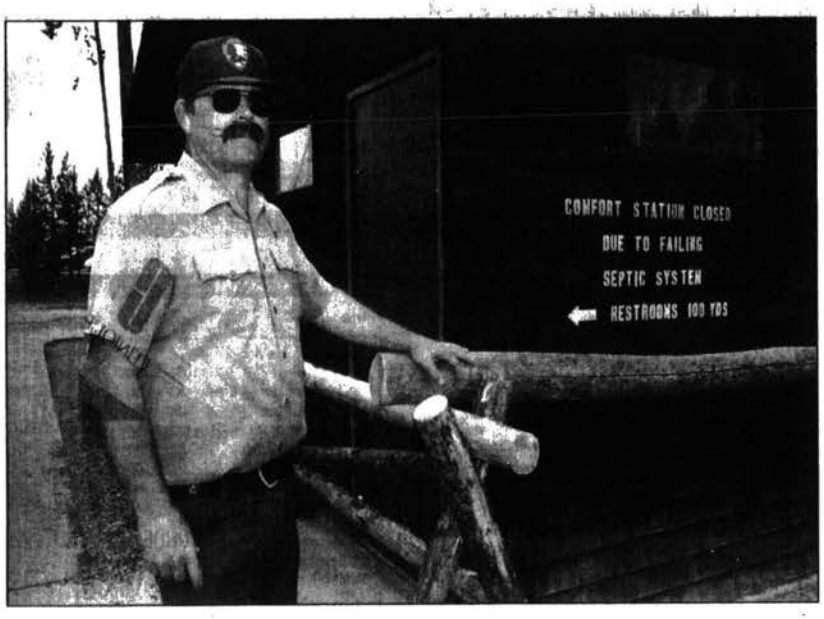
The park service says it has a $5-billion backlog of repairs and maintenance projects at its 378 parks nationwide. Besides sewer problems, Yellowstone needs $300 million in road repairs alone.

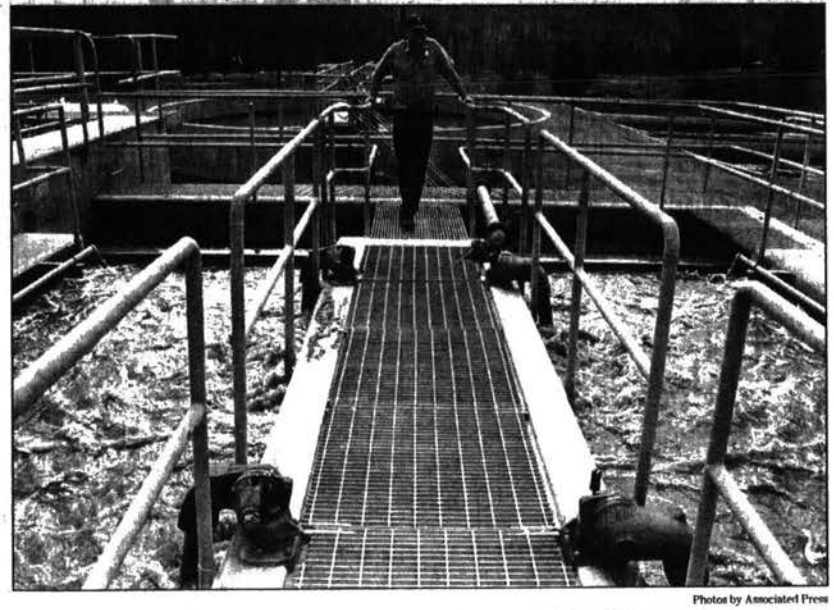
Please see SEWAGE, B3



Associated Press

Effluent flows into a meadow near Fishing Bridge in Yellowstone. Park officials dumped the waste to keep a septic system from overflowing.





Photos by Associated Press

Yellowstone's chief of maintenance, Tim Hudson, at Norris Geyser Basin, where restrooms had to be closed because of a leaky septic system. At right, he inspects Old Faithful sewage-treatment plant.

SEWAGE: Strain on Yellowstone

Continued from B1

Uher said there is plenty of blame to go around in Washington: the park service lacks the management and business acumen in its hierarchy to detail its needs to Congress; Congress is aware of the general problem but there is no single leader to take up the parks' cause; and the Clinton administration has concentrated on high-profile projects that get headlines while eschewing day-to-day infrastructure problems.

The park service says it is trying to fix the backlog of maintenance problems but doesn't have enough money to fix them all and maintain a park system that already demands some $1.5 billion in funding.

Sen. Craig Thomas (R-Wyo.), said Congress has increased the agency's funding in the last couple of years and it is up to the agency to set priorities on what problems it must fix first.

"It's a management decision they're going to have to face up to," said Thomas, adding that Yellowstone's sewage problem "certainly is a priority issue."

Yellowstone's sewage problems threaten the very environment it was created to preserve, but there are many other parks with safety and environmental problems, said David Barna, the park service's chief spokesman.

"How are you going to pick between the drums and guns of Gettysburg vs. the bells at Independence Hall vs. Yellowstone?" Barna said. "They are all in need. It's just very difficult."

Mike Clark, executive director of the Greater Yellowstone Coalition, a conservation group involved in Yellowstone environmental issues, said Congress should make a special appropriation just to fix Yellowstone's sewage system.

"Yellowstone ought to be looked at as a model of how the park system operates, and yet what we got is raw sewage potentially going into pristine waters. That's simply not the way to do things," Clark said.

The park service's next budget is being worked on by a Congress pulled in many directions on what to do with a predicted budget surplus of $333 billion, excluding Social Security surpluses, over the next decade.

"There's a lot of disagreement in what projects should receive funding and how much money is going to be spent on parks, even among people who want to see more money for parks," Uher said.

So far, the amount of money for park operations being discussed would cover employee raises and inflation but not much more, he said.

"No major attempt here to improve the parks," Uher said.

Yellowstone visitors like Cooper have little patience for the problems plaguing the park.

"I think they should give the money, fix the problem and be done with it," she said. "Just solve the problem. . . . This is a government-run park. They shouldn't even have to deal with it."



Associated Press

Treated sewage is discharged at Lake Area Sewage Treatment Plant.

Yellowstone by the Numbers

■ **Established:** World's first national park, established March 1, 1872, after photographs by William Henry Jackson proved that spectacular geysers described by earlier explorers and mountain men were not tall tales. The name Yellowstone was derived from the high yellow rock cliffs along the upper reaches of the Yellowstone River. Native Americans referred to the river as *Mi tsi a da zi*, or Rock Yellow River, which French fur trappers translated as Yellow Rock or Yellow Stone.

■ **Land area:** 2.2 million acres—80% forest, 15% meadow and 5% water. Most of the land is in northwest Wyoming, with small portions in Montana and Idaho. Roads and facilities take up less than 3% of the park.

■ **Elevations:** Highest, 11,358 feet at Eagle Peak summit. Lowest, 5,282 feet at Reese Creek.

■ **Species:** 12 species of trees, more than 80 wildflowers, 58 mammals and 290 birds.

■ **Features:** 110 waterfalls of 15 feet or more; Yellowstone Lake, the largest mountain lake in North America; 10,000 geothermal features, including Old Faithful, which erupts about every 79 minutes, and Steamboat, the world's tallest geyser at 400 feet; Mammoth Hot Springs.

■ **Visitors:** 3,120,830 in 1998.

■ **Budget:** Fiscal year 1999, slightly less than $30 million, including $23.2 million in direct federal government appropriations, $6.3 million from user and entrance fees and $496,000 from concession fees. Forty-two percent of the budget ($12.3 million) goes toward facility operations and maintenance.

Associated Press

Aging Pentagon Gets a $1.2-Billion Overhaul

OBITUARIES

FUNERAL ANNOUNCEMENTS

BLACK, Joye L.
Beloved wife of Julian; loving mother of Joel (Ronni) Black, Jill (Thomas) Williams and Jodie (Michael) Messin; cherished grandmother of six; devoted sister of Norton Sokolow and sister-in-law of Marge (The Late Leonard) Sokolow and Buddie Davis.
Service Monday at 11am in the Mount Sinai Memorial Park Chapel.
The family prefers donations to HINDS HOSPICE, 1416 West Twain, Fresno, CA. 93711-3014.
Mount Sinai Mortuary

CHILDERS, Jane R. born in Los Angeles on July 15, 1921; died in Laguna Beach on July 5, 1999.
Pre-deceased by her husband of 48 years, Keith R. Childers. Jane will be deeply missed by her sisters, Gladys Brown of Laguna and Stella Duncanson of Los Angeles, as well as many nieces and nephews and a vast network of friends.
Memorial service to be planned.

GUREWITZ, Mary, age 88, passed away on July 9, 1999.
Beloved wife, mother, grandmother, great-grandmother, and dear friend.
Widow of Ben Gurewitz; mother of Marvin (Tobie), Barton (Sandy); grandmother of Alan (Kate), Linda (Jim) Esserman, Brian (Elizabeth) Aaron; great grandmother of Andrew, Erin, Monique, Emily, Madeline, Luis and Carolina.
Mary was a wonderful and special role model always with a smile. She exemplified kindness, compassion and a positive outlook on life. She brought love, sunshine and purpose to everyone she touched.
She was a dedicated volunteer and recipient of numerous volunteer awards from the City of Los Angeles, particularly for her work at Royball Health Center with prenatal care and education in "Operation Stork."
Born in Omaha, Nebraska, longtime resident of Montebello and most recently Rancho Palos Verdes.
In lieu of flowers, donations may be made to March of Dimes or your favorite charity.
Services Sunday, July 11, 1999 at 3pm at Hillside Memorial Park.
Hillside Mortuary, (800)576-1994

HELM, Barbara Ann, 64, of Santa Ana, California, passed away July 6, 1999. She was a property manager for 18 years. Barbara is survived by her son, Richard; sister-in-law, Norma Clayton; daughter-in-love, Janine Ditch; grandchildren-in-love, Diane, Debbie and Denise Ditch; best friend, Colleen Peterson, plus numerous other family members and friends.
A "Celebration of Life" will be held at 1:00pm on Sunday, July 18, 1999 at **Pacific View Mortuary, 3500 Pacific View Drive, Newport Beach, CA.**
In lieu of flowers, donations in Barbara's name may be made to the Salvation Army or the VNA Hospice Home Health Systems, 2500 Red Hill Ave., #108, Santa Ana, CA. 92705.

HOROWITZ, Maxine
Groman Eden Mortuary

HUNTER, Robin Perenchio
Born August 28, 1930 in Syracuse, New York; passed away July 7, 1999 in Los Angeles.
She is survived by daughter, Candace Perenchio Lee; daughter, dede Perenchio Wandel and son-in-law, Kenneth; and son, John Gardner Perenchio and daughter-in-law, Stephanie; grandson, William H. Daum IV and granddaughter-in-law, Amy; and granddaughters, Jamie Green Wandel, Robin Marie Perenchio, Lauren Ann Perenchio, Gabrielle Perenchio, and Lena Marie Perenchio; great granddaughter, Sydney Greta Daum; sister, Gloria Patterson; sister, DeAnne B. Joy and brother-in-law, Richard R. Joy.
Mrs. Hunter was recently widowed by Harvey H. Hunter. She is survived by five stepchildren, Craig (Martha), Rick (Julie), Tim (Martha), Wayne (Heidi), and Jodie; seven stepgrandchildren, Erin, Melissa, Erik, Drake, Patrick, Alec, and Christopher.
Mrs. Hunter attended Westlake and Marymount High School. She is the daughter of the late Robert Gardner Green of Beverly Hills and Emilie Green Biggar.
Memorial services will be held Thursday, July 15, 11:00am at All Saints Episcopal Church of Beverly Hills.
In lieu of flowers, the family requests donations be sent to The American Cancer Society.

JASKOSKI, David Raven, 24, born March 5, 1975 in Kodiak, Alaska; died of leukemia on June 26, 1999, at his home, surrounded by family in Seattle, Washington, and was buried at Seattle Sephardic Brotherhood Cemetery on Sunday, June 27. David is survived by his mother, Navah Levy, of Seattle; his father, John Jaskoski, of Kodiak, Alaska; his sister, Maiah Jaskoski, of Philadelphia; his grandparents, Seymour Levy of Cathedral City, California, Evelyn Levy, of Santa Cruz, California, and Irene and James Jaskoski, of Tucson, Arizona; and numerous aunts, uncles, and cousins. He is greatly missed by all.
David requested that donations in his memory be sent to the Sierra Club or Leukemia Research.

KINNEY, Ronald F., March 10, 1928 - June 9, 1999.
Ronald Kinney, 71 of Hollywood, California, died June 9, 1999 in Los

7-12-99

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THE WHITE HOUSE

WASHINGTON

July 2, 1999

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Weinstein
Sperling
Reed
Stein
Klain
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: Paul Weinstein Jr.
Domestic Policy Council

CC: Gene Sperling
Bruce Reed
Larry Stein
Ron Klain

SUBJECT: **Representative Kanjorski and Better America Bonds (BABs)**

During your New Markets trip next week, Representative Kanjorski may seek your support for two controversial changes to your Better America Bonds proposal. First, he will ask that we alter the selection criteria to limit BABs to those areas that are economically distressed. Such a limitation would defeat one of the main purposes of BABs, to promote regional cooperation between suburban, urban, and rural communities. In addition, such a change would cost us the support of a number of Members in suburban and rural areas, including possibly the chief sponsor in the Senate, Max Baucus. We are also concerned that some in the environmental community would react negatively to limiting the number of applicants based on economic conditions. To relieve some of his concerns, you could tell the Congressman that approximately one-third of the BABs would be used to cleanup "brownfields" which tend to be located in distressed communities. We have asked EPA to make sure that there are potential "brownfield" sites in the Congressman's district and that they consider the unique characteristics of these sites when developing program guidelines.

Second, Representative Kanjorski will ask that we provide private entities with the authority to issue Better America Bonds along with local, state, and tribal governments. Treasury opposes this change because of the significant potential for fraud with regards to the bonds and the misuse of the open spaces they are designed to preserve. In addition, state and local governments might also oppose such a proposal because it would drain resources from their efforts to preserve open spaces.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 19, 1999

7-12-94

OMB OK

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Mathews
Holstein
Podesta

MEMORANDUM FOR THE CHIEF OF STAFF

THROUGH: SYLVIA MATHEWS

FROM: ELGIE HOLSTEIN EH

Re: **Domenici Oil Loan Guarantee Proposal**

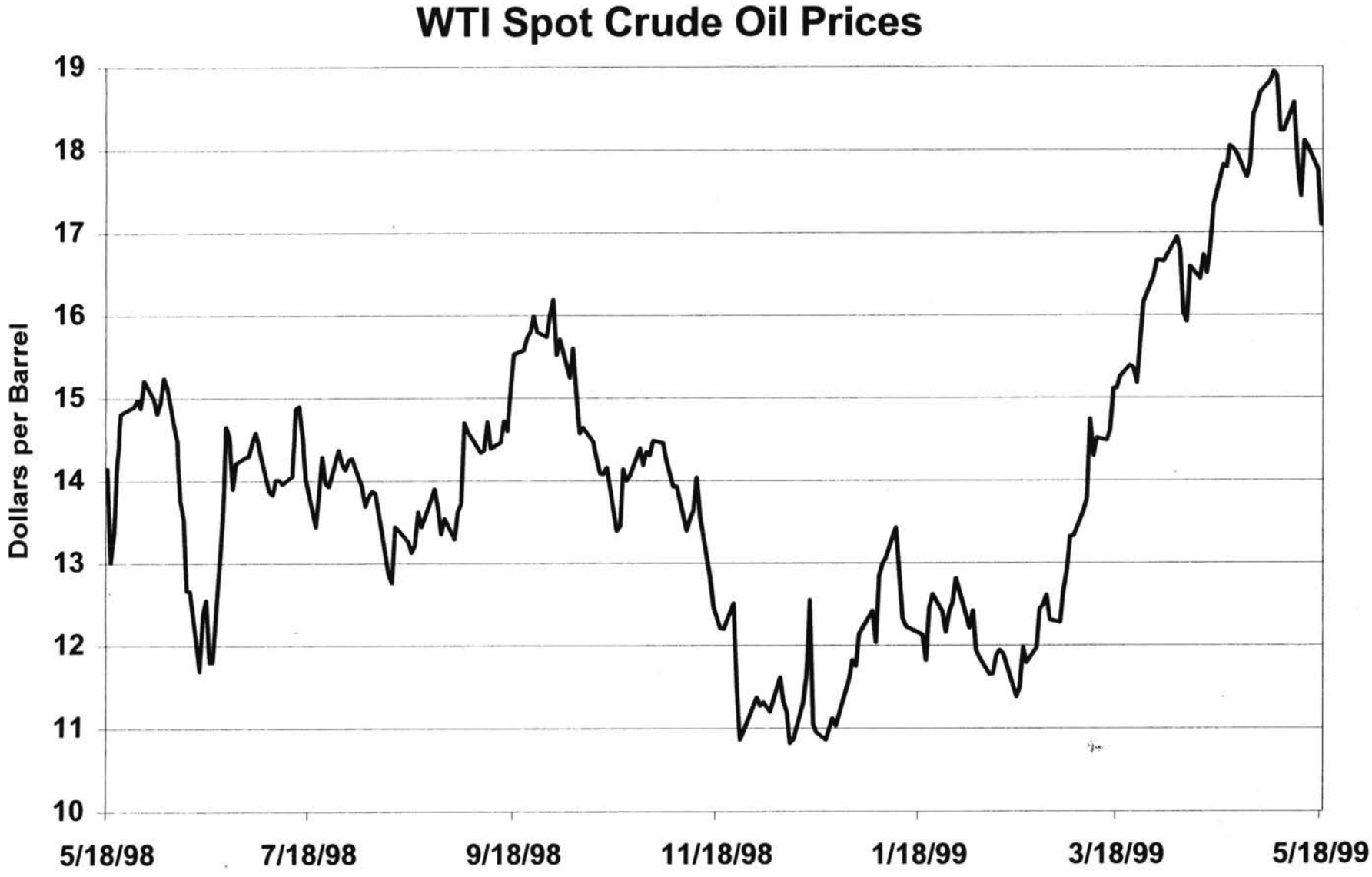
The Domenici proposal would provide loan guarantees for domestic, independent oil and gas producers and small oil-field service companies. A Loan Guarantee Board, chaired by the Secretary of Commerce with participation by the Secretaries of Labor and Treasury, could guarantee, at any one time, up to $500 million worth of bank loans to companies for whom credit "is not otherwise available under reasonable terms." Funding for the proposal would require an emergency designation by the President, and it would cost approximately $300 million (BA) in loan subsidies over three years. The exact purposes for which the loans may be used are not defined. The program terminates on December 31, 2001.

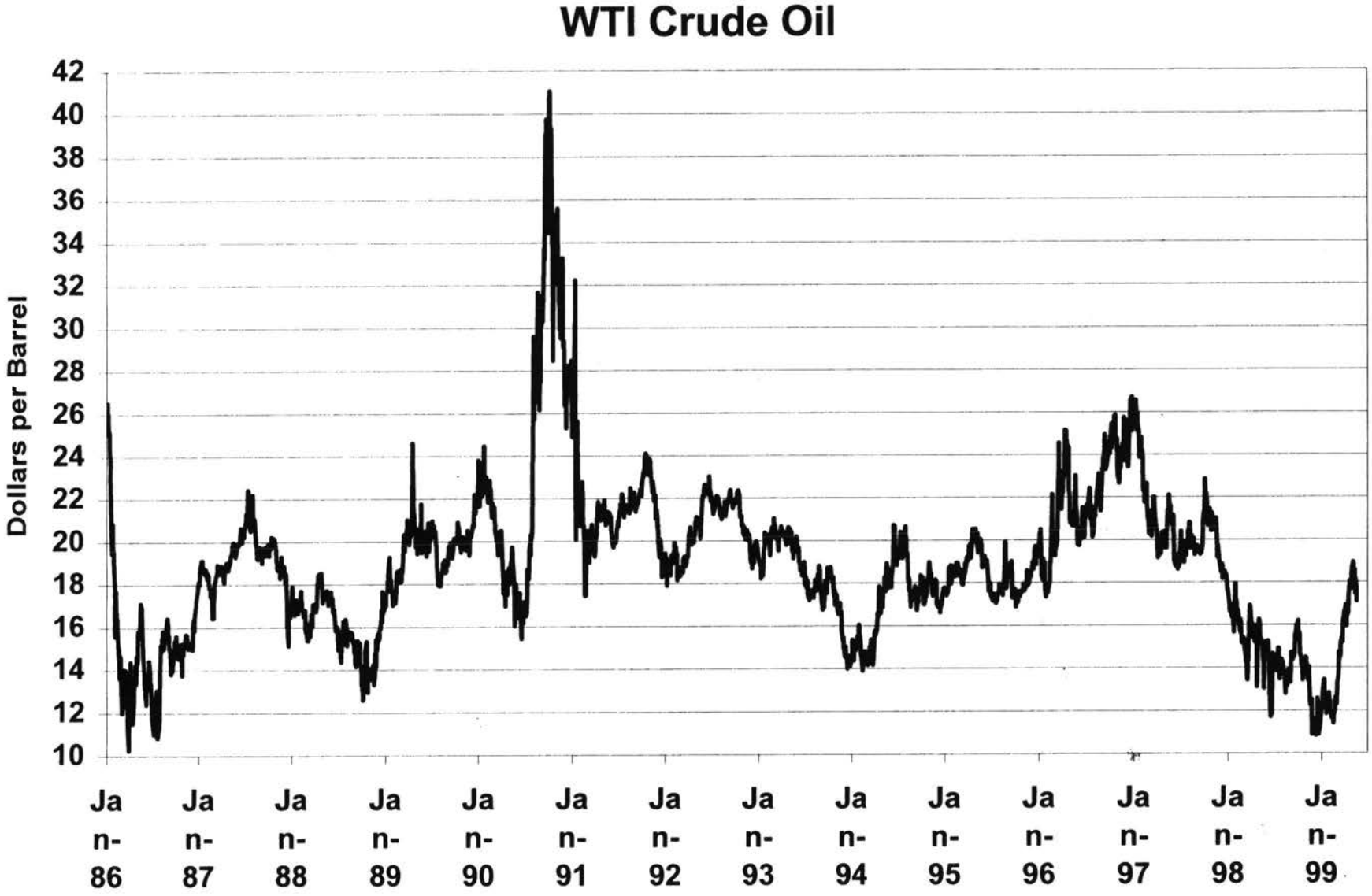
The proposal was developed in response to a perceived crisis in the oil and gas sector, when prices, late last year, fell to less than $12 per barrel. They have recently rebounded to over $18 per barrel, primarily in response to OPEC production agreements reached this Spring, (although they have dropped about $1.00 per barrel in the last 24 hours due to speculation about renewed Iraqi oil sales.)

The proposal is objectionable for a number of reasons, including that it would provide support to an industry clearly no longer in need of assistance, and that it would create a precedent for government intervention to prop up a commodity market notorious for international price swings and supplier agreements. The Domenici proposal, and Sen. Byrd's loan guarantee proposal for steel, both represent intervention in major industries, for which there is little economic justification. Accordingly, the economic agencies continue to strongly object to both.

Nonetheless, the passage of the Domenici proposal would not be a disaster. Oil prices are now back up to their historical range, meaning that credit should be readily available from normal sources at normal rates. In addition, the proposal gives the Loan Board considerable discretion to determine the financing needs of eligible companies, require security for the loans, and define additional conditions it deems appropriate.

In summary, while enactment of the Domenici proposal would not be permanent, it would constitute an unjustifiable market intervention and provoke additional criticism about special-interest legislation.


WTI Spot Crude Oil Prices
Dollars per Barrel
19
18
17
16
15
14
13
12
11
10
5/18/98
7/18/98
9/18/98
11/18/98
1/18/99
3/18/99
5/18/99


WTI Crude Oil
Dollars per Barrel
42
40
38
36
34
32
30
28
26
24
22
20
18
16
14
12
10
Jan-86
Jan-87
Jan-88
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7-12-99

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DATE/TIME: 092337Z JUL 99

MESSAGE #: SR156

FROM: WHSR PHONE: _____ ROOM: _____

SUBJECT: LETTER FORM PRESIDENT MUBARAK PAGES: 3

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	MIL AIDE FOR THE PRESIDENT		
	CAPT POWELL		

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001. cable	President Mubarak to POTUS (2 pages)	07/09/1999	P1/b(1)

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Clinton Presidential Records
Staff Secretary
Sean Maloney (Chron File (Jul 99))
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FOLDER TITLE:
Monday, July 12, 1999

2016-0970-F
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Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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(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]

THE PRESIDENT HAS SEEN
7-12-99

5176

THE WHITE HOUSE
WASHINGTON

'99 JUL 8 PM 3:09

July 8, 1999

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER sfp
STEPHANIE STREETT sfp

SUBJECT: Barak Visit

In his telephone conversation with you, Ehud Barak asked for a three hour, one-on-one meeting to have an in-depth discussion of the peace process. He then wants to leave Washington, allowing time for the two of you to reflect and discuss ideas with your teams, and then return a few days later for an expanded session. Barak also has asked if you and the First Lady would host a large dinner to introduce his delegation to a broad cross section of Americans.

All agree on the attached schedule of events for the visit which meets Barak's needs and adds a two-on-two private dinner on the first evening.

Sandy is preparing a memo on substantive issues which you will get over the weekend.

Recommendation

That you approve the outline schedule for the Barak visit at Tab A.

Approve ✓

Disapprove _____

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Podesta

Attachment
Tab A Proposed Schedule

cc: Vice President
Chief of Staff

VISIT OF PRIME MINISTER BARAK

Thursday, July 15

2:00-2:30 p.m.	Prebrief
2:30-5:30 p.m.	One-on-one meeting in ~~Oval Office~~ Camp David
Evening	Accompany Baraks to Camp David for two-on-two dinner and RON

Friday, July 16

a.m.	Helicopter to AAFB to depart for Iowa. Baraks proceed with separate schedule

Sunday, July 18

Evening	Dinner and entertainment in East Room for 180 guests.

Monday, July 19

Afternoon	Two-hour expanded meeting with foreign policy teams.

tack last summer, have now pulled back many of their troops. The rest are in the far west, away from what fighting there is.

Rwandan sources now concede that taking Kinshasa may no longer be their aim. There are even rumours that the Rwandans have offered the Zimbabweans a free hand to dig diamonds around Mbuji-Mayi if they hand over Hutus fighting alongside pro-government forces. But Mr Ondekane, the RCD's military bos t
Rwandan he e
his advance s
are unanim(ot
have the me

Zimbabw

Your ours

HARARE

TROUBLES do not come singly to Zimbabwe. Inflation, interest rates and unemployment are all above 50%. Civil servants are on strike for higher pay. Paraffin, the main cooking fuel, is in short supply. The capital, Harare, was recently without water for four days. The city council has been suspended by the government for mismanagement and corruption. The country faces a shortage of its staple food, maize meal, because Robert Mugabe's government has ordered uneconomically low retail prices. The swamp of misrule runs deep.

A hardy band of lawyers, church people and human-rights activists claim to have identified the root cause of Zimbabwe's problems as its faulty constitution. Calling themselves the National Constitutional Assembly (NCA), they have succeeded in putting constitutional reform on the agenda and forcing Mr Mugabe to take steps towards creating a framework for better government.

The current constitution, negotiated in London in 1979, helped to end the Rhodesian war and bring Zimbabwe to majority rule and independence. As a result, it was a compendium of compromises. As soon as he could, Mr Mugabe set about changing it: to date, it has been amended 14 times. Some of the changes removed unfair advantages for whites. But most were designed to reshape the document into a Soviet-style constitution, centralising power. The end result is an unwieldy amalgam of compromises and Politburo dictates. There is no doubt that Zimbabwe needs a new, improved version.

Under pressure from the NCA, Mr Mugabe has agreed that the constitution should be rewritten. This month he appointed 400 people to a Constitutional Review Commission and told them to draft a new document by November so that it could be in place for the parliamentary election in March. The NCA refused to be part of the president's commission, which is, it points out, dominated by Mr Mugabe's ZANU-PF party.

Instead, the NCA held a "people's constitutional convention" last weekend, attended by 4,000 Zimbabweans from all walks of life, at which it was decided to write an alternative constitution. The convention was divided on whether its constitution should be ready in November, so that the country could compare the two, or whether more time should be taken and as many Zimbabweans involved as possible. So it was decided that a committee should prepare a draft constitution by November, which would then be taken to the people for discussion.

Both the official and the unofficial groups have set about examining such weighty matters as the rights of the individual, property rights and freedom of expression and assembly. The rights of women are in a terrible tangle. Zimbabwe observes both civil law and traditional law, and the vast majority of women (except for white women and the few African women who marry under civil law) come under traditional law. According to a new ruling by the Supreme Court, they enjoy very few rights of their own. But traditional law is popular among men in the rural areas where Mr Mugabe's government hopes to win votes in the coming election.

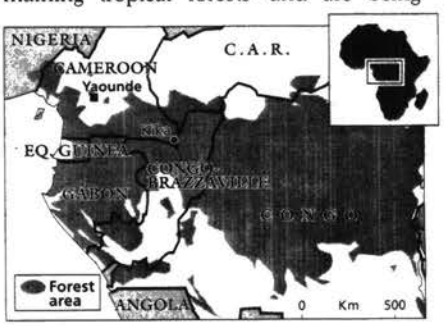
The rivalry between the two constitutional bodies is bitter. The independents reject the commission, insisting that the drafting of a constitution should not be dominated by a single party. The government has denounced the independents, accusing them of stage-managing a breakdown of civil government. The country, however, can only benefit from this competition to create a better constitution.

Central Africa

Forest fears

KIKA, CAMEROON

IN THE West, the World Wildlife Fund (WWF) has a cuddly reputation symbolised by its panda logo. In Central Africa, where it has set itself the task of saving the rainforests, it is seen as a panda with teeth. These forests, which cover much of the two Congos, Gabon, Cameroon, Equatorial Guinea and a small corner of the Central African Republic, make up the single largest area of rainforest in the world after the Amazon. They account for one-fifth of the world's remaining tropical forests—and are being



Eating bushmeat is not advised

YAOUNDE, CAMEROON

THE greens have another reason, beyond global warming, for being worried about uncontrolled logging in Central Africa. They believe that the opening up of roads by timber companies means that hunters now have access to the deep forest, and that they are about to devastate its wildlife. All the countries of the area have laws to protect their wildlife but they are rarely enforced.

Bushmeat is the name given to all edible species hunted in the forests. It includes deer, gorillas, chimpanzees, pangolins, elephants and even snakes. Until a few years ago, bushmeat hunting was not regarded as a problem. Forest dwellers had always hunted the local wildlife but their needs had been small. Now, urbanisation, coupled with the opening up of previously inaccessible forests, has made bushmeat hunting a commercial proposition. Timber companies hire hunters to shoot meat for their men, but give them only two or three cartridges. This forces them to go for big animals, such as gorillas.

Hunters also sell their meat to the logging truckers, who sell it again once they get to town. Chris Mitchell, the director of the Cameroon Wildlife Aid Fund, which looks after orphaned apes, believes that at the present rate of hunting chimpanzees and several other large mammals will be extinct in Central Africa in ten years or less. But, as with logging, the vast majority of people in Central Africa cannot see why they should not eat the animals of the forest. They regard people like Mr Mitchell as busy-bodying foreigners.

Still, one reason to steer clear of certain types of bushmeat is that eating it could well be deadly. The genetic make-up of chimpanzees is close to that of humans. The AIDS epidemic may have begun when the ape equivalent of HIV jumped from apes to humans through bushmeat preparation and eating. Moreover, recent outbreaks of ebola fever have also been traced to eating primates.

THE PRE... 7-12-99

chopped down at the rate of 4m hectares (10m acres) a year. Unless this logging is brought under control, the forests, which have existed for 15,000 years, and the animals that live in them (see box on previous page), will be gone by the year 2020.

The WWF, having decided against a big publicity campaign, is going in for discreet arm-twisting. It hopes to persuade the presidents of the various countries, who have ultimate say on who gets the logging concessions, that they too can gather green credentials. The mainstay of the policy is a formal alliance the WWF has made with the World Bank. Under this, when the Bank is considering the financial requirements of one of the countries, it will take into account whether logging is being carried out in a sustainable manner, and whether concessions have been handed out to responsible companies, rather than to the president's rapacious cronies. The WWF will be there to provide the monitoring and the data.

The fund pumped up the pressure this spring when it sponsored a "forest summit" in Yaounde, Cameroon's capital. At this meeting, the presidents of five Central African countries solemnly undertook to protect large areas of forest and to move towards sustainable forest management. Fine, if they meant what they promised. But the battle to get the conservationist message across to a wider public has barely begun: Africans do not see why they should not cut down their trees and sell them.

François Bikoro, the deputy editor of a Cameroonian magazine, *Africa Express*, believes, like most of his compatriots, that there is more than enough timber in the forest and that bodies like the WWF are meddling neo-colonialist hypocrites. "You destroyed your environment and got developed. Now you want us to stop doing the same! What do we get out of it? You have your televisions and your cars but no trees. People want to know what they gain by conserving the forest."

To people like Claude Martin, the WWF's director-general, the answer is obvious. If logging is not controlled, the locals will find that they lose in the long run. In West Africa, 90% of the indigenous rainforest has gone. He points out that the former forest land there "is not converted into agricultural use but is abandoned. Today you see former timber areas where there is more poverty than there was before."

Deep in the forest, however, such arguments cut no ice. In Lobeke, an area of eastern Cameroon designated as a future reserve, locals are enraged because, thanks to the pressure of environmentalists, the government has actually begun to apply previously unenforced but existing rules and regulations. As a result, there are no more loggers—and no more jobs. Penned in by the border on one side and a reserve on the other, a French company is winding down operations in nearby Kika. This has meant not only the loss of jobs but a rapid emptying of the town. Kika has lost almost half its population of 4,500 in the past nine months. The struggle to save the rainforests leads to a clash of conflicting interests.

Israel

Choice of evils

JERUSALEM

EHUD BARAK'S absurdly long coalition negotiations, approaching the home straight at last, have lurched suddenly to the right. This week, with the July 8th finishing-line in sight, the prime-minister-elect held unannounced meetings with Ariel Sharon, the interim leader of the Likud. According to Mr Sharon, they reached a number of "understandings". The Likud, he said, could be a "true partner in policymaking", and he himself would probably be finance minister.

Mr Barak's move, which took members of his own One Israel (formerly Labour) party by surprise, followed more than a month of niggling negotiations between One Israel and half-a-dozen assorted leftist, centrist and religious parties. Despite the gaping differences, not to say incongruities, between some of these, the assumption was that they would provide reasonably cohesive support for the peace policy that Mr Barak has pledged to pursue.

The Likud had been rejected early on, on the grounds that its hardline positions on Palestine could not be reconciled with Mr Barak's peace policy. Mr Sharon now insists that they can, and Mr Barak, to the intense discomfort of many in his own party and in its left-liberal ally, Meretz, seems to agree.

An argument has been raging inside these two parties over whether Mr Barak should co-opt the Likud, with 19 seats in the 120-seat Knesset, or prefer the Sephardic-Orthodox party, Shas, with its 17 seats. It was a choice "between distemper and cholera", in the words of one Labour figure. The election had been fought, and won, in order to get the Likud and its policies out. Shas, because of its aggressive emphasis on ethnicity, its frighteningly popular religious revivalism, and its rampant corruption, evoked profound distaste among many. But One Israel's own meagre tally of 26 seats meant that Mr Barak needed one or other—or both—of the larger parties to build a solid majority.

Until this week, the pro-Shas advocates seemed in the ascendancy. On June 20th, Mr Barak and the Shas negotiators were arguing about such bread-and-butter things as who is to run the powerful but sensitive Ministry of the Interior. Shas has held it for years. The Russian-immigrant party, Yisrael B'Aliyah, wants it. Mr Barak suggested splitting it between an Yisrael B'Aliyah minister and a Shas deputy minister. Such Solomonic creativity seemed to signify a deal was near.

But Shas may have overplayed its hand. The premier-elect had demanded that its chairman, Aryeh Deri, should leave active politics. Mr Deri was convicted in March of taking bribes and sentenced to four years in prison (deferred, pending his appeal). At the reluctant insistence of Shas's spiritual leader, Rabbi Ovadia Yosef, Mr Deri announced his resignation earlier this month.

But he seems unreconciled to his forced retirement, and loth to see Shas in government without him. His opponents inside the party accuse him of manoeuvring behind the scenes to jack up Shas's demands and foil the talks. It was after a fruitless round with Shas on June 21st that Mr Barak initiated a late-night meeting with Mr Sharon.

Personal amity between these two ex-generals seems to transcend political differences. They pointedly avoided attacking one another in the election campaign. If Mr Barak were more of a pol, and less of a straight-shooting type, his overture to Mr Sharon could be interpreted as a tactical feint, designed to concentrate minds over at Shas. Indeed, he may yet turn out to be more of a politician than the veterans give him credit for. But the peaceniks in One Israel and Meretz are worried. They see themselves in a coalition with the Likud—and perhaps, at the end of the day, with Shas too—in which those who voted against Mr Barak in the election outnumber those who voted for him.



Barak caught between Sharon's hard nose and Deri's knavery

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7-12-99

Gene S
Need to follow up
on this on this
BL

Linking Inventors and Entrepreneurs to Commercialize Advanced Technologies

EXECUTIVE SUMMARY

"A Proposal for America's Research and Business Communities"

cop. ed
Sperling
Podesta

Mr. President
as you recall from dinner
the other night, this is a
concept paper on the
Mt. Tech. Transfer Corp.
Paul Kanjorski

Patent Pending

November 1998

INTRODUCTION

Over the past fifty years, the United States has invested billions of dollars in basic and applied research. The Federal government and private inventors have patented literally thousands of technologies and inventions in fields ranging from environmental science to materials manufacturing to health care.

The United States' huge investment in research and development has fueled tremendous economic growth; however, only a small fraction of America's inventions and technologies have been put into commercial use. The rest are stockpiled within laboratories and the minds of inventors who have little idea of what to do with them. Indeed, even the best technology is useless as long as it remains unavailable or inaccessible to entrepreneurial business.

To date, efforts to transfer technology from inventors to entrepreneurs have been fragmented. At the heart of the problem is entrepreneurs' inability to find inventions and the failure of our system to ensure that inventors are fairly compensated for their efforts. A mechanism is needed to allow for the "mass production" of commercialized technologies through a collaborative interaction among inventors entrepreneurs, and financiers.

The challenge is to disseminate information about inventions and technologies to the widest possible audience and commercialize these assets as quickly as possible. The proposed solution is the establishment of the Transnet Consortium (the "Consortium") consisting of four main elements:

The American Technology Network ("ATN")
The Technology Transfer Corporation ("TTC")
The American Society of Inventors ("ASI")
The Technology Transfer Investment Fund (the "Fund")

These entities have been conceived for the purpose of identifying, publicizing, licensing, and commercializing technologies, patents, and other intellectual property and to provide inventors with a way to work collaboratively while receiving compensation for their intellectual property contributions.

By implementing a unique combination of modern mass media, internet-based telecommunications, marketing, and financing techniques, the Consortium will telecast and transmit information about thousands of technologies into millions of American homes and offices. Working as a facilitator between inventors and entrepreneurs, the Consortium will license technologies to private companies and help finance subsequent new ventures. By seeding the nation's private sector with advanced technology and the means to use it, the Consortium intends to set off an explosion of job growth, wealth creation, and a dramatic improvement of America's global competitiveness.

PROJECT DESCRIPTION

American Technology Network ("ATN")

ATN will be a national cable television and internet network which will televise programs presenting technologies and inventions to the public and provide more detailed internet-based multimedia information via an internet gateway. Both entertaining and informative, ATN's programming will seek to attract casual viewers as well as business and technical experts interested in licensing technologies from federal and private laboratories. Like any cable television network or internet portal, ATN's main source of revenue will be advertising. ATN anticipates televising 6,000 technologies per year to over 60 million American homes and offices with no effective limit on the number of inventions promoted on its internet gateway.

ATN's internet gateway will allow the public to explore and interact with databases consisting of multimedia information about thousands of patents, inventions, and technologies. Users will be able to access information about any given invention and its possible uses and will, through secure internet connections, be able to gain increasing levels of detail after signing "electronic" confidentiality agreements. After prospective technology licensees have gained necessary data online, they will submit electronic "applications" that the Consortium will use to begin licensing negotiations.

The Technology Transfer Corporation ("TTC")

Serving as the licensing arm of the Consortium, TTC will recruit and screen potential licensees and assist them in developing commercial uses for technologies. TTC will also work with government agencies and private research laboratories to select promising technologies and inventions to be televised on ATN and listed on its internet gateway. Finally, TTC plans to coordinate with the Technology Transfer Investment Fund (the "Fund") to finance ventures stemming from transferred federal and private technologies.

For its services, TTC will share in the license compensation paid by technology licensees to inventors. Such compensation may take the form of license fees, equity ownership, royalties, or other forms of compensation.

The American Society of Inventors ("ASI")

ASI represents an entirely new approach to solving the decades-old problems of inventor collaboration and compensation. ASI will provide a novel means of linking together researchers, scientists, and inventors through an internet-based collaborative work environment. ASI's members will collaborate remotely and share knowledge and innovations through text, video, and audio communications via a secure internet network.

ASI also will provide a new method of protecting a member inventor's intellectual property contribution and ensuring fair compensation. ASI members will earn royalties based on the use of their inventions by technology licensees. Normally, inventors are reluctant to share freely their inventions for fear of losing their intellectual property. ASI, working much like ASCAP, the American Society of Composers, Authors, and Publishers, will solve this problem by ensuring that member inventors are compensated for their work. ASI will provide inventors with the confidence they need to collaborate openly with other inventors and technology licensees. Licensees will also benefit because they will only have to deal with ASI's centralized terms and conditions, as opposed to finding and negotiating individual deals with inventors spread all across the world.

The Technology Transfer Investment Fund (the "Fund")

Securing financing for the commercialization of new technologies is a major problem for young, entrepreneurial companies. The Fund will be designed to make available capital resources to technology licensees as they attempt to commercialize inventions licensed through the Consortium. By being linked closely with the other parts of the Consortium, the Fund will be able to make financing decisions quickly and efficiently.

~~*Confidential*~~

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Lynn Cutler
Cutler —

Quinault Indian Nation Pde

VIRGINIA BRINGS YELLOW
Treasurer
Quinault Business Committee

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FAX: (360) 276-4191
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Linda Francis
Tribal Treasurer

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Fax (580) 723-4273

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Pueblo of Acoma
Housing Authority
"Promoting Healthy & Drug Free Communities"

Raymond J. Concho, Jr.
Executive Director

P.O.Box 620
Pueblo of Acoma, NM 87034

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Fax: (505) 552-0542

Email: FPAHAatAKU@aol.com

Lynn Center

I got Minot Pine Ridge

P.S. Look into —

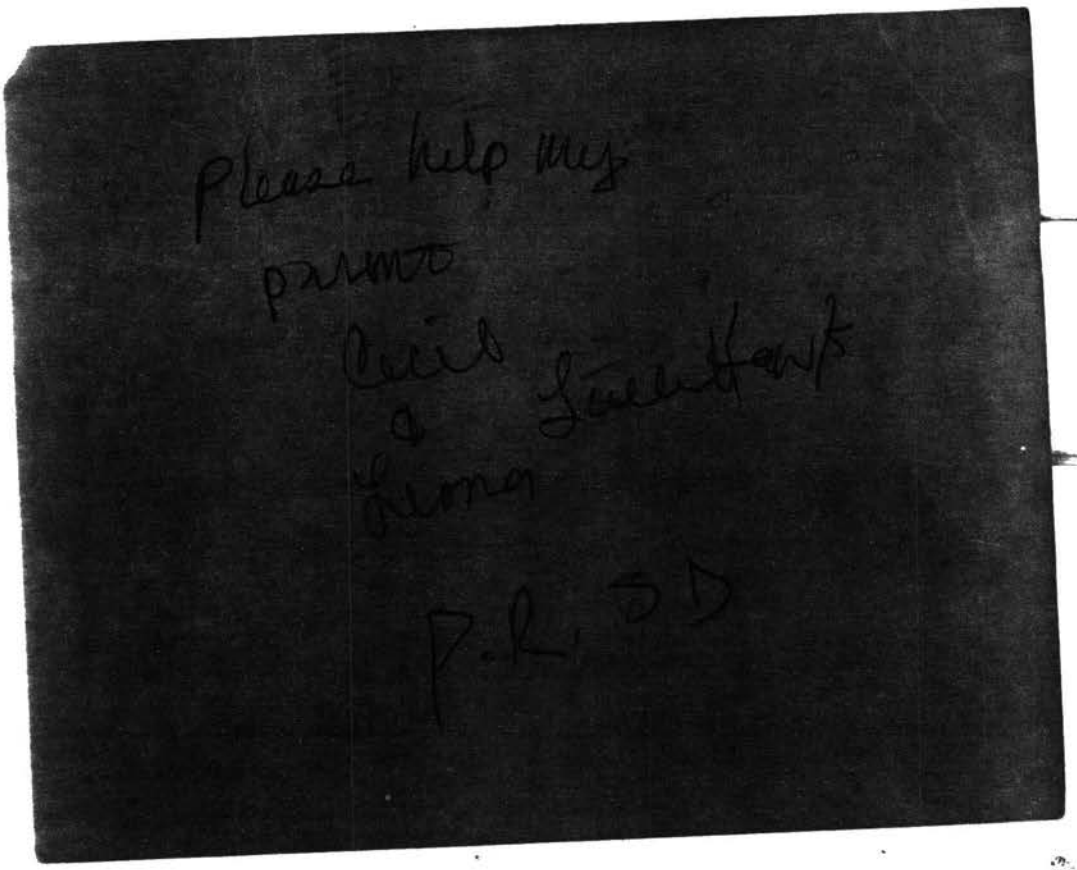
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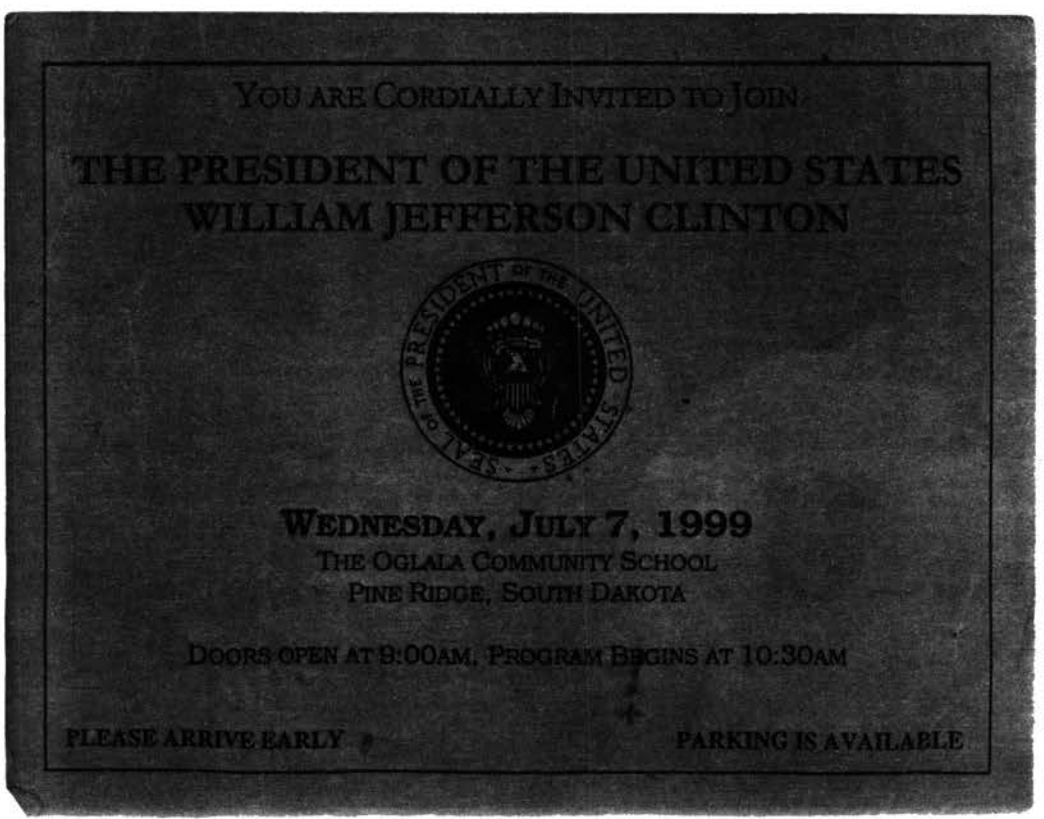
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WEDNESDAY, JULY 7, 1999
THE OGLALA COMMUNITY SCHOOL
PINE RIDGE, SOUTH DAKOTA
DOORS OPEN AT 9:00AM. PROGRAM BEGINS AT 10:30AM
PLEASE ARRIVE EARLY
PARKING IS AVAILABLE

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White Mountain Apache Tribe



Dallas Massey, Sr.
Chairman

P.O. Box 1150
Whiteriver, AZ 85941
(520) 338-4346 ext. 201

we need assistant with FEMA.
Please
Thank you very much!

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Lynne Cutler
See note on back - Pls follow up — Bob

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Gore
Pair women
work at our
Foreign Embassies
abroad use ego, says
we should do another
campaign targeted
toward Women Workers

BC

Liz Abram

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Cumberland-Green Lakes RC&D
P. O. Box 3416
West Somerset, KY 42564-3416



Phone: 606-679-7323 *Voice:* 888-718-9097
Fax: 606-678-4099 *Box:* 1825

Ken Bean, Chairman

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Please support RC&D
It is a good rural
development mechanism.

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JANICE BRYANT HOWROYD
President

ACT·1 PERSONNEL SERVICES

[redacted]

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Phoenix, AZ 85004
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CENTRAL VALLEY REGIONAL
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Sacramento, CA 95814
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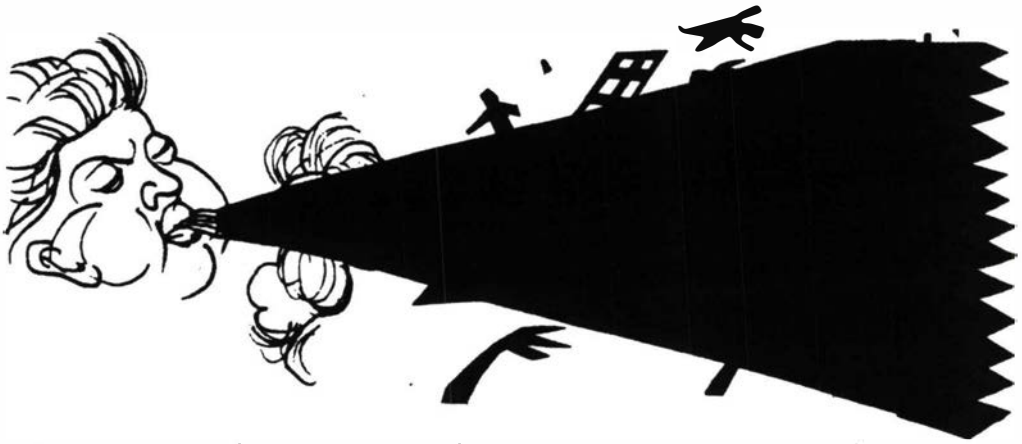
A SURVEY OF
BUSINESS AND THE INTERNET



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The net imperative

BUSINESS AND THE INTERNET



The net imperative

Within a few years, the Internet will turn business upside down. Be prepared—or die, says Matthew Symonds

IN FIVE years' time, says Andy Grove, the chairman of Intel, all companies will be Internet companies, or they won't be companies at all. Just another example of the arrogance and exaggeration the information-technology industry is notorious for? Yes, in the sense that Mr Grove is as keen as the next chip maker to scare customers into buying his products. No, in the sense that, allowing for a little artistic licence, he is probably right.

The Internet is said to be both over-hyped and undervalued. Ask any signed-up member of the "digirati", and you will be told that the Internet is the most transforming invention in human history. It has the capacity to change everything—the way we work, the way we learn and play, even, maybe, the way we sleep or have sex. What is more, it is doing so at far greater speed than the other great disruptive technologies of the 20th century, such as electricity, the telephone and the car.

Yet, nearly five years since the Internet developed mass-market potential with the invention of a simple-to-use browser for surfing the World Wide Web, it is easy to overstate its effect on the daily lives of ordinary people. Even in the United States, the most wired country in the world, most people still lack, or choose not to have, Internet access. And even for most of those who have access both at home and in the office, the Internet has proved more of an addition to their lives—sometimes useful, sometimes entertaining, often frustrating—than a genuine transformation.

Everybody loves e-mail; if you are a teenage girl, chat is cool; and the ability to retrieve information about so many things is truly miraculous, even if search engines are a bit clunky. Despite early misgivings about credit-card security, buying certain kinds of things on the web—for example, books, CDs and personal computers—is convenient and economical, and has become popular. All these things are certainly nice to have, but they could hardly be called revolutionary.

But while the media have concentrated on just a few aspects of the web—the glamorous consumer side of content and shopping on the one hand, and the seamy end of pornography and extremist rantings on the other—something much more important is happening behind the scenes: e-business. The Internet is turning business upside down and inside out. It is fundamentally changing the way companies operate, whether in high-tech or metal-bashing. This goes far beyond buying and selling over the Internet, or e-commerce, and deep into the processes and culture of an enterprise.

From e-commerce to e-business

Some companies are using the Internet to make direct connections with their customers for the first time. Others are using secure Internet connections to intensify relations with some of their trading partners, and using the Internet's reach and ubiquity to request quotes or sell off perishable stocks of goods or services by auction. Entirely new companies and business models are emerging in industries ranging from chemicals to road haulage to bring together buyers and sellers in super-efficient new electronic marketplaces.

The Internet is helping companies to lower costs dramatically across their supply and demand chains, take their customer service into a different league, enter new markets, create additional revenue streams and redefine their business relationships. What Mr Grove was really saying was that if in five years' time a company is not using the Internet to do some or all of these things, it will be destroyed by competitors who are.

Most senior managers no longer need convincing. A recent worldwide survey of 500 large companies carried out jointly by the Economist Intelligence Unit (a sister company of *The Economist*) and Booz Allen and Hamilton, a consultancy, found that more than 90% of top managers believe the Internet will transform or have a big impact on the global marketplace by 2001.

That message is endorsed by Forrester Research, a fashionable high-tech consultancy. It argues that e-business in America is about to reach a threshold



dering whether it was worth spending all those millions of dollars. Nearly all of them embraced the low cost and flexibility of PC-based so-called client/server computing at the start of the 1990s, only to discover the perils of decentralising data and distributing complexity. And over the past couple of years, they have invested lots of time and money into nothing more exciting than the hope of avoiding a systems meltdown on the first day of the new millennium.



So they have reason to be wary of consultants and visionaries who promise new paradigms and tidal-wave technology. A recent survey of chief executives' attitudes to IT conducted by the London School of Economics for Compass America found that only 25% believed that it had made a significant contribution to the bottom line, and more than 80% had been disappointed by its contribution to their company's competitiveness.

No wonder many of them are asking themselves whether e-business is the most exciting opportunity or the most terrifying challenge they have ever faced. Yet most of them know that the Internet is in an entirely different category from the technology-driven changes they have either embraced or had thrust on them in the past. The same survey suggested that the Internet has significantly changed expectations about what IT could deliver, with more than half of the top managers saying they had high expectations for the future.

Part of the explanation is that IT investments, particularly ERP, have been inward-looking, concentrating on making each enterprise more efficient in isolation. By contrast, the Internet is all about communicating, connecting and transacting with the outside world. With e-business, the benefits come not just from speeding up and automating a company's own internal processes but from its ability to spread the efficiency gains to the business systems of its suppliers and customers. The ability to collaborate with others may be just as much of a competitive advantage as the ability to deploy the technology. Certainly the technology matters, but getting the business strategy right matters even more. And that may mean not just re-engineering your company, but reinventing it.

You'll never walk alone

DELL COMPUTER'S factory on the outskirts of Limerick, on the west coast of Ireland, supplies custom-built PCs all over Europe. As orders come into the factory via Dell's website and call centres, the company relays to its suppliers details of which components it needs, how many and when. All the bits and pieces—hard drives, motherboards, modems and so on—roll up in lorries to big bays at the back of the building, and move off again as complete computers just a few hours later.

Dell gets a lot of attention as a pioneering e-business because it sells $15m worth of computers from its website each day. Because Dell's suppliers have real-time access to information about its orders via its corporate extranet, they can organise their production and delivery to ensure that their powerful customer always has just enough of the right parts to keep the production line moving smoothly. By plugging its suppliers directly into its customer database, Dell ensures that they will instantly know about any changes in demand. And by plugging its customers into its supply chain via its website, Dell enables them to track the progress of their order from the factory to their doorstep, thus saving on telephone or fax inquiries.

Dell was pretty efficient before it started using the Internet, but now it is able to do even better by creating, as the jargon has it, a "fully integrated value chain". The Internet's universal connectivity has enabled it to create a three-way "information partnership" with its suppliers and customers by treating them as collaborators who together find ways of improving efficiency across the entire chain of supply and demand, and share the benefits. The company's founder and boss, Michael Dell, agrees that the Internet gives customers unprecedented power to seek out the lowest prices, but argues that it can also be used to deepen relationships and ultimately build far greater customer loyalty than before. If you don't create an integrated value chain, he says, don't expect to survive.

But what exactly does "value-chain integration" mean? John Dobbs of Cambridge Technology Partners, a leading systems integrator, helpfully defines it as: "A process of collaboration that optimises all internal and external activities involved in delivering greater perceived value to the ultimate customer." Before the Internet, companies struggled to speed up and improve their supply-chain interactions. The most effective collaborative tool has been electronic data exchange (EDI), prevalent in industries such as food manufacturing and car making, where suppliers replenish in high volumes.

But EDI, although effective enough, has several drawbacks. The first is that it is both limited and inherently inflexible. It provides basic information about transactions, but it is unable to adapt to rapidly changing market conditions. Second, it is very expensive to implement, so many companies find it

Above all, e-business is about sharing

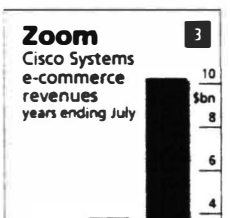


Cisco@speed



"IT'S no longer about the big beating the small. it's about the fast beating the slow." So says Larry Carter, chief financial officer of Cisco Systems, a company that sells about 80% of the routers and other forms of networking gear that power the Internet. He could have added that fast big 'uns are also likely to beat or absorb fast little 'uns, and that Cisco is now a very big company, with profits last year of nearly $1.4 billion and a market value of $172 billion.

What has done more than anything to help Cisco stay fast and grow big has been the messianic enthusiasm with which it has embraced e-business. The company is famous for selling lots of its complex kit over the web. Customers place their orders through its website, and suppliers know exactly what materials and components they need to ship to the factory by accessing Cisco's "dynamic replenishment" software through a web interface. But Internet applications reach into every part of the company's operation. Susan Bostrom, who heads Cisco's Internet Solutions Group, says: "We live our lives on the browser."



In the early 1990s, Cisco was a young, fast-growing technology company that had the same sorts of problems as similar companies. Faced with apparently unlimited opportunities, it simply could not grow fast enough. The first bottleneck was in after-sales support. The equipment that Cisco sells, however good, does not just run first time out of the box. Networks have to be carefully configured, and each mix of kit ordered is highly customised. Customers expected continuous support, yet highly trained engineers who could deal with the full range of technical problems were hard to find. Besides, they were being submerged by the daily flood of relatively trivial queries.

The answer turned out to be the web. Cisco decided to put as much of its support as possible online so that customers would be able to resolve most workaday problems on their own, leaving the engineers free to do the heavy lifting. It was an almost instant success, becoming, in Ms Bostrom's words, "a self-inflating balloon of knowledge". Cisco's customers did not just go to the website to get information, they started using it to share their own experiences with both Cisco itself and other customers. Today more than 80% of customer and partner queries are answered online. Cisco's sales are over six times their 1994 level, but technical support staff has only doubled.

Another problem the web was enlisted to deal with was inaccurate customer orders. Sometimes the customer was asking for the impossible, sometimes the firm's catalogues were to blame, but whatever the reason, more than one in three orders were coming in wrong, creating chaos for everybody. These days about 80% of Cisco's sales come from the web. Customers select from an electronic catalogue, are helped to get their order exactly right and can track its progress online. The whole process of ordering, contract manufacturing, fulfilment and payment is automated.

If in doubt, automate

Mr Carter claims that 55% of orders pass through Cisco's system without being touched by anyone. "We just collect the money," he says. He reckons that Cisco is saving well over $500m a year by using the web; indeed, it could not have maintained its growth rate without it.

The company's use of its own intranet has played an important part in its success. Travel and expenses are dealt with entirely on the web, with reimbursement within two days. Employees can instantly find each other wherever they are in the world. Procurement, employee benefits and recruiting are all web-based. Selling shares in the company—which all employees have—takes just a couple of clicks.

As well as freeing up time for more important things (which at Cisco usually means meeting customers) and saving money, the virtualisation of the business also offers a constant supply of real-time information. From his desktop PC, Mr Carter can instantly find out, in a 14,500-strong organisation, who wants to buy what or recruit whom, and get an instant read-out on the net revenue effect of every order.

When Mr Carter joined Cisco from Motorola four years ago, closing the quarterly accounts would take up to ten days. He got it down to two days and halved the cost of finance, to 1% of sales. Now he is aiming to be able to do a "virtual close"—closing within a day on any day in the quarter. This is not just showing off. Knowing exactly where you are all the time, says Mr Carter, allows you to respond faster than your competitors. But it also means that the 600 people who used to spend ten days a quarter tracking transactions can now be more usefully employed on things such as mining data for business intelligence.

How many of these things Cisco would have been able to do had it been 50 years old rather than 15 is anyone's guess. Mr Carter admits that the absence of baggage was critical, though both the nature of the company's business and its culture helped. But Cisco's new competitors in the rapidly converging market for data networking and telecoms equipment are companies with stacks of baggage, such as Lucent Technologies, Nortel Networks and Alcatel. They would all like to become more like Cisco, but may find it hard to get the

difficult to justify the investment. Third, because it is based on proprietary technologies rather than open standards, it locks suppliers and customers together. Last, as a purely business-to-business tool, it excludes the end-user from the value chain.

Internet technology, argues Cambridge Technology Partners, is everything EDI is not. It is ubiquitous and open to everybody. The intuitive point-and-click interface of the browser makes it easy to use. It is flexible enough to work either inside an organisation (intranet) or outside in open (public Internet) or secure (extranet) form. It is cheap to set up and run. And it is global.

But above all, it is the open standards of the Internet that give it its extraordinary power to create new business models. Irving Wladawsky Berger,

runs IBM's Internet division, says it is this feature which permits the connection of processes that could not be connected previously. Applications that used to sit in watertight data "silos" within companies, such as logistics, manufacturing, financial information, procurement and human resources, are now able to talk to each other and to equivalent systems in other companies, pushing out information and retrieving it as needed. "A quantum leap in collaboration with partners and customers is now possible," says Mr Wladawsky Berger.

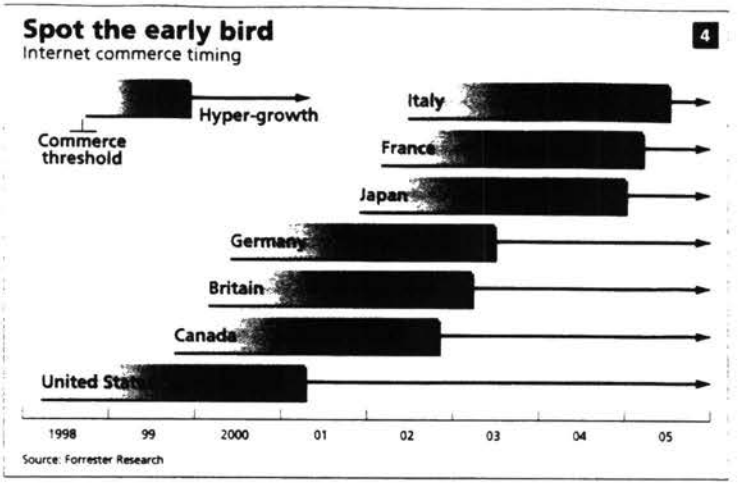
In Britain, Safeway, a supermarket chain and one of IBM's customers, has constructed a web-based integrated value chain that has revolutionised the way it does business. On the buying side of its operation, it allows hundreds of its suppliers access to its data warehouse, giving them real-time information about how each of their products is selling in every one of Safeway's stores. That enables them to tailor production to demand and shifting tastes, as well as ensuring that Safeway never runs out of stock.

Since the cost of connecting to Safeway's intranet is only a few thousand dollars against several million for EDI and the value-added network (VAN) needed to carry it, the supermarket can easily increase the number of its suppliers, giving it more choice and better prices. On the selling side, it uses its website for remote shopping and electronic cataloguing, as well as collecting and mining data on customers' preferences both from the site and from loyalty cards, so it can personalise promotions.

Adopting new and emerging web-based technologies and linking them with "legacy" IT systems (the infrastructure they have accumulated over time) is not easy, but most organisations find it even more difficult to make the intellectual and cultural shifts necessary to succeed in a much more interactive business environment. On the most basic level, as Mr Wladawsky Berger says, if your own employees are not communicating with each other, there is not much chance of them communicating with the outside world.

The first and most crucial shift in thinking is to get away from the idea that any business is more or less a free-standing entity. The objective for large companies must be to become e-business hubs and for smaller ones to ensure that they are vital spokes. The companies involved must be willing to bring suppliers and customers deep into their processes and to develop a similar understanding of their business partners' processes. That implies a degree of openness and transparency which is new to most commercial organisations. As one technology-company executive puts it: "You have to be ready to open the kimono." The establishment of trust is also vital: partners who are constantly trying to second-guess each other lose vital speed.

Few companies have embraced these ideas more single-mindedly than Cisco Systems, a maker of data-networking equipment based in San Jose, California (see box on page 10). Carl Redfield, who runs Cisco's manufacturing and logistics side, says that because Cisco outsources all its manufacturing, it is trusted by its partners in a way that some of its competitors are not. "Their top managers may want to imitate the Cisco model, but because they have to give priority to their own manufacturing operations, they find it hard," he says. "We have a great ecosystem, but without the Internet none of it would be possible. The network is the foundation of everything we do."



Cisco's suppliers post their quotes and forecasts on Cisco's website each quarter, which amounts to a form of real-time bidding. But Mr Redfield stresses that not every decision is based on price. Indeed, Cisco works closely with its suppliers and contract manufacturers to allow them to be profitable. It helps them keep their stocks low and always pays within days. It also includes them in the process of designing new products at an early stage to avoid potential manufacturing wrinkles.

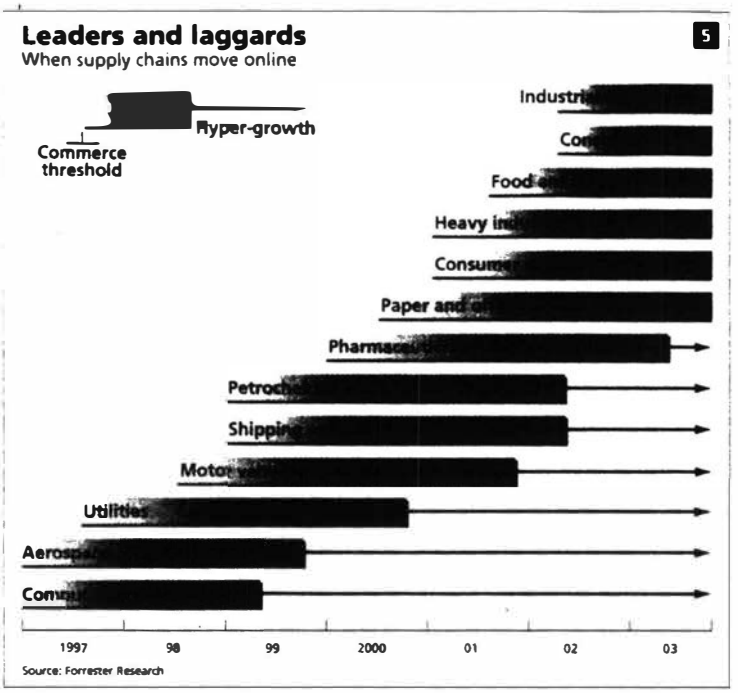
What will I be tomorrow?

Ultimately the Internet will change our ideas not just about how businesses behave, but about what they actually are. The search for a new name is already on. Varda Lief of Forrester Research calls it "dynamic trade", which she defines as "the ability to satisfy current demand with customised response". Tom Siebel, the founder of Siebel Systems, a business software firm, talks about the "para-enterprise"; Gajen Kandiah of Cambridge Technology Partners describes it as "the new business ecosystem".

The Internet strategy of most fairly go-ahead big companies has been quite straightforward: to establish a new and potentially very efficient distribution channel. But the companies will soon discover, if they have not done so already, that something more profound than taking orders online is possible. According to Ms Lief, the new way of doing business will differ from the old in a number of vital respects.

For example, services will increasingly become more important than mere products. Web pages will deliver customised services, such as help for consumers in making their choice, or stock management for business partners; organisations will collaborate as and when needed to provide instant one-stop shopping. Demand will drive production via the extended value chain. Increasingly, fixed prices will give way to prices that reflect market conditions and treat different kinds of customers differently. An airline ticket, for example, will soon be as much an entrée for selling related services such as hotel bookings, car rentals and travel insurance as the right to a seat on a plane. The airline has no need to own any of the other service-providers: it simply





brings them together under its brand umbrella to provide a convenient package for the customer.

As it collects more information about that customer's preferences, it can offer other things that might be of interest. It could suggest a theatre performance to somebody travelling to New York, make all the bookings and throw in a limo at a bargain rate. It could get flowers delivered before arrival, and reserve a table at a favourite restaurant 15 minutes after curtain-down. If the customer's schedule changes, the airline will change not just its ticket, but all the other arrangements as well.

In this way, dynamic traders can use the Internet to link with both customers and partners to allow bundles of services to be created and recreated in real time. Taking this idea a stage further, one computer firm, Hewlett-Packard, recently announced a new kind of software called "e-speak". Web-services companies can use it to let other e-services know what they have to offer, search for e-services and even get together with others to create something entirely new. E-speak technology can bring in an electronic mediator to bid, broker or meet a request made from any point of access to the Internet, such as a smart phone. Hewlett-Packard calls it "dynamic brokering".

Stop guessing

Home Depot, an American chain of stores that serves both building contractors and the DIY market, is also using the web to turn itself from being just a store into a provider of services. Small contractors, who are Home Depot's most valuable customers, are given a log-in and password for a site full of helpful applications. The builder provides details of his job and the website tells him what materials he needs, how to schedule the work and what snags he may encounter.



As well as being able to provide instant confirmation of availability from its suppliers, Home Depot will ask whether the customer would like the materials delivered on site, and whether they should arrive all at once or "just-in-time". If the builder needs, say, a plumber or an electrician, and the people he normally uses are not available, Home Depot will post the details of the job on its site and operate as a labour exchange.

The advantages for the builder of using the system are that he saves a lot of time, has immediate access to expert advice, no longer has to over-order materials, does not have to carry unnecessary stock and can find help quickly if he needs it. That means that he should be able to bid more competitively for work and stand a better chance of completing on budget and on time.

The advantages for Home Depot are that it, too, has to carry far less stock; in effect, it operates a virtual link between its suppliers and its customers. It also gains a wealth of information about its customers and, by deepening relations with them, it improves its chances of holding on to them. If it wants to pass on that information to its suppliers, it can also help them to become more efficient by taking much of the guesswork out of their production runs. Somewhere along the line, Home Depot has ceased to be just a shop selling things and has become a virtual services provider.

This kind of open value chain does not just shift stock management down to the next link. Instant customer data from online catalogues and purchasing systems can be applied to every part of the chain. Thus an order from a Hertz car-rental location for ten red and ten blue convertibles does not stop with Ford. Thanks to the Internet, it can simultaneously go to the tyre makers, the glass manufacturers, the steel mill and the paint suppliers, ensuring that all of them supply just the right quantity of components to fulfil the order.

What would you like to pay?

Another way in which dynamic trade can affect stocks is by making prices for certain products much more flexible. Bid-ask auction markets will proliferate, enabling commodity goods in oversupply to be sold efficiently at market-clearing prices instead of either clogging channels or being dumped. Perishable or time-sensitive goods, such as unused space in lorries or unsold media advertising, can be sold economically, allowing intelligent yield management across industries, even in highly fragmented markets. Indeed, Forrester predicts that yield-management pricing will become the norm in automated purchasing. Vending machines, turnstiles and meters will come with embedded systems that will communicate with big computers over the web to set prices according to demand. Coca-Cola is already testing vending machines that adjust drinks prices according to the weather. Whether customers will like it is another matter. The vast amount of information produced by commerce on the Internet also enables firms to discover who are their most valuable customers (typically, the bulk of profits comes from a fairly small proportion of customers) and offer them better prices or enhanced services to ensure their continued loyalty.

If dynamic trade seems to turn a lot of established business principles upside down, the idea of the digital business ecosystem is potentially even more unsettling. The Internet, with the help of much of

the new e-business technology now becoming available, allows firms to integrate their operations with outside organisations in ways previously unimaginable. The upshot is that companies no longer need to own every piece of the value chain to be successful—indeed, vertical integration may be positively dangerous because a single company is unlikely to be equally good at each part of the chain.

E is for ecosystem

That makes it more important than ever for companies to understand what their "core competences" are, what makes them special, and how they can maintain that competitive advantage. They must then find new ways of working with partners to provide customers with a range of services that knit together so seamlessly that they amount to more than the sum of their parts.

Mr Kandiah of Cambridge Technology Partners argues that for businesses to be part of an ecosystem, they need to agree on how they want to go about tackling their target audience so they can collaborate in depth. A good example is the new venture between SAP, the market leader in enterprise-resource-planning software, Hewlett-Packard and Qwest Communications, a telecoms company that has built a super-high-bandwidth network across the United States. All of them agree that more and more businesses will want to use the Internet to outsource some of their operations rather than having to run increasingly complex networks themselves. Instead of trying to do everything on their own, all the partners are contributing what they do best. Qwest is providing its high-speed network, Hewlett-Packard will supply the powerful Unix servers to host customers' applications and databases and keep them running reliably, and SAP will bring its software and unrivalled understanding of process automation to the party.

If the partners have agreed to work together and



play to each other's strengths, the same is likely to be true of their customers. By going for a service providing "apps (applications) on tap", companies are, in effect, saying that they want to be relieved of having to maintain every piece of their own IT infrastructure. They are also concentrating on those areas in which they have a genuine competitive advantage. Qwest, Hewlett-Packard and SAP will be able to provide additional services and win their customers' trust. And there is nothing to stop them extending or adapting their alliance by bringing in other partners—for example, consulting firms, other software vendors or systems integrators. It is the e-business ecosystem at work.

The rise of the infomediary

IT IS a fact of life in the road-haulage industry that whereas for outbound journeys loads are likely to be full, on the way back there is usually not much to carry. According to one industry estimate, about half the lorries on America's roads at any one time are running empty.

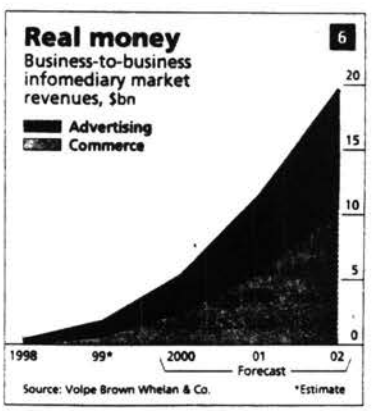
The problem is that there has been no mechanism to link up potential buyers of lorry space with all those empty containers, says Gregory Roque, a former logistics manager for McDonald's. His answer was to set up a new organisation, National Transportation Exchange (NTE), which uses the Internet to connect shippers who have loads they want to move cheaply with fleet managers who have space to fill.

NTE helps create a spot market by setting daily prices based on information from several hundred fleet managers about the destinations of their vehicles and the amount of space available. It then works out the best deals. When a deal is agreed, it issues the contract and handles payment. The whole process takes only a few minutes. NTE collects a commission based on the value of each deal, the fleet manager gets extra revenue that he would otherwise have missed out on, and the shipper gets a bargain price, at the cost of some loss of flexibility.

The Internet is producing a string of racy new business models

When NTE was first set up four years ago, it used a proprietary network, which was expensive and limited the number of buyers and sellers who could connect through it. By moving to the web, NTE has been able to extend its reach down to the level of individual lorry drivers and provide a much wider range of services. Before long, drivers will be able to connect to the NTE website on the move, using wireless Internet access devices.

There are plenty of other perishable commodities that the Internet can help to make better use of. A good example is advertising space. No matter what the medium is—print, poster, web or broadcast—





sales teams spend a wildly disproportionate amount of time trying to sell off "remnant" ad space, sometimes for as little as 20% of the full price. Even worse, to get rid of these remnants they usually have to go back to customers to whom they had already sold space at a higher price, so they risk spoiling the market and losing goodwill, says Neil Cohen of Adauction.com.

Bidding in thin air

His company, based in San Francisco, started life about 18 months ago, selling remnant space on big websites such as Netcenter, Yahoo, Noir Network and Xoom through competitive bidding. What attracts publishers to Adauction.com, according to Mr Cohen, is that it offers a simple solution that does not undermine their rate cards or conflict with conventional sales channels. In the past few weeks the company has branched out into print media, and within a few months it is likely to hold its first auction for broadcast slots. Its commission on traditional media sales is likely to be significantly smaller than the 30% it charges on web advertising.

Describing itself as an "online media marketplace", Adauction.com conducts web-based auctions at which bargain-hunting media buyers can bid for what they want without having to spend time negotiating with sales reps. Adauction.com operates three main types of auction: "Tune-in", featuring specific product categories, "MarketPlace", a big monthly auction covering all categories, and "LastCall", a blind bulk buy that gobbles up a lot of space at the lowest rates. It also operates "Opportunity Exchange", a market that is always open and sells media on a first-come, first-served basis at deeply discounted prices. Adauction.com has over 3,000 registered buyers, all of whom have undergone a credit check. The auctions, conducted through the company's website, can go on for several hours at a time. Buyers can save time by automating their bidding through an agent called "ProxyMan". This allows them to enter the maximum price they are prepared to pay for a specific space without letting other bidders know.

It is too early to say whether notoriously conservative mainstream media sellers and buyers will flock to Adauction.com. In the traditional advertising world, strong publications and big networks usually manage to pre-sell more than 90% of their space; but on the web, even successful portals such as Yahoo can be left with 80% unsold space. That may be why the auction model seems to work there, despite competition from full-service web advertising networks such as DoubleClick. Last month, Adauction.com relaunched its site as a vertical portal—a "vortal", in the latest Internet jargon—for media buyers, with online research tools and features such as news, industry gossip and discussion groups. Mr Cohen says that his firm is providing an increasingly "pro-active" customer service, giving "candid advice" about how sites perform, and offering personalised buying plans. His e-business

Watch your language

ONE of the biggest impediments to e-business is that computers are not very bright when it comes to recognising context. Most people who use the web have been through exasperating searches that deliver either thousands of useless results or, even more bafflingly, next to nothing. As Microsoft's Bill Gates says in his new book, "Business @ The Speed of Thought", a query about the fastest computer chip on the market could easily produce information about the rapid delivery of fried potatoes.

The problem gets even worse when businesses are trying to communicate complicated catalogue or stock information to each other. This is because the web's main language, HTML (hypertext markup language), is essentially superficial. It tells a web browser how to lay out the contents of a web page, but it remains blissfully ignorant of the content.

The solution seems blindingly simple: use tags to label the content, rather than describe what it looks like. For example, HTML would label the elements of an order for a pair of trousers as boldface, paragraph, row and column. If they are tagged as price, size, quantity and colour instead, a program can identify the document as a customer order and do whatever is needed to get the trousers to the recipient as quickly as possible.

In the nick of time to allow e-business to take off, the World Wide Web Consortium (w3c), a not-for-profit group that controls web standards, has come up with an extension to HTML called XML (eXtensible Markup Language). XML not only describes the nature of web content, it also provides a way of indexing data. Its system of tagging data with relevant information allows applications running on other computers to respond in an appropriate way. For example, XML makes it clear that "*The Economist*" is a newspaper and not a particular economist. By using metatagging, data that describes other data, XML can also speed searches in the way a librarian's card index can.



The only drawback is that for XML to work properly, there has to be some agreement on definitions. It may be possible to achieve this within particular professions or industries, perhaps using an information intermediary as both initiator and ring-master. But to ensure that there is a shared language of business on the Internet, cross-industry initiatives are also needed.

To its credit, Microsoft is actively engaged in just such an initiative, which it calls "BizTalk". It is using its market clout to bring together disparate customers, computing-industry vendors and consortia to define XML schemas (electronic dictionaries) to describe common business processes. For example, Microsoft and SAP have begun defining schemas for exchanging product-catalogue information and business documents.

Microsoft intends to incorporate BizTalk into future versions of its Office, BackOffice and Windows programs but, perhaps unusually for the company, it is going for open standards that will allow integration across all platforms, regardless of the underlying technology. As the Yankee Group's Harry Tse says: "Microsoft can win by not controlling XML."

strategy, he says, is based on the "three cs" of content, community and commerce.

Whether sober Chemdex Corporation ever gets around to becoming a virtual coffee machine for biologists and lab technicians to gather around and swap the latest jokes about cloning, it is certainly serving a community and offering a commercial opportunity. Founded within weeks of Adauction, Chemdex provides a one-stop shop for academic researchers and companies in the pharmaceuticals and biotechnology business to purchase all their supplies. Already it claims to be the world's largest source of biological chemicals and reagents, with more than 170 suppliers and a vast electronic catalogue listing more than 460,000 lab products.



Chemdex's founders, Dave Perry and Jeffrey Leane, had the right background to bring together life sciences and e-business. Mr Perry had previously set up a biotechnology company and Mr Leane had been responsible for developing Bargain Finder—one of the web's first shopping robots. They found the market inefficient and fragmented. Scientists were taking up valuable research time struggling to purchase their supplies, using dozens of (frequently out-of-date) catalogues and making many fruitless telephone calls. Life-science companies, under increasing competitive pressure, were desperate to find ways of speeding up R&D processes and reducing their cost. Suppliers were hamstrung by the logistical inefficiencies inherent in paper-catalogue distribution.

Chemdex's founders created a single, efficient marketplace on the Internet for all three of the communities it serves. For researchers, it has created chemdex.com, a web-based catalogue with powerful search engines and all the information needed to base a purchasing decision on. For business customers, Chemdex has developed its own procurement and integration software to complement its website. This means firms can purchase through their own intranets and get the cost benefits of automated approval and consolidated invoicing and billing. For its suppliers, Chemdex has developed another range of software that offers supply-chain automation as well as support for their reporting and decision making. And it is cleverly using its technology and close integration with its partners' buying and selling systems to make it more difficult for them to switch to a potential competitor.

At present, Chemdex is handling about 2,500 transactions a day, but it expects that number to grow to 30,000 a day over the next two or three years. With more than 2,500 life-science companies and research institutes, and over 250,000 lab scientists in America alone, that does not seem over-ambitious.

Each of these three companies—NTE, Adauction and Chemdex—exemplifies an entirely new sort of business that uses the Internet to change the way markets operate. Ms Lief of Forrester Research identifies three new business-to-business market models. First, there are aggregators, such as Chemdex, which help buyers in fragmented markets select products by providing up-to-the minute price and product information and a single contact point for service. Next, there are online auctioneers, such as Adauction, which offer a reliable channel for sellers to dispose of perishable or surplus goods or services at the best possible prices, and for buyers to get bargain prices without taking a leap into the unknown. And lastly, there are exchanges, such as NTE, that create liquidity in otherwise fragmented markets, lower average stock levels by matching bid/ask offers and act as neutral third parties, enforcing market rules and settlement terms.

Ms Lief argues that over time these distinct business models will tend to merge. For example, MetalSite, which creates a market for buyers and sellers of surplus and secondary steel, is already both an aggregator and an auctioneer. What all these new businesses have in common is that, in one form or another, they consolidate buyers and sellers in markets that are fragmented either geographically or because of the absence of any dominant firms. Together, they sail under the name of "infomediaries", a word coined by John Hagel of McKinsey—intermediaries who sell information about a market and create a platform on which buyers and sellers can do business.

Initially, infomediaries were mainly a consumer phenomenon, typified by early Internet successes such as Yahoo, Amazon.com and e-Bay, an auction site. But many people now believe that perhaps the most profitable pure Internet companies, as well as the most influential, will be business-to-business infomediaries, which will have the ability to reorganise entire industries.

Charles Finnie, an analyst with Volpe Brown Whelan, a San Francisco-based investment bank, calculates that the business-to-business infomediary market will grow from $290m last year to around $20 billion by 2002. If those figures prove correct, infomediaries, on the conservative assumption of an average 5% transaction fee, will earn revenues of $10 billion within the next three years, and their gross margins on those transaction fees will be a mouthwatering 85%.

Making the most of it

Mr Finnie's excitement about the future of infomediaries is based on their unique ability to exploit the Internet's most salient characteristics. There are three acknowledged facts about the Internet's effect on commercial activity. First, it shifts power from sellers to buyers by reducing the cost of switching suppliers (the next vendor is only a mouse-click away) and freely distributing a huge amount of price and product information. But buyers can feel



overwhelmed by this new power in their hands. They want one-stop-shopping: information they know to be accurate, and advice they can trust. Sellers are in no position to offer disinterested advice. That opens up opportunities for a third party: an infomediary.

The second fact is that the Internet reduces transactions costs and thus stimulates economic activity. A banking transaction via the Internet costs one cent, compared with 27 cents at an ATM or 52 cents over the telephone. Processing an airline ticket on the Internet costs $1, compared with $8 through a travel agent. But such savings may be available only to large businesses, such as banks and airlines, that reach customers directly. Infomediaries, by linking buyers and sellers via the Internet, can achieve similar savings for both in markets where they might otherwise miss out.

The third fact is that the speed, range and accessibility of information on the Internet and the low cost of distributing and capturing it create new commercial possibilities. Infomediaries, sitting in the middle between buyers and sellers, are uniquely placed to collect information, add value to it and distribute it to those who will find it most useful. They can create a virtuous circle by using information to attract more buyers and sellers, and learning more about them in the course of their business transactions. For example, infomediaries such as Chemdex are trying hard to gain a dominant share of supplier listings because that is likely to attract a dominant number of buyers.

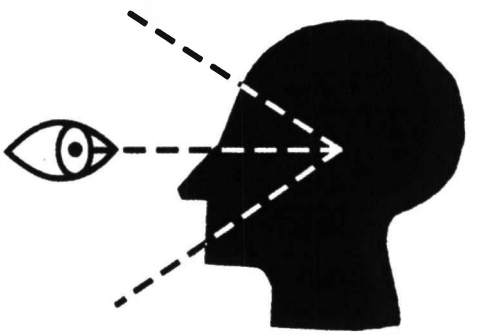
Mr Finnie puts it this way: "Infomediaries should focus on solving a particular problem for a particular vertical market. By declaring a distinct focus area, the infomediary attracts buyers and sellers whose primary interest lies in that area. If the infomediary's category is too broad or murky, almost no one will feel a sense of urgency to go there. By sharpening their focus, infomediaries can provide a depth of information... that drives transactions by generating continued customer loyalty and participation. Increased customer participation adds yet more depth to an infomediary's knowledge base, which in turn drives more transactions."

It is ironic that the Internet's most distinctive business model should be a new kind of intermediary. Only a couple of years ago, enthusiasts were predicting widespread "disintermediation" when Internet commerce took hold. On the friction-free web, suppliers would be able to reach their customers direct without having to bother with greedy middlemen. Now intermediaries are suddenly fashionable again—and not just the new-fangled infomediary sort, but also some traditional businesses that have managed to reinvent themselves with the aid of the Internet.



Take Marshall Industries, an American company that has become one of the most successful e-businesses around. Once a classic middleman distributing electrical components, it has put all its business on to the web over the past couple of years and redefined its old supply chain as an information-based value chain. Marshall's web pages provide its 40,000 customers with a range of Internet-based services from technical data sheets to interactive training sessions and product seminars. The company also offers "just-in-time" stock management, and tells its suppliers how to run sophisticated marketing campaigns.

The lesson from both the infomediaries and from companies such as Marshall is that intermediaries will prosper if they add value, and that the web offers many new ways of doing so. Instead of "disintermediation", the new buzzword is "re-intermediation". Not everybody can be a direct seller like Dell Computer.



The I-builders

How to get started in e-business

"IT'S not easy, it's not cheap, and it's not optional." The "it" is the implementation of an Internet strategy, and the words are those of John Dickie of Insight Technology Group, a consultancy. They sum up why e-business is a consultant's heaven. Danny Rimer, an analyst at Hambrecht & Quist, an investment bank, predicts that in five years' time the market for what he calls "strategic Internet services" will have grown to nearly $50 billion. And there are hundreds of companies of all sizes vying for the business.

Some bosses in traditionally technology-resistant industries may still think the Internet is nothing to do with them, but their numbers are dwindling fast. The fear of being "Amazoned" by some new digital competitor, and the dizzying market capitalisations of firms associated with the Internet in any way, have got most chief executives' attention. Sam Palmisano, who runs IBM's $30 billion-a-year Global Services division, explains that: "We've passed the 'I'll observe it' phase; now CEOs are saying 'What do I do?'." Most are also wondering where they should go for help, and that includes not just those who have started relatively late, but also many of the early Internet birds.

What even confident early movers have only recently begun to realise is that doing e-business puts new strains on the whole organisation which can be highly public and potentially damaging. If a web server goes down and takes your site with it, or if an order is lost because your apparently smooth web shopfront has only the most tenuous connection with your back office, there is no hiding place. Similarly, if an intranet or an extranet fails, employees

may not be able to get their work done, or outside partners may not be able to do business with your supply chain. When Enterprise Resource Planning (ERP) was all the rage, implementing it may have been difficult and expensive, but nobody outside had to know about the pain inside. As Mr Palmisano puts it, "ERP does not put at risk a company's reputation, or its brand, or its customers." What is more, doing e-business is by no means the same as becoming an e-business. That happens only when all the core processes of the business have been realigned around the Internet.



So what does the emergent and ambitious e-business need to do to get started, and where should it go for advice and help? In the first place it must decide how much help it is looking for: whether, at one end of the scale, it wants its entire e-business strategy defined and implemented, or whether, at the other end, it just wants something specific done, such as getting a state-of-the-art website built or making sure that it can integrate its back-office processes and systems with those of its customers and suppliers.

It will also have to reflect on how much outsourcing it wants to do. A few, mainly bigger, companies will want to build and manage everything in-house, some wish to get their Internet service provider to host their website, others may want to have everything hosted, from key applications to data storage. Here are four examples: one an established giant, the others all young, eager e-boutiques.

The attraction of going to IBM is that it indisputably has what Mr Palmisano calls "a deep bench". As well as an army of consultants with knowledge of every industry under the sun and huge systems-integration experience, IBM probably knows more than anyone else about the "legacy" systems on which most big companies still depend for their heavy lifting—because it was IBM that built them in the first place. The company has also made a point of developing the crucial "middleware" that is used to link legacy hardware and applications to other companies' systems via the open standards of the Internet.



IBM also has a deep understanding of the kind of IT infrastructure needed for conducting e-business securely. Mr Palmisano says it learnt about "scale beyond the imagination" when running the Nagano Winter Olympics website in 1998. "I tell you, when the Japanese ski jumper won, we had literally millions of hits."

As well as being able to handle thousands of concurrent users as a matter of routine, the best online systems must also be able to deal with exceptional loads, or "spikes", of the kind a big retailer might get just before Christmas, or a broker when stockmarkets are falling out of bed. IBM can either build an infrastructure rugged enough to withstand the worst that e-business can throw at it, or lease it through one of its outsourcing centres—huge server "farms" running both the latest 390 mainframes and powerful Unix computers.

But a complete package from IBM, or from large rivals such as EDS or Andersen Consulting, may not

E-trying

MOST companies that want to do business on the web buy off-the-shelf solutions or use hosting services.Technology is necessary because it helps them put a business strategy into effect, but it is just a means to an end. E*Trade, an online broking service, is different. Debra Chrapaty, an intense New Yorker who lives on the adrenalin charge she gets from her job, says that she came to E*Trade because: "Technology is the product—we're a technology company."

For Ms Chrapaty, who has been E*Trade's chief information officer since 1997, the idea of depending on anyone else to design or run E*Trade's massively powerful Internet computing infrastructure would be anathema. "I have to be like a utility," she says. "That means 24x7 reliability." She has a budget of $100m, nearly 40% of E*Trade's revenue of $254m last year, and about half the company's 650 employees report to her.

Her job, she says, is to make E*Trade the "global leader in branded financial services on the web", and it is superior technology that will get her there. She claims to have designed a unique four-tier high-powered architecture for Internet computing: "I've built best-in-class for each layer. It's not just a web front-end—it's the whole web-centric deal scaled to handle 100,000 concurrent users."

Yet despite Ms Chrapaty's pride in the system she has put together, it has not always been as reliable as she may have wished. In February, the coincidence of heavy trading and an overnight change in some of the software used to process trades led to serious downtimes over a three-day period. Furious investors unable to trade found a message on their screens that read: "Access to some areas of your account may be temporarily unavailable." Many turned to web chat-rooms to express their feelings, describing the brokerage as EtrytoTrade or E-Trash.

Lawyers have been quick to bring class-action lawsuits against E*Trade and other online broking companies on behalf of clients who claim to have lost money, but E*Trade says it cannot be held financially responsible for technical failures. The real damage is to its brand and reputation.

So far, however, that damage seems to have been contained. Clients of online brokers appear to understand that a few glitches in leading-edge technology may be worth putting up with. E*Trade claims that the publicity in February has in fact been good for it and that the number of daily trades is going up all the time. Certainly the hitch does not seem to have harmed its own market value, well above that of some very much more profitable conventional firms such as PaineWebber, Bear Stearns and Lehman Brothers.

As for Ms Chrapaty, she is so anxious to avoid problems that she keeps a bed in the basement of E*Trade's Palo Alto offices, and is always in by 5.30 am to check everything before the opening bell in New York.



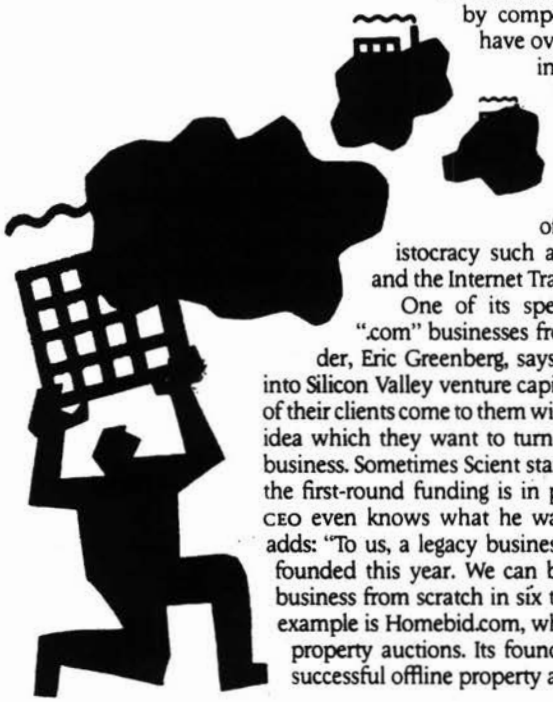
suit everybody. For one thing, although they all claim to be able to deliver competitive advantage to their clients, their sheer size may militate against it—they cannot help selling very similar business and IT strategies to rivals. For another, they may not be quite as good at everything as they say they are—for example, IBM's website design is said by some to need strengthening.

Mr Palmisano rejects the charges. On the question of size, he points out that in telecoms, for example, IBM is indeed a technology partner to many of the big firms—including AT&T, Ameritech, C&W, Telefonica and NTT—but that they do not compete with each other because their markets are regional. He also insists that there are strict Chinese walls between client accounts and that, unlike some others, IBM is sworn never to compete with its customers. On the contrary, it claims that it is prepared to team up with anybody its customers choose, and frequently does. Reinvent (formerly called USWeb/CKS) is one such potential rival with which IBM often works closely.

E-boutiques

However, for those looking for something different, there are plenty of alternatives. One is Scient, a San Francisco-based firm founded little more than 18 months ago and run by Bob Howe, who had previously been responsible for IBM's multi-billion-dollar business unit for the financial-services industry. While at IBM, he helped to form Integrion, an e-banking consortium offering online financial services. Mr Howe claims that Scient can work more quickly than IBM because it does not have to pull together so many disparate pieces—a crucial advantage in a business where speed-to-market is perhaps the single most important feature.

Scient calls itself an e-business systems innovator, rather than a consultancy (because it does more than just giving strategic advice) or a systems integrator (because it does not just build off-the-shelf solutions that can also be bought by competitors). It claims to have over 40 clients, including established firms such as First Union Bank, Chase Manhattan, SC Johnson Wax and Gateway, as well as members of the new Internet aristocracy such as eBay, Realtor.com and the Internet Travel Network.



One of its specialities is building ".com" businesses from scratch. Its founder, Eric Greenberg, says that being plugged into Silicon Valley venture capital means that some of their clients come to them with little more than an idea which they want to turn into a fully fledged business. Sometimes Scient starts work before even the first-round funding is in place, or "before the CEO even knows what he wants". Mr Greenberg adds: "To us, a legacy business is one that wasn't founded this year. We can build a large-scale e-business from scratch in six to eight months." An example is Homebid.com, which runs web-based property auctions. Its founder, Larry Latham, a successful offline property auctioneer, had lined up a couple of senior software executives to run the business when Scient was called in, but otherwise everything had to be built from the ground up.

Even its "legacy" customers, says Mr Greenberg, can turn themselves into "attack businesses" if they understand the e-business environment. They can quickly create sustainable competitive advantage over slower-moving rivals, while also using their brand and customer relations to make life hard for aggressive newcomers.

Scient has recruited an impressive multidisciplinary team of nearly 250, including some of the brightest and best from IBM. But some potential customers may find the firm's arrogance, even boastfulness, offputting. Its breathless publicity material conveys the flavour: "All you really need to win is this: Extremely fast implementation of astonishingly innovative systems built on breakthrough strategies supported by an infrastructure designed for extensibility and iteration. That is precisely what we do. We are Scient. We work with people who plan to win." Blue-chip clients might want something more tangible to convince them.

Agency.com, based on Broadway in New York's Silicon Alley, goes for an altogether softer sell for what seems an altogether softer product—something it calls "interactive relationship management". With its slogan, "It's not the medium, it's the relationship," Agency.com has the air of a touchy-feely creative ad agency. Its co-founder, Chan Suh, talks so elliptically that he could be mistaken for an unusually gentle therapist. Because the Internet encompasses everything, he says, a holistic approach is needed when working with clients. Yet behind the waffle is a company that has helped to build websites and intranets or extranets for some of the most demanding corporate customers in the world, including Unilever, Nike, British Airways and Compaq Computer.

What Agency.com is very good at is understanding how branding and user experience have to work together online. It is no good just plastering a site with corporate logos; what it does and how it works has to be consistent with what the company is or wants to become. The most successful companies on the Internet, Mr Suh argues, are those that use the web to close the gap between what a company provides and what their customers and partners expect from it. These are, he says, the companies that are "managing their interactive relationships".

Yet Agency.com's claim to have the strategic consulting skills and broad range of technical expertise to offer clients a complete solution remains questionable. Strategists represent only about 5% of its staff, and it has recently made acquisitions to bolster its IT competence that may not, in the view of some observers, have melded properly yet with the rest of the organisation. That said, some of its clients, including British Airways, have bought its whole e-business package, including strategy, systems integration and e-commerce applications.

Sitting somewhere between the heavyweights such as IBM and the big five accountancy-cum-consultancy firms on the one hand, and the new e-business boutiques such as Scient and Agency.com on the other, is Cambridge Technology Partners. It came top when Forrester Research a few months ago set out to discover which firms had the best

blend of consulting, web development and systems-integration skills to help clients become e-businesses. Forrester concluded that most of the web developers lacked the sophisticated technical skills needed for systems architecture, code development and business process re-engineering, whereas the big five had been more concerned to make their clients year-2000 compliant first before moving on to e-business (although that is now changing).

The exception was Cambridge Technology Partners, a company founded eight years ago that has grown fast throughout its short life, first on the back of the client/server computing revolution and more recently by specialising in a speedy, fixed-cost ERP deployment service. Conscious of the ambivalence a good many customers have felt towards ERP and the difficulty of extracting any competitive advantage from it, Cambridge has developed the concept of extended resource planning (XRP).

Live and let live

Cambridge's founder, Jim Sims, argues that companies should see their existing ERP systems as a backbone for web-based applications that extend into the systems of customers and suppliers, thus creating an integrated value chain—the foundation for e-business. The key to achieving this, says Mr Sims, is to be religious about the open standards and architecture of Internet computing but agnostic about technologies. The message is clear: compatibility among different systems is vital to e-business. Dominant software vendors who try to control the customer should be given the brush-off.

There is nothing flashy or extravagant about Cambridge Technology. What it offers is a clear idea of what e-business means, combined with a highly practical approach to building on legacy systems. According to Forrester, "The firm is well-suited for large, integration-intensive dynamic trade initiatives and commerce-centric consumer sites." Gulp.

One of the biggest projects Cambridge is currently working on is a web-based procurement system for the partners and customers of Lucent Technologies, a giant telecoms-equipment firm that was spun off from AT&T about three years ago. What makes this project particularly interesting is that, as traditional voice traffic has converged with data, Lucent has found itself increasingly locked in competition with Cisco Systems, the dominant data networking company and one of the most complete e-businesses on the planet. Being able to match Cisco's speed and customer service is critical for Lucent.



Despite the daunting complexity of Lucent's product range and its remarkably diverse customer base, its website went live within six months of the start of the project. Nina Aversano, who is leading Lucent's e-business strategy, says she picked Cambridge because it was neither too big nor too small. It had experience of legacy systems and how to build on them seamlessly, it knew a lot about the needs of business-to-business customers, and it could work fast.

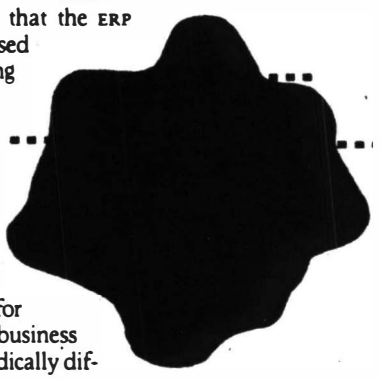
You pay your money (almost certainly quite a lot of it) and you take your choice. What is striking is that four such different firms are all, in their own way, saying pretty much the same things: you need an e-business strategy; you have to change your culture to become more transparent; you should put the right technical infrastructure in place; and you must start now. Some will find this measure of agreement comforting, others scary. When e-business is still so new, can anyone really be sure about what it is, and what you need to do to succeed at it? One thing is clear: once you start putting an e-business strategy into effect, you will be moving at breakneck speed. Just hope that you are going in the right direction.

ERP RIP?

Enterprise resource planning is not dead, but it will have to live with the Internet

"ENTERPRISE resource planning is kind of a wasteland. The back-office market is just horrible. It's saturated. Everybody has it and the store is closed." So says Tom Siebel, the chairman and founder of Siebel Systems, the hottest firm in the hot business of selling sales-force automation and customer-relationship management (CRM) software. And yet for much of the 1990s, ERP was just about the biggest thing in business software. It changed the way companies worked by bringing together all their operational parts into one smoothly functioning whole (or so it was claimed). A complete system could take several years and several hundred million dollars to deploy. The market leader, a German software firm called SAP, was seen as a second Microsoft, apparently able to increase its revenues by more than 60% a year indefinitely. Oracle, the number two player in ERP, but the dominant supplier of relational databases to the Windows NT and Unix markets, became the second-largest independent software company in the world. Other ERP high-fliers, such as Baan and PeopleSoft, also became huge software successes.

But in the past nine months, ERP has lost its glamour and its swagger. Baan seemed close to collapse after an accounting scandal, and PeopleSoft has been in disarray. Even mighty SAP has seen its share price plunge since its much-heralded debut on the New York Stock Exchange last summer. One reason is that year-2000 fears first artificially boosted the market and then undermined it when time ran out to tie in a millennium overhaul with an ERP deployment. But another reason is that the ERP vendors seem largely to have missed the first e-business wave, lacking front-office applications (in essence, everything that involves dealing with customers) such as Siebel's and, except for Oracle, being generally slow to adapt their client/server architecture to the rigours of Internet computing.



To make things still trickier for the ERP players, their underlying business model is being challenged by a radically dif-



ferent alternative offered by the web. At present, ERP works on the assumption that a fairly small proportion of the workforce (typically less than 10% in large global companies) will need access to an application for a particular department, so the licence fees for each user will be set at a high level. That makes sense when deployment on client/server systems is costly, and staff require extensive training to cope with clunky and obscure systems.

But the Internet has made possible a different model in which applications sit on web servers to which anyone on the intranet has access, using a point-and-click browser running on anything from a PC to a hand-held computer or a smart phone. Since any number of people can get into the system without incurring extra costs, and anyone can use it with ease, high licence fees for each user are no longer appropriate; what is needed is a volume pricing model. Moreover, once the information is put in a central place where it can be reached by anyone who needs it, it becomes more valuable in itself. And if it can be shared much more widely within a firm, it should also become far less difficult to provide selective access to suppliers and customers through extranets and the public Internet.

Wrong address

Companies that have looked to their traditional ERP vendors for the means of turning themselves into e-businesses have had little luck. To get what they want, they have had to buy separate components from a mass of competing software houses. Their round might include Ariba and CommerceOne for procurement; AOL/Netscape, Broadvision, IBM, Calico and Sterling Commerce for e-commerce platforms; Siebel, Vantive and Onyx for front-office applications that help find, service and sell to customers; and Business Objects, Oracle and i2 for analytical tools that search databases and supply-chain systems for critical business intelligence. They would also have to search out "middleware" companies such as Iona, CrossWorlds, TSI and Active that specialise in application integration to tie everything together and form bridgeheads into legacy ERP systems.

According to Harry Tse, a senior analyst at the





Yankee Group, a consultancy, companies need to understand that e-business requires something quite close to building a second "backbone" system on top of ERP. They should also realise that it will be neither quick nor easy. IBM estimates that "70% of all code written today consists of interfaces, protocols and other procedures to establish linkages among various systems." Marshall Senk, a software analyst at BancBoston Robertson Stephens, explains: "Enterprise application integration is where I spend 50% of my time. EAI is trying to create virtual homogeneity across systems, creating a common layer so that we can think about systems in the way we think about our business. The key thing is that we don't want to rewrite our systems. We want to leave everything that's working where it is and build bridges without writing custom code."

But is all this fragmentation in the software market in the customer's interest? The Butler Group, a British IT consultancy, says it has seen "a backlash against the inadequacies of monolithic application packages", and argues that techniques to integrate applications can lead to better solutions "without the stranglehold of inflexible functionality". The implication is that if you do it right, you should get a decent return on your investment, which was not always true for ERP.

The absence of a standard set of e-business solutions means you should be able to gain competitive advantage from selecting the right applications, integrating them seamlessly and building a robust infrastructure that is able to grow with your business. Small, fast-growing software houses are in a better position than giants such as SAP to provide the kind of environment, and stock options, that attract the best and most creative talent. And there are now plenty of tools available to make different systems work together: the Java programming language to link applications across platforms, increasingly sophisticated "integrationware", and the growing Internet and e-business skills of the systems integrators. There is no reason why a pick-and-choose approach, if properly thought through, should not deliver results.

Equally, however, it would be a grave mistake to count out the ERP powerhouses too soon, particularly Oracle and SAP with their huge installed bases (over 20,000 SAP R/3 deployments worldwide, and Oracle databases in nearly every one of the world's

top 500 companies). Both intend to be leaders in turning businesses into e-businesses, and know what they have to do to regain their momentum.

Oracle has moved fast to take advantage of the advantages of the Internet computing platform over client/server systems. Release 11, its latest suite of applications, is designed to run only within an Internet-style architecture. Larry Ellison, Oracle's founder and chairman, is frank about the deficiencies of client/server platforms. Talking not just about Oracle but computing in general, he says:

> We blew it in the 1990s. By running applications on the client, client/server was meant to put information at your fingertips. But all we did was to create distributed complexity and fragmented data. CEOs have come to hate IT because they can't get what they want from it. Burger King put an SQL Server database in every hamburger store, but they still couldn't answer the question, 'how many Whoppers are we selling each day?'. ERP as an industry missed the boat. It focused on automating processes, not on getting information to key decision makers. Every CEO wants to understand profitability per customer and to be able to detect dissatisfaction before the customer leaves.
>
> So how do we do it now? We've learned from the Internet that you don't put shared applications on the client and that you centralise complexity. You consolidate your data. The unchanging appliance accesses the dynamic applications of the network.

Along with "web-centricity", Oracle has identified business intelligence and customer-relationship management as the applications everyone needs to extract value from their ERP systems, and has launched a CRM package that will integrate smoothly with its Release 11 applications. Oracle freely concedes that its principal target is Siebel, a few miles south on the other side of Highway 101. Mr Ellison claims that Siebel has insufficiently embraced the Internet and that, with "the wrong technology foundation", it will be knocked off its market-leader perch by the middle of next year. The new incumbent, he predicts, will be Oracle. He wants a substantial slice of a front-office market that is expected to be worth nearly $12 billion in 2002.

Beauty competition

Not surprisingly, Tom Siebel begs to differ. He insists that the latest release of his own software, Siebel 99, is a great deal nearer to the web ideal than anything produced by Oracle, and that he will believe Oracle has a competitive package for managing customer relations when he sees it in the market. In his view, the ERP firms have a problem: they may have identified the front office as a faster-growing, less crowded market than their own, but they lack the "domain expertise" to succeed. "This isn't simply something you can throw a thousand software programmers at," he says. "It's something that somebody in the organisation has to know something about."

He agrees, however, that integration with ERP is important. To allow companies to exploit every available distribution channel simultaneously, Mr Siebel says it is essential to have a web-based architecture "hooked into the same common information system. Using an extranet, we can reach out and just bring customers into the information system and let them engage in product configuration, selection and Internet self-service."

Like Oracle, but running a few months behind, SAP too is about to enter the front-office market with a number of new web-based applications covering business-to-business procurement, business-to-consumer selling and business-to-business selling—all designed to integrate with its market-leading R/3 suite. SAP believes this will be the key to extending its franchise into e-business.

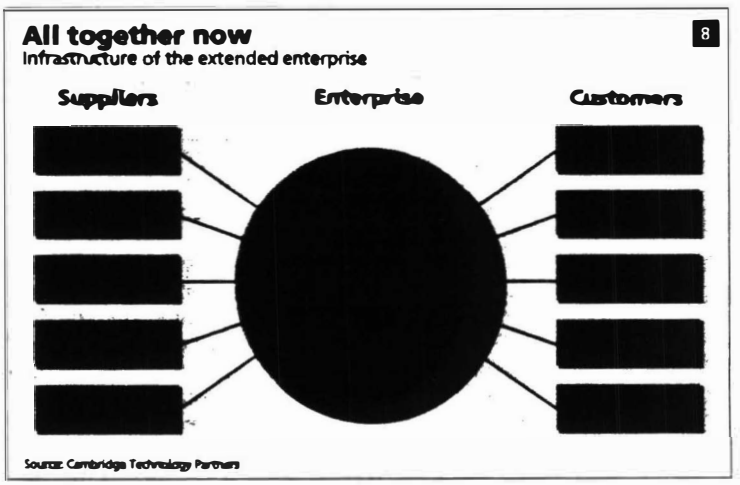
Chuck Phillips, an analyst with Morgan Stanley, cites at least two reasons for agreeing:

> One: process cohesiveness—the logical view of the chain of commerce isn't disjointed because of technical incompatibilities. The user thinks of the process as one function with a series of related steps and would prefer not to traverse through dissimilar systems with inherent data leakage between them. Two: technical simplicity—the integrated view for better decision-making is achieved without the brittle, custom links built between front-office and back-office systems not designed to work together. Staying with the same system to capture or initiate an order or track and prosecute a settlement has an appeal to anyone who's gone through an integration exercise.

Not content with relying on their existing big company-installed bases to ensure their e-commerce success, both Oracle and SAP are using the Internet to offer smaller firms (which might in the past have opted for a low-price Microsoft solution) web-based applications to rent on a per-user, per-month basis—"apps on tap", in the jargon. Part of the cost-efficiency, according to Gary Bloom, who is responsible for Oracle's Business Online, is that small and medium-sized companies no longer need to compete for expensive IT professionals. A small team of experts can serve many customers from a single data centre. It is also ideal for the needs of young, fast-growing e-businesses because it can meet their needs as they expand, and will not absorb precious venture capital.

Both SAP and Oracle also intend to become fully fledged business-to-business portals. MySap.com, which will be launched later this year, is intended to be a meeting place and business centre for all the companies using SAP software. A new web-based interface will give SAP users access to applications and content that run on the portal, such as travel-reservation systems and online procurement en-







gines. SAP says the site will help to identify trading partners, and will be a central point for negotiating the sale of goods and services. According to Mr Ellison, Business Online will also quickly evolve into a web-based business community. PeopleSoft, another ERP company, has announced similar plans to become a horizontal business portal, and Siebel has recently launched Sales.com, a portal for mobile users of its software providing sales leads, company profiles and other services.

The broad model which all four are following was established earlier this year by Ariba, a company that makes procurement software. In partnership with Hewlett-Packard, Ariba has established the Ariba.com network for its customers, a business-to-business portal that acts as a middleman, managing the procurement of office supplies for 33 big technology companies, including Cisco and Hewlett-Packard.

Without the automated processes that ERP provides, large-scale e-business would be next to impossible, so it is hard to believe that the big ERP vendors have had their day. Indeed, ironically, it may be that only when a company commits itself to becoming an "extraprise" that it will start to see a return on its earlier ERP investment.

Nor is the ERP market as saturated as Mr Siebel claims. It may be true that a third of the world's top 1,000 companies are knee-deep in ERP, but industries such as financial services and telecoms are only just getting tailor-made applications. Renting will also extend ERP into small and medium-sized businesses; and the Internet will hugely increase the number of ERP users in each company.

However, not every customer will be happy about the ERP companies' insistence on owning every software link in the integrated value chain. Some companies will want to "pick-and-mix" applications to gain competitive advantage in their industry and avoid becoming the prisoner of a single vendor. Because the value of e-business rests so squarely on the ability to extend processes and integrate with other companies, customers will demand open interfaces and a commitment to support both formal and informal standards and protocols. If there is one industry where the values of the new business ecosystem might be expected to apply, it is surely IT.

The real revolution

Just wait till big business turns e-business

THE Internet seems to spawn new businesses and business models every day. Some of these new businesses will, in time, become established giants, and some of them may dominate their particular sectors. The qualities they share are a deep understanding of how technology can serve their business strategies, a proven flair for implementing those strategies, and unlimited ambition. A few, such as Amazon.com and E*Trade, are already on the way to achieving that kind of success. Most, despite today's towering market capitalisations, will simply fade from view, unable to hold on to their much-vaunted "eyeballs", or turn them into solid profits that build long-term businesses.

Of the entirely new business models made possible by the Internet, it is the infomediaries that have the potential to be both highly profitable and difficult for rivals to dislodge. They can also vastly improve the efficiency of even low-tech vertical markets, such as road haulage or steel. But impressive though these fiercely entrepreneurial firms may be (and downright terrifying for some of the old-fashioned bricks-and-mortar companies whose necks they are breathing down), they are just a harbinger of what is coming.

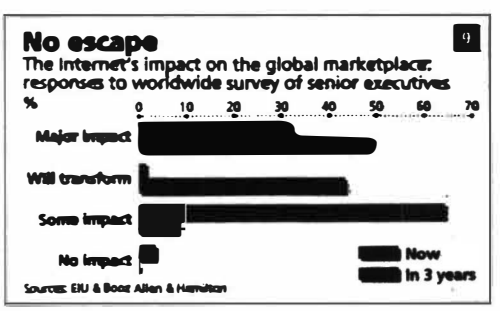
In a presentation to Wall Street analysts a few weeks ago, Lou Gerstner, the boss of IBM, described the new "dot-com" companies as "fireflies before the storm—all stirred up, throwing off sparks". But he continued: "The storm that's arriving—the real disturbance in the force—is when the thousands and thousands of institutions that exist today seize the power of this global computing and communications infrastructure and use it to transform themselves. That's the real revolution."

Mr Gerstner went on to say that although Amazon.com might be an interesting retail concept, it would pale into insignificance against what Wal-Mart was gearing up to do; that Netbank's signing up of 8,000 accounts in three months was also interesting, but not nearly as interesting as BancOne's John McCoy declaring that his growth strategy for what is one of America's most go-getting banks was shifting from acquisitions to providing Internet-based financial services.

Just as interesting to Mr Gerstner was the recent declaration by Jack Welch, the boss of GE, that the Internet was the biggest force he had seen in a long career, and a visit by the entire top management of Philips, an electronics firm, to IBM's headquarters in Armonk to find out what they needed to do to turn their company into an e-business.

Who's the biggest of them all?

Mr Gerstner could not resist adding that although, perish the thought, IBM should not be considered an Internet business, about a quarter of its revenues of $80 billion was coming from e-business-related sales. Put another way, IBM's Internet revenues and, even more to the point, its profits, dwarfed those of all the top Internet companies combined. Taking the financial results of the top 25 Internet "standard bearers" together—the AOLs, eBays, Yahoos and so on—they collectively generated about $5 billion in



Keep it confidential

JUST about any computer-based system is vulnerable to external attack. But as companies move more of their core processes and transactions to the Internet and become e-businesses, they become potentially far more vulnerable because the Internet increases the number of entry points exponentially.

Exposure may take a variety of forms. Apart from simple theft, financial documents may be altered and illicit transactions carried out in the company's name. The interception and abuse of credit-card or banking information may compromise a customer. Confidential documents may be made public or passed to competitors. Copyrights and patents may be infringed. Above all, incalculable damage may be done to a firm's brand or reputation.

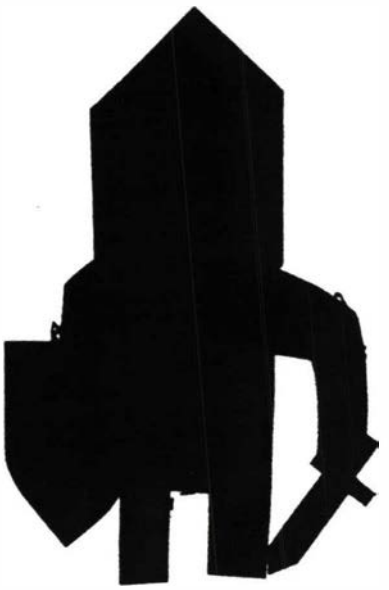
Without adequate security technology, therefore, e-business rapidly becomes untenable. The trouble is that the Internet was originally designed with interoperability rather than security in mind. Grafting the requirements of business—that transactions should be private, secure, guaranteed and timely—on to the Internet has not been easy.

The first point of defence for most companies is the "firewall". In essence, it is a gateway allowing safe external connections to internal applications. These gateways should stop outsiders without the right credentials from getting access to things they shouldn't.

There are at least three other main ingredients of Internet security. The first is encryption. If data is sent in "clear text", anyone can intercept and read it. Encryption, depending on whether it is "soft" or "hard", can make life difficult or next-to-impossible for would-be snoopers. America is still debating the ban on exporting applications with 56-bit keys (the most secure), and some governments are demanding a right of access to such keys so they can catch out criminals and terrorists.

The second is authentication of identity. This, too, can take soft and hard forms. It can amount to a simple password, or it may call for a digital signature. Messages are sent with a "hash code" that represents a unique signature. When the message is received, the code is checked to see if it matches code held by the recipient. Data may also be digitally signed as well as encrypted to ensure that it has not been tampered with. Digital signatures may be held and checked by trusted third parties, such as banks or credit-card companies.

But even that may not be secure enough for some companies. One increasingly popular alternative is the "virtual private network". VPNs offer a controlled pathway through the Internet to which only authorised users have access and along which only authorised data can travel. VPNs "tunnel" through the Internet, wrapping user data in Internet-protocol (IP) packets that hide the underlying routing and switching structure of the Internet from senders and receivers.



A further recent innovation is the public-key infrastructure (PKI), a complete set of products to provide total security. According to the Butler Group, an IT consultancy, such a set should include, among other things, public-key digital certificates (or electronic means of identification), somewhere to store them, means of revoking them, automatic updating of key pairs and certificates before expiry, key storage, back-up and recovery, and secure client-side software. Some companies, such as VeriSign, are offering centrally managed, outsourced PKI services, though the prospect of putting a company's entire security in somebody else's hands may be a psychological bridge too far.

revenue and lost around $1 billion last year.

Mr Gerstner's point is well made. When a really large company moves some or all of its operations to the web, important things start to happen. The first is a ripple effect. All the big company's trading partners come under intense pressure to turn into e-businesses too. The big firm, having invested a lot of money in e-business infrastructure, is determined to get a return on it. Customers and suppliers who want to trade the old-fashioned way will get frozen out, while those who "get it" will simply win more business.

The tsunami effect

A case in point is GE. It has developed the Trading Process Network, a web-based link to its suppliers that enables them easily and quickly to make bids for GE components contracts. It features an electronic catalogue, the ability to make electronic purchases and the option of paying online with an electronic credit card. The system has cut procurement cycles in half, processing costs by a third and the cost of goods purchased by 5-50%. GE now does well over $1 billion-worth of web-based business annually. The number of its suppliers has come down, but the remaining ones have become more efficient.

Once companies start trading in this way, they soon begin to collaborate more closely too. For example, Chrysler has pooled more than 25,000 ideas for cost-cutting measures from its suppliers. It reckons it saved $1.5 billion in 1998 and could reach $3.7 billion when all the schemes are fully implemented.

Or take Visteon, Ford's $18 billion parts division. Visteon has two main classes of customer: other car manufacturers, who put in large, relatively predictable orders, and for whom electronic data interchange over value-added networks was a satisfactory, albeit expensive, solution; and thousands of dealers and after-market parts distributors, for whom it was not.

Visteon has deployed Netscape's CommerceXpert Internet applications to bring the same sort of speed and certainty to small dealers ordering parts as used to be expected by manufacturers. This not only gives them a better service, but also allows Visteon to gather information far more effectively and expand into new markets. Visteon's chief information officer, Chris Mann, says that to reach these cus-



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tomers efficiently, "the conventional supply chain is no longer appropriate. It's not sequential, it's more like a web." Visteon can also use the Internet's flexibility to do more for its customers than before.

Ford is also spending more than $300m on its Internet computing infrastructure to support a series of web-based applications that it hopes will make car-buying more personalised. At the same time it is trying to redefine itself as a consumer business rather than a manufacturer.

Another thing that big companies bring to the e-business party is critical mass. IBM, enthusiastically gobbling its own dog food, may be the biggest e-business of all. This year it expects its sales over the Internet to total nearly $15 billion—more than Cisco's total revenues, boasts Lou Gerstner—compared with $3.3 billion last year. Customers will visit IBM's home page 28m times this year for e-service and support. These self-service transactions will save $600m. And by electronically procuring more than $12 billion-worth of goods over the Internet this year, IBM will eliminate about 5m paper invoices.

As for Wal-Mart, that is still a question of wait and see. Nobody understands the concept of the integrated value chain better than the world's biggest retailer. It has always seen itself as buying for, rather than selling to, its customers. It works very closely with big suppliers such as Warner-Lambert and Procter & Gamble. It also shares a mass of information on stocks, updated daily, with over 4,000 suppliers who are connected to its private network.



But thus far, the $138 billion shopping giant has remained wary of the Internet. Its website looks amateurish. The selection of merchandise is patchy, and order fulfilment is inconsistent and does not seem to be integrated with Wal-Mart's super-efficient back office. Even more surprisingly, Wal-Mart has yet to exploit the data being gathered by its online operation by building up records of customer preferences. Wal-Mart's website is due to be relaunched in the autumn—according to Mr Gerstner, in spectacular form.

New rules of engagement

So, back to the original question: is e-business the biggest thing since the industrial revolution, or is the Internet just another useful tool for speeding up business communications, a bit like the telephone? The answer may lie somewhere between the two. The Internet goes far deeper into industrial and business processes than the telephone, but it is not creating entirely new industries. At least not yet.

It is also still early days to judge the Internet's full significance for the way business is conducted, even allowing for the faster adoption of new technology that it both furthers and is a part of. That said, most of the pure technology issues now seem to be largely resolved, or at least well on the way towards resolution, as in the case of privacy, security and lack of bandwidth.

The big unknowable is how a completely networked world will change the way people work with each other. In the past, the rules of business were simple: beat the competition into submission, squeeze your suppliers and keep your customers in ignorance the better to gouge them. At least everybody knew where they stood. The new technology makes an unprecedented degree of collaboration possible, but nobody can predict how far that will reach outside the boundaries of individual firms, and how people will adapt to rapidly shifting business alliances and federations. Nor is it clear how companies will respond to ever more demanding customers with perfect market information.

All in all, then, e-business is far more about strategy than about technology. Early e-commerce companies have used their understanding of the technology's potential and the absence of any baggage to steal a march and enter markets that would previously have been closed to them, but in future simply having a good business idea and being technologically smart is unlikely to be enough.

The big battalions of global business have taken a little longer to see the opportunity and work out how to adapt their multi-layered supply chains and diverse distribution channels, to say nothing of their melange of legacy IT systems or their inherently conservative customers. But they are getting there now, and it is they and their customers, not the Internet start-ups, that will increasingly define what e-business means. Because the main actors will be established rather than new businesses, the process will feel more like a highly telescoped evolution than a revolution. But revolutions come and go; evolution sticks. The ways in which the Internet is changing the world may be less spectacular than some of its enthusiasts might wish, but a good deal more profound.

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U.S. Officials Say Aid for Terrorists Came Through Two Persian Gulf Nations

By JAMES RISEN
with BENJAMIN WEISER

WASHINGTON, July 7 — United States officials say they believe that two suspected terrorists wanted by the F.B.I. have received help through two Persian Gulf countries with close ties to Washington, complicating the Administration's counterterrorism efforts.

Although the Clinton Administration has made no public protests, it quietly sent senior officials last week to one of the countries, the United Arab Emirates, to lobby for a halt to a suspected financial relationship between a Government-controlled bank and Osama bin Laden, the Saudi exile charged in the bombings of United States embassies in Africa last year.

A Federal indictment charges that Mr. bin Laden's extensive businesses have provided him a cover to acquire explosives and weapons, and Washington has begun a worldwide effort to curb his access to international financial systems.

The Central Intelligence Agency has obtained evidence that Mr. bin Laden has been allowed to funnel money through the Dubai Islamic Bank in Dubai, which the United Arab Emirates Government effectively controls.

The Administration is also confronting allegations by some American officials that the Foreign Minister of Qatar told a suspected lieutenant of Ramzi Ahmed Yousef, a convicted terrorist, that an F.B.I. counterterrorism team was on its way to Qatar to arrest him.

Some Administration officials said they did not believe that the Foreign Minister was involved in the 1996 incident, but that the United States believed that at least some Qatar officials had warned the fugitive, Khaled Sheikh Mohammad. The United States wanted him in connection with a plot to blow up 12 American airliners over the Pacific.

Both cases highlight the difficulties of managing relations with moderate Arab states long courted by Washington, showered with aid and allowed to buy high-technology military weapons.

The American generosity is meant to encourage the moderate states to stand as a bulwark against radical Islam, with public policies and with quiet support for American intelligence operations.

But analysts say some members of the elite even in moderate Arab states apparently feel a need to hedge their bets against critics of their pro-Western policies and to insure against becoming targets of terrorist attacks themselves.

The allegations that the Dubai Islamic Bank is dealing with Mr. bin Laden seem to underscore that this action of one of Saudi Arabia's wealthiest families retains some support among the elite of the Arab world.

Although Mr. bin Laden was exiled and supposedly cut off by his family, which controls construction companies in Saudi Arabia, American officials believe wealthy Saudi Arabs in the Persian Gulf quietly share his anti-Western fundamentalist beliefs, even though they run counter to other moderate Arab interests.

United States intelligence officials said they had evidence that Mr. bin Laden had a relationship with the bank, which they believed had been arranged with the approval of the officials who control the bank.

The Minister of State for Finance and Industry for the Emirates, Mohammed Khalifa bin Khurbesh, was elected chairman of the bank in February, after the Government stepped in to prop it up in the wake of severe financial losses last year that followed charges of embezzlement.

A senior United States official who went to the Emirates last week said that officials were "responsive" to American concerns about the Dubai bank's involvement with Mr. bin Laden. But the official refused to provide details about the meetings, which included Treasury Department and National Security Council officials. The American officials also declined to say how much money they believed that Mr. bin Laden had funneled through the bank.

Mr. bin Laden is believed to be living in Afghanistan under the protection of the Taliban. Estimates of his wealth vary widely. Some analysts say they are convinced that he has just a few million dollars left from his vast inheritance. The Central Intelligence Agency estimates that he has up to $250 million, including assets in legitimate businesses.

Suspicions about the United Arab Emirates and Qatar.

A press adviser in the Emirates Embassy here, Edmund Ghareeb, said he could not comment on the suspected bank dealings. The Qatar Ambassador to the United States, Saad Mohammed al-Kobaisi, declined to comment on the allegations against officials in his country.

The Clinton Administration has refrained from public comment on either case, apparently fearing damage to relations with two oil-rich Arab states that have generally supported American policies in the region and that also help American military operations in the gulf.

For years, the main port of call for United States warships in the gulf was in the Emirates. Last year, the country agreed to pay $8 billion for F-16's fighters, a major boost for Lockheed Martin.

In Qatar, construction is under way on what United States officials say will be the Pentagon's largest prepositioning supply base outside the United States. When the $178 million complex is completed in about a year, it will support up to 18,000 troops and 5,000 vehicles, aiding operations against Iraq.

Since the gulf war, Qatar has also deepened its economic ties, cutting deals with American oil companies like Occidental Petroleum and Mobil. Breaking with its larger neighbor, Saudi Arabia, Qatar also became the first gulf state to establish open trade relations with Israel.

Its Foreign Minister, Sheik Hamed bin Jassim al Thani, plays a significant role in the relationship with Washington. He has met Secretary of State Madeleine K. Albright two times recently, in November and February, officials said.

The Qatar case centers on efforts to arrest Mr. Mohammad in connection with Mr. Yousef's plot to destroy the airliners. Mr. Yousef was convicted in the 1993 bombing of the World Trade Center in Manhattan. In January 1996, the United States secretly indicted Mr. Mohammad as an accomplice in the airliner plot.

The indictment charged that in late 1994 and early 1995, Mr. Mohammad lived in Mr. Yousef's apartment in Manila, where they kept explosive devices and chemicals. Federal prosecutors have also said they believe Mr. Mohammad helped Mr. Yousef devise and finance the airliner plot.

In early 1996, American authorities learned that Mr. Mohammad was living in the capital of Qatar, Doha, and working at the Public Works Ministry, said one official.

The American Ambassador to Qatar, Patrick N. Theros, a former counterterrorism official in the State Department, met Qatar officials and reported that he was optimistic that Qatar would be willing to arrest Mr. Mohammad and turn him over to the United States, officials recounted.

There was a recent precedent such an action. About a year earlier, the United States sent a plane to Pakistan after the authorities there arrested Mr. Yousef and agreed to turn him over to the F.B.I.

The F.B.I., however, found itself thwarted in its attempt to catch Mr. Mohammad, his agents, sent to Doha in early 1996, were told that the suspect, who had been under surveillance, was now nowhere to be found. A Qatar police search of a beachfront estate where the officers had been told that Mr. Mohammad was staying, proved fruitless.

The F.B.I. spent about a week awaiting word of Mr. Mohammad's whereabouts, they returned to the United States empty-handed.

American officials now say they believe that Mr. Mohammad was warned by someone in the Qatar Government and that he was staying at the estate of Abdallah bin Khalid, a fundamentalist who has provided support for other Islamic radicals. A former American intelligence official said Mr. bin Laden also visited Mr. bin Khalid in Qatar twice in the mid-1990's.

Although American officials said they had no conclusive proof, current and former officials said they believed that the Foreign Minister was involved, directly or indirectly.

The Foreign Minister declined to comment for this article.

American officials also noted that the raid occurred at a time of confusion in Qatar, which might have contributed to its failure. In the summer of 1995, the ruler of Qatar was overthrown by his son. In early 1998, about the time of the F.B.I. action, the father was staging an unsuccessful countercoup.

Two years after the fruitless F.B.I. action, Federal prosecutors in Manhattan unsealed the indictment against Mr. Mohammad. A $5 million reward for information leading to his arrest or conviction is being offered.

The New York Times
THURSDAY, JULY 8, 1999

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Gene Steuerle

Party Now, Pay Later

In their midyear reviews of the budget, both the president and Congress have indicated that future surpluses may be even larger than last projected. A Mardi Gras party is now being planned, with a modest feast of new tax cuts, health care benefits, emergency expenditures and other subsidies to be financed with a chunk of those surpluses. But, meanwhile, new Lenten fasting rules proposed by the party planners would prevent future presidents and congresses from spending the remainder.

Before we once again lay down laws dictating to future generations how to spend or save the revenues they will generate, let's ask two questions. First, are these projected surpluses likely to be real, or are they figments of the accounting systems we use? Second, if they are real, does it make sense to retain a budget policy based on the tacit promise that soon the federal government will dedicate itself almost entirely to providing for retirement needs?

In one sense the budget surpluses are real. Calculated with an accounting system that gives little attention today to the cost of promises to be met tomorrow, today's revenues outstrip expenditures and probably will for another 15 years, barring a severe recession or significant legislative changes.

Mainly we have demographics to thank. The first decade of the 21st century has been recognized as a peak before a trough—a temporary reprieve when baby boomers continue to swell the ranks of taxpaying workers while the much smaller baby-bust population of the Depression and World War II retires and starts drawing Social Security, Medicare and other benefits. But once the baby boomers begin to retire, the number of retirees per worker rises quickly until close to one-third of all adults are drawing Social Security. Meanwhile, health costs keep rising as the population ages and expensive new medical technologies and drugs become available in a health subsidy system that still is fiscally undisciplined. Then, under almost any realistic scenario posited under current law, deficits are sure to bulge, even though lower interest costs associated with any surplus-saving in the next decade or so would help.

You'd never figure any of this out by reading most of the budget pronouncements of the president and Congress. Their most-cited projections suggest that discretionary spending—on such essentials as education, the environment, welfare, defense and new emergencies—will continue to fall relative to national income. The president's own January budget shows Social Security, Medicare and Medicaid rising from 40 percent of revenues to 80 percent over a few decades, and it shows discretionary spending gradually dwindling toward a piddling share of the budget.

This shift in priorities isn't 15 years away; it's already occurring. Some budget analysts see a train wreck coming this year as Congress tries to abide by its own budget rules and still pay for unplanned increases in spending for Kosovo, highways, military pay and new "emergencies."

Maybe devoting a smaller and smaller share to discretionary items is technically possible for a few more years, and Congress will get lucky and avoid any new emergencies or new pressing needs. And perhaps society can afford, as current law dictates, to spend close to $750,000 on each baby-boom couple and more on their successors once they retire. But does it make moral or political sense to indulge our retirement wants to the exclusion of almost everything else? The way that the president and Congress are approaching the budget actually beefs up benefits to future retirees—mainly by allowing promised benefits to grow for yet another year under current-law formulas, but also by adding extras such as a drug benefit, a tax-subsidized retirement account and a long-term-care tax subsidy.

> "Some budget analysts see a train wreck coming this year."

Along with a temporary cash surplus, the nation's budget reflects a social deficit—an inability to set priorities according to the nation's real needs. How many Americans believe what this budget suggests—that future retirees should get hundreds of thousands of dollars of support over and above what current retirees receive at the expense of better education, crime prevention, support structures for the young or the prevention of nuclear terrorism?

Delight following any Mardi Gras spending at the century's end will not last long, because the budgetary penance for the next president and Congress involves dealing with both long-term deficits and new near-term demands that cannot be met under proposed fasting rules.

A modest party now would be affordable if our elected officials would first tackle the long-term deficits in retirement and health programs and their absorption of ever larger shares of the public budget. Then projected surpluses under current law would materialize and remain under any accounting system, and voters both today and tomorrow would have the flexibility to allocate resources over time to meet the country's most pressing needs.

The writer is a senior fellow at the Urban Institute.

The Washington Post
Monday, July 5, 1999

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HELPING THE THIRD WORLD



How to make aid work

WASHINGTON, DC, LUSAKA AND GABORONE

Aid to poor countries has largely failed to spur growth or relieve poverty. It can work—but only if aid is limited to countries that are pursuing sound economic policies. More donors should try it

"THE poor always ye have with you," said Jesus, and 2,000 years of history have not proven him wrong. People who live permanently hungry, racked by parasites and forced to walk miles each day to fetch water, are more numerous now than ever before. Roughly 1.2 billion people—a fifth of the world's population—subsist on less than $1 a day. On June 18th, at a summit in Cologne, the rich world's leaders came up with a plan to ease their plight.

Under the "Cologne Initiative" the G8 group of industrialised countries agreed to provide more debt relief, more quickly, to more poor countries. This, it is hoped, will release resources for health and education and generally make life in the third world less miserable. Tony Blair, Britain's prime minister, spoke of "the biggest step forward in debt relief and help to the poorest countries that we have seen for many years." Perhaps. But that depends on how it is put into practice.

The initiative is directed at the clumsily-named Heavily Indebted Poor Countries (HIPCS). The first comprehensive HIPC debt-relief plan dates from 1996. It aimed to reduce the debts of countries that maintained good economic policies to a "sustainable" level. This is calculated for most countries as a stock of debt (discounted to reflect its present value) equal to no more than 200-250% of annual exports. Alternatively, for extremely open economies, sustainability could be defined as a ratio of debt to government revenue of 280%.

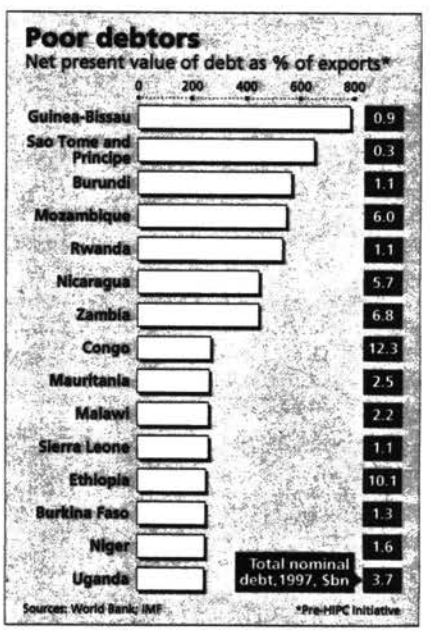
Unfortunately, the original HIPC plan proved slow (only Uganda, Bolivia and Guyana have benefited so far) and stingy (in many cases the amount of debt service actually paid was likely barely to budge). Led by bishops, rock stars and charities, a loud campaign emerged to push for more and faster debt relief. The Scriptures call for forgiveness of debts every 50 years, some noted, reckoning that the next mass write-off was due in the year 2000.

The Cologne Initiative may fall short of millennial salvation but it is an improvement on its predecessor. The criteria for defining HIPCS have been broadened: a sustainable debt burden now implies a debt/export ratio of 150% or a debt/revenue ratio of 250%, and it will be easier to qualify for the second.

Under the new plan 33 countries (with a total of 430m inhabitants) are likely to be eligible for debt relief, compared with 26 under the original plan. And relief should arrive more quickly: the G8 have agreed to shorten the time a country must follow good policies before its debts are cut and to offer "cash-flow" relief in the meantime. Creditors also promised to include for the first time some $20 billion-worth of concessional loans in the debt calculation. When added to earlier pledges, the G8 claim, their efforts could reduce the stock of nominal HIPC debt by up to $70 billion: from some $130 billion today to as little as $60 billion. Viewed in present-value terms, the initiative itself offers debt reduction of $27.5 billion, which is more than double the $12.5 billion available before.

That is a big change—if it attracts genuinely new aid money. The G8 say that the IMF's share of financing debt relief should come from selling up to 10m ounces of gold and reinvesting the proceeds. But America's Congress must approve that arrangement, and a number of lawmakers have said that they want no part of a gold sale. There is also talk of using World Bank profits, though these are unlikely to cover the Bank's proposed whack of $5 billion. Conspicuously absent are financial commitments from the rich countries: the G8 merely promised to consider new contributions "in good faith". The debt-relief plan will be put to the annual IMF-World Bank meetings in September for agreement on its structure and financing.

The danger is that the promised relief for HIPC debtors will either prove elusive or come at the expense of other aid and other recipients. Official aid flows have been broadly stagnant anyway throughout the



1990s (see top chart)—in part because aid has produced so few successes and so many mistakes. But there is hope in the fact that this initiative comes at a time when many donors—not least the World Bank—are rethinking their whole approach to aid. History offers one outstanding clue: if relief is not carefully aimed at countries with a genuine commitment to sound economic management, it will be wasted.

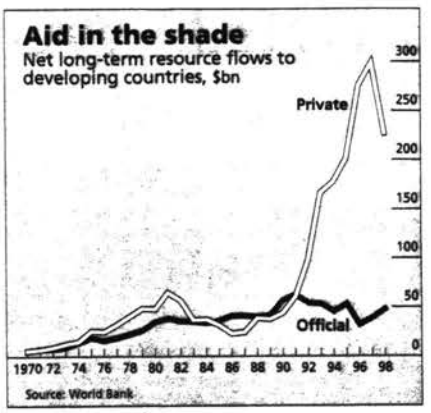
Unhelpful help

Over the past 50 years rich nations have given $1 trillion in aid to poor ones. This stupendous sum has failed spectacularly to improve the lot of its intended beneficiaries. Aid should have boosted recipient countries' growth rates and thereby helped millions to escape from poverty. Yet countless studies have failed to find a link between aid and faster economic growth. Poor countries that receive lots of aid do no better, on average, than those that receive very little.

Why should this be? In part, because economic growth has not always been donors' first priority. A sizeable chunk of Saudi Arabian aid, for example, aims to tackle spiritual rather than material needs by sending free Korans to infidels. During the cold war, the Soviet Union propped up odious communist despots while America bankrolled an equally unsavoury bunch of anti-communists. Keeping thugs like North Korea's Kim Il Sung and Liberia's Samuel Doe in power hardly improved the lives of their hapless subjects. Even today, strategic considerations often outweigh charitable or developmental ones. Israel gets the lion's share of American aid largely for historical reasons, and millions of American voters support it. Egypt gets the next biggest slice for recognising Israel. Russia and Ukraine receive billions to ensure that they do not sell their surplus nuclear warheads.

Even where development has been the goal of aid, foul-ups have been frequent. Big donors like to finance big, conspicuous projects such as dams, and sometimes fail to notice the multitudes whose homes are flooded. Gifts from small donors are often strangely inappropriate: starving Somalis have received heartburn pills; Mozambican peasants have been sent high-heeled shoes. Poor research can render aid worthless: a fish farm was built for Mali in canals that were dry for half the year. The Turkana nomads of north-western Kenya, long pestered with ill-planned charitable projects, refer to foreign aid workers and their own government alike as *ngimoi*: "the enemy".

Aid faces further hurdles in recipient countries. War scuppers the best-laid plans. A shipment of vaccines was destroyed in Congo when rebels cut the power supply to the capital, shutting down the refrigerators where the medicines were stored. In Afghanistan, Taliban zealots have closed aid-financed hospitals for employing female doctors. Less spectacularly but more pervasively, corruption, incompetence and foolish economic policies can often be relied on to squander any amount of donor cash. One example, Zambia, speaks for many.

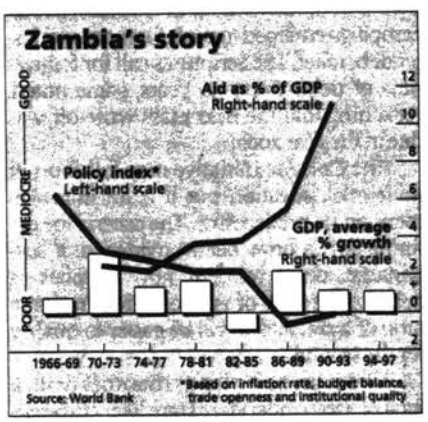


At independence in 1964, Zambia seemed poised for success. The second-richest country in Africa, it had a popularly elected government committed to helping the poor, big copper mines and a generous stream of aid. Most donors believed that the main obstacle to third-world development was lack of capital, and that giving poor governments cash to invest would spur rapid growth. It was not so simple.

Zambia's first president, Kenneth Kaunda, set up a one-party socialist state and nationalised everything from dry-cleaners to car-part retailers. His officials told farmers what to grow, bought their crops and sold them at heavily subsidised prices. Mr Kaunda assumed that the copper mines would provide an inexhaustible source of revenue, however badly managed. Zambians came to see government loans as a perk of freedom from colonial rule.

In the mid-1970s, the price of copper tumbled, and it became harder to pay for all this. Foreign donors picked up the slack. As Mr Kaunda's economic policies grew worse, aid climbed steadily, reaching 11% of real GDP by the early 1990s. IMF loans were tied to free-market reforms, but these were enacted reluctantly and frequently reversed.

Donors agitated for free elections and in 1991 Frederick Chiluba, a former union leader and avowed economic reformer, became president. Aid began to flow again, but Mr Chiluba's zeal to privatise was soon dampened by the discovery that state-owned firms provided ministers with lucrative opportunities for patronage. Corruption is becoming as great a brake on growth as socialism was under Mr Kaunda. William Easterly of the World Bank says that, if aid had had the predicted accelerating effect on growth between 1961 and 1994, Zambia's income per head would now be more than $20,000. In fact, it has dawdled at around $400.



Growth and poverty

GDP is not a foolproof measure of well-being. Wealth may be unevenly spread, so that a high average disguises widespread wretchedness. Nor does GDP take account of the hidden costs of pollution, for example. But when GDP grows, social indicators tend to improve with it.

In Thailand, where income per capita tripled between 1966 and 1990, the proportion of the population living in poverty fell from more than half to just 2%. Infant mortality fell by two-thirds. Slower-growing countries did less well: in India, income per head doubled, infant mortality fell by half and half the population stayed stuck in poverty. In no-growth countries such as Ethiopia, all the advances in modern medicine and the efforts of foreign donors could not effect more than a 27% drop in infant mortality over the same period.

Until recently, the fastest-growing emerging economies were clustered in East Asia whereas the disaster zones were disproportionately African. This led many to conclude that culture was the best predictor of economic success. Actually, sound policies and institutions, backed by liberal helpings of aid, are usually a better guide.

Take Botswana. Zambia's neighbour was, at independence in 1966, one of the world's poorest countries. One British official called it "a useless piece of territory". To begin with, aid financed virtually all government investment and much of its recurrent expenditure too. Then prospectors found diamonds under the Botswanan desert. Unlike many African governments, Botswana's did not squander the windfall. Diamond dollars were ploughed into infrastructure, education and health. Private business was allowed to grow; foreign investment was welcomed. Aid projects were approved only if they were sustainable and did not duplicate the work of others.

From 1966 to 1991, Botswana's economy grew faster than almost any other in the world. It helped that its government was unusually honest and competent. Cabinet ministers did not award themselves huge pensions, mansions and public contracts. In Zambia, government bigwigs drive Mercedes limousines. Those in Botswana choose locally-assembled Hyundai sedans. Even

THE PRE ENT HAS SEEN
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the president, Festus Mogae, has been seen doing his own shopping.

Botswana abolished exchange controls this year. Its budget is usually in surplus and GDP per head tops $3,000. The country remains vulnerable to swings in the price of diamonds, but it has made a better job of diversifying than most third-world mineral producers. Their task completed, donors are packing their bags.

Cash advances or advice?

The reason that aid has worked in Botswana but not in Zambia is simple. Botswana had good economic policies, soundly administered. Zambia did not. A recent study by the World Bank* sorted 56 aid-receiving countries by the quality of their economic management. Those with good policies (low inflation, a budget surplus and openness to trade) and good institutions (little corruption, strong rule of law, effective bureaucracy) benefited from the aid they got. Those with poor policies and institutions did not. Badly run countries showed negligible or negative growth, and no amount of aid altered this. Well run countries that received little aid grew steadily, with GDP per head increasing by 2.2% a year. Well run countries with a lot of aid grew faster, at 3.7% per head a year.

Several things explain these differences. In countries with poor management, aid is sometimes stolen. Its effectiveness is often limited anyway by the fact that it tends to displace, rather than complement, private investment. In countries with good management, aid "crowds in" private investment: if an economy is growing fast, the returns on road-building or setting up a new airline are likely to be high. A poorly managed, stagnant economy offers private investors fewer opportunities.

It seems clear that aid should be directed towards countries with good management and lots of poor citizens. Yet many donors continue to behave as if it were not. Bilateral aid has tended to favour allies and ex-colonies. A 1998 study by Alberto Alesina and David Dollar found that a former colony with a closed economy received about twice as much assistance as a non-colony with an open one. Undemocratic ex-colonies also received twice as much as democratic non-colonies. On some figures, countries with poor management got just as much bilateral aid as those with good management. (Nordic aid was an exception to this dismal trend.)

Can aid persuade countries with bad policies and institutions to adopt good ones? It is not easy. For years the IMF and World Bank have made their loans conditional on policy reform, but the record is mixed, to put it kindly. Governments often agree to cut subsidies or tackle corruption, but later backtrack. Zimbabwe's president, Robert Mugabe, frequently promises one thing to donors and the opposite to domestic interest-groups. Kenya's Daniel arap Moi is skilled at selling the same reforms several times. Even when recipients blatantly flout aid conditions, donors often hand over the money anyway, for fear of sparking an economic collapse or even bloodshed.

Good policies cannot be imposed on unwilling pupils. Attaching conditions to aid can strengthen the arm of governments that are trying to push through wise but unpopular measures. Broadly, however, reforms rarely succeed unless a government considers the reform programme essential, and its own. A recent study by David Dollar and Jakob Svensson found that elected governments were much more likely to implement reforms than unelected ones, and new regimes more likely than old ones.



Give them a break

For countries with foolish leaders, a better approach than offering money is offering ideas. The architects of successful reforms in Indonesia in the 1970s, and in several Latin American countries in the 1980s and 1990s, were largely educated abroad, often at aid-givers' expense. The crash course in market economics given to top African National Congress members before they won South Africa's first all-race elections in 1994 helped turn them from Marxists into fiscal conservatives. Ethiopia's new leaders took degrees in business administration in the mid-1990s.

Rethinking aid

A condition of the G8's new debt-relief plan is that the cash it frees be spent on worthy things like education and health. The World Bank is well aware of the difficulties in ensuring that this actually happens but many donors are not. Aid-givers often finance specific projects, such as irrigation and the building of schools. Since the schools are usually built and the ditches dug, donors are satisfied that their money has served its intended purpose. But has it? Probably not.

Most evidence suggests that aid money is fungible—that is, that it goes into the pot of public funds and is spent on whatever the recipient wants to spend it on. If donors earmark money for education, it may cause the recipient government to spend more on education, or it may make available for something else the money that it would otherwise have spent on education.

If the government is benign, the alternative may be agriculture or tax cuts. If the government is crooked, donors' funds may be spent on shopping trips to London for the president's wife or fighter planes to strafe unpopular minorities. The important factor is not the donor's instructions but the recipient's priorities. A 14-country study published by the World Bank in 1998 showed that each extra aid dollar aimed at agriculture, for example, actually decreased total agricultural spending by five cents.

This does not mean that donors should never support specific projects. Sometimes the real value of a donor-financed dam or telephone network lies in the technology that is transferred, and the advice given on how to operate and maintain the infrastructure. But the fact of fungibility suggests that aid-giving could be greatly simplified if most took the form of unconditional "balance-of-payments support". That is, cash.

Rich countries should be much more ruthless about how they allocate their largesse, whether earmarked or not. Emergency relief is one thing. But mainstream aid should be directed only to countries with sound economic management. The HIPC debt-relief plans, to their credit, do this. More donors should follow suit. Aid should also favour countries with large numbers of very poor citizens. India, Vietnam, Mozambique and Uganda, among others, meet both conditions. Many countries that receive substantial aid, such as Zimbabwe, Kenya and Russia, do not.

According to the World Bank, an extra $10 billion in aid could lift 25m people a year out of poverty—so long as it went to poor countries that manage their economies well. The same sum spread across the current cast of aid recipients would lift only 7m out of destitution. In other words, aid could work if it were properly directed. And if taxpayers in rich countries saw their money actually doing some good, they might be happy to give more of it.

*Assessing Aid: What Works, What Doesn't, and Why, OUP, November 1998. Website: http://www.worldbank.org/research/aid

B Reed/
G Sperling

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
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Mr. President.

I wanted you to see the attached article on the farm crisis, particularly before you go out on the new markets tour.

copied Reed Sperling Podesta

Dan

Updated **SUNDAY** June 27, 1999

Agriculture



With gloomy skies overhead, Jim Scharplaz stops to dig up a thistle on his ranch southwest of Minneapolis, Kan. He says he's worked hard to keep costs down and stay out of debt, but low cattle prices make it hard to turn a profit. *(Matt Miller photo)*

The family farm: withering on the vine

Beset by low prices and shrunken overseas markets, the most vulnerable of America's farmers -- and the rural communities that depend on them -- are in a tightening death spiral.

By Lee Egerstrom and Tom Webb
Knight Ridder News Service

Across America, another farm crisis is stalking the countryside.

Just three years after Congress pretended to abolish farm programs, the old ghosts have all returned: low crop prices, economic hardship, massive taxpayer subsidies -- and a haven't-we-heard-this-before reaction from urban America, now enjoying an economic boom.

"Here we have the country in the strongest economic position probably that it's ever been," says Secretary of Agriculture Dan Glickman. "And then you have this one sector that is problematic."

To old-timers in rural America, today's farm crisis may look like the latest in a long line of tough times. After all, farmers have faced hardship every decade this century, and prosperity always has returned.

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This time, something worse may happen. Fewer producers and small towns will survive, analysts say, and if they do, they'll find themselves competing in a new world economy so volatile it can wipe out a grain market overnight.

The value of the family farm isn't measured in food production, because the world won't starve if farm families fail. But they're treasured for social, financial and environmental reasons, and in small towns like Rake, Iowa, they're its lifeblood, even in the hardest of times. Said Mike Swenson, Rake's insurance agent: "Our communities quite literally are dying. We have funerals here, but nobody's coming in."

The immediate problem is bleak crop and livestock prices, a result of global supply and demand falling out of whack. The big grain-growing nations have had years of big harvests, creating a glut. And when the economies in Asia and Russia collapsed, it depressed the demand for food.

The hard times have underscored the larger trends squeezing family-sized farmers, and analysts say those stresses have intensified since the farm crisis of the 1980s:

- Big agribusinesses have become even bigger, leading to greater use of private contracts with large farms, which leave small farmers at a disadvantage. Moreover, the arrival of biotechnology could concentrate the control of food production in ways never seen before.
- The number of full-time farmers is falling fast. The steepest declines are found in states with the most farmers, including Indiana, North Carolina and Iowa.
- Rural communities are aging and becoming more fragile, making their odds of survival even longer. One sign of where investment is flowing: EBay, a young Internet auction firm, is now worth more than the 61,500 square miles of farm land in North Dakota.
- The meat industry has gone global, bringing new export opportunities for U.S. producers, but also exposing a risk-laden part of the economy to a whole new series of foreign risks.

The squeeze is being felt throughout the countryside, hammering grain

- The Wichita Eagle
- St. Paul Pioneer Press
- Fort Worth Star-Telegram
- Kansas City Star
- Grand Forks (N.D.) Herald
- Aberdeen (S.D.) American News
- Knight Ridder Washington Bureau
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Coming July 25

Which farmers are at risk? Look for articles examining this question in the Wichita Eagle.

growers in North Dakota, cotton farmers in Texas and livestock producers in North Carolina. In Kansas, wheat prices plunged to $2.06 a bushel, the same price as in 1866. Last December the hog market collapsed. A pig normally valued at $250 brought just $15.

Yet there's no food crisis in America. Blessed with the finest cropland on earth, farmers continue to produce mountains of food, and consumers eat so lavishly that obesity -- not hunger -- is America's great food obsession.

Today's concern is more for a deep-rooted segment of American life.

Kansas farmers are facing their second harvest in a row of less than break-even prices, and it will be the last year that many will be able to hold on, said Bradley Gehring, Sedgwick County Extension Agriculture agent.

"Imagine having your income cut by about two-thirds and trying to hang on to everything you're making payments on now. How many years could you do it?" Gehring asked.

Much of last year's record-breaking harvest is still in storage as farmers try to hold on, hoping for an increase in prices. Last week, another bumper wheat crop sat deteriorating in fields across southern Kansas as unrelenting rains kept farmers from a much-needed paycheck.

"I don't know the definition of crisis, but it's a serious situation. If I lost my crop and lost my income, that's a crisis," said Dwayne Walls, a banker in Bennington in central Kansas.

At least since the 1930s, the U.S. government has been an active partner in trying to cushion the volatile shocks of farming. It was partly to cushion farming's huge risks: Imagine if your annual salary soared or plunged depending on next month's rainfall, or worse, on next month's rainfall in Argentina.

Today's menu of farm programs have different justifications -- conservation, disaster aid and so on -- but in the end, all involve sending tax dollars to the countryside. In 1996, the Republican-led Congress passed the Freedom to Farm Act, which was touted as ending the subsidy system.

It did not. This year USDA paid $17.6 billion in direct payments to farmers.

But public opinion toward entitlements has changed through the 1990s. Tom Isern, a historian at North Dakota State University, thinks the rise of market capitalism has changed the debate.

"People just don't have patience with groups that have an entitlement attitude anymore," said Isern. Nowadays, any group "that comes around claiming they're entitled to things, people say, 'Who says?'"

The long twilight

Even before the latest troubles, America's country roads were dotted with abandoned farmhouses, collapsed barns and other remnants of a disappearing civilization.

High schools in west Texas have been playing six-man football for decades because there simply aren't enough boys. In western Minnesota, three towns sharing a consolidated school joke that their team nickname should be "The Fighting Hyphens."

Farmers have long hoped that someday the long exodus would end. It hasn't yet.

This spring, Ed and Rose Crotty joined that migration. The couple once farmed near the North Dakota town of Hillsboro, but this year the Crottys put their farm machinery up for auction. "We love farming, but we make more money quitting," said Rose Crotty. "Why keep chipping away for nothing? If we farm, we go backwards, with prices the way they are now."

Added Ed Crotty, 50: "I was proud to be called a farmer. Now, I'm a nobody."

Today the United States has fewer than 1 million full-time farmers, for the first time in two centuries. During 10 years ending in 1997, the United States lost nearly 20 percent of its full-time farmers, compared with about 8 percent in the preceding decade, according to the 1997 Census of Agriculture.

It wasn't always that way. In 1900 Kansas had the same population as California. Nebraska had more people than Florida.

Dennis Avery, once the U.S. State Department's world food analyst, sees the exodus in a less-sentimental light. He grew up hating the 5 a.m. milkings on his family's Michigan dairy farm and joined a generation that fled the grueling labor and isolation.

"Most of the people who left the farm weren't forced off. They were lured off by better working conditions, higher pay and bright lights," Avery said. "That's a powerful package, especially for young people."

The view from ground zero

The desire for a better future is especially strong in places like tiny Rake, Iowa, a friendly town of 250 that has endured decades of painful decline, including the loss of its only school, doctor and grocery store. Demand for houses is so low that homes sell for less than $30,000.

"A huge percentage of farmers are over 55," noted Mark Murra, a grain elevator worker. "Nobody else can get in, and now's not the time you want to start."

Mark Hooper, executive vice president of Rake's State Savings Bank, explains the math:

He figures it costs a corn farmer about $275 an acre to pay for seed, fertilizer, crop insurance, herbicide, fuel, corn drying and land rental. But with today's corn prices, an Iowa farmer would need to harvest 157 bushels an acre just to cover those costs. Iowa's record corn crop averaged 152 bushels back in 1994.

"And that's before machinery and labor costs," Hooper said. "These people are taking 100 percent of the tremendous risk out here, and where's the return?"

Facing those trends, scores of rural communities are debating whether prosperity, or destruction, lays in embracing factory-style agriculture. Rake is debating, too. Local farmers want to build a massive egg-laying cooperative, with more than 5 million hens.

"We can't rely on just hauling the grain to the elevator, selling it and waiting until next year," said Swenson, Rake's insurance agent.

But others worry about the impact of "a huge hen factory," warning it will bring massive amounts of manure, an unholy stench, open lagoons and insect infestations.

Meanwhile, pressures mount as farm prices are predicted to stay low.

Abner Womack, co-director of the Food and Agricultural Policy Research Institute in Columbia, Mo., predicts low prices for the next five years, because of the world's enormous grain surplus. "We are all concerned about the magnitude of the problem," Womack said. "Those of us living outside the rural areas are not immune to this. We will ride in this together."

Indeed, farm problems don't stay isolated on the farms.

"In Kansas, all business is related to agriculture, so it is going to affect everyone," said Walls, the Bennington banker.

About a quarter of most Midwestern states' employment is directly tied to food and agriculture industries, with the latter centered around the Twin Cities, Chicago and Kansas City, Mo. Fort Worth is home to the Burlington Northern Santa Fe, the largest agricultural shipper in the nation, and most cities in between have grown over the decades by providing financial and other services to agriculture and agribusiness from marketing to warehousing and distribution.

Why save the family farm?

Small businesses are constantly forming, failing and rising again. Congress doesn't try to save the family restaurant. So why do governments strain to keep the farmer in business?

Glickman thinks that family farms are a unique case.

"The most important reason, beyond the social structure of keeping rural

America alive, is to preserve a land base for future generations," Glickman said. "You not only farm a crop, farmers also farm and protect a land base and a resource. Seventy percent of this country is in private land ownership, and most of that is in agriculture. That's where most of our rivers come from, our soil, the ecosystems. I think you've got to keep a strong farm base on the land to preserve that."

Glickman worries that agriculture will end up with only two types of farmers: mega-producers and hobby farmers. He questions how well the mega-producers will preserve the land.

Ken Cook, president of the Environmental Working Group in Washington, agrees. "I think the land will be taken care of more intensively and better if there's a series of family operations. The pride of ownership and passing it along to generations is a big deal."

Others view the consolidation trend less darkly.

Steven Bobb, vice president for agricultural products at BNSF, said the same economic pressures are shared by all segments along the food chain.

"Fewer and larger," Bobb said, are the bywords of agriculture, whether it's farms, grain elevators, shippers or food processors.

"It's a relentless movement to take costs out of the system," Bobb said, citing the need to compete in fierce price-driven world markets.

"Agriculture is in a world game."

Deeper worries

Some see evidence that after years of strain, part of the rural economy is finally giving out.

This spring, even rural banks refused many farm loans because of the risks, forcing President Clinton to ask for $1 billion in emergency loan funds. Even more worrisome, some critics say, was last winter's carnage in the hog industry, when prices collapsed to 8 cents a pound, a level unseen since the Great Depression.

Many factors played a part, including an oversupply of hogs. But there's little doubt that corporate mega-farms and new contracting methods played some role. Most large producers were protected from the 8-cent price by those contracts; many small operators were not.

Contracts are commonplace in business and industry, and a growing number of food companies use them to assure the quantity and quality of raw products. But such deals have generated a huge outcry in rural areas because small producers can't participate, raising fears that markets will be available only to industrial-sized farms, with family farms squeezed out.

"There's a lot of concern in agricultural communities about the direction

we are going," said Chuck Hassebrook with the Center for Rural Affairs in Walthill, Neb. The result, he believes, will be a rural economy "with a few very wealthy elites, a majority of poor laborers, and virtually no middle class."

On another front, some critics see genetic engineering as aiding the consolidation trend.

They fear that biotechnology will give a handful of companies control over food production. In their vision, a single company could own the genetics to seeds and livestock, sell uniquely tailored farm chemicals, demand a contract price from growers, process the raw commodity and market it to consumers. No company yet does all that, but some are moving that way.

Neil Harl, a farm economist at Iowa State University, worries it will lead to farmers being reduced "to a sector of tractor drivers."

Said Glickman: "These are extremely important issues, and are going to have to be addressed in the long-term, to make sure that farmers are not basically like serfs, that they have some ownership rights in what they produce."

A view abroad

In agriculture today, the cry is for more exports, despite the uncertainty of globalization. The reason is that farmers grow more than U.S. consumers can eat, so they must export the leftovers to prosper. More than half of U.S. wheat and one-third of its soybeans are shipped abroad.

When world trade talks open later this year, the United States will push hard for freer trade and fewer barriers. Why?

Because despite its problems, the United States has a better food situation than almost every nation on earth: immense reserve of fertile land, good growing weather, excellent transportation, prosperous consumers and knowledgeable farmers.

In Europe, its farm subsidy system is nearing collapse, a victim of staggering costs and new demands from Eastern Europe. In much of Asia and Africa, fast-rising populations have outstripped the production of food. In tropical regions of the Pacific and South America, rain forest and other fragile lands are being leveled for food production.

The global picture is a reminder that the world is still in a race between food production and human population. Today, farmers are winning the race, growing more food than the world can buy. Avery, the former State Department analyst, looks further out.

He wonders where food production will come from in 2040, after the world's population doubles and the amount of farmland does not. In that calculation, small towns and their farmers are not the issue.

"We are faced with the challenge of being able to triple farm output on

the land we're already farming, or destroy huge amounts of habitat," Avery said. "It's got to come from somewhere, and it should come from the biggest chunk of prime farmland in the world, which happens to be in North America."

Contributing: Steve Painter and P.J. Griekspoor of The Eagle, and Ryan Bakken, Kevin Bonham, Eric Palmer, Lance Nixon and Worth Wren of Knight Ridder Newspapers.

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NEW MARKETS TAX CREDIT
FACT SHEET

The New Markets Tax Credit is designed to encourage $6 billion in private sector equity investment for business growth in low- and moderate-income rural and urban communities.

As a part of this initiative in President Clinton's budget proposal for FY2000, investors would be able to claim a tax credit worth 25% of the amount of capital invested over five years in community development organizations. To provide flexibility and attract a range of investors, diverse community development organizations would be available to assist investors.

Why is equity investment important?
As stated in a report published by the Federal Reserve Bank of Richmond, "We now realize that we are dependent on the health of the entrepreneurial segment, and economic pressures often threaten the health of these small firms. The availability of capital for small business plays a vital role for this segment and without it, small businesses cannot grow." [1]

Small businesses, defined as those with fewer than 500 employees,

- employ 53% of private non-farm work force
- contribute 47% of sales in the country
- generate 51% of private GDP
- were responsible for 64% of 2.5 million new jobs created in 1996.[2]

How does community development improve a distressed region?
Often the economies of rural and urban neighborhoods lack the infrastructure and basic services to support large scale investment, such as is typical in equity capital. Community development, encouraged through loans and investment, acts as a catalyst for the establishment and growth of businesses which might otherwise locate elsewhere, or not exist at all. Many regions have become distressed due to past or ongoing dependence on a specific industry, which has since become less productive or obsolete. Community development, through new types of investment, diversifies the local economy, generates new jobs, and creates new income.

If banks and private investors exist in abundance in urban areas, why does so little money go to inner cities?
Banks and private investors assist entrepreneurs, but entrepreneurs themselves must also have funds of their own available. In low-income urban areas, entrepreneurs have little excess capital to invest and leave in a new business. Many traditional investors believe that these areas have an underdeveloped sense of entrepreneurship, making investment too risky. Entrepreneurs in these areas receive most of their start-up financing from community development organizations.

Why do rural areas receive a low percentage of investment?
Bank loans and private equity investments allow small businesses to start-up and survive. ***Banks*** in rural areas are often limited in size. They may also have restricted lending capacities and a narrow scope of local expertise. All three characteristics are due to factors existing in rural environments, such as remoteness and low population density. Because many rural areas are especially focused on farming and/or natural resource-based industries, local expertise is often limited to these enterprises. This makes diversifying the economy extremely difficult. ***Private investors*** use community development organizations to distribute their money to small businesses; however, most of these vehicles exist in urban areas. Investing in rural areas becomes too risky for private investors -- it is time consuming (the urban vehicles are readily accessible) and the remote locations can make the investment difficult to oversee.

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[1] Access to Capital: Start to Finish, page 3, Federal Reserve Bank of Richmond, Sept. 15, 1998

[2] Ibid

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PricewaterhouseCoopers reports that the majority of national venture capital for the 4th quarter of 1998 was invested in urban areas. Almost 50% went to Silicon Valley and New England. Another 16% went to the DC and New York metropolitan areas and L.A./Orange County. These areas received approximately $2.4 billion out of the $3.67 billion invested. *Only 5.7% of all investments went to the (primarily rural) South Central, Southwest, and Northwest Regions combined.*[3]

Hasn't equity investment increased dramatically in recent years?
PricewaterhouseCoopers reports that national venture capital investment increased last year by 24% to $14.27 billion. But where is this money going? *"Of the $2.7 billion increase in total investments between 1997 and 1998, $2.5 billion flowed into technology companies [i.e. 93%].... As a whole, technology-based companies accounted for $10.8 billion or 76% of all 1998 venture capital investments."* Small businesses located in rural and low-income urban areas, with their economies primarily in retail and natural resource-based industries, generally are not benefitting from this enormous support for technology-based development. Only 3.5% of 1998 fourth quarter funds went to support retail and industrial investments, a total of $127 million, paling in comparison to the $2.79 billion invested in technology companies during the same three months.[4]

How can the New Markets Tax Credit change the odds of investment in high-risk areas?
The New Markets Tax Credit provides an incentive of a 25% tax credit over five years on equity investments in low- and moderate-income rural and urban communities. This tax credit will encourage private investors who may never have considered investing in high-risk areas to do so. $1.2 billion would be available from the federal government, encouraging a potential $6 billion in these high-risk areas. Because community development vehicles may not redeem the equity interest for at least five years, capital stays in the community. The New Markets Tax Credit will create new relationships between investors, community development vehicles, and small businesses, which will foster continued support and lasting investment.

Where can private investment make a profit for the investor and a difference for the community?
By investing in the community through local businesses, private investors can explore new markets and improve the quality of life for people in the area. Community development organizations may use the funds from private investors to develop:

- micro-enterprise
- manufacturing businesses
- commercial facilities
- community facilities, like child care centers and senior centers
- co-operatives.

Two examples of successful community development equity investment
Coastal Ventures L.P. **of Coastal Enterprises, Inc. is Maine's first socially responsible venture capital fund. CVLP seeks to foster employee-owned management practices, and to help create socially beneficial products and services. *Cuddledown of Maine*, nationally known for its premium-quality bed-and-bath merchandise, received a capital investment from CVLP, enabling the Portland-based company to triple its manufacturing space while maintaining its commitment to creating quality jobs with above-average wages and benefits.**

Kentucky Highlands Investment Corporation**, described by the *Wall Street Journal* as having a "rare mix of altruism and hard-nosed capitalism," is a community development corporation that has invested in Appalachia since 1968. KHIC recently invested in a family tent-manufacturing business that needed to diversify its products. This business, originally started with KHIC's help, was able to expand and include automotive airbags because of a new investment from KHIC. The company is thriving, employing nearly 300 people and operating two jobs programs for the handicapped.**

---

[3]Web site - http://www.pwcglobal.com - PricewaterhouseCoopers: MoneyTree Survey Report, Feb. 24, 1999

[4]Ibid

New Markets Tax Credit

"Businesses must have equity capital before they are considered viable candidates for debt financing... Continued efforts to develop the markets for private equity investments will be rewarded by an innovative and productive business community. This is especially true in lower income communities, where the weight of expansive dept obligations on small firms can severely impede growth prospects..."

Alan Greenspan, Federal Reserve Board Chairman

Thank you, Maggy
Good Friend
Cc Linda Moore

RK

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(original for
reply)

THE PRESIDENT HAS SEEN
7-12-94

BARBARA L. BROWN
1412 HIGH STREET
CHESTER, ILLINOIS 62233

Dear Mr. President

I am so delighted that you are undertaking this initiative and making this visit to our region. Southern Illinois has not shared in the wonderful economic prosperity your administration has brought about. During my travels during my campaigns I visited families suffering deep economic distress due to unemployment and the discouragement that breeds. I have watched for years as our bright young talent are literally forced to leave our area to seek opportunity that does not exist, and we have come to fear, will never again exist in Southern Illinois. You know the families I refer to, they were your neighbors just as they are mine for you grew up in the same environment that I did. My efforts to secure a seat in our State Senate was motivated out of a desire to be a catalyst for change in our area but, unfortunately I represented too much of a change in a culture that has not yet gotten used to women with an education and political ambition. If I can aid your efforts in any way I'll be ready and willing to do so! We have such potential, we need

7-12-94

After you have seen,
we will send to
Berkhardt for reply.

Carl

a heart like this one to be able to realize it.

Someday I hope to be able to share with you all of the ways you have made such a significant difference in my life. Working with your administration has given me tremendous opportunities to learn and experience a world I would never had known. I must have the chance someday to share that with you.

There is one person in particular from your staff who has been remarkably helpful to me personally — Linda Moore. She has helped me with academic programs, political requests and personal requests. She has never failed to return my calls or take interest in my interests. As a matter of fact, she is making arrangements for me to visit there in August so that my youngest son — your biggest admirer — can visit the White House as he celebrates his 14th birthday. He was my biggest champion during my campaigns and suffered my losses more than anyone. His White House visit is very special to him and I'm grateful to Linda for her help.

I pray for you and your family daily and will remain available to aid your efforts in any way I can. God bless you in your efforts —

Jack

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Clemency
from Newsweek
for —
BC

Mr. President
William J. Clinton

7-12-99

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Carol

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7-12-99

7-9-99

Hulut H. Hall
H.C. 85 Box 1108
Whitesburg Ky 41858
606-633-9430

Dear Mr. President.

I Would Like To Bring To your attention two Cases. Hulut Hall VS. Charlie Wright and William Wright in Let. Circuit Court. This Case inrolves open Record Laws. This Case ~~Take~~ Precedent on the Court Docket. It's Been 16 yrs. this Case hasn't been heard. Also My attorney Withdrew from this Case in 1984. In 1988 there was a Agreed Judgment entered in this Case. The attorney that Withdrew from the Case signed as My attorney. This was done Without My knowledge or Concent. Action No. 83-CI-164.

Also Bethlehem Mines Corp. and Beth-Elkhorn Corp. VS. Ben Hall. Bunk Fultz and Fix-it. up. Coal Co. a Ky. Corp. In this Case the attorney that represented My Father Ben Hall Sued My Father While he represented him in the Same Case. and never Withdrew from Case. Action No. 84-CI-037 The land inroled in this Case Was Sold Twice While in ligigation. My Father Passed on 6-5-98. Me or My Father has never had our day in Court. If there is Anything that You Can do to help us I would appreciate this Very Much. Me and Daddy are True americans

Mr President: Another good article in The Christian Science Monitor. 6.22.99

You should consider giving them an interview

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

BOSTON · TUESDAY
JUNE 22, 1999

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Sweetening the pot *Southern restaurateurs hungry for help – cook up ways to lure workers.*

Dovish ex-warriors *Israel's premier surrounds himself with military men – who may speed peace.*

Learning *Our final visit to a new charter school closes with tough news: Many kids will stay back.*

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ISLAMIC WOMEN



BURHAN OZBILICI/AP

RELIGIOUS SYMBOL: Many Islamic women wear a scarf.

In a knot over head scarves in Turkey

By Ben Holland
Special to The Christian Science Monitor

ISTANBUL, TURKEY

IT'S only a light, almost flyaway, piece of fabric. But in Turkey, it has flown into a weighty debate – a debate that resonates across the Islamic world.

As in other nations, the head scarf is worn by many Islamic women in Turkey. But the country prides itself on keeping secularism in government – meaning that scarves aren't welcome in state buildings and institutions.

So when Islamist parliamentarian Merve Kavakci wore a head scarf to the opening of Turkey's parliament in April, heads turned. Some argued it was Ms. Kavakci's right to wear a scarf. Others saw it as a danger to the separation of religion and state.

The Kavakci affair has reinvigorated debate over wearing scarves in Turkish universities – another place they're banned. Caught in the middle are many women academics, who on the one hand are secular, on the other sympathetic to scarved students.

See **SCARVES** *page 10*

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Creating a new order in Kosovo

■ Ethnic Albanians demand jobs back, while KFOR and UN try to bring stability to province's civil administration.

By Lucian Kim
Special to The Christian Science Monitor

PRISTINA, YUGOSLAVIA – Yugoslav President Slobodan Milosevic's face stares down smugly from a picture frame in Dusan Simic's office. The flags of Yugoslavia and Serbia, to which Kosovo still legally belongs, flank his desk.

Despite the trappings of his office, the mayor of the Kosovar capital, Pristina, is one of many Serbs here with an insecure future. With the arrival of KFOR peacekeepers, ethnic Albanians are demanding back jobs.

Since Mr. Milosevic lifted Kosovo's autonomy in 1989, ethnic Albanians have been kicked out of leading positions in government, education, health every other institution province function. In a bo clampdown, Albanians h tions and set up their ow ics in private homes.

Now, the tables have t tional community is wo such factors as the exod ians and last week's surg banian Kosovo Liberation

See ... page 7

copied Lockhart Podesta

Clinton defies lame-duck label

■ He pushes activist domestic agenda, unlike earlier two-term presidents in their final months.

By Francine Kiefer
Staff writer of The Christian Science Monitor

WASHINGTON – In some respects, President Clinton is following the classic profile of a lame-duck president.

He's focused heavily on foreign affairs, as his triumphal tour in Europe this week shows in the wake of the Kosovo conflict. But he's finding less success at home, as epitomized by his stinging defeat on gun control in Congress.

As America has come to learn, however, Mr. Clinton defies definition as a "classic" president, and the lame-duck label is no exception. In sharp contrast to other two-term chief executives, Clinton is pursuing an activist domestic agenda in his final years in office with an eye toward rehabilitating his legacy – despite the tensions with a GOP-controlled Congress.

"He is different than any modern day president, in being so active and in having so much energy at a time when he should be depressed and not pursuing anything," says James Thurber, director of the center for congressional and presidential studies at American University here.

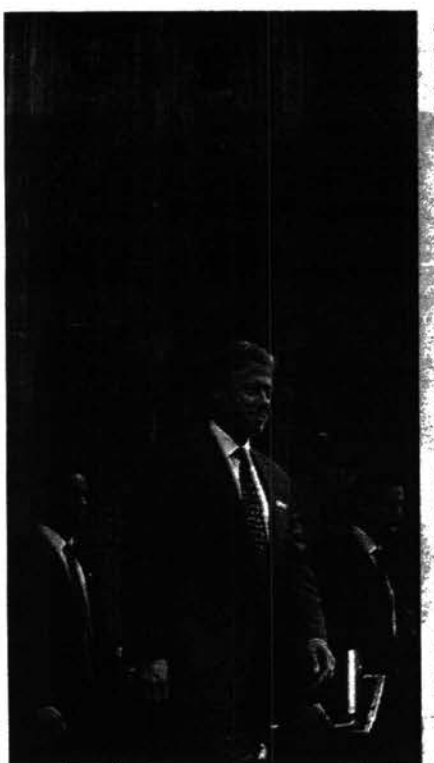
Despite impeachment and a war, Clinton still managed, for instance, to take the initiative after the Littleton, Colo., shootings. He started a national campaign against youth violence, pressed gun control in Congress, and encouraged movie theaters to card youths at the box office.

His job-approval ratings, while slipping 10 points since winter, top the seventh-year ratings of Ronald Reagan and are on par with Dwight Eisenhower's, the only other two-term presidents since World War II. Nor is he giving up on some of the more contentious domestic issues.

"As soon as he comes back from Europe, you're going to see him focusing his attention more and more on our domestic agenda," says Ann Lewis, counselor to the president.

She ticks off a list of items awaiting the

See **CLINTON** *page 4*



GREG GIBSON/AP

TRIUMPHAL STRUT: President Clinton leaves Cologne Cathedral in Germany on his way to the final session of the G-8 economic summit. He will stress domestic issues when he returns.

YOUTHS AND MORALITY

School doors crack open to religion

■ House vote to allow Ten Commandments in public schools stirs church-state debate.

By Marjorie Coeyman
Staff writer of The Christian Science Monitor

In public schools, organized prayer is prohibited. But how about reading verses from the Bible? Or pausing every morning for a collective "moment of silence"? Or posting the Ten Commandments in school hallways?

For most of this century, America's public schools have been the major battleground between those who want children in the classroom to be taught a religion-based moral code and those who insist that the US Constitution prohibits any such mingling of church and state.

To the dismay of people who believe this moral grounding should be part of public education, church-state separationists have held sway for decades – winning through the courts a ban on school prayer, readings from the Bible, and, in some cases, a "moment of silence."

But now, several forces are blurring that distinct line between affairs of church and state – with schools again at the heart of the debate. These include broad societal shifts, such as post-Littleton concerns that a moral vacuum

See **SCHOOLS** *page 10*

USA

Clinton defies relaxed pace of a lame-duck president

CLINTON *from page 1*

president's attention: strengthening Social Security and Medicare by saving the surplus, formulating a prescription-drug plan for Medicare, drafting new environmental rules, and boosting urban and rural economies. "Our view is that we've got a year and a half of this presidency, and the president has told us he expects us to be working hard every day of that year and a half," says Ms. Lewis.

Both Eisenhower and Reagan spent their last two years heavily focused on foreign affairs, and were "much more passive in dealing with the presidency than Clinton," says Bert Rockman, a University of Pittsburgh professor who is writing a book on Clinton.

Eisenhower was caught up in the crisis created by the downing of an American spy plane over the Soviet Union, while Reagan moved the United States toward arms control and warmer relations with Moscow.

Faced with opposing parties controlling Congress, "both were content to let things wind down," says John Kessel, professor of politics at Ohio State University in Columbus. In his last year, for example, "Ike was really looking forward to his farewell address."

Not Bill Clinton.

For starters, Clinton is decades younger than these two Republican cold warriors. Also, both Eisenhower and Reagan had significant careers before becoming president and felt content with their legacy and role in public life, says Mr. Kessel.

Clinton, on the other hand, is in desperate to try to overcome his unique and ignoble place in history as the first elected president to be impeached.

And then there's just the Clinton way of doing things. "He's had a bushel-basket-full of programs ever since you can remember. He's not going to let up on this at all. It's habit," says Kessel.

This is not to say that foreign affairs won't play a major role in Clinton's remaining 18 months. The US is indefinitely committed to peacekeeping in Kosovo, and commentators have coined the phrase "the Clinton doctrine" to describe US military intervention in humanitarian crises.

But it's the bushel-basket approach that will govern what he does domestically. According to analysts, the president will likely continue to push a plethora of small initiatives, hyped by the White House to appear larger than they are. While he may make headway on raising the minimum wage, or a patients' bill of rights, analysts don't expect significant reform of Social Security or Medicare – two high-profile goals for Clinton's second term.

As the president's stunning gun-control defeat made clear, Congress is not willing to play along – even for an issue that enjoys public support, and even after extensive personal lobbying from the president, who got up at 5 a.m. in Paris last week to phone wavering Democrats.

Eisenhower and Reagan were 'much more passive in dealing with the presidency than Clinton.'

– Bert Rockman

Impeachment and the coming elections are largely responsible for this. "Reagan didn't have this degree of personal animosity between the leaders of Congress and the president," says Marshall Wittmann, congressional analyst at the Heritage Foundation here, adding that "the president doesn't have any personal loyalty."

Indeed, 45 House Democrats initially voted to weaken gun control, before the entire bill was defeated. Wittmann says the Kosovo war closed whatever window Clinton and Congress had to reform entitlements.

This leaves the president with little choice but to use his veto powers, his bully pulpit, and executive orders to get what he wants. While these tools are not enough to enact major reforms, they could advance a limited domestic agenda, and turn Clinton into at least a sprinting lame duck.

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"THE OBJECT OF THE MONITOR IS TO INJURE NO MAN, BUT TO BLESS ALL MANKIND."
– Mary Baker Eddy

(ISSN 0882-7729) (ISSN 0896-551X World Edition) Published daily except Saturdays, Sundays, and holidays by The Christian Science Publishing Society, One Norway Street, Boston, MA, USA, 02115. An activity of The First Church of Christ, Scientist, in Boston, Massachusetts. Marcas Registradas.

Registered as a newspaper at the Post Office. Periodicals postage paid at Boston, MA, and at additional mailing offices. Commission Paritaire No. (France): 3125 USA. Revenue Canada G.S.T. Registration Number 126916436.

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1-800-456-2220
(Monday through Friday, 9:00 A.M. to 6:00 P.M. ET)
Or write: The Christian Science Monitor, P.O. Box 37304, Boone, IA 50037-0304.

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Rates: Daily edition (US) – 1 year $168, single copy 75¢. Daily edition outside US – 1 year $189. World Edition (weekly, not available in the US) – 1 year US$79, single copy US$1.50.

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POSTMASTER/ADDRESS CHANGES: Send to The Christian Science Monitor, P.O. Box 37308, Boone, IA 50037-0308. Phone 1-800-456-2220. Periodicals postage paid at Boston, MA, and at additional mailing offices. The Christian Science Monitor, Treasurer's Representative, Brassey House, New Zealand Avenue, Walton-on-Thames, Surrey, KT12 1QD, England. Freephone: 0800-96-0866.

CANADA POST: Publications mail agreement nr. 1435922.

Minority officers say cops can't police themselves

NEW YORK – The argument that police should not be investigating themselves when it comes to charges of brutality is gaining ground in some quarters – including among African-American officers.

Convinced that the so-called "blue wall of silence" makes it difficult to hold police officers accountable in such cases, some minority officers are joining with community organizers and others who want to throw the whole process open to the public.

Lt. Eric Adams, assigned to the 88th Precinct in Brooklyn, says police forces are incapable of adequately investigating cases such as those that recently rocked the New York City Police Department. "There is too much possibility of corruption," says Lieutenant Adams, who is black. "We need independent investigations." Most recently, two officers were convicted in charges stemming from a brutal attack on a Haitian immigrant.

Adams has been highly visible in efforts to demand greater public accountability by police departments, as has Sgt. Dé Lacy Davis, a black officer in East Orange, N.J. The two have organized peers, decrying disciplinary systems that they say protect the abusers.

HE TESTIFIED last month at a hearing here before the US Commission on Civil Rights. The federal panel is looking into charges of police brutality and discrimination against minorities in New York.

The hearing came as one sign of growing skepticism over internal investigations by police departments. Human Rights Watch, an international monitoring group, examined disciplinary procedures in 14 US cities and concluded that holding abusive officers accountable is virtually impossible.

Some minority officers, of course, argue that blaming departments' internal affairs units – which investigate charges of police abuse – is unfair because the units lack the resources needed to ferret out bad cops.

But Sergeant Davis, who has advised police departments around the country, places much of the blame on cops, including blacks, who adhere to the code of silence. He sees the need for independent investigating bodies, and also for community-based training of police, as well as mandatory drug testing and annual psychological testing.

– American News Service



ROBERT HARRISON – STAFF

Catching daylight's last rays

People drop their fishing poles off the Redondo Beach Pier in California. While the sport is most popular in the summer months, hearty fishers line the pier year round for an opportunity to catch dinner.

THE PRESIDENT HAS SEEN
7-12-99

at last to break away from Indonesia. Their choice in the referendum is to accept an offer of autonomy or to reject it. If they reject it, Indonesia has said it will let the territory become independent. But rejection carries its own risks: people worry how such an impoverished place with few natural resources would cope on its own. Many foresee only more strife.

The dangers are compounded by uncertainty about Indonesia itself. As the slow totting-up of results in the recent general election continues, it is far from clear who will form the new government in Jakarta; its composition will probably be determined by backroom deals among coalition-building politicians (see page 45). Many of Indonesia's politicians are at

copied Ucelli Podesta

Timor. Indeed, the apparent win-
ati Sukarnoputri, has questioned
nment was entitled to make a deal
bout the referendum at all.
icern are the killings, torture and
d Amnesty International say vio-
ity. Much of it is blamed on the
pears to be encouraging and even
independence. Up to 50,000 East
es, some in camps controlled by
allegations of aid money being
onesian factions. All the allega-
orities in Jakarta, but reports from
independent observers tend to support them.

Which is why the delay in the vote should be treated as an opportunity for Indonesia and Portugal also to reconsider the question that the voters will answer on the ballot. Instead of a simple choice between autonomy and instant independence, they should be given the option of voting for autonomy with the guarantee that another vote would be held in three (or five) years' time on the matter of independence. In the interim, the Indonesian army would withdraw, and the UN would maintain its mission—perhaps strengthened—in the territory.

A second chance for everyone

Such an option might prove attractive to some of Indonesia's potential rulers, such as Miss Megawati. It might also be welcomed by many East Timorese, even such staunch critics of Indonesia as José Ramos Horta, an exiled leader, and Xanana Gusmao, the jailed commander of the territory's armed rebels. Both have said East Timor would benefit from a period of transition. It would also give the new government in Jakarta a period to prove that its intentions were honest and that the ill-treatment of the past was at an end. It might even dissuade other restive provinces from trying to break away. Indonesia should have nothing to fear from putting such a proposition to the people of East Timor—unless, of course, not that much has changed in Jakarta after all.

The gun commandments

Lourba - Fyl - BR



Coming soon to America's public schools

SO THE House of Representatives has decided it does not want any more gun control. Quite right, too. The proposal on the table was for mandatory background checks on buyers at gun shows. Outrageous. America has only 4,000 of these shows each year, and they are fun family affairs to which children are admitted free. Imagine the distress of these little ones when their father, already happily toting his semi-automatic, is asked to give his Social Security number!

Yet this proposal is only the tip of a much bigger issue: who or what is to blame for America's horrible levels of violence, especially among the young. Some say guns cause it. Nonsense. There are only 192m firearms in the hands of private citizens, which is not yet enough for each man, woman and child to defend their lives and their property according to their sacred rights enshrined in the constitution. This is not a nation armed to the teeth, but a responsible citizenry. If there are bad elements among them, the evil is not in their guns. It is in their souls. What they need is not gun-control, but God.

Consider the words of Tom DeLay, the majority whip. He knows the answers lie not in background checks or child-locks but in restoring the teaching of creationism in the schools. It is in the spirit of Mr DeLay that the House decided, rather than controlling guns, to allow the Ten Commandments to be posted on the walls of every public school in America. That will teach them.

It is, of course, possible that the Supreme Court (a Godless institution) will decide that this offends against the separation of church and state. If this happens, Congress has an alternative set of commandments ready. They will do just as well.

1. Honour the National Rifle Association, and remember that it doth contribute $4m to congressional campaigns.
2. A well-regulated militia being necessary to the security of a free State, the right of the people to keep and bear Arms shall not be infringed.
3. Honour the Sabbath day and keep it holy. Six days shalt thou labour and do all thy work, and on the seventh thou shalt do target practice.
4. Honour thy father and thy mother, or they will blow thy head off.
5. Thou shalt not kill, except when provoked. But if thou dost, remember that thy gun had nothing todo with it.
6. Thou shalt not commit adultery, for the husband probably has a cupboard even fuller of ordnance than thine.
7. Thou shalt not steal, because then thou shalt be unable to pass a gun-shop background check.
8. Thou shalt not bear false witness against thy neighbour, saying he hath illegally imported assault weapons from China, when in truth they are Russian ex-army issue.
9. Thou shalt not covet thy neighbour's wife's little pearl-handled number which she keepeth in her bedside drawer.
10. Thou shalt not covet thy neighbour's Uzi, for behold it may well be turned against thee.

And greater than all these? "Thou shalt love thy gun as thyself, for it hath made America what it is today."

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What about Rice?

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Pressed by Backlog, U.S. Rethinks Citizenship Test

A1

By SUSAN SACHS

If all it took to become a citizen was knowing what caused the Revolutionary War, Grigoriy Brekhman would be in luck.

"The taxes were very high and the colonies hated England about the taxes because they had no rights," explained Mr. Brekhman, a 65-year-old immigrant from Ukraine, when the teacher in his citizenship class posed the question last week.

Correct, the teacher said, but not the best response.

"At the interview, they are looking for short answers," she advised her elderly Russian-speaking students at Bronx House, a Jewish community center. "If you said, 'high taxes,' that would be very good."

Mr. Brekhman is part of the largest group of applicants for citizenship in the nation's history. Altogether, 1.8 million people are waiting to be tested on their knowledge of English, civics and history.

The test is at the core of one of the weightier decisions any nation can make: who should be a citizen?

But for this important judgment, critics say, the Immigration and Naturalization Service relies on a process that is not uniform in content, administration or grading.

Even eager candidates like Mr. Brekhman, in the final analysis, are judged less on their understanding of citizenship and American values than on their ability to memorize a list of names, dates and facts, like the name of the Pilgrims' ship, the author of "The Star-Spangled Banner" and the colors of the flag.

Although officials supposedly work from the same set of 100 history and civics questions, the agency has found that failure rates vary widely across the country. The agency's critics say that is because the way questions are chosen and framed, and the way answers are assessed, depend on the mood, style or locale of the interviewer.

Partly because of a backlog of applications, caused largely by computer problems, that has overwhelmed the naturalization process in the last three years, the I.N.S. is now looking at ways to make the citizenship test more uniform and easier to administer. Inevitably, in

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re-examining the mechanics of naturalization, a debate has arisen on the more fundamental issues of what United States citizenship means and what the country should require a new citizen to know.

"It's not a question of making the naturalization process harder or easier," said Noah M. J. Pickus, assistant professor of public policy and political science at Duke University and one of the experts consulted by the I.N.S. "But can we make it more a meaningful, coherent lever for accomplishing the kinds of aspirations we have, not only for immigrants, but also for native-born citizens?"

Immigration agency officials said that over the next few months they would decide what subjects to include in a revised civics and history test and how much applicants should know to pass the language and civics tests. They hope to solicit bids on a test-development contract in the fall.

"We've wanted to open up the issue on all fronts," said Doris M. Meissner, the Commissioner of Immigration and Naturalization. "And it's implicit in our asking the question that we wanted the test looked at, both the way we use it and what we want the test to be."

An applicant for citizenship now is tested for English proficiency and knowledge of the government during an interview with an immigration adjudicator that can range from 15 to 40 minutes. The process includes an oral exam in English on some history and civics topics and questioning about the personal data on the application form. In most cases, the adjudicator also dictates a few sentences in English and has the applicant write them down. The content and conduct of the interview and the judging of the writing are left entirely up to the adjudicator.

A new test will be part of a broader agency effort to streamline and standardize naturalization procedures, at a time when more foreigners than ever are seeking citizenship because of Federal cuts in benefits to noncitizens.

"We're looking for a testing process where there's as much consistency as possible throughout the agency," she said, "and as much preparation by the applicants as possible, so they have the strongest chance of passing it if they prepare."

Question of Revision Sets Off Alarms

Still, topics like immigration and citizenship tend to set political bells ringing, so the discussion of revising the tests may end as little more than an empty exercise. Ms. Meissner's agency, buffeted both by advocates for immigrants and by conservatives seeking to restrict immigration, is treading carefully.

Two years ago, the agency hired the consulting firm PricewaterhouseCoopers to poll a broad range of people, including experts in linguistics and civics and Congressional aides, on the same questions of revising the naturalization process.

Its report, which reviewed existing history, civics and English language standards but made no specific recommendations, was completed at the end of 1998. It has not been distributed outside the agency, in part to forestall a possible conservative backlash against tinkering with the process at all.

"In my view, you can ask the same questions today you asked 50 or 100 years ago, because the idea of America is the same as it was 50 or 100 years ago," said Stephen Moore, an immigration analyst at the Cato Institute, a libertarian policy group in Washington. "So I worry about either dumbing it down or updating it."

At the other end of the spectrum are academics and some immigrant advocates who support doing away with as many obstacles to citizenship as possible, although that would require changing the 47-year-old Immigration and Nationality Act.

Dr. Pickus, one of the civics experts contacted by the agency's consultants, contends that more can be accomplished by making naturalization what he calls a transformative experience. Starting a national program of citizenship classes, he said, could help enlighten prospective citizens about their rights and create a sense of identification with their new country and its principles.

"It can play a kind of catalytic role," he said. "Imagine a situation

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The New York Times
MONDAY, JULY 5, 1999

where you had civic education courses that talked not just about the separation of powers, but what to do if your landlord sues you."

The test itself would still be a test. But a reform of the naturalization process should look at more than the test questions alone, he said. "The question is, what should the naturalization process consist of?" he said. "How do we prepare people for citizenship?"

An Earlier Move To Change the Process

At the turn of the last century, the Progressives' Americanization movement had a similar idealistic mission of creating new citizens, rather than simply testing them, and organized citizenship classes in settlement houses and other private institutions that taught civics and history in immigrants' native languages.

Looking back at the excesses of that movement, many historians now say it evolved into something xenophobic, nativist and coercive. The industrialist Henry Ford, for instance, required his foreign-born employees to attend classes, and the first thing they had to learn was to say, "I am a good American."

After the United States entered World War I, the emphasis of the movement shifted even more, to compelling immigrants to make patriotic oaths. But by the end of World War II, the Progressives' crusade had largely faded.

The objective legal criteria for citizenship have not changed much over the years, except that race and ethnicity restrictions have been replaced by national quotas. To qualify, an applicant must have lived in the country as a permanent resident — the requirement now is at least five years — and have no criminal record or affiliation with any organization that advocates the violent overthrow of the Government.

But the more subjective components of naturalization have metamorphosed several times. In the first century after independence, the naturalization process emphasized a loyalty test in which new citizens had to demonstrate their "allegiance to the Constitution" and, later, "their attachment to the principles of the Constitution."

Between the world wars, applicants had to show they were literate by reading at least 40 words in any language, not necessarily English. For a time, it was enough for applicants to bring two citizen witnesses to attest to their character, attitude toward the Government and qualifications for citizenship.

In 1940, the law was changed to require applicants to demonstrate "knowledge and understanding of the fundamentals of the history, and the principles and form of government, of the United States." Twelve years later, a section was added requiring naturalization candidates to show they could read and write "simple words and phrases" in English.

There have been a variety of different tests in use, but since 1986, the immigration service has relied on a set of 100 possible history and civics questions as the guidelines for those who give citizenship interviews. That test, now given orally, serves as a kind of English language test, but language proficiency is generally tested by also having an applicant listen to a dictated sentence or passage and write it down.

The test questions cover basics like the structure of the Federal Government, the cause of the Civil War, the content of the Bill of Rights and the name of the building where the President lives. Other possible queries include the name of the applicant's Governor, the number of stripes on the flag and the name of the first President.

Seeking the Meaning Behind the Questions

Advocates for immigrants, who worry that a revised test might prove to be a barrier to citizenship, said the test can be useful if it causes immigrants to make an effort to understand the meaning behind the questions.

"Nobody would argue that this is the best test that's ever been devised, but it's not bad," said Gary E. Rubin, director of public policy at the New York Association for New Americans, one of a handful of groups in New York City that help immigrants prepare for the test.

"The truth is that immigrants who study for the test know how the Government works," he added. "They know why there are three branches of government. They know who can declare war."

The questions touch on many of the topics that are recommended by history and civics educators who developed standards for public school students.

But in the view of some experts contacted by the immigration agency consultants, the questions do not constitute a test of relevant or meaningful knowledge.

"It doesn't test for understanding," said Brenda Bell, an associate director of the Center for Literacy Studies at the University of Tennessee. "There is nothing about the questions that hangs together and lets you know the person understands what it means to be a citizen in this country."

Good citizenship skills, she added, include knowing how to participate in local politics and understanding civic rights and responsibilities. The problem is devising a standard test to assess that. "It's not an easy issue we're talking about here," Ms. Bell said.

At some point in the immigration agency's effort to revamp naturalization testing, it will have to decide whether to continue administering the tests itself. Many immigrant advocates have contended that it should not.

"All I.N.S. officers have enforcement training," said Aliza Becker, an author and independent consultant on immigration issues in Chicago. "This causes many of them to approach the interview with an eye to finding any reason a person can not be naturalized. This is not a problem for the educated, but there are people, like many refugees, who are terrified."

Assessing proficiency in what is called "ordinary English" can be the most arbitrary part of the interview. For about one-third of those who fail the citizenship test, the language portion is the reason.

" 'Ordinary,' in my view, is ordinary life, and what do most people do in their lives?" Ms. Becker said. "They speak. They don't read and write a lot. Of course, I would love to see enough English-training resources made available so that immigrants could learn enough to fully participate in all aspects of civic life. But I don't think it's a fair standard to become a citizen. We don't hold that standard to our own citizens."

A Quick Rate Of Assimilation

Forgotten in much of the testing debate, however, is the evidence that most newcomers quickly integrate into mainstream American life, even if they do not start out as experts in English or civics.

A study published last week by the Immigration Forum, an advocacy group in Washington, said that more than three-quarters of immigrants spoke English fluently 10 years after arriving in this country and that after 20 years, nearly 70 percent sink down roots in a community by buying their own homes. The study relied on 1990 Census data.

"One does expect them to learn English and they do," said Nathan Glazer, professor emeritus of education and sociology at Harvard. "One does expect them to participate in politics and they do. So one could probably make a case in terms of social trends, that the citizenship test hardly matters."

But the naturalization exam has a value beyond its content, he added.

"I think it has another virtue — the virtue of solemnification, of rebirth that comes with the change of status," Mr. Glazer said. "I think that we have little enough in our lives which mark transitions in a significant way, and I think the requirements make it significant."

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The New York Times
MONDAY, JULY 5, 1999

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IF THERE IS A HONEYMOON, THERE WILL BE NO MARRIAGE

THE FIRST BARAK/CLINTON SUMMIT

MEMO
To: President Bill Clinton
From: Stephen P. Cohen

Via: Rahm Emanuel DRAFT TWO

1. There is no time for the first Clinton/Barak summit to be a "get acquainted" session. It must be a substantive strategy, agenda setting, and ground rules defining session. What is not accomplished in the first year of this Clinton/Barak partnership, through the summer of the year 2000, will not be achieved. What is accomplished in the first year will not only be historic for both leaders, but will also determine whether Ehud Barak is a watershed Prime Minister in the history of the peace process even after the Clinton Presidency.

2. Therefore, the temptation to go slow and be gentle with a new Israeli Prime Minister, especially a friendly one following a smashing victory over a hostile one, must be resisted. Celebrate yes; but then business, clear and definitive.

Barak listens intently but unresponsively, as if being debriefed. Or else he speaks, at length as if lecturing or handing down decisions. Rarely does he have a deep lengthy conversation, in which there is an exchange of views, spontaneity, and true negotiation and encounter. The Clinton /Barak meeting has to break that pattern and establish between them real interaction. It must not be neither a Presidential briefing to Barak nor a monologue of the Prime Minister. It must be a

sustained and deep exchange of insights, approaches, and directions of planning and action, and political analysis. Barak must be encouraged to share with the President where he wants to go, when he wants to go there, and which forms of conveyance are acceptable and which desirable.

3. The President should be clear about American needs and interests in this process, including timetable, the role envisioned for Russia, for Europe, and for Egypt, and the projected involvement of Congress and even the Republican leadership. The President's investment in Wye must not be underestimated, nor the value of the unique trust developed with the Palestinians. The notion of postponing the Palestinian issue until Clinton leaves office must be placed in American context, not only Palestinian context. A historically significant change in the Palestinian status and in the Israeli-Palestinian relationship should take place on Clinton's watch.

Barak has a very systematic approach and an ability to handle multiple variables, but he needs to know clearly which variables to take into account or he will simply ignore them until trouble arises. President Clinton will set the variable list for Barak. Barak is brilliant enough to fit a strategy to that variable list, even if it includes elements he hoped to avoid.

The President should be clear about levels of American authority that will need to be involved. Barak's penchant for closely held control in his own office and in his own head has significant advantages for secrecy, but it can lead to very heavy expectations of exclusion of working levels and of direct involvement of the President. The President needs to think through his readiness for this and where he prefers other levels to take the lead.

TWO TRACKS LEAVING ONLY ONE SET OF TRACKS

One: Lebanon, **The Track that can be followed**, and Syria, The undetectable track

Only once in his highly disciplined campaign, did Barak break out of his pattern of very general commitments to restarting the peace process, without specifying concrete goals. It was in his decision to commit himself to withdraw from Lebanon within one year. Until that time he had been quite dismissive of the pressures and public proposals for unilateral withdrawal from Lebanon. He saw the rise of casualties in March 1999 and made the most dramatic and the most policy specific foreign/security proposal since becoming party leader. (The first almost-specific proposal was on settlements in Barak's "silence of the lambs" speech of May 28,1988 when he said, "most of the settlers will remain under Israeli sovereignty, but not necessarily all the settlements.")

This Lebanon withdrawal declaration, together with his Clintonian promise to create 300,000 new jobs, have become the concrete promises by which he will be measured for success. Barak likes to say that he will be able to get agreements that Netanyahu could not get because Netanyahu was simply not believed. Barak is very intelligent and knows that it will take more than trust of him to shape agreements. It will require flexibility of approach and openness on the substantive issues. It will also require a balance between the internal secret dynamics of negotiation and the order in which details are released to the public.

Barak's attempt to reach an agreement with Sharon about including the Likud in the government ran into this wall. Sharon is determined that withdrawal from Lebanon be separated from Syria negotiations. He does not want to acknowledge in this way the success of Syria's use of Hizbollah. Barak is ready and willing to negotiate with Syria, but Assad will not allow an agreement about Lebanon that does not parallel a full agreement on the Golan.

The Clinton strategy must be ***to link the reaching of the two agreements and de-link the implementation of the two agreements***. That is an agreement to withdraw fully from Lebanon must be part of an overall agreement to withdraw fully from the Golan. But the withdrawal from Golan itself should not be simultaneous with the withdrawal from Lebanon. The Lebanon withdrawal should precede the referendum and the Syria withdrawal should follow the referendum, allowing Barak to soften the blow of the withdrawal from the Golan and to win the referendum by the withdrawal from Lebanon.

The map of the Golan withdrawal lines and the details of the Golan security agreement, the map of Lebanon withdrawal and the disengagement of Hizbollah forces from the south of Lebanon, must from the start be linked as parts of a negotiation in "one overall document". The pace and extent of withdrawals must be linked first of all to normalization with Lebanon and only as deep withdrawal from Golan proceeds, peaceful relations with Syria must gradually kick in. The change in United States relations with Syria must also be programmed into this plan. The shape of the overall plan should be sketched out as an integrated whole from the start. It will not work unless all parts are envisioned so as to make this a full and comprehensive agreement.

In the course of the negotiation process, there could be an Israeli action of repeal of the Golan law in the Knesset. Israelis object to this because the coalition agreement precludes tampering with the Golan law until an agreement is reached with Syria. Whether or not the repeal of the Golan law is precisely the right formula, the Israelis will have to grapple with the idea that public acknowledgment of a commitment to full withdrawal is the mimmum that would make it possible to separate the implementation of the two withdrawals. There must be a public parallel to the Syrian agreement to allow Lebanon withdrawal to be implemented prior to Golan withdrawal, even though the agreements on Lebanon and Syria have both been reached.

TWO: **Wye and Permanent Status : The unspoken track to a just peace**

The historic two part deal:
A Palestinian state without permanent borders;
The refugee solution without a literal right of return

The most profound underlying promise, made by actions and words of President Clinton and reinforced by the election of Ehud Barak, is the unspoken promise to the people of Israel and to the Palestinians, to the supporters of President Clinton and to the supporters of Prime Minister Barak, to put the Israeli-Palestinian conflict to rest. The conflict will have years of offshoots and there will be sub-groups who continue the past of rejection. However, the official state of war will give way to a new era in which Israeli-Palestinian peace is the official relationship, and in which a Palestinian state will live in peace side by side with a new Israel.

This promise must be sealed by the President and the Prime Minister in their first meeting, but *not* communicated publicly. It must be front and center of their solemn initial commitments.

The powerful trumpet call of the political framework of the fulfilment of this track must not be sounded until the goal is reached. Statehood must emerge at the same time as it stated. But it must become a publicly declared shared American-Israeli goal that the Palestinians will live side by side in peace with Israel as a free people. Quietly, without arousing the haters and the fear-mongers and the extremists, Wye must be implemented and the permanent status talks must proceed. There should be no fanfare around withdrawal; no ceremonies of implementation.

Let the Lebanon story carry the headlines together with meetings of the President with Arab leaders and with Barak. Let negotiations be quietly pursued on the key issues with a realistic eye to what can be accomplished by September 2000.

One approach, will be to try reach a generalized Declaration of Principles

by the May 4, 2000 Palestinian deadline. Barak should be probed by the President for his assessment of the one blueprint for agreement the Beilin -Abu Mazen documents, from which Barak distances himself but so far without specifics. Clinton could learn much valuable for future planning should Barak detail his objections to it.

I believe in a different approach, as there are too many DOPs between Israel and the Palestinians that are strewn over the landscape of partial implementation of agreements. I believe that President Clinton should leave office with the basic agreement of the shape of Israel/Palestinian relationships set and not leave it for reinterpretation by the next President.

By September 2000, there should arise a demilitarized Palestinian state, recignized first by Israel and the United States, with temporary borders, not final borders, with delimitations of sovereignty, with an agenda of issues that must still be worked through. Let it be a common goal of Clinton, Barak and Arafat and let them put their teams to work to implement this goal. Let this design include the removing of Israel's biggest fear by putting aside the right of return as a literal return to homes in Israel and let it be replaced with an immigration policy for the new Palestinian state and a humane resettlement and compensation package for the Palestinian refugees in the Arab world.

This "team" of designers of the settlement cannot be as narrow as the teams which have worked on interim dis-agreements. These issues require multiple ideas coming from a variety of sources filtered through the key actors in the three teams. Even if the profile of the United States is much lower than it had to be with Netanyahu, it has a no less daunting task. The United States must help feed to the negotiators new and innovative ideas on the tough issues of permanent status that cannot now be fully resolved.

If for Israel, there is one issue of permanent status that must be formally retired for the Palestinian State to emerge, it is the issue of the "Right of Return". It is this issue which if resolved definitively will resolve the existential Israeli fear of losing the Jewish majority . In my view, it will

be for the final status what terrorism was for the early phases of Oslo, Taba, Wye. It is a very hard issue that will require maturity not only from Arafat but from Jordan's young King and mostly from Assad and the Lebanese.

It is one reason why I believe that we need the track of Lebanon/Syria to be live and kicking for the Palestinian track to really work. Assad can help bring around the Palestinian radicals on this if he so chooses, as the refugees in Lebanon and the Palestinian groups in Syria will set the tone about the right of return. If he is again left out in the cold, Assad knows full well that Arafat's vulnerabilities in permanent status are Jerusalem and the refugees and both can be exploited to weaken the ability of Arafat to make a deal. On the other hand, proceeding with Assad alone, unless he agrees to stay out of the Palestinian issues, could arouse in him the temptation to try his hand again and asserting wider leadership over the Palestinian issue. Both tracks are organically linked, and should be procedurally linked so that no destructive competition emerges between them.

Still it i stoo much to expect that all permanent status issue be resolved while a Syria/Lebanon deal is worked through. A permanent Israeli-Palestinian border is probably beyond the possibility of solution at this phase, but that need not be a show stopper for moving to a Palestinian state. After all Palestine will join Israel as operational recognized nation states that have no fixed legally accepted borders. Matters like the permanent status of the Jordan Valley, the completion of the gradual consolidation of settlements into clusters, and the relocation of settlers and border rectifications are too heavy a burden for a year and a half of negotiations.

In my view, the best move about settlements this time round would not necessarily be a freeze. One alternative idea would be removing the Gaza settlements. This would be a dramatic act that would signal the move toward Palestinian sovereignty over contiguous areas. We need both Israelis and Palestinians to get used to the idea that not all settlements are the same and not all will have the same fate.

Nor in these first years of King Abdullah can the full contours of Jordanian-Palestinian-Israeli relations be decided. Abdullah needs to consolidate the East Bank before he wades into relations with the West Bank and so it is best to leave some issues for the stage at which both states are consolidated and new leadership is more solidified.

THREE: ALL THE BEST OF CLINTON AND HIS PEOPLE

To achieve these historic breakthroughs requires a highly concentrated, highly creative effort from the President and the Secretary of State and the National Security Advisor. There must be a very high level team that develops this effort which will require expertise that goes beyond official circles. The refugee issue has fueled conflicts between Israelis and Palestinians, between Israel and the Arab states, and between Palestinians and Arabs for decades. The Syria-Lebanon-Hizbollah-Iran complex is at the core of both immediate and long term strategic issues for Israel and for the United States. There is a need for concentrated high level design and implementation.

Many will argue for more modest goals given the restricted time and the difficulties of the issues. The problems will not get any easier by stretching them across two Presidents and by risking a change in leadership in one of the Arab principals over the next years. There will be enough time to make goals more modest; there is only this opportunity to set historic breakthrough as the target.

Nor is this the time for closing ranks but a time for the gathering of the best and the brightest to make this happen quietly and with energy and dedication. This will include a certain European input and a certain Egyptian input. The strategy however must be worked through Clinton, with close consultation with Barak as his main architect, but with agreement by Arafat and Assad, including the agreement to overtly affirm each other's track.

This indeed can be the jewel in the crown, not only for President Clinton, but for that special relationship, created between the United States and Israel over the first fifty years of Israel's existence and of the first fifty years of American leadership of the free world. Let Palestine and Syria start breathing freedom, through peace, through involvement and engagement with America and Americans. Let Israel breathe still more freely by becoming freer from fear and from hatred.

This time Clinton can rise to his fullest height, constrained neither by a shortsighted Israeli leader, nor by the prurient eye of his American opposition. This is worthy of Clinton's first line aides and America's first line leadership. This is a religious challenge for the millennium for the three monotheistic religions and the political morning star of the dawning of the next century.