



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

THE PRESIDENT HAS SEEN
10/30/95

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Kathleen A. McGinty
Chair

95 OCT 27 P 9:00

October 27, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

*See her recommendations
This is right. I think
need to get to
meeting
CEQ's due
Monday*

TIMBER

On Wednesday, the Circuit Court of Appeals for the Ninth Circuit denied the government's motion for a stay of Judge Hogan's decision ordering release of 62 additional old growth timber sales in Oregon and Washington. The court set argument in January and stated that our chances of success on the merits were negligible. Thus, contrary to our understanding of this provision of the rescissions act, the law requires us to release all timber sales ever offered at any time in the 13 national forests in Oregon and Washington and Bureau of Land Management lands in western Oregon.

As a consequence of this ruling, the Forest Service and the Bureau of Land Management immediately released 62 sales with about 230 million board feet. This is responsive to the injunction issued by Judge Hogan to release all sales offered during fiscal years 1991-1995. Next Wednesday, we are to submit a list to Judge Hogan of all such sales offered by the agencies prior to the passage of the original "318 sales" - that is, prior to 1990.

One more legal argument remains to shield some sales from release. The rescissions bill provides that no sale units shall be released if they contain threatened or endangered bird species "known to be nesting" in the unit. We are withholding a number of sale units based on our agencies' determination that they contain nesting marbled murrelets or spotted owls. That argument is set for the first part of November, but we are still uncertain which court will hear that part of the case.

Even if we succeed in defending our position on that argument, I must tell you the release of these old growth sales - all of which had been withheld because of our determination that they would cause significant environmental harm - puts the continued viability of your Forest Plan at risk. It also puts into question the continued viability of our initiatives to offer relief to private landowners under the Endangered Species Act and to avoid listing of certain widespread fish species that will be adversely

affected by these sales. The Department of Justice and USDA through the Forest Service have issued releases decrying the decision and asking timber industry stakeholders to voluntarily mitigate environmental damage. The press has been bad, equating our compliance with the court order as acquiescence. I will keep you informed as we assess the damage that this very broad reading of the rescissions bill has inflicted upon our forest policies. I attached to this memo, however, the final two pages of a memo I wrote to Harold Ickes on implications for the President's programs and recommends steps for you to take to turn this around.

MEETING WITH GOVERNOR KITZHABER

Governor John Kitzhaber (D-OR) met with Chief of Staff Panetta and the Western Strategies Group to discuss natural resource and health care issues. I have enclosed the memo from Gov. Kitzhaber and an article quoting him from *The Register-Guard* in Eugene, Oregon. I and others in the White House met with him separately. He urged us not to bow to timber industry and labor pressure. "They will never be with you and there aren't enough of them to fill a school bus, anyway" he said.

BONNEVILLE POWER ADMINISTRATION

The Vice President announced an agreement with Senator Mark Hatfield (R-OR) and other Northwest Senators on salmon recovery costs and the Bonneville Power Administration (BPA). The deal calls for a 10 year, \$4 billion salmon recovery program that shields the region's ratepayers from higher electricity prices and does it without suspending environmental laws. The BPA will have to spend as much as \$435 million annually to protect salmon. The deal sets aside an additional \$325 million contingency fund over 10 years to ensure that efforts to save salmon comply with federal environmental laws. You received significant praise from environmentalists and the fishing industry as well as regional elected officials on this initiative. This followed a week of bad press with speculation that we would cave both from an environmental perspective and allowing BPA to dictate unfair terms to its non-industrial customers.

PROJECT XL

We are preparing an event for Friday, November 3 so you, the Vice President, and Administrator Browner can announce the first set of companies to be accepted into the initial phase of the Project XL program. We plan to have a company executive and a community representative join you in the event. The message will focus on innovative ways to bring together government, the private sector, and communities to identify innovative approaches that will achieve results that are both cheaper and cleaner. While we emphasize our "Rollback - no" message I believe continued demonstration of your commitment to Reform is important too. The picture here will be of you leading -- bringing people together and moving forward -- while the Congress is paralyzed by polarization and radicalism.

RECONCILIATION

This week the House and Senate both passed their versions of the Reconciliation budget each of which included serious anti-environmental provisions. Chief among these was the provision included in both bills to open the Arctic National Wildlife Refuge (ANWR) to drilling. An amendment in the Senate, that the Administration supported, to excise that provision narrowly lost but with a margin sufficient to sustain a veto.

Other provisions of concern include a sham mining reform proposal passed by the House and Senate, and adverse provisions regarding grazing, endangered species, and energy taxes passed by the House.

EPA APPROPRIATIONS

Facing defeat on a vote opposing the legislative riders in the EPA appropriations bill, House leadership postponed action until next week. This move on the part of the Republicans is part of an emerging strategy to try to avoid votes or vetoes on environment issues where possible because of the perception that they have been losing these issues in the media and with the public. If they pursue this strategy we will need to create our own opportunities for you to continue to slam them on these issues. They are running scared; we've got to nail them.

CLIMATE CHANGE

The Intergovernmental Panel on Climate Change (IPCC) Working Group II released its findings at a press conference on Tuesday. This report was prepared and reviewed by over 1,000 experts worldwide. The key conclusions were:

- o The smoking gun has been found: the temperature increase we have seen is human-induced. This change is an important new stress that may well exacerbate existing ecological and socio-economic systems already affected by pollution, increasing resource demands, etc.
- o Specific potential impacts include increases in sea level, increases in risks to human health from increased heat stress and expanded range of vector-borne infectious diseases, and reductions in biodiversity. Developed countries will likely be in a better position than developing countries to adopt in ways that reduce the harm from climate change.
- o Substantial reductions in greenhouse gas emissions could be achieved through both energy efficiency measures and alternative sources of supply. These options appear to be technically feasible and economically possible.

THE PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

The PCSD is scheduled to hold its last meeting next Wednesday, November 1. They will be

voting on final report language. We are moving toward a remarkable consensus among the government, business, and environmental members. I will provide an update next week.

CONFIRMATION

I am pleased to report that the Environment and Public Works Committee unanimously approved my nomination to be Chair of CEQ by a voice vote on Tuesday. Chairman John Chafee (R-RI) is optimistic that floor action will be swift and non-controversial. I suspect we have more work to do to ensure this is the case. In fact, Senator Alan Simpson (R-WY) already indicates he will put a hold on my nomination -- not because of any problem he has with me, but because of a problem he has with an EPA regulation.

What's Next: There are yet more sale units subject to release under this provision of the Rescission Act. Next Wednesday, we must submit a list to Judge Hogan of all of the timber sales offered but not released by the Forest Service or BLM prior to 1990. In other words, any old sales still on the books - no matter how old - are supposed to go out the door. The agencies are busy searching their records; we don't yet know what this list will look like.

The statute provides one way out of releasing sales. If the agency determines that there are threatened or endangered birds "known to be nesting" in a sale unit, that unit is not to be released. Using the best scientific standards available, our agencies have withheld 55 sale units under this provision. However, industry has also filed a lawsuit in front of Judge Hogan challenging our use of the current scientific protocol as inconsistent with the statutory language. They claim, backed by the same letter used by the same Judge to rule against us on the issue of geographic scope, that we have to produce actual eggshell fragments or fecal material before we have proven that birds are nesting. Those arguments will be heard on November 7th.

Implications for the President's Programs: There are serious repercussions from the release of all of these old growth sales, all of which were withheld in the first place because of serious environmental problems. For example, in our affidavits filed with the 9th Circuit, we explained that the 62 sales just released would cause:

- o adverse impact on threatened Snake River spring/summer chinook salmon, Snake River fall chinook salmon the Upper Grande River population of spring/summer chinook salmon;
- o will cause harm to the northern spotted owl and marbled murrelets;
- o will have an adverse impact on the bull trout.

The legal and policy implications of this are, of course, to some degree speculative. Obviously, the more of these sales we have to continue to release, the greater the probability of harm to our programs. However, there appears to be at least initial consensus that the President's Forest Plan will be highly vulnerable to legal challenge because the environmental baseline is changing. Judge Dwyer, in the opinion upholding the Plan, stated that if any further timber sales were released or any other significant changes were made that would affect the ecology of the areas under review, he would have to revisit the Plan's viability. While the Rescissions bill purports to shield individual sales from judicial review, the Plan as a whole is not shielded.

Further possible impacts on Administration initiatives include:

- o the proposed rule providing relief from the Endangered Species Act (ESA) to private landowners for the northern spotted owl may be put on hold (the "4-D rule) and other agreements with states and private landowners in Washington, Oregon and Northern California will have to be reexamined (Habitat Conservation

Plans) (this is the heart of our reinventing of ESA and we had been receiving very positive marks on these initiatives);

o because of the impacts on bull trout, the agreements reached not to list the bull trout under ESA may be challenged. If successful, this could result in injunctions shutting down activities on national forests in Montana and neighboring states;

o because of changes in the environmental baseline on a variety of fish, our PACFISH initiative and other actions in the Columbia River Basin ecosystem are more likely to be challenged. It was only because of PACFISH that we got a court to lift a massive injunction against any activities (logging, mining, grazing) in Idaho. Without PACFISH, these injunctions are likely to be reinstated.

Recommendations:

While we should continue vigorously to pursue remaining legal issues through the courts (principally, the "known to be nesting" case), there is no doubt that Wednesday night's decision is a blow to our overall Pacific Northwest strategy that cannot be remedied at this point through the judicial system. Thus, I have the following suggestions:

✓ 1) That the President issue a statement explaining that the court's decision does not comport with our understanding of the bill when we signed it; criticizing the Republican-led effort to savage our natural resources, and calling on the timber companies to act responsibly and voluntarily modify these sales to avoid environmental damage. We have sent you a draft of such a statement.

Legacy
Wright
2) That major timber company CEOs be called to the White House for a meeting [with the Chief of Staff?] and be asked to support the Administration in fixing this problem so that the President's efforts to provide stability, certainty and regulatory flexibility along with environmental protection - efforts from which they are benefitting enormously and that they strongly support - can proceed. FYI: Many of these CEOs met confidentially this week with Gingrich to express their grave concern and to get him to call off the radical Rs off.

Legacy
Wright
3) That the President meet with Senator Hatfield, recalling Senator Hatfield's clear statements during the negotiations on the Rescission Act that this rider would not make us move a single stick of timber in an environmentally unsatisfactory way;

4) That the President insist that the reconciliation bill (or some other vehicle) contain an emergency provision repealing the entire timber rider.

ISSUES FOR WESTERN STRATEGIES GROUP

Governor John A. Kitzhaber
Oregon
October, 1995

1. Process The Administration should continue to emphasize how Congress is subverting the process by bypassing key federal environmental laws. The Administration must stand firm against the use of sufficiency language. Special interest exemptions are used for those who would exploit public resources for their own gain, while the rest of us abide by existing laws. It is a divisive process and will eventually subvert our long term goals for resource protection and utilization

2. Northwest Forest Plan: The Administration needs to give support and assistance to the USFS and BLM to implement the NW Forest Plan, including timber harvest and watershed restoration. These agencies have within their existing authorities the ability to make the plan work.

3. Columbia Basin Project: Clearly industry special interest groups are pushing Congress not to allow completion of the plan. The Administration should insist that information gathered in the biological assessment be released because millions of dollars have been expended to gather that information.

The Administration should not accept Congressional selection of the alternative in the EIS, which would illustrate blatant disregard for the public process and would override the interests of good stewardship.

4. Endangered Species Act: Oregon adamantly opposes cuts in funds for prelisting activities, and the moratorium on further listings. We support the WGA proposal that doesn't overturn the *Sweet Home* decision, and instead makes reasonable improvements in the Act.

5. Research: Oregon strongly opposes cuts in forest research, especially in the USFS research station. This is a critical time to gain understanding of Northwest forests and make wise policy on forest health.

6. Columbia River Salmon Oregon gives provisional support for salmon cap, but opposes use of sufficiency and questions how BPA accounts for foregone power revenues as a means for calculating cost of salmon.

The Register-Guard

EUGENE, OREGON • WEDNESDAY, SEPTEMBER 20, 1995

Governor blasts anti-environmental bills

■ Congress: Kitzhaber says special interest concessions threaten Oregon's quality of life.

By LANCE ROBERTSON

The Register-Guard

SALEM — Gov. John Kitzhaber lashed out at Congress on Tuesday, saying a host of anti-environmental bills on the brink of passage pose a "grave threat" to Oregon's quality of life and economic well-being.

Kitzhaber railed against legislation that would slash funding to protect the air, water, salmon and other at-risk wildlife. However, he saved most of his criticism for several bills overriding existing federal environmental laws to allow logging, grazing, oil drilling and hydroelectric power generation. **SEP 20 1995**

"Congress has set up a virtual environmental exemption bazaar, granting special interest after special interest exemption from the very environmental regulations that were established to protect the public interest," Kitzhaber said at a Capitol news conference.

Congress recently passed a budget-cutting bill that also included language exempting most federal logging from environmental laws. Kitzhaber called these so-called "sufficiency" riders "back-door tools to aid special interests."

It was perhaps Kitzhaber's strongest statement on environmental issues since becoming governor last January and was a departure from his usual nonconfrontational style of working more quietly behind the scenes.

"Certainly, this is the most vocal he's been on national (environmental) issues," said Louise Blheimer of the Pacific Rivers Council in Eugene. "It's good to see the governor stand up and say this is not what we need for this state."

Timber industry leaders said Kitzhaber's comments are off the mark, however.

Chris West, spokesman for the Northwest Forestry Association, said the exemptions are needed because the overlapping and conflicting nature of environmental laws "just don't work."

The exemptions enable loggers,

ranchers and others to continue making a living while Congress considers changing laws such as the Endangered Species Act, he added.

Nevertheless, Kitzhaber urged Oregonians to "raise a hue and cry" against anti-environmental bills pending in Congress. He was joined in his ceremonial office Tuesday by a handful of business and environmental leaders.

Kitzhaber also praised environmental protesters in the Warner Creek area near Oakridge and the Sugarloaf timber sale in Southern Oregon — two initial flash points of the recent logging bill passed by Congress.

"They deserve credit for raising the issue," he said. Kitzhaber said protesters' actions so far, which include civil disobedience resulting in more than two dozen arrests, "are well within the parameters of what we will accept in this country."

• He is trying to enlist the help of other Western governors and will make a trip to Washington, D.C., next month to urge the Oregon delegation, particularly Republican Sen. Mark Hatfield, to restore funding to natural resource agencies and to kill attempts to override environmental laws.

Hatfield is chairman of the powerful Senate Appropriations Committee, through which most of the legislation must pass.

The law-exemption riders have proven to be effective in the past because they usually are attached to an overall spending bill, making a presidential veto unlikely.

Since the mid-1980s, Congress has approved riders exempting federal logging from environmental laws to circumvent legal challenges to old growth forest logging.

The most recent rider exempts

most federal logging in the Northwest from environmental laws, although the Clinton administration has pledged to continue following those laws.

But Kitzhaber said Tuesday that Congress is extending other law-exemption riders to a host of "special interests." One sets a "cap" on the amount the Bonneville Power Administration would be required to spend on salmon recovery efforts, declaring the cap would comply with the Endangered Species Act.

The cap is opposed by numerous conservationists, fishing groups and utilities.

"You don't get salmon protection by declaration," said Rick Applegate, western regional director for Trout Unlimited.

Other legislation would cut off funding for agencies charged with protecting salmon or other wildlife species. One bill eliminates funding for the listing of fish under the species act. **SEP 20 1995**

Several budget-cutting bills would hamper the state's ability to protect the air and water, clean up hazardous waste sites and fund parks, the governor said. Six fish hatcheries would be closed.

He said the legislation not only would be bad for Oregon's environment but could ruin one of the driving forces behind the state's robust economy: the lure of its clean environment and quality of life.

Oregon business leaders at the news conference echoed that theme.

"It really is our quality of life that attracts people to Oregon," said Richard Reiten, president of Portland General Electric Co.

"This special place is being threatened by the change in environmental laws that is proposed," added Harold Pollin, the owner of several hotels in the Portland area.



John Kitzhaber
"Raise a hue and cry"

10-30-95

- **Homeownership Rate the Highest in 15 Years:** On November 9, Secretary Cisneros and Laura Tyson will announce that the third quarter homeownership rate has risen to 65.0 percent, a 10-point increase in the overall rate since the end of 1994.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **HHS Announces New York Medicaid Waiver:** On October 27, DHHS announced the approval of the New York 1915(b) Medicaid program waiver request to extend the current Southwest Brooklyn waiver to the rest of New York City, thus enrolling a total of 275,000 Medicaid enrollees on a mandatory basis and 750,000 on a voluntary basis. HHS staff have informed New York officials that the waiver cannot be approved as submitted, but that it could approve it under the condition that enrollment take place in a phased process, with the first phase enrolling a group of not more than 50,000 enrollees, comparable to the size of the original waiver program.

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- **FDA Advisory Panel to Consider Fat Substitute:** At a November 14-17 meeting, an FDA advisory panel will discuss the safety review of Procter and Gamble's olestra for use as a fat replacement in snacks such as potato chips. The panel will be asked to comment on whether all relevant issues associated with olestra have been addressed. On Wednesday, October 25, the Center for Science in the Public Interest held a press conference to publicize its view that olestra is unsafe and should not be permitted in the American food supply.
- **FDA Advisory Panel to Consider Accelerated Approval of HIV Drugs:** During a November 6-8 meeting, an FDA advisory panel will consider three HIV drugs and will be asked for a recommendation for accelerated approval of two of them: Glaxo-Wellcome's Epivir -- also known as 3TC -- for use in combination with AZT, and Hoffman-La Roche's Invirase. Accelerated approval is granted for drugs that offer significant benefits for serious and life-threatening diseases. The panel will also consider the results of trials required as part of a June 1994 accelerated approval of Bristol-Myers Squibb's Zerit -- also known as d4T -- to confirm that it extends life or delays the onset of AIDS. As a condition of accelerated approval, FDA can require such post-marketing studies to confirm a drug's benefits.

Leon (Exhibit) CC UP this discuss this - important
- **SAMHSA Will Release Drug-Abuse Warning Network (DAWN):** Within the next week or so, the Substance Abuse and Mental Health Services Administration will release the 1994 DAWN report. The report shows that drug-related hospital emergency department episodes increased by 10 percent in 1994. One significant finding is that methamphetamine-related episodes rose 256 percent, from 4,900 to 17,400, between 1991 and 1994. Methamphetamines are powerful stimulant drugs, commonly referred to as "speed," "crystal," "crank," "go" and "ice." In addition, in 1994, cocaine was mentioned in approximately 28 percent of emergency department episodes, reaching its highest level in history.
- **HHS Issues Mid-Course Review of Year 2000 Health Objectives:** On Monday, October 30, , DHHS officials will release a mid-decade report on progress toward national objectives for preventing disease and promoting better health at an American Public Health Association. The Year 2000 goals were developed as part of the decade-long "Healthy People 2000" effort launched by HHS in 1991. According to the interim results, life expectancy continues to increase; infant mortality is at a record low; childhood immunizations are increasing; tobacco use is declining overall; and more women over age 50 are receiving mammograms at recommended

intervals. The report shows that progress has been made toward more than two-thirds of the objectives for which tracking data are available (tracking data are not available for 29 percent of goals).

- **Child Support Collections Up 40 Percent since 1992:** In the next two weeks, DHHS will release an annual report to Congress which states that a record of nearly \$10 billion in child support was collected from 1993 to 1994. DHHS will also release preliminary information for fiscal year 1995 that reports \$11 billion in collections and 735,000 paternities established. From 1992 to 1995, collections have grown nearly 40 percent while paternity establishments rose over 40 percent. The Department is coordinating closely with the White House on this release.
- **Governing Council for Children and Youth Established:** On Monday, October 24, Secretary Shalala announced the establishment of the Governing Council for Children and Youth within DHHS. The first meeting of the Council will be held on November 2. DHHS's reinvention efforts called for this Council to develop a comprehensive Departmental strategy and budget for children that includes health and human services and maximizes private sector approaches, community innovation and state flexibility.
- **Talk Show Summit:** On October 27, Secretary Shalala travelled to New York where she spoke at the "Talk Summit," hosted by Population Communications International. The summit involved major syndicated talk show hosts and producers. She enlisted them to more effectively address critical issues facing our nation. While in New York, she will also meet with the editorial board of the *New York Times*.

SOCIAL SECURITY ADMINISTRATION

- **Interpreter Fraud in Social Security's Disability Programs:** SSA expects that during the week of October 30 or November 6, the ABC World News Tonight's regular Monday night Segment "Your Money" will feature a two-minute story on the Federal task force in Seattle, Washington that is investigating fraud in Social Security's disability programs.
- **Fraudulent Documents:** On Saturday, October 28, NBC's Saturday Night News will include a segment on fraudulent documents. As part of the story, SSA expects some discussion of fraud in connection with Social Security cards. It is likely that the story will focus on congressional proposals to make the Social Security card more tamper-resistant or tamper proof.

VETERANS ADMINISTRATION

- **VA Activities in the Virgin Island:** VA Personnel continue to assist in the recovery efforts in the U.S. Virgin Islands. Eight nurses are assisting at the Disaster Recovery Centers and the Federal and Nisky Center Buildings on the islands of St. Thomas and St. Croix.
- **Presidential Delegation to Southeast Asia:** From November 27-December 5, Deputy Secretary Goyer will lead a Presidential delegation to Vietnam, Laos and Cambodia.

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10/30/95

THE WHITE HOUSE
WASHINGTON

95 OCT 27 PM 8:15

OCTOBER 27, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: SUMMARY OF CABINET WEEKLY REPORTS
OCTOBER 22-28

DEPARTMENT OF TREASURY

- **Secretary's Schedule:** On Sunday, Secretary Rubin will appear on CNN's "Late Edition with Frank Sesno." On Monday, he will meet with Time Russert of NBC's "Meet the Press." On Thursday, he will meet with Chairman Greenspan.
- **Rise in the Japan Premium:** In the wake of revelations concerning Daiwa Bank, the premium that the best Japanese banks pay on three month dollar funds has jumped from 20-25 basis points to over 50 basis points since last week. Weaker Japanese banks are paying 60-70 basis points. As the Japanese premium has exceeded one-half point, it has begun to affect pricing offered by Japanese banks in other related markets, including foreign exchange contracts and derivative products. Japanese banks can either absorb the entire increase or pass part of it on to customers as higher prices which will cost market share.
- **Treasury Loans to the District of Columbia:** Treasury officials are reviewing the Mayor's request that the Treasury make a \$294 million cash-flow advance on October 31 in the amount of \$294 million. Under the law, Treasury cannot make this type of advance unless the Financial Control Board approves the amount of the advance as being needed by the District. The Board has not yet approved the request.
- **FY 1996 Appropriations:** After a 40 day delay, the House-Senate conferees finished work on the FY 96 Treasury-Postal Appropriations bill. The reported bill will include Representative Istook's non-profit lobbying amendment, which will be reported "In True Disagreement." Under House Rules, the conference report and the non-profits lobbying amendment will be considered under separate votes on the House floor. The Senate language on non-profit lobbying (Simpson amendment) will be the base text on the House floor and Representative Istook's amendment will be in order as an amendment In The Nature of a Substitute. It is difficult to predict at this time whether or not action on the bill will be completed before the current Continuing Resolution

expires on November 13. The \$80 million in additional funding for IRS tentatively secured prior to the breakdown of the conference was dropped by the conferees.

- **BIF/SAIF:** Both the House and the Senate reconciliation bills include legislative provisions that address the recapitalization of the Savings Insurance Fund (SAIF). The House version includes language providing for the merger of the thrift and bank charters. Chairman Roukema's free-standing bill to provide for SAIF recapitalization may be marked up by the full House Banking Committee on November 1.
- **Senate Waco Hearings:** The Senate Judiciary Committee will begin hearings on the incident in Waco, Texas on October 31 and November 1. Geoff Moulton and John Koleman will be added as additional witnesses. Senator Biden will request that Under Secretary Noble and Director Magaw appear as the first witnesses.
- **Militia Hearing:** On November 2, the full House Judiciary Committee will hold hearings on the militia movement, as requested by Rep. Conyers during the recent Waco hearings. A witness list is not yet available. Treasury has provided names of local law enforcement to the committee as possible witnesses; there will be no federal law enforcement witnesses.
- ✓ **Narcotics Trafficking:** OFAC has published a notice listing 80 "Specially Designated Narcotics Traffickers," persons who either play a significant role in narcotics trafficking centered in Columbia or who assist or support such persons. Publication of the list will block all property of these persons subject to U.S. jurisdiction and prohibiting U.S. citizens from entering into transactions with them. The notice implements an October 21st Executive Order.

DEPARTMENT OF COMMERCE

- **Secretary's Travel to Middle East:** On Friday, Secretary Brown travelled to the Middle East, where he will participate in the Jerusalem Business Conference and the Amman Summit. These events will serve to reinforce the importance of expanding U.S. economic ties with the region. He also will meet with Chairman Arafat.
- **California Trip:** On Friday, November 3, Secretary Brown will travel to California to address the California Council for International Trade to discuss how vital trade is to that state. He will accept the "Californian of the Year Award" -- the first time the award has been given to a non-native Californian--and his remarks will focus on the Administration's role in the revitalization of the California economy.
- **Commerce will release the Following Economic Data:**

Personal Income and Outlays for September 1995	October 30
New One Family Houses Sold and for Sale for September 1995	October 31
Value of New Construction Put in Place for September 1995	November 1
Composite Indexes of Leading, Coincident and Lagging Indicators for September 1995	November 1
Manufacturers' Shipments, Inventories and Orders for September 1995	November 2
Housing Completions for September 1995	November 3
Wholesale Trade for September 1995	November 7

DEPARTMENT OF LABOR



✓ **Event with First Lady:** On Tuesday, October 31, Secretary Reich will join the First Lady in an event at the White House to honor the 21 major companies who pledged \$100 million for child care in 56 communities around the nation. Representatives from these 21 companies and families who have benefitted from these child care policies will also be present at the event.

• **Numbers Day:** On Friday, November 3, the Bureau of Labor Statistics will issue its monthly report on the national employment and unemployment situation.

✓ **Minimum Wage:** On Friday, October 27, during Senate consideration of budget reconciliation, Senator John Kerry offered an amendment that called for the Senate to vote--before the end of the session--on increasing the minimum wage. A point of order was raised and sustained against the amendment invoking the Byrd Rule which required 60 votes to continue consideration on the Kerry amendment. A motion to allow consideration of the amendment received 51 votes in favor and 48 against, thus the Kerry amendment was not considered. Nonetheless, the vote represents the commitment of a majority of the Senate to move forward to consideration of your request to raise the minimum wage. Next week, Secretary Reich will conduct a number of press interviews calling for an increase in the minimum wage and will take part in a minimum wage event in D.C.

• **Senate Votes to Remove Pension Reversion Language from Reconciliation Bill:** Both the Senate and House budget reconciliation bills contain language that would permit employers to remove so-called "excess assets" from their pension plans. Although there are minor differences between the Senate and House provisions, Secretary Reich has expressed the Administration's strong opposition to both provisions. On Friday, October 27, during the reconciliation debate, the Senate voted 94 to 5 to remove the pension reversion language from the reconciliation bill. The amendment, sponsored by Senator Kennedy and co-sponsored by Senator Kassebaum, will keep current law which forbids corporations from using excess pension assets for other purposes unrelated to pensions.

✓ **Child Labor:** On October 24, 1995, the House of Representatives passed, by voice vote, legislation that would permit minors who are 16 and 17 years old to load materials into scrap paper balers and paper box compactors. This law would overturn current regulations that prohibit minors from engaging in such activity. The bill, H.R. 1114, was introduced by Rep. Ewing and was considered on the Corrections Calendar. The House agreed to an amendment in the nature of a substitute offered by Rep. Goodling that made some improvements to the bill as reported by the House Economic and Educational Opportunities Committee. The Administration took no position on the legislation.

• **Hearing on Fair Labor Standards Act and Minimum Wage:** On November 15, the Senate Committee on Labor and Human Resources will hold a hearing on the Fair Labor Standards Act and minimum wage. Secretary Reich will testify at this hearing.

✓ **Immigration Reform:** The House Judiciary Committee completed action on H.R. 2202 on Tuesday, October 24. The final title of the bill included DOL's H-1b program. Rep. Goodlatte was successful in his en bloc amendments to make hiring foreign workers easier. Goodlatte's amendments were designed to streamline the H-1b process for non-dependent employers. It permits employers to have 20% (15% for some employers) to be defined as non-dependent (this

is up from 10% in the original bill); and, it also creates a 5-year grace period to phase out heavy use of temporary workers. On this amendment there was a party line vote except for Reps. Lofgren and Schroeder. DOL's amendment offered by Rep. Berman to require employers to attest that no American workers are laid off in order to replace them with foreign workers and encouraging employers to recruit and retain domestic workers was defeated by a vote of 17-11.

- **Sweeney Elected President of AFL-CIO:** On October 25, delegates to the AFL-CIO convention elected John J. Sweeney President of the federation, and Richard Trumka as its Secretary-Treasurer. Linda Chavez-Thompson was elected to the new post of Executive Vice President. Delegates also approved a constitutional amendment expanding the executive council from 35 to 54 members, including the three top officers. Ten council seats are reserved for women, minorities, and people of color.
- **UAW Strike at G.E. Plant in Erie, PA:** On the morning of October 26, some 4,200 members of the United Electrical Workers began a three day strike at General Electric's locomotive plant in Erie, PA. The union called the walkout to protest the company's plans to lay off 1,500 workers and to transfer some work elsewhere. Employees are expected to return to work on Tuesday, October 31.
- **Supermarket Workers Reach Agreement:** Union members represented by seven locals of the United Food and Commercial Workers have approved a four-year master agreement covering some 90,000 supermarket workers in Southern California. The agreement replaces the current contract, which was due to expire October 3, 1996.
- **Boeing and Professional Engineers Union Begin Negotiations:** The Boeing Co. and the Seattle Professional Engineering Employees Association, representing some 11,500 engineers and 8,600 technical employees in two separate units, began formal negotiations on October 23. The parties' current contracts expire December 1, 1995. Meanwhile, the Machinists' strike against Boeing continues. Some 34,000 hourly workers represented by the Machinists struck the company on October 6, following membership rejection of Boeing's "final" contract offer.

DEPARTMENT OF TRANSPORTATION

- **Northeast Illinois Commuter Rail Corporation (NIRC) Rail-Highway Grade Crossing Accident:** On October 25, a commuter train struck a school bus at a highway-rail grade crossing in Fox River Grove, IL. Seven students were fatally injured; 31 other students had various injuries. Deputy Federal Railroad Administrator (FRA) Itzkoff and Deputy Federal Transit Administrator Crunican toured the accident site and discussed the Administration's Always Expect A Train campaign. After departing the site, they visited with the injured students and their families at the hospitals. FRA, NIRC, and National Transportation Safety Board personnel are at the accident site and are conducting an investigation into the cause of the accident.
- **Atchison, Topeka, and Santa Fe Railway Company (ATSF) Train Derailment:** On October 25, an ATSF freight train derailed in northern California. A derailed tank car was punctured and its product (Chlorodifluoromethane, a non-flammable gas) was released into the atmosphere. Fifteen people were taken to local hospitals for treatment. Federal Railroad Administration and ATSF personnel are at the accident site and are investigating the cause of the derailment.

- **Tank Car Ruptures in Louisiana:** On October 23, a tank car rupture occurred within the Gaylord Chemical plant, with a subsequent evacuation at Bogalusa, LA. The released fuming nitric acid injured 500 people and forced the evacuation of approximately 4,000 people. The evacuation remained in effect until October 25.
- **Amtrak Train Derailment:** The Federal Railroad Administrator has developed an action plan based on a review of railroad security issues in light of the Amtrak passenger train derailment earlier this month in Hyder, AZ. The steps that the FRA proposes include improving the distribution of railroad security information, proposing amendments to strengthen related Federal statutes, strengthening the coordination of public affairs efforts, reviewing intrusion-detection technology and expanding FRAs program on railroad trespassing and vandalism to include broader security concerns.
- **Aviation Security in the United States:** The FAA security directives requiring additional measures throughout the United States will expire October 31. The FAA, working with the FBI and CIA, is assessing the need to extend the directives beyond October 31. The directives have had little negative effect on air carriers, but some airports are quite severely affected. There are significant costs, primarily in overtime for law enforcement and security personnel. The FAA is working with airports throughout the United States to trim costly procedures while maintaining effective security.
- **U.S. - China Maritime Agreement:** At the request of the People's Republic of China (PRC) the maritime negotiations for extension of the existing U.S./PRC bilateral maritime agreement were delayed until the week of October 30.
- **U.S. - United Kingdom Aviation:** On October 20, the United States suspended talks with the United Kingdom on the second-phase liberalization package. In offering limited new access to London's Heathrow Airport, the British sought to circumscribe the U.S. options on using that access. The access to Heathrow that the British were willing to consider was not broad enough to encompass the minimum U.S. needs. Despite agreement that the second-phase liberalization talks would include cargo liberalization, the British were not prepared to consider a broad-based expansion of cargo opportunities, as the U.S. had anticipated. In exchange for only marginal progress towards a more open aviation regime, the British were seeking broad access to Fly America traffic.
- **U.S. - Macau Aviation:** A new international airport is opening in Macau on November 9, 1995. On October 24, 1995, the U.S. and Macau initialled a new pro-competitive air services agreement that will give U.S. carriers the option of using Macau to access Pacific Rim markets. The new agreement must be approved by the Portuguese-Sino Joint Liaison Group and, if approved, will continue in effect after Macau reverts to People's Republic of China sovereignty at the end of 1999.
- **U.S. - Thailand Aviation:** Informal civil aviation discussions between the U.S. and Thailand will be held on November 2-3, 1995, in Bangkok. These discussions are aimed at setting the stage for formal aviation talks that may be held as early as December 1995. The objective in the prospective December talks will be to conclude a new aviation agreement to replace the one that expired in 1990.

- **FY96 DOT Appropriations:** On October 25, the House approved the conference report on the FY96 transportation appropriations bill. The report was approved by a vote of 393-29. The measure is awaiting approval by the Senate. The conference report provides funding for FAA appropriations above the level in either House or Senate bill and provides flexibility to transfer up to \$60 million from Coast Guard operating expenses to increase funding for air traffic control operations and maintenance activities that enhance safety and security. The bill also include FAA personnel and procurement response proposed by the administration.
- **Federal Aviation Administration (FAA) Reform:** On October 26, the House Transportation and Infrastructure Subcommittee on Aviation passed H.R. 2276, the FAA Revitalization Act of 1995, by a unanimous vote. This legislation would establish an independent FAA. DOT has serious reservations about this legislation.
- **FAA Press Coverage:** The *Wall Street Journal* is working on an article on the FAA. Administrator Hinson was interviewed regarding FAA's "laxity" in oversight, regulation and inspection of air charters and air taxis. *WSJ* has spoken to industry officials and representatives of aviation organizations who have expressed the view that FAA's oversight is inadequate. One thrust of the article may be that FAA has ignored an important area of aviation in its efforts to create one level of safety in the commuter industry.
- **National Highway System (NHS):** NHS authorization has been dropped from the DOT appropriations legislation. More than three weeks into FY96, DOT is still unable to release over \$5.4 billion in NHS and Interstate maintenance funds. Negotiations between House and Senate conferees are continuing.
- **Airport Assessments:** The FAA will reassess security of Athens, Greece airport this week. The reassessment will focus on continuing deficiencies reported by U.S. Embassy Athens and the Civil Aviation Security Liaison Officer to Greece. The FAA will conduct an assessment of security at Lagos, Nigeria airport November 1-8. Concurrently, an interagency team headed by the Department of State will assess the degree of corruption at the airport and its effects on security.
- **Migrant Interdiction in the Caribbean:** The Coast Guard continues to interdict migrants en route to U.S. shores; this past week 299 people were interdicted in five separate cases. 289 were returned to the Dominican Republic, nine to the Bahamas and one to Haiti.
- **National Highway Traffic Safety Administration (NHTSA) and NFL Commit to TEAM Super Bowl Campaign:** On October 20, the National Football League agreed to work with NHTSA and the Techniques for Effective Alcohol Management (TEAM) coalition to develop a Super Bowl promotion for the game on January 28, 1997, in Tempe, AZ. TEAM will place impaired driving materials and messages throughout the stadium and elsewhere during Super Bowl week. Stadium employees will receive orientation and training on alcohol-related situations, and on sporting facility policies for alcohol management. Radio and possibly video messages will also be developed for the Super Bowl and other NFL broadcasts.

DEPARTMENT OF JUSTICE

- **Update on Processing of Cubans and Haitians at Guantanamo:** As of October 18, nearly 22,000 persons have been admitted into the U.S. from the safe haven at Guantanamo, with only about 8,000 remaining to be processed. Of 318 people found ineligible to enter the U.S., 252 have been repatriated. INS involvement in Guantanamo operations is expected to end in mid-November.
- **Government To File Brief As Appellee Upholding Immigration Laws:** In *Arizona v. United States*, (9th Cir.), the state of Arizona argues that Congressional and the Executive Branch efforts to deter illegal immigration have been so unsuccessful that they breach constitutional obligations to spend for the general welfare, to safeguard the states against invasion, and to respect the states' sovereignty, as well as statutory obligations to enforce the immigration laws. Arizona has requested an injunction either directing Congress and the Executive to do a better job, or directing the payment of large sums of money to the states to help them pay for the care of illegal aliens residing within their boundaries. The district court dismissed and Arizona appealed. The U.S. brief is due November 2, 1995. A similar case, *Chiles v. United States*, was argued on October 24, 1995.
- **Solicitor General to Argue Guns and Drug Crimes Cases in Supreme Court:** On October 30 the Government will argue in support of upholding the *en banc* D.C. Circuit decision *Bailey v. United States* and *Robinson v. United States*. The D.C. Circuit's ruling held that a defendant may be convicted of "us[ing] a firearm during and in connection with a drug trafficking crime," in violation of 18 U.S.C. 924(c)(1), when the evidence shows that firearms were found in proximity to drugs or drug proceeds and accessible to the defendant at some point during the offense. The U.S. will contend that there is no requirement to prove "active" use, such as firing, brandishing, or threatening the gun.
- **Settlement Reached In *United States v. Batt*:** In this case, the State of Idaho sought to halt shipments of spent nuclear fuel to DOE's Idaho National Engineering Laboratory (INEL). The court's consent order, approved on October 17, lifts the 28-month injunction against the shipments and establishes a 40-year directive for management of the storage facility. The order also sets deadlines for ultimate removal of wastes to an interim storage site or permanent repository. The settlement is critical to the Department of Navy because it allows resumption of defueling and refueling of nuclear warships which were already delayed by the injunction.
- **Solicitor General to Argue Agent Orange Case in Supreme Court:** The Government will present oral argument as respondent in *Hercules v. United States* on October 30. Petitioners are two companies that manufactured Agent Orange for the United States under contracts covered by the Defense Production Act. Petitioners joined other manufacturers in settling tort suits brought by groups of veterans and their relatives, who claimed to have been injured by the government's use of Agent Orange in Vietnam. In the Supreme Court, petitioners argue that they are entitled to recover for damages caused by "defective" government specifications for Agent Orange, and that the DPA gives rise to an implied contractual indemnity for the same damages. DOJ argues that there is no such implied contractual warranty or indemnity, that, if there is, the government never breached it, and that the Court should not create such a remedy because the "government contractor defense" already protects contractors from unwarranted tort liability.

- **Solicitor General Files Brief in North Carolina Redistricting Case:** On October 25 DOJ filed a brief as amicus curiae in *Shaw v. Hunt* and *Pope v. Hunt*. The U.S. brief supports appellees, the State of North Carolina and several voters in that State, and argued that North Carolina's 1992 race-conscious congressional redistricting plan survives strict scrutiny. The three-judge panel of the District Court for the Eastern District of North Carolina upheld the redistricting plan against a constitutional challenge under *Shaw v. Reno*. The U.S. brief argues that the district court correctly found that the second minority opportunity district survives strict scrutiny based on the district court's findings of compelling state interests and narrow tailoring.
- **Attorney General's Schedule:** On Thursday, November 2, Attorney General Reno will travel to Chicago to address the Anti-Defamation League. On Friday, November 3, she will attend the Dedication of the Memorial Cairn commemorating the victims of the Lockerbie air disaster at Arlington Cemetery.

U.S. TRADE REPRESENTATIVE

- **Travel to Japan:** Ambassador Kantor will travel to Osaka, Japan for the APEC Ministerial on November 13-19 and to Tokyo for a state visit on November 20.

SMALL BUSINESS ADMINISTRATION

✓ **One Stop Capital Shop Opens:** On November 6th, SBA will open the first One Stop Capital Shop in the country in the city of Boston. This is SBA's primary contribution to the Administration's Empowerment Zone initiative.

SPB notes are shown do something with it if it's good

Report on Regulatory Burdens on Small Business: SBA will present a report on the cost of regulatory burdens on small business to a joint Senate and House Small Business Committees hearing. The report will indicate that the regulatory burden is significantly higher for small businesses than for large firms and that the burden is approximately \$250 billion annually. The report will discuss the initiatives announced at the White House Conference on Small Business.

Middle East/North Africa Economic Summit: Administrator Lader will join Secretaries Brown and Christopher in attending the Middle East/North Africa Economic Summit in Amman from October 28-30. He will lead a panel on small business.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

• **Sale of Mortgage Loans Will Save Taxpayers Billions of Dollars:** On Monday, October 30, FHA Commissioner Nic Retsinas will host a press conference to discuss the success of the Administration's initiative to reduce the number of HUD-held multifamily mortgages through loan sales. Under the program, began last year, FHA plans to sell \$6 billion of multifamily mortgages and \$4 billion of single family mortgages.

• **Homeownership Rate the Highest in 15 Years:** On November 9, Secretary Cisneros and Laura Tyson will announce that the third quarter homeownership rate has risen to 65.0 percent, a 10-point increase in the overall rate since the end of 1994.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

• **HHS Announces New York Medicaid Waiver:** On October 27, DHHS announced the approval of the New York 1915(b) Medicaid program waiver request to extend the current Southwest Brooklyn waiver to the rest of New York City, thus enrolling a total of 275,000 Medicaid enrollees on a mandatory basis and 750,000 on a voluntary basis. HHS staff have informed New York officials that the waiver cannot be approved as submitted, but that it could approve it under the condition that enrollment take place in a phased process, with the first phase enrolling a group of not more than 50,000 enrollees, comparable to the size of the original waiver program.

• **FDA Advisory Panel to Consider Fat Substitute:** At a November 14-17 meeting, an FDA advisory panel will discuss the safety review of Procter and Gamble's olestra for use as a fat replacement in snacks such as potato chips. The panel will be asked to comment on whether all relevant issues associated with olestra have been addressed. On Wednesday, October 25, the Center for Science in the Public Interest held a press conference to publicize its view that olestra is unsafe and should not be permitted in the American food supply.

• **FDA Advisory Panel to Consider Accelerated Approval of HIV Drugs:** During a November 6-8 meeting, an FDA advisory panel will consider three HIV drugs and will be asked for a recommendation for accelerated approval of two of them: Glaxo-Wellcome's Epivir -- also known as 3TC -- for use in combination with AZT, and Hoffman-La Roche's Invirase. Accelerated approval is granted for drugs that offer significant benefits for serious and life-threatening diseases. The panel will also consider the results of trials required as part of a June 1994 accelerated approval of Bristol-Myers Squibb's Zerit -- also known as d4T -- to confirm that it extends life or delays the onset of AIDS. As a condition of accelerated approval, FDA can require such post-marketing studies to confirm a drug's benefits.

• **SAMHSA Will Release Drug-Abuse Warning Network (DAWN):** Within the next week or so, the Substance Abuse and Mental Health Services Administration will release the 1994 DAWN report. The report shows that drug-related hospital emergency department episodes increased by 10 percent in 1994. One significant finding is that methamphetamine-related episodes rose 256 percent, from 4,900 to 17,400, between 1991 and 1994. Methamphetamines are powerful stimulant drugs, commonly referred to as "speed," "crystal," "crank," "go" and "ice." In addition, in 1994, cocaine was mentioned in approximately 28 percent of emergency department episodes, reaching its highest level in history.

• **HHS Issues Mid-Course Review of Year 2000 Health Objectives:** On Monday, October 30, DHHS officials will release a mid-decade report on progress toward national objectives for preventing disease and promoting better health at an American Public Health Association. The Year 2000 goals were developed as part of the decade-long "Healthy People 2000" effort launched by HHS in 1991. According to the interim results, life expectancy continues to increase; infant mortality is at a record low; childhood immunizations are increasing; tobacco use is declining overall; and more women over age 50 are receiving mammograms at recommended

intervals. The report shows that progress has been made toward more than two-thirds of the objectives for which tracking data are available (tracking data are not available for 29 percent of goals).

- **Child Support Collections Up 40 Percent since 1992:** In the next two weeks, DHHS will release an annual report to Congress which states that a record of nearly \$10 billion in child support was collected from 1993 to 1994. DHHS will also release preliminary information for fiscal year 1995 that reports \$11 billion in collections and 735,000 paternities established. From 1992 to 1995, collections have grown nearly 40 percent while paternity establishments rose over 40 percent. The Department is coordinating closely with the White House on this release.
- **Governing Council for Children and Youth Established:** On Monday, October 24, Secretary Shalala announced the establishment of the Governing Council for Children and Youth within DHHS. The first meeting of the Council will be held on November 2. DHHS's reinvention efforts called for this Council to develop a comprehensive Departmental strategy and budget for children that includes health and human services and maximizes private sector approaches, community innovation and state flexibility.
- **Talk Show Summit:** On October 27, Secretary Shalala travelled to New York where she spoke at the "Talk Summit," hosted by Population Communications International. The summit involved major syndicated talk show hosts and producers. She enlisted them to more effectively address critical issues facing our nation. While in New York, she will also meet with the editorial board of the *New York Times*.

SOCIAL SECURITY ADMINISTRATION

- **Interpreter Fraud in Social Security's Disability Programs:** SSA expects that during the week of October 30 or November 6, the ABC World News Tonight's regular Monday night Segment "Your Money" will feature a two-minute story on the Federal task force in Seattle, Washington that is investigating fraud in Social Security's disability programs.
- **Fraudulent Documents:** On Saturday, October 28, NBC's Saturday Night News will include a segment on fraudulent documents. As part of the story, SSA expects some discussion of fraud in connection with Social Security cards. It is likely that the story will focus on congressional proposals to make the Social Security card more tamper-resistant or tamper proof.

VETERANS ADMINISTRATION

- **VA Activities in the Virgin Island:** VA Personnel continue to assist in the recovery efforts in the U.S. Virgin Islands. Eight nurses are assisting at the Disaster Recovery Centers and the Federal and Nisky Center Buildings on the islands of St. Thomas and St. Croix.
- **Presidential Delegation to Southeast Asia:** From November 27-December 5, Deputy Secretary Goyer will lead a Presidential delegation to Vietnam, Laos and Cambodia.

GENERAL SERVICES ADMINISTRATION

- **Electronic Data Interchange:** On November 8, GSA will host an Electronic Data interchange training session for small, minority and women business owners -- enabling them to gain quick and easy access to the myriad of procurement opportunities they can benefit from in the Federal Government.
- **Surplus Computer Executive Order:** GSA is working with the Vice President's staff to draft an Executive Order giving schools direct access to the surplus computers and technology that are available as the government downsizes. GSA will develop an efficient system that will guarantee the success of your bold initiative.

UNITED STATES INFORMATION AGENCY

- **Campaign 96 Briefing:** Gary Bauer, Director, Family Research Council, will brief foreign journalists November 14 on "Campaign 96 - Family and Cultural Values."
- **Media Reaction To Million Man March:** Last week's march in Washington received prominent media coverage overseas, with commentators noting the attempt by many participants and observers to make a distinction between the objectives of the march and its organizer, Nation of Islam leader Louis Farrakhan. Writers praised your speech in Texas, which was characterized as a call for reconciliation and for an end to racism. You were praised for interjecting a voice of prudence, reason and "unity" in America's racial debate.
- **First Lady:** Mrs. Clinton's visit to Asuncion was enthusiastically welcomed throughout Paraguay as a clear signal of US support for the fledgling Paraguayan democracy. Mrs. Clinton's active participation in the 5th conference of First Ladies of the Americas served to cement the linkage between the rotating First Ladies' conference series and the ambitious substantive agenda of the Miami summit. Her speech to the hemisphere's largest Peace Corps contingent was enthusiastically received by American volunteers and Paraguayan counterparts, generating a 1960's-style excitement about the Peace Corps in Paraguay.
- **Clinton Childhood Memories:** VOA's Greek Service aired a unique account of your childhood in an interview with Greek-American David Leopoulos. During the interview, Mr. Leopoulos recalled how you played together in their Arkansas neighborhood, the positive influence that you mother had on them, your frequent get-togethers in her kitchen, and a number of other events which helped shape your life-long friendship.
- **Transportation Issues:** Secretary Pena will hold a briefing at the Washington Foreign Press Center November 3 on his upcoming trip to Japan, Hong Kong, Malaysia and Thailand, as well as transportation issues in APEC.

DEPARTMENT OF DEFENSE

- **Bosnia:** DOD officials are focusing their efforts on resolving the issue of Russian participation in the IFOR. They are using extensive meetings with Grachev this week to work out the details. They understand their concerns and are sensitive to the political pressures they are facing. DOD preparations for participation in the IFOR continue on track. They are hoping to provide their approved FORCEPREP Order back to SHAPE by November 9-10. In the meantime, SHAPE will be holding a meeting on November 3 to review the force flow of the enabling forces.
- **Haiti:** DOD continues to be concerned about the possible collapse of its policy in several key areas -- police/security/violence, elections, and privatization. The elections and scheduled withdrawal are forcing them to deal with this in a time constrained environment.
- **African Nuclear Weapon Free Zone (ANWFZ):** It is DOD's understanding that you will not make any specific commitment to President Mandela this week. They also understand that they will need to develop a final position before Vice President Gore meets with Vice President Mbeki in about three weeks. The key issues for DOD are to resolve the important question of Diego Garcia's current inclusion in the zone, and the more difficult problem of avoiding a binding negative security assurance (NSA) for nations they judge as having WMD programs.
- **Far East Trip:** Secretary Perry will be traveling to Tokyo and Seoul on October 31-November 3. During the Japan portion of the trip, he will be dealing with both the legal and political aftermath of the Okinawa rape case and the broad issue of U.S. bases on Okinawa. This promises to be a challenging series of meetings. His counterparts have the same objectives as he does; however, there is a question of their political will and more importantly their strength to get the relationship back on track.

DEPARTMENT OF STATE

- **Balkans/Proximity Talks Update:** On October 26, Secretary Christopher chaired an off-site meeting of Dick Holbrooke's Bosnia team. Madeleine Albright and other senior officials from State, DoD and the NSC also participated. The meeting helped sharpen the focus of State Department official's negotiating strategy for the Proximity Talks. State Department officials have agreed to slip the start of the talks until November 1 to accommodate President Yeltsin's insistence at Hyde Park on a Moscow meeting with Izetbegovic, Tudjman, and Milosevic. Although Yeltsin's health problems may keep this meeting from taking place, State Department officials will still hold to November 1 to begin the Dayton talks. Meanwhile, on the ground in Bosnia, the cease-fire is holding with minor violations, and in Croatia, progress is being made on the East Slavonia issue.
- **Quebec Referendum:** The separatists continue to make gains going into Monday's referendum on independence. Polls show a small lead for the separatist, although the outcome will be determined by the 13 percent who say they are undecided. The President's comment on Canadian unity received prominent media coverage and was much appreciated by the Canadian government.

- **Haiti:** On Monday, October 23, Secretary Christopher met briefly with President Aristide in New York. President Aristide readily agreed to Secretary Christopher's request that they begin trilateral planning with the UN to prepare for the departure of peacekeeping forces next February and transitional arrangements. Aristide said the Haitian government is working on Presidential elections, but avoided any commitment on a date. He was similarly vague regarding next steps on privatization and economic reform.
- **Amman Summit:** Secretary Christopher will go to Amman Saturday for the Middle East/North Africa Economic Summit. Ron Brown will also address the summit plenary, while Ruth Harkin and Phil Lader will be on hand to support the large U.S. contingent. SPRINT will announce a major deal to modernize Jordanian communications, and State Department officials will announce a regional tourism association and business council. On the Middle East Development Bank front, State Department officials have reached agreement with the Europeans on declaration language. The declaration announces the establishment of the bank, but makes clear that some countries (France, German, UK) do not expect to join immediately.
- **Embassy of Jerusalem:** As the result of intensive Administration efforts, State Department officials were able to negotiate less damaging -- but still unacceptable -- legislation on moving our Embassy from Tel Aviv to Jerusalem. The final version of the legislation contains a waiver authority that offers some protection from its most egregious provisions. Arab reaction to the legislation has been uniformly negative, although in some cases tempered with recognition of the Administration's position.

UNITED NATIONS

- **Cuba Embargo:** The annual GA resolution calling for an end to the U.S. embargo against Cuba will be voted on November 2. A similar resolution was adopted last year by a vote of 101 for and 2 against (the U.S. and Israel); 48 countries abstained and 33 did not vote. Despite intense lobbying efforts, even more countries may support the resolution this year, particularly in light of Castro's visit to the U.N.
- **Administration and Budget (Fifth Committee):** Under instructions, the U.N. announced last week at a formal session on the issue of the UN peacekeeping mission in Haiti (UNMIH) that the U.S. would put a ceiling of 25 percent on our contribution as required by U.S. law. During informal sessions that afternoon, a number of representatives from other countries sharply criticized the U.S. for taking unilateral action in reducing its share of peacekeeping expenditures. The UNMIH meeting was the first time the U.S. delegation raised the issue of the new 25 percent ceiling. Given the hostile reaction of our U.N. colleagues, it is fair to predict the U.S. will face rough sledding in managing the peacekeeping budget this year and next.

CENTRAL INTELLIGENCE AGENCY

- **Testimony on Ames Case:** Director Deutch will testify next Tuesday before the House and Senate Intelligence Committees on the results of the Aldrich Ames Damage Assessment. The purpose of the Damage Assessment has been to assure that a qualified, independent team with full access assessed all the consequences for the US intelligence and policy communities of the espionage carried out by Ames. Director Deutch will emphasize two conclusions: the enormous damage to our nation's interest and to our espionage capabilities caused by Ames, and the fact that Ames' success at spying for the Soviet and Russian intelligence services was due to inexcusable laxity in the CIA on such fundamental matters as management, personnel security, and counterintelligence.

cc: The Vice President
Leon Panetta
Harold Ickes
Erskine Bowles
George Stephanopoulos
Alexis Herman
Carol Rasco
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Donald Baer
Jack Quinn

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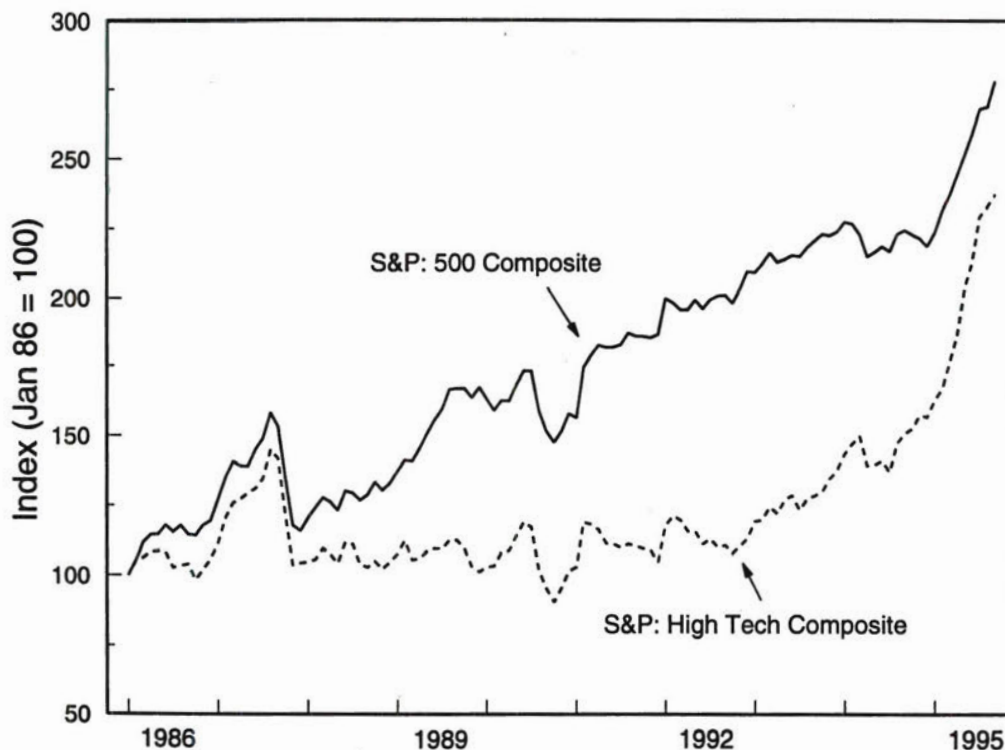
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

October 27, 1995

CHART OF THE WEEK

U.S. Stock Prices



The U.S. stock market has increased sharply in value since the end of last year, with most major indexes breaking through record levels. The increase in value has been broad-based, with nearly all major sectors experiencing substantial gains. Stocks of firms in the high technology sector have outpaced the market as a whole, reversing the pattern seen during the late 1980s and early 1990s when these stocks lagged the overall market. A Special Analysis in this issue of the Weekly Economic Briefing discusses recent developments in the stock market.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Survey Sheds Light on Corporate Job Creation. A study just released by the American Management Association shows that many firms that eliminate jobs also create other ones at the same time. More than half of all surveyed firms added jobs between July 1994 and June 1995, while exactly half eliminated jobs during the same period. However, the share that eliminated more jobs than were added was just 27.3 percent, down from the previous 2 years. The survey found that salaried workers in general, and middle managers in particular, bear the brunt of corporate reductions, at least relative to their shares of the corporate workforce. Unions seem to protect their members: while union members hold 39.5 percent of all jobs in surveyed companies with union shops, only 15.5 percent of eliminated jobs in these companies were union-held. Companies that increased training after downsizing were much more likely than those that did not report increased profits and productivity after 1 year.

Good News on Earnings. ~~Reversing an 8-year trend of decreases,~~ median weekly earnings for full-time male workers rose by 2 percent, according to the Bureau of Labor Statistics. However, median weekly earnings for full-time female workers declined 1.2 percent, causing the female-to-male earnings ratio to fall from 77.9 percent in the third quarter of last year to 75.6 percent in the same quarter this year. Overall, median real weekly earnings of full-time wage and salary workers (age 16 and over) rose to \$479, an increase of 1 percent on a quarter-to-quarter basis. Real weekly earnings rose at the bottom of the wage distribution and were essentially unchanged at the top of the wage distribution. On average, the BLS report indicates some better news on the wage front, but the Department of Labor notes that a single quarter's trends should not be given too much weight.

*Shoring
follow
This closely
it is a trend
down the industry*

Two Chip Firms Combine to Compete with Intel. In a merger of two leading makers of microprocessors, NexGen, Inc. of Milpitas, CA., has agreed to be acquired by Advanced Micro Devices (AMD) of Sunnyvale, CA. In 1991, AMD introduced a competitor to Intel's 386 chip. While it is difficult to determine the direct impact of competition, the price of 386 chips dropped quickly thereafter. Since then, Intel has introduced the newer and more powerful 486 and 586 (Pentium) chips, and the company is expected to ship its sixth generation chip (the Pentium Pro) next month. In developing ever newer chip generations, Intel has employed a strategy of having multiple production teams simultaneously working on a chip and its successor, while other, smaller firms have been unable to do so. Officials at AMD and NexGen expect their merger to allow them to take this multiple-stage approach, suggesting that the microprocessor industry may be in for greater competition in the years to come.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS S
10-30-95

October 19, 1995

MR. PRESIDENT:

As you requested.

Todd Stern

*Laura
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Original

50 Pg Booklet
went to Laura T.

S.

Saving More and Investing Better

A Strategy for Securing Prosperity

THE PRESIDENT HAS SEEN

10-30-95

FOURTH REPORT TO THE
PRESIDENT AND CONGRESS

SEPTEMBER 1995

COMPETITIVENESS
POLICY COUNCIL

THE PRESIDENT HAS SEEN - 10/30/95
COMPETITIVENESS POLICY COUNCIL

1726 M STREET NW • SUITE 300 • WASHINGTON, DC 20036 • TEL: (202) 632-1307 • FAX: (202) 632-1350

NEWS RELEASE

September 14, 1995

Contact: Howard Rosen (202) 632-1307

**AMERICA'S COMPETITIVENESS PROBLEMS
HAVE NOT BEEN SOLVED**

PRESS CONFERENCE: 10:30 AM, Room SC-5 US Capitol

EMBARGO: September 14, 1995, 10:30 am, E.S.T.

Washington, September 14 -- The US economy is currently replete with contrasts, according to a report issued today by the Competitiveness Policy Council:

- There is modest economic growth yet incomes for most Americans remain stagnant.
- More Americans are employed yet they are working longer hours and for less pay.
- Productivity growth has improved since 1990 yet it has not translated into higher compensation for workers.
- Improvements in product quality and delivery, lower wages, corporate restructuring, the depreciation of the dollar and government support have helped American goods and services gain a greater share of world markets yet the trade deficit is reaching historic highs.
- The federal budget deficit has narrowed since 1992 yet net national saving continues to fall.
- Private investment is growing yet the stock of existing plant and equipment is flat.

Since its establishment by Congress in 1991, the Competitiveness Policy Council has focused on the stagnation in US living standards over the last two decades and its causes. Much of the deterioration in real wages can be traced to slow productivity growth. Between 1973 and 1990 productivity grew by less than 1 percent and average weekly earnings fell by more than 1 percent per year.

To reverse this trend, in 1992 the Council set three goals:

- double productivity growth to at least 2 percent per year;
- achieve 3 percent annual growth in GDP, to reemploy workers made redundant through productivity improvements; and
- eliminate the deficit in our international trade in goods and services, thereby reducing our reliance on foreign capital and making the other improvements sustainable over the long run.

The Council estimated that national investment would have to grow by at least 4 to 6 percentage points of GDP in order to reach the dual goals of increasing productivity and accelerating economic growth. National saving would have to grow by at least 6 to 8 percentage points of GDP in order to finance the necessary investment from domestic sources.

Three years later in evaluating the nation's progress in meeting these goals, the Council notes that productivity growth has improved, averaging almost 2 percent annually over the last four years. Much of this improvement can be traced to the recovery from the 1990-1991 recession, however, and is unlikely to be sustained. Total saving and private investment have each grown by approximately 2 percentage points of GDP. Although this represents significant progress, much of this pickup can also be traced to cyclical factors. Both the saving and investment rates remain far short of what is necessary to sustain improvements in growth and productivity. It is also not clear whether real GDP growth -- which reached 4 percent in 1994 and is estimated to be just above 2½ percent in 1995 -- will remain high enough to reemploy workers made redundant by productivity gains as well as employ new entrants into the labor force throughout the remainder of the decade.

In releasing this year's report, Dr. C. Fred Bergsten, the Council's chairman, stated, "Americans must save more and invest better in order to generate long-run improvements in productivity and raise US living standards." Dr. Bergsten pointed to several signs on the horizon that bode ill for future US living standards:

- Private investment as a share of GDP still has not recovered to its pre-1980 level. The stock of existing plant and equipment as a share of GDP remains flat.
- US exports have been improving their share of world markets but imports continue to outpace exports and the trade deficit has been reaching new records.

✱ (●) Cutbacks in federally funded R&D, due in part to reductions in defense-related R&D, and a leveling-off of private R&D, have resulted in a net decline in total R&D expenditures in the United States, pose a risk to our future technological superiority.

✱ (●) While the Congress and the Administration are to be applauded for their calls to eliminate the budget deficit, it is essential that these goals be translated into concrete action and that important public investment in education and training, R&D and public infrastructure not be sacrificed in the process of budget cutting.

✱ (●) The plan of the Congressional leadership to terminate the Goals 2000 program, which seeks to develop federal education standards and means of assessing their achievement. This program's objectives are central element in providing quality education to the nation's children who will become the workforce of tomorrow.

Capital Allocation

This year's report also presents recommendations developed by the Council's Capital Allocation Subcouncil, co-chaired by Robert Denham, Chairman of Salomon Inc., and Professor Michael Porter, of the Harvard Business School. The Subcouncil includes 30 representatives from business, the financial community, government, labor and academia, and consulted with over 100 experts. The Subcouncil concludes that there remain significant distortions in the allocation of private capital in the United States. In releasing the Subcouncil report, Denham and Porter said, "The misallocation of private investment, partly a result of outmoded government policies, has contributed to the stagnation of wages and living standards of most Americans." The Subcouncil's recommendations include calls to:

- Reduce the present bias of the tax code in favor of debt rather than equity capital by providing a 50 percent dividend credit to shareholders and a sliding-scale capital gains preference for long-term holdings of stock.
- Reduce legal and regulatory impediments facing investors not seeking control who wish to engage in collective monitoring of the corporate governance activities of companies whose shares they hold.
- Allow individual institutional investors or investment pools comprised of such investors to hold larger stakes in companies.
- Restructure attorneys' fees in securities fraud litigation to make them better reflect the work performed and the results obtained and establish a 60-day "case organization period" in such proceedings for the purposes of discouraging the filing of frivolous "strike" suits and reduce the costs and improve the results of litigation.
- Reform securities laws and court procedures to reduce the risk of liability for companies disclosing forward-looking and nonfinancial information. Also, the Securities and Exchange Commission (SEC) and the Federal Accounting Standards Board (FASB) should launch a project to develop generally accepted practices for disclosure of salient categories of nonfinancial information.
- Improve small business access to debt and equity finance by streamlining securities registration requirements, permitting banks to underwrite small business offerings and facilitating small business loan securitization.

Raising National Saving

The Council remains concerned over the low and falling US saving rate. Although public dissaving has been reduced by 2 percent of GDP since 1992 through cuts in the federal deficit, the net national saving rate continues to fall. This is primarily due to the downward trend in household saving, as Americans currently consume 97 percent of their disposable income. Together with over 100 private associations and businesses, the Council has helped launch a national campaign to inform Americans of this serious development and suggest ways to reverse the trend.

As part of the effort to encourage Americans to save more, the Council recommends that the federal government issue income tax refunds in the form of interest-bearing checks akin to US saving bonds. Individuals would have an opportunity to cash in their refunds immediately or to could hold the checks and accumulate interest. The Council estimates that, if all Americans saved their tax refunds, this move could increase personal saving by 40 percent and up national saving up to \$85 billion a year. It would also add significantly to the amount of capital available for investment in job-creating activities.

Other recommendations include:

- Expand the tax deduction for Individual Retirement Account (IRA) contributions to all individuals, but limit deductibility to contributions above a specified percentage of income.
- Reduce the limit on the home mortgage interest deduction from its present \$1 million level.
- Limit the deductibility of home equity loans.
- Encourage employers to make some form of defined-benefit or defined-contribution pension plan available to all their employees, without obligation to contribute on their behalf.

- ① Improve the portability of pensions, thereby making it easier for individuals to keep their pension investments intact if they change jobs.
- ② Encourage individuals to find out more about their retirement savings through public education programs and a national retirement saving awareness campaign.

Maintaining Technological Lead

The Council warns that the current plans for eliminating the budget deficit may sacrifice the nation's ability to generate new technologies and develop new products and processes. Declines in government-supported defense-related R&D should be at least offset by increases in nondefense R&D. Projections based on current Congressional proposals suggest that total R&D spending as a share of GDP will fall below its pre-1960 level. This projected decline is already having serious consequences for private R&D funding. In response, the Council reiterates its support for a permanent extension of the research and experimentation tax credit, which expired at the end of June, and continued funding for the Advanced Technology Program (ATP) and the Manufacturing Extension Program (MEP).

Additional Reports

In addition to its annual report, the Council is releasing four supporting documents:

"Lifting All Boats," the report of the Capital Allocation Subcouncil;

"Saving and US Competitiveness," a set of papers analyzing recent developments in national saving;

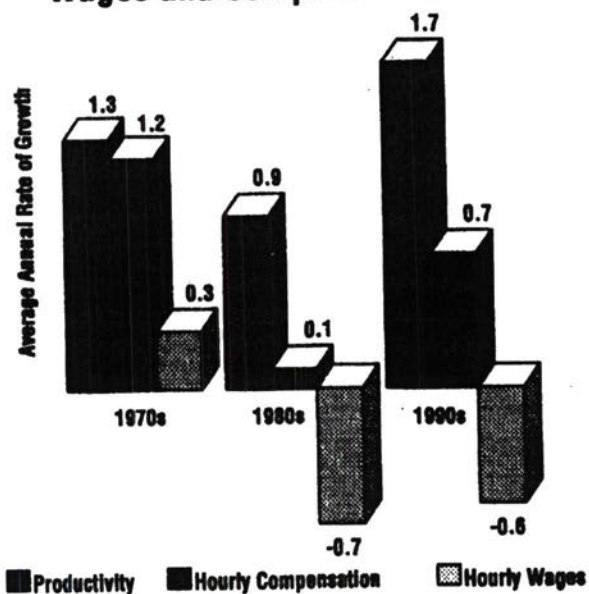
"US Technology Policy: The Federal Government's Role" a paper by Robert White, former Undersecretary of Commerce for Technology Policy; and

"Regulation on Its Impact on Competitiveness," a paper by Kip Viscusi.

In concluding this year's report, the Council notes that recent improvements in the economy have led some to believe that we have "solved" the nation's competitiveness problem. The Council members are encouraged by recent developments and hope these improvements can be sustained. On the other hand, the Council's report points to the fact that US living standards continue to stagnate in spite of these short-run gains. The Council concludes that only through sustained improvements in saving and investment will the nation be able to secure its prosperity.

The **Competitiveness Policy Council** is a twelve-member, bipartisan federal advisory commission established by the Omnibus Trade and Competitiveness Act of 1988. The Council's members include three business CEOs, three labor union presidents, three government representatives (both federal and state) and three members of the public. (The full list of members is attached.) Dr. C. Fred Bergsten, Director of the Institute for International Economics, serves as chairman.

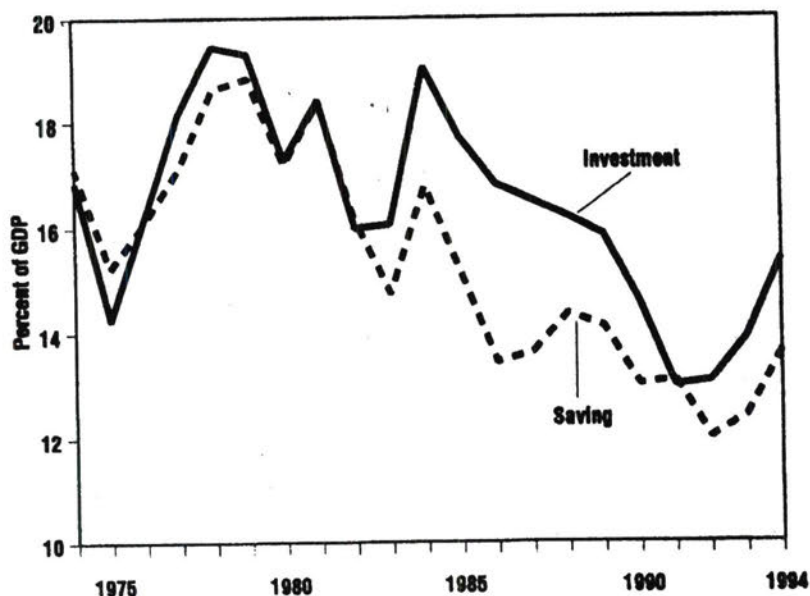
Figure 1. Changes in Productivity, Wages and Compensation¹



¹ Compensation and wages are in constant dollars

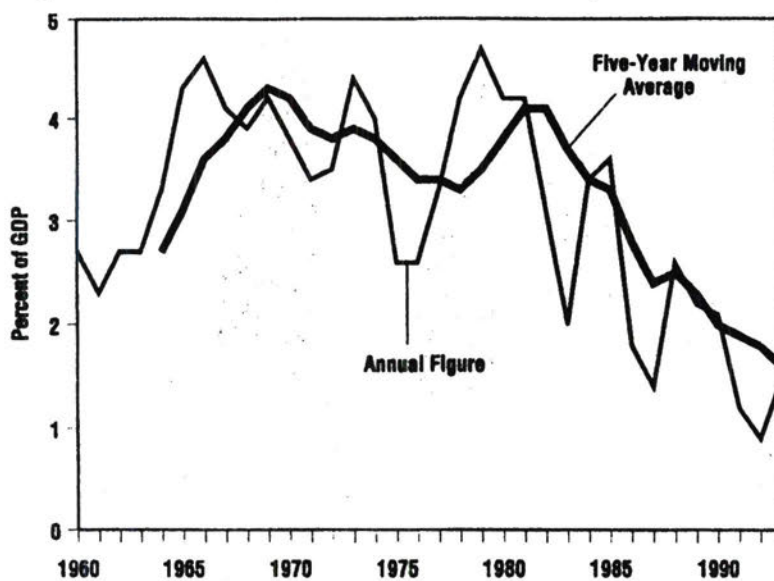
Source: Department of Labor and Department of Commerce

Figure 2. Net Saving and Investment



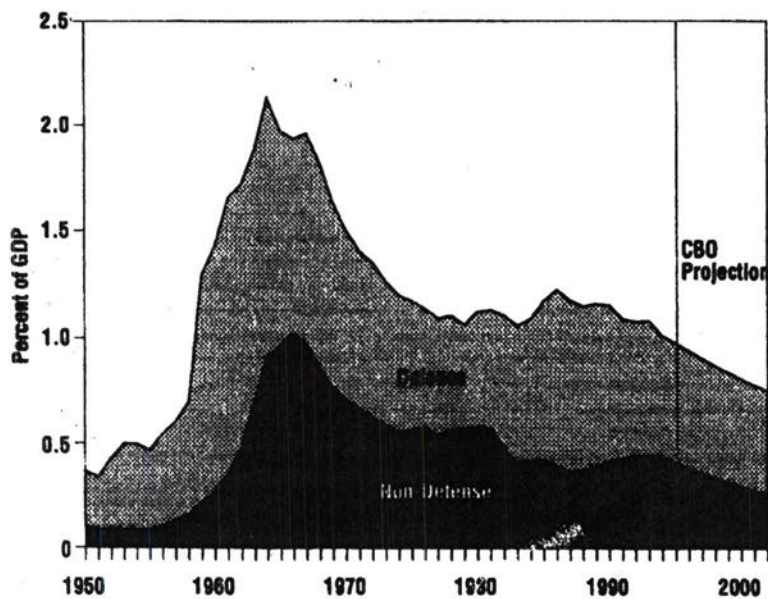
Source: OECD

Figure 3. Net Nonresidential Fixed Investment



Source: Department of Commerce

Figure 4. Federal R&D Investment



Source: Congressional Budget Office

Competitiveness Policy Council

Appointed by the President:

Robert E. Nelson (*Business*)
Chairman
Nelson Communications Group

Claudine Schneider (*Public Interest*)
Senior Vice President
Energia Global, Inc.

Albert Shanker (*Labor*)
President
American Federation of Teachers

Laura D'Andrea Tyson (*Government*)
Assistant to the President for Economic Policy
National Economic Council

Appointed by the Bipartisan Leadership of the US Senate:

Rand V. Araskog (*Business*)
Chairman and CEO
ITT Corporation

John Barry (*Labor*)
President
International Brotherhood
of Electrical Workers

William Graves (*Government*)
Governor
State of Kansas

Bruce Scott (*Public Interest*)
Professor of Business Administration
Harvard Business School

Appointed by the Bipartisan Leadership of the US House of Representatives:

C. Fred Bergsten, Chairman
(*Public Interest*)
Director
Institute for International Economics

Donald V. Fites (*Business*)
Chairman
Caterpillar, Inc.

Edward V. Regan (*Government*)
Former Comptroller
State of New York

Lynn R. Williams (*Labor*)
Retired President
United Steelworkers of America

Council Publications

Council Reports to the President and Congress

Building a Competitive America, March 1, 1992

A Competitiveness Strategy for America,
March 1993

Enhancing American Competitiveness,
October 1993

Promoting Long-Term Prosperity, May 1994

*Saving More and Investing Better: A Strategy
for Securing Prosperity*, September 1995

Commissioned Studies

Health Care Reform and US Competitiveness,
May 1994 (Lewin VHI, Henry Aaron and
Barry Bosworth)

Regulation and Its Impact on Competitiveness,
September 1995 (W. Kip Viscusi)

Saving and US Competitiveness, September
1995 (Alan J. Auerbach, Barry Bosworth,
Laurence J. Kotlikoff)

*US Technology Policy: The Federal
Government's Role*, September 1995
(Robert M. White)

Subcouncil Reports

A Trade Policy for a More Competitive America,
Report of the Trade Policy Subcouncil,
March 1993

Building High-Performance Workplaces, Report
of the Training Subcouncil, March 1993

Building a Standards-Based School System,
Report of the Education Subcouncil, March 1993

*Forging the Future: Policy for American
Manufacturing*, Report of the Manufacturing
Subcouncil, March 1993

Investing in our Future, Report of the Public
Infrastructure Subcouncil, March 1993

Technology Policy for a Competitive America,
Report of the Critical Technologies
Subcouncil, March 1993

Implementing a New Technology Policy, Report
of the Critical Technologies Subcouncil,
May 1994

*Lifting All Boats: Increasing the Payoff from
Private Investment in the US Economy*, Report
of the Capital Allocation Subcouncil,
September 1995

These publications can be obtained from:

Competitiveness Policy Council
1726 M Street, NW, Suite 300
Washington, D.C. 20036
Telephone 202-632-1307
Facsimile 202-632-1350

16 ltrs from different people
in one envelope; subject
of ltrs same

THE PRESIDENT HAS SEEN
10-30-95

10-30-95
The Original letters sent to
Dorland

M.

Need to answer
letter

PRESIDENT WILLIAM CLINTON
1600 PENNSYLVANIA AVE.
WASHINGTON DC 20500

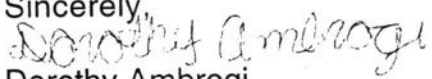
302 N. Elm
Prospect Hts. IL
60070
October 24, 1995

President William Clinton
White House
1600 Pennsylvania Ave.
Washington D.C. 20500

Dear President Clinton,

I am concerned about the issue of oil drilling in Alaska. I think that it is a very bad idea to drill because many caribou go there to have their calves. Everyone is always talking about endangered animals, and caribou might be the next animal on the list if something isn't done. If the bill is passed, (Number S1050) please vote against it.

Another issue that concerns me is the logging of Tongass National Forest. People are already allowed to cut down 290 million board feet of wood a year. Isn't that enough? Sure it will give some people a job for a few years, but what happens when there are no more trees to cut down? Then those people will be out of work again, and we will have one less national forest. (The last big one in the western hemisphere.) That would do us absolutely no good. Logging would also ruin the homes of many plants and animals that live in the forest. It could possibly kill them. Please don't let that happen. Thank you.

Sincerely,

Dorothy Ambrogio

THE WHITE HOUSE HAS SEEN
THE PRESIDENT
10-30-95

Review

10.14

Mr. President - 95 OCT 18 P 6:36

I prevailed upon The Bloomberg News wire to look at the question of growth numbers - They are extremely influential in the financial analysts community. Interesting piece! You should see their database!

— McCurry

White House Watch: Growth Assumptions and Budget Politics

Washington, Oct. 13 (Bloomberg) -- President Bill Clinton told reporters this week that Republicans' plan to balance the federal budget in seven years would yield the slowest economic growth for this country in a quarter century.

"It is going to give American the slowest economic growth it's had in 25 years," Clinton said. "That's the message of their budget."

It's also a message he wants to send American voters next year: Republicans, in their zeal to balance the budget, are dealing unnecessarily draconian cuts to social programs like Medicare.

Both sides are dickering over numbers in an inexact science: trying to predict how the economy will perform years from now. Over the past 25 years, the economy's growth has averaged 2.662 percent a year. Republicans aren't expecting that to continue; if their balanced budget plan becomes law, they say, the economy will grow, on average over seven years, at about the Congressional Budget Office figure of 2.3 percent.

If that number is conservative, it's also convenient for Speaker Newt Gingrich and other Republicans who want to shrink government. Were they to project a booming economy, growth in tax revenues would go a long way toward eliminating deficits. Then there would be less justification for the kind of spending cuts Gingrich and his Republicans are determined to make.

The administration, though, is forecasting growth at 2.5 percent -- a level in line with its own political priorities.

Sound familiar? A decade and a half ago President Ronald Reagan's budget director David Stockman used rosy economic scenarios to make the case that the government could afford to cut taxes. The Clinton administration, though its numbers don't approach Stockman's for fiction, is looking to its forecast to drive home its case that deep cuts like Gingrich's aren't necessary.

Read My Numbers

Clinton officials hope to save government programs by showing that the extra economic growth they expect would reduce the need to cut spending by \$200 billion to \$400 billion over seven years, White House aides and outside economists predict.

Read my numbers, Clinton is saying, and you'll see a way out of a budget impasse that has Gingrich threatening to hand the White House a "take-it-or-leave-it" spending package and the president threatening to veto it.

A compromise on economic growth assumptions could give both Gingrich and Clinton a way to claim victory, said Tom Gallagher, political economist at Lehman Brothers in Washington. The American people would feel, for a short time at least, that federal gridlock

*

isn't chronic, he said.

``Both sides have a mutual interest in showing that they can govern. If there's a compromise, then Clinton shows he can still govern with a Republican majority," he said. Gingrich wins too because he looks like a leader who can work with a Democratic president and ride herd on his troops."

Senate Republican leader and presidential hopeful Bob Dole may have provided an opening this week. He said the CBO numbers probably were too conservative. He guessed that growth over seven years with a balanced budget would probably be closer to 3 or 3.5 percent. ``Particularly if we have the right Republican in the White House," he quipped.

`Washington-Speak'

Either way, something has to give this year. Neither Clinton nor Gingrich is winning supporters in the business community with the protracted budget battle.

``All we're hearing is Washington-speak," said T.J. Rodgers, CEO of California-based Cypress Semiconductors Corp. ``The fact of the matter is we need to build a better economy and we can't do that if for every dollar we pay to the federal government 85 cents goes to real spending and 15 cents pays for the excesses of the past."

Whether the economy is growing at 2.3 percent or 2.5 percent won't have any great effect on American businesses, Rodgers said. ``A potential dip in growth to 2 percent is okay with me as long as Americans are getting richer in the long run. The Republican plan will do that."

Rodgers, a Republican, says Clinton holds a winning hand even if he's forced to accept big spending cuts. ``If Clinton is lucky enough to lose this battle of the budget with the Republicans," Rodgers said, ``he'll end up as the chief executive with the best fiscal record of any modern president."

Gingrich and Dole themselves have an interest in working out a deal. They want to be responsible for the most dramatic shift in federal spending policy in 25 years. Economists agree that a decade from now the Republicans won't be held to the projections they use today.

``No one in the whole world can possibly tell you who is right," said Lyle Gramley, a former Federal Reserve governor and economist at Mortgage Bankers of America. ``Any economist will tell you that there's no way to tell if you can balance the budget by 2002."

Kurt Karl, head of macroeconomic forecasting at the nonpartisan WEFA Group, agreed. ``All we know is that the quicker you try to balance the budget, the lower your economic growth in the short run because less money is going into the economy and unemployment goes up," said Karl.

``Can the average person discriminate between 2.3 and 2.5 percent growth? I doubt it," he said. ``So all this arguing

between Capitol Hill and the White House isn't about economics. It is about politics."

-- Dina Temple-Raston at the White House (202) 434-1884/rdm

(Story illustration: For a graph of the federal budget deficit estimates, type FDBEST <Index> GP, and change the ending range date to 12/31/99. Type <Go>. For a graph of monthly budget deficits or surpluses, type FDDSSD <Index> GP. For more on the budget, see BBN23. for more on Clinton, NI EXE. For more congressional news, NI CNG. For more White House Watch columns, type BBCO43. For the U.S. economic calendar, see ECO. For world economic statistics, see WECO or ECST)

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Bloomberg Business News

October 12, 1995

Page One

5:09 pm

AT&T Wins Rate Flexibility

Washington: AT&T Corp. won significant regulatory relief to let it raise or cut prices at a moment's notice, introduce new services when it wants — and compete better in the long-distance marketplace. The Federal Communications Commission voted to do away with AT&T's status as the nation's "dominant" long-distance phone company, clearing the way for the industry giant to change the rates it charges residential customers more easily and more quickly. "There will simply be more ways to get a better deal," said FCC Chairman Reed Hundt. AT&T's "dominant" classification had forced it to wait 45 days or more to cut rates while other companies only had to wait a day. The waiting period also gave AT&T rivals MCI Communications Corp. and Sprint Corp. time to preempt its discount plans, the company said. "We've been stifled in our ability to bring new prices and services into the marketplace by . . . a regulatory morass," said Gerard Salemme, AT&T vice president for regulatory affairs. — Liza McDonald (See story: NI FCC)

Hospitals, HMOs Do Battle

Washington: Medicare overhaul legislation headed for floor votes in the House and Senate set the stage for a test of strength within the health care industry, pitting doctors and hospitals against insurance companies and health maintenance organizations. At stake are billions of dollars of payments tied up in the federal health insurance program for the elderly and disabled. The Republican-led Congress wants to cut \$270 billion, or 14 percent, from projected spending on Medicare over seven years. Democrats so far have watched in frustration as Republicans remain largely unified on the scope of Medicare overhaul, a feat that conservative and liberal Democrats could not achieve during last year's debate over revamping the health care system. "We had no idea how well trained and disciplined" House Speaker Newt Gingrich's "troops were," Rep. Charles Rangel (D-New York) said yesterday as the Ways and Means Committee prepared to send the Medicare legislation to the floor. — Paul Heldman (See story: NI CNG)

Paper Industry Buoyed

Atlanta: Georgia-Pacific Corp. and Boise Cascade Corp. third-quarter earnings beat Wall Street expectations, reflecting surprisingly strong profits from building products. While higher paper prices boosted earnings throughout the past year, it was the demand for building products that accounted for higher-than-expected earnings at many forest product companies, analysts said. "The strength of wood is offsetting the weakness on the paper side," said Evadna Lynn, an analyst at Dean Witter Reynolds in New York. The forest-product companies were able to sell built-up inventories in the third quarter, after prices rose. — Elizabeth Kiesche (See story: NI PAP)

Banner 3rd Quarter on Wall Street Drives Up Profit at Bank, Brokerages

By Ken Kohn and Stephen Walsh
New York — Wall Street's banner third quarter sent profits at two of the biggest security firms into record territory while J.P. Morgan & Co., the nation's No. 5 bank, said trading activities dominated its revenues, sending their share prices toward historic highs.

PaineWebber Group Inc.'s profits more than tripled while Charles Schwab Corp. said earnings increased 51 percent in the latest quarter. J.P. Morgan, the commercial bank whose fastest growing business is competing with Wall Street, said a 41 percent gain in trading led its profits to rise 10 percent.

"This is nirvana for J.P. Morgan and the J.P. Morgans of the world," said James Cramer, of Cramer & Co., which owns 152,000 J.P. Morgan shares.

Stocks of brokerage firms rose because the results reported today rekindled optimism that this year's market rally, while bumpy, isn't over. That means Wall Street's profits may continue to grow.

PaineWebber, whose earnings were almost twice as high as analysts' forecasts, rose as much as 2, or almost 10 percent, to 21 5/8, its highest price in two years. Schwab met expectations and rose as much as 1/2 to 25 5/8. Morgan shares rose as much as 2 1/4 to 80 3/8, its highest ever.

All three reaped the benefits of this year's record rally in U.S. stocks, the lowest interest rates since February, 1994, and increasing demand for financial assets on the part of individual and institutional investors.

Following are details of the earnings reported today.

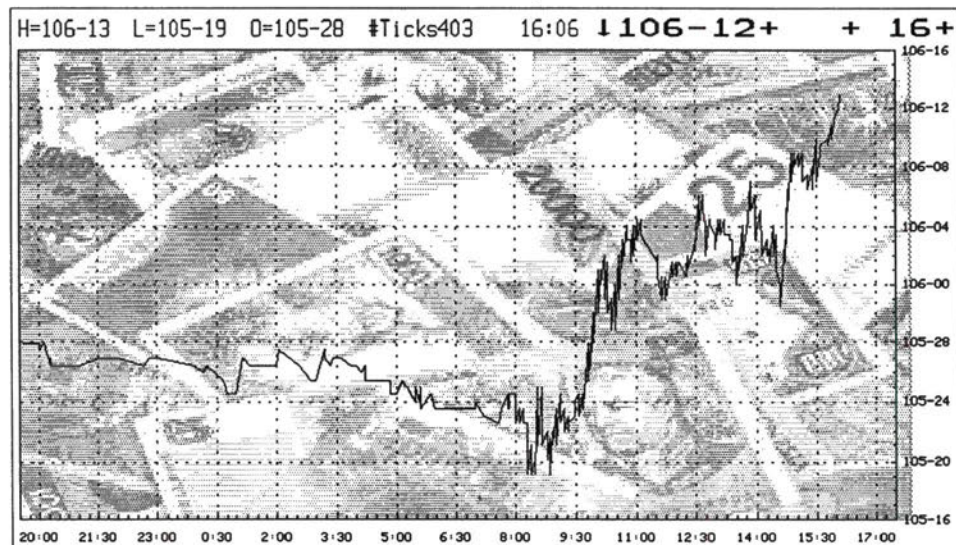
J.P. Morgan said third-quarter profits rose to \$360 million, or \$1.78 a share, from \$327 million, or \$1.63, in the year-earlier quarter.

The earnings were boosted by \$399 million of trading revenue. The rise, led by higher revenues from foreign exchange and swaps, exceeded analyst expectations of \$350 million.

Continued on next page

Thursday's U.S. Markets

Bonds and Stocks Rise; Dollar Falls



U.S. bonds rose, pushing yields to a 20-month low, on a regional manufacturing report that inflation is under control. The benchmark 30-year government bond erased an early loss and rose about 1/2, or \$5 per \$1,000 bond, pushing its yield down 4 basis points to 6.39 percent, the lowest since Feb. 7, 1994. The rebound came after the Federal Reserve Bank of Atlanta said fewer manufacturers reported paying or

charging higher prices last month, bolstering confidence that economic growth isn't picking up enough to quicken inflation. The Dow Jones Industrial Average rose 29.63 to 4764.88, the Standard & Poor's 500 Index rose 3.64 to 583.10. The dollar fell amid a growing perception among traders that central banks aren't likely to mount a coordinated dollar-buying effort anytime soon.

Good Grief. Now the Third Quarter Was Good

Third-quarter profits were pretty good after all.

Financial services and paper companies — even a high-tech outfit — reported earnings for the period today that were better than analysts had predicted.

In recent days, reported or estimated profits for the quarter that fell short of these forecasts, particularly those of Motorola Inc., had sent the stock market reeling. The market was up today for the second straight session.

The most intriguing report came from Texas Instruments Inc., a competitor of Motorola in the semiconductor market. TI said its third-quarter profits jumped 55 percent to \$289 million, or \$1.48 a share, as sales rose 33 percent to \$3.4 billion.

Sales of the company's semiconductor products are strong around the world and TI's backlog of orders is 55 percent higher than it was a year ago, Chief Financial Officer Bill Aylesworth said. "We see demand continuing to be very strong."

Texas Instruments' shares rose a modest 1 on the news to 74 1/4. That gain of about 1 percent seemed funny.

TI's third-quarter profits were 2 cents a share higher than the average estimate of 14 analysts compiled by Zacks Investment Research. Motorola's earnings for the period were 2 cents less than the average analyst's prediction. Yet Motorola shares fell 7 percent on the news. Apparently 2 cents more isn't worth as much as 2 cent less.

While it's true that Motorola shares were hurt because of softer demand and lower prices for cellular telephones, which Texas Instruments doesn't make, the disparity in the stock market's reaction is hard to figure.

What was odd in the overall market today was the sudden shift in sentiment on what the final wrap-up of third-quarter earnings will show.

Profits

Continued from Page One

The results demonstrate that J.P. Morgan is profiting from 15 years spent building its non-lending businesses such as securities trading. While J.P. Morgan's traditional business consists of lending money to the world's biggest companies and providing them with financial advice, two-thirds of its revenue now comes from non-lending businesses such as securities trading and underwriting.

"This quarter is going to make people begin to believe that they have seriously broken into the ranks of the Merrill Lynchs and the Morgan Stanleys," UBS Securities analyst Charles Peabody said, referring to two of the biggest Wall Street firms.

Several companies intimately connected with the market had good quarters. Stockbroker Paine Webber Group Inc.'s profits more than tripled to \$78.2 million, or 71 cents a share.

Helped by its 1995 acquisition of Kidder, Peabody & Co., Paine Webber reported higher revenue from commissions for trading on behalf of customers, asset management fees and trading for the firm's own account. "That's clearly Kidder," said John Keefe, an independent analyst. "They put two and two together and got five."

Charles Schwab Corp., the biggest discount broker in the country, reported its third-quarter earnings jumped 51 percent to \$47.2 million, or 26 cents a share. Schwab gets the bulk of its revenue buying and selling stocks and mutual funds for its customers.

J.P. Morgan & Co., a bank with a significant securities business, said its profits in the quarter were up 10 percent to \$360 million, or \$1.78 a share, on higher income from trading and investment banking. First Union Corp., a banker based in Charlotte, North Carolina, said its earnings in the period rose 5.4 percent to \$255 million, or \$1.50 a share. Analysts had forecast per-share earnings of \$1.46.

Paper and wood products companies Boise Cascade Corp. and Georgia Pacific Corp. also beat analysts' estimates. Higher paper prices helped both.

Boise Cascade, also aided by earnings from its office products distribution business, had a profit in the quarter instead of the loss it reported for the same period last year. It shares rose about 9 percent. Georgia Pacific earned more in the first nine months of 1995, \$821 million, or \$9.12 a share, than in any full year previously.

All third-quarter profits won't be in for weeks. Investors will have more than one opportunity to change their view of what the final picture will be.

J.P. Morgan's earnings for the first three quarters fell 9 percent to \$930 million, or \$4.62 a share, from \$1.022 billion, or \$5.05, a year ago.

Paine Webber said third-quarter earnings advanced to a record \$78.2 million, or 71 cents a share, from \$20.3 million, or 27 cents, a year ago.

Chairman Donald B. Marron said he expects to continue cost cutting to make profits grow in the fourth quarter and next year.

The average number of Paine Webber shares outstanding rose 39 percent, reflecting the purchase of assets of Kidder, Peabody & Co. from General Electric Co. earlier this year. Analysts said the earnings increase shows the purchase starting to pay off.

WAYS OF WALL STREET by David Pauly

Capital Gains Tax Cut Likely

Washington: There's a capital gains tax cut in your future as Democrats and Republicans move toward compromise. President Clinton sent the most conspicuous signal, telling reporters he's open to a cut in the tax rate if it's designed to encourage investment in job-creating new and small businesses. "I'm not philosophically opposed to all capital gains tax" (reductions), he said. "If (a capital gains tax cut) were consistent with an overall package that gives more jobs and higher incomes, I would be obliged to consider that." The president's offer -- now reinforced by other White House officials -- is significant and opens the door to a budget deal with Congressional Republicans who insist on a capital gains tax cut as essential to compromise. -- Monroe W. Karmin (See story: BBCO42)

Producer Prices Under Control

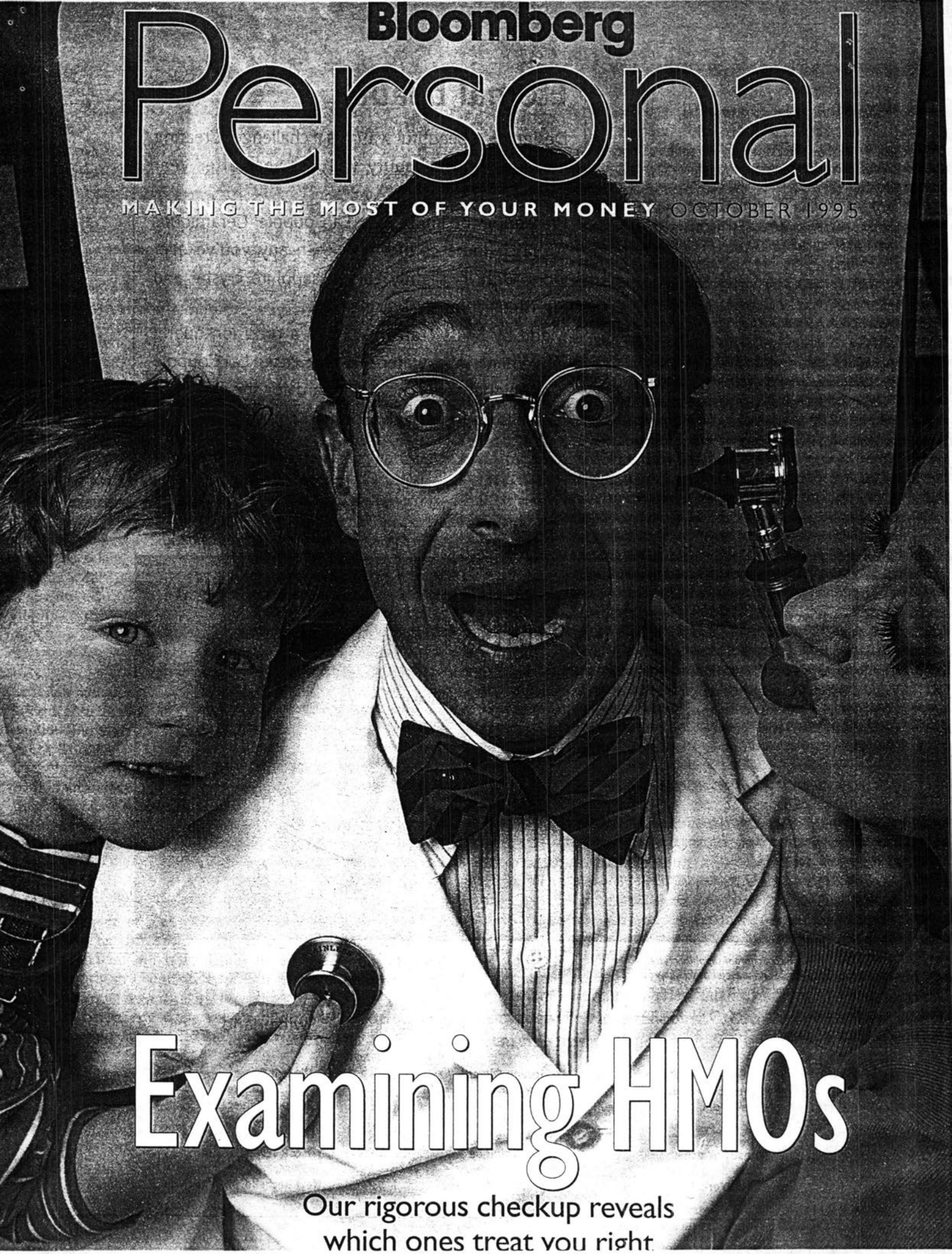
Washington: Inflation remained under control in the U.S. during September as prices paid to factories, farmers and other producers rose 0.3 percent. "Inflation is not completely dead, but it has been badly wounded," said Robert Dederick, consulting economist at Northern Trust of Chicago. "It doesn't have much energy left." The increase in the Labor Department's producer price index was in line with analysts' expectations. In August, producer prices fell 0.1 percent, the third month without an increase. Much of last month's increase came as the summer's drought sent vegetable prices soaring 40 percent, a temporary condition that has little effect on the long-term inflation outlook. Energy costs remained under control, falling for the fourth month in a row. -- Vincent Del Giudice (See story: NI ECO)

Olivetti Offer Criticized

Milan: A group advising U.S. pension and mutual funds urged a 'no' vote on a 2.3 trillion lire (\$1.4 billion) rights offering by Italy's Ing. C. Olivetti SpA, the latest sign of muscle-flexing by U.S. investors in Europe. Institutional Shareholder Services Inc. said shareholders should reject the "unreasonable request" by the Italian computer and office products company to raise money to finance job cuts and modernize factories. "The company has raised cash several times in the last few years, but shareholders have seen no improvements in company operations," ISS analyst Steve Young wrote in a report. Olivetti has had four straight years of losses and canceled its dividend in 1990. U.S. institutions are becoming a presence in Europe. Officers of the California Public Employees Retirement System, the largest U.S. pension fund, met this week with companies and investors in the U.K. and France. -- Robert B. Cox (See story: NI FND)

Bloomberg Personal

MAKING THE MOST OF YOUR MONEY OCTOBER 1995



Examining HMOs

Our rigorous checkup reveals
which ones treat you right.

10-30-95

Original to Dorshind
M.

AT

I should sign
a letter to them
folks - they've
been good to me!

Bac

THE PRESIDENT HAS SEEN
10-30-95

THE PRESIDENT HAS SEEN
10-30-95

DEAR MR. CLINTON,

THIS IS A PRESENT

FROM THE TEAM AT
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DEVELOPING THE NEXT ADVANCED
GRAPHICS SYSTEM, CALLED
"KONA". THE HAWAIIAN SAYS
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THE PRESIDENT HAS SEEN
10-30-95

President ☒

Both/All ☐

First Lady ☐

Chelsea ☐

DONOR INFORMATION

Name: _____

Address: _____

Phone: _____

PRESENTATION

Date: 10-18-95 Event: Medals of Technology

Handed to President ☒ Other Method ☐

Gift Description: Computer Software - ?

Send Gift and Register to OEOB, Room 457 x7133

Potus will sign

Mark Grossman
2063 Byron Street
Palo Alto, CA 94301

Silicon Graphics
2011 N. Shoreline
Mountain View,
CA

94039

Medals of Technology

Tim Newell

10/18/95

Tim Newell - OSTP 66011 can describe gift

Memorandum
October 26, 1995

TO: The President
FROM: Nancy Hernreich *NH*
Mary Morrison
RE: Letter from Tom Schneider

Tom Schneider wrote thanking you for the wonderful time he and Cynthia had being a part of your 20th anniversary. In the letter he discussed several topics:

- Science and Technology
 - Pension Reform for Small Businesses
 - Rate of the Economy
 - Return of Civil Society
 - Unions
 - Political Organization
 - DOE Weapons Sites and Labs
 - Student Lending and Education
- He also requests that you invite Mary Boergers to go with you on your trip to Ireland. She is currently the Director of the Ireland U.S. Political Leadership Program at the University of Maryland.
- Also, he requests that you spend at least 2 full days at the Renaissance Weekend. He feels it is really important because it will be a reunion of all past attendees.
- He and Cynthia would like to host a DNC fundraising event at their home.

cc = HTOC

Letter to U.A./EOB - Suppl
to Laura/EO - p. 2
to Laura/Sonnet - p. 5, 6
to Tony - p. 9 can 1?
Sincerely - p. 10

Bowles (per Phil)

RESTRUCTURING ASSOCIATES INC.

SUITE 350

1050 SEVENTEENTH STREET, N. W.

WASHINGTON, D. C. 20036

(202) 775-8213

FAX: (202) 223-0346

October 20, 1995

President Bill Clinton
The White House
Washington, D.C. 20500-2000

Dear President Clinton:

First, thank you for the wonderful evening to celebrate your 20th anniversary. Cynthia and I had a great time and relived our own 20 years. One day we must discuss the amazing institution of marriage.

1. Science and Technology: Very good show at the science and technology medal awards ceremony on Wednesday.
 - A. The back-up material to the press was good, but you still need a "scorecard" on how you have done with your 1992 promises.
 - B. The CEO's who endorsed you need care and feeding. They have greatly benefitted from your Administration, but need stroking and input. Your political people and schedulers need to make it happen. Re-endorsement can send a powerful message to the public.
 - C. A couple of important sound bites stood out that represent the heart of the role of government support for R&D:
 - Without government funded R&D there would be no Internet -- the right wingers who most dislike government rely on government generated benefits. Ditto smoke detectors, teflon, etc.
 - In the last 20 years, the U.S. has won X number of nobel prizes in the sciences. Of that number X-Y were for research funded by the U.S. Government. The Republicans are cutting government funded R&D by one-third (or whatever percentage) so the U.S. can expect to have the same percentage reduction in future nobel prize winners.

2.

Pension Reform for Small Businesses: First, fight against raiding excess pension funds; when the stock market falls the excesses disappear. Second, since setting up retirement plans for my business in 1990 (for an organization today of 20 to 25 employees) I have spent nearly \$100,000 in related legal expenses, and have jumped through ridiculous hoops trying to maximize all of my employees benefits. Every year I contribute 100% maximum allowed amounts to a 401K and a money purchase plan for 100% of my employees. Despite this commitment to maximize benefits, I constantly am twisting and turning to help everyone, young and old, highly paid and lower paid.

A fully rational business person would simply give up. The time and energy is a big enough waste. The tens of thousands of dollars in legal fees is an insult.

Your proposal is a major step forward, but is too conservative, especially given the national need to encourage savings and to shore up the economic security of future retirees.

In addition to your proposal changes, please consider the following changes:

- a. Eliminate the 25% of compensation limit on employer contributions and voluntary deferrals to qualified defined contribution plans. The limitation restricts the amount that employees whose annual compensation is less than \$45,000 can defer to their employer's Section 401(k) Plan, but does not limit the amount that higher paid employees can defer. I suggest that the 25% of compensation limit be applicable only to employees whose annual compensation, before voluntary deferrals to a 401(k) plan, exceeds 5 times the annual limit on deferrals to 401(k) plans (in 1995 this limit is \$9,240, and in 1996 will be \$9,500).
- b. Raise the \$150,000 limit on the compensation of any employee which can be considered for purposes of allocation of contributions to qualified retirement benefit plans. This limit requires employers of highly paid employees to establish two defined contribution plans (and incur additional administrative expenses) in order to achieve contributions of \$30,000 a year to the defined contribution plans for employees whose compensation exceeds \$150,000.

- c. The 15% excise tax on distributions to a participant in excess of certain amounts should also be repealed. The exercise tax is imposed in addition to ordinary income tax due on the distributions. If contribution limits are for both defined benefit and defined contribution plans are retained, this 15% excise tax penalizes those plan participants (a) who have been most conscientious about making salary deferrals, (b) whose employers is most generous making contributions on behalf of its employees, and (c) who have been most fortunate or insightful with investment of their defined contribution accounts over many years.

- 3. Rate of the Economy: If you were a Republican, the Administration would be boasting about the greatest economic success since the 1960's, at least. "Good Morning America" in 1984, was a joke compared to today.

The Administration has been phenomenally successful with the economy. There does not (and should not) be any apologies or qualifications. Your Administration and political organization should be single minded in making that point. You should not qualify or any in way detract from the success -- most people are in awe of it and do not understand it. Contrast with Bush and the 1980s. Keep the message simple. The Republicans are trapped; either they admit that there are problems, or they agree with the success.

Part two. More needs to be done; so re-elect Bill Clinton. The private sector alone will not do it. Focus on the working and lower middle class. The keys are education and R&D (point out specifics of the number of jobs in industries that are the result of Government R&D). Finally, using the earned income tax refund and medicare cuts as evidence, focus on the fact that the Republicans do not care about the economic well being of the average person.

- 4. Return of Civil Society: Step-up focus on core social values including tolerance -- in contrast to the religious right -- and helping the poor, the meek, and the sick (the Biblical roots could not be stronger [quote it often]) in contrast to the Republican view of leaving them to the private sector.

5. Unions: A lot of their members did not and do not support you because of issues like gun control. You need to have some candid discussions with the new leadership of the AFL-CIO and key individual union leaders to develop a working relationship and realistic themes. Realism is key to this discussion. Camp David may be a good venue. I can add details later if you would like.

6. Political Organization: Have your political people contact and debrief all of your 1992 state campaign leaders -- not the figure heads, the hands on people. The purpose is to collect their intelligence on the current situation in light of their knowledge of you and your campaigning style and ability. They were part of your winning team; use their intelligence. My word from 5 states is they have not been contacted at all.

7. DOE Weapons Sites and Labs: Talk to Secretary O'Leary about the status and gameplan for all weapons sites and labs. They are generally in key states (Washington, New Mexico, Colorado, Ohio, Tennessee, California -- also Nevada, Idaho, and South Carolina, and are major high profile employers in each state. They are important to the unions, important environmentally, important economically to their regions, and important on the R&D front. Keeping the labs open was smart. DOE policy can meaningfully help or hurt you in 1996.

8. Student Lending and Education: It seems to me that the objectives are 1) affordable education, 2) life-long learning 3) public and private investment in job training, and 4) reliable, cost-effective access to education funds. If this true then you should be able to sit down with the reasonable student lending organizations and problem-solve how to achieve these results with quantifiable, measurable assurance of results. I am told (see attached letter -- have your political people use Dan Radford in the Campaign) that Tom Conlin, the CEO of the Student Loan Funding Corporation, is a hard core Democrat who strongly supports your Presidency, but for one thing. He is interested in working with you to achieve your objectives (not your means), and very publicly to endorse your education and training efforts (and oppose the Republicans' cuts).

9. Minor: Mary Boergers was a very early supporter of yours in 1991 in the State of Maryland, and became one of your three state co-chairs for the campaign (primary and general election). She ran for governor in 1994 (the only Democrat female candidate) and lost. She is now the director of the

President Bill Clinton
October 20, 1995
Page 5

Ireland U.S. Political Leadership Program at the University of Maryland in College Park. Please invite her to go with you on your trip to Ireland. Thank you.

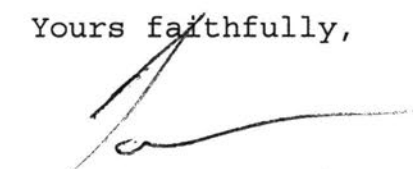
10

Renaissance Weekend, New Years. I hope you to go Hilton Head this year, and go for at least two full days. This year is a reunion of all past-attendees. You have a strong base of support and potential activists among the group of national and regional leaders. With some face time and a little care and feeding, many will be mobilized on your behalf. Too short a visit will appear to be politically expedient. No visit will appear to be denying who you are, and will be turning your back on a lot of strong, important supporters.

11. Personal: Cynthia and I would like to host a DNC fundraising event in 1996 at our house to help in the general election effort. In addition, I would like to offer my services to help in the campaign on the nonfundraising front, if you would like. I am open to alternatives and suggestions on how I can help.

I will see you very soon, sooner than you may realize. Hang tough on the budget front; strength of character is important to the public.

Yours faithfully,



Thomas J. Schneider

Attachment

CINCINNATI AFL-CIO LABOR COUNCIL

V. DANIEL RADFORD
Executive Secretary-Treasurer



TELEPHONE: 513/421-1846
SUITE 200, EXECUTIVE BUILDING
35 EAST 7th STREET
CINCINNATI, OHIO 45202



October 16, 1995

Mr. Thomas J. Schneider
President and CEO
Restructuring Associates, Inc.
1050 Seventeenth Street NW
Suite 350
Washington, DC 20036

Dear Tom:

I enjoyed our recent lunch in Cincinnati, especially our discussion on national politics and labor. Let me know if I can be helpful to you on President Clinton's campaign or in your work.

Sincerely,

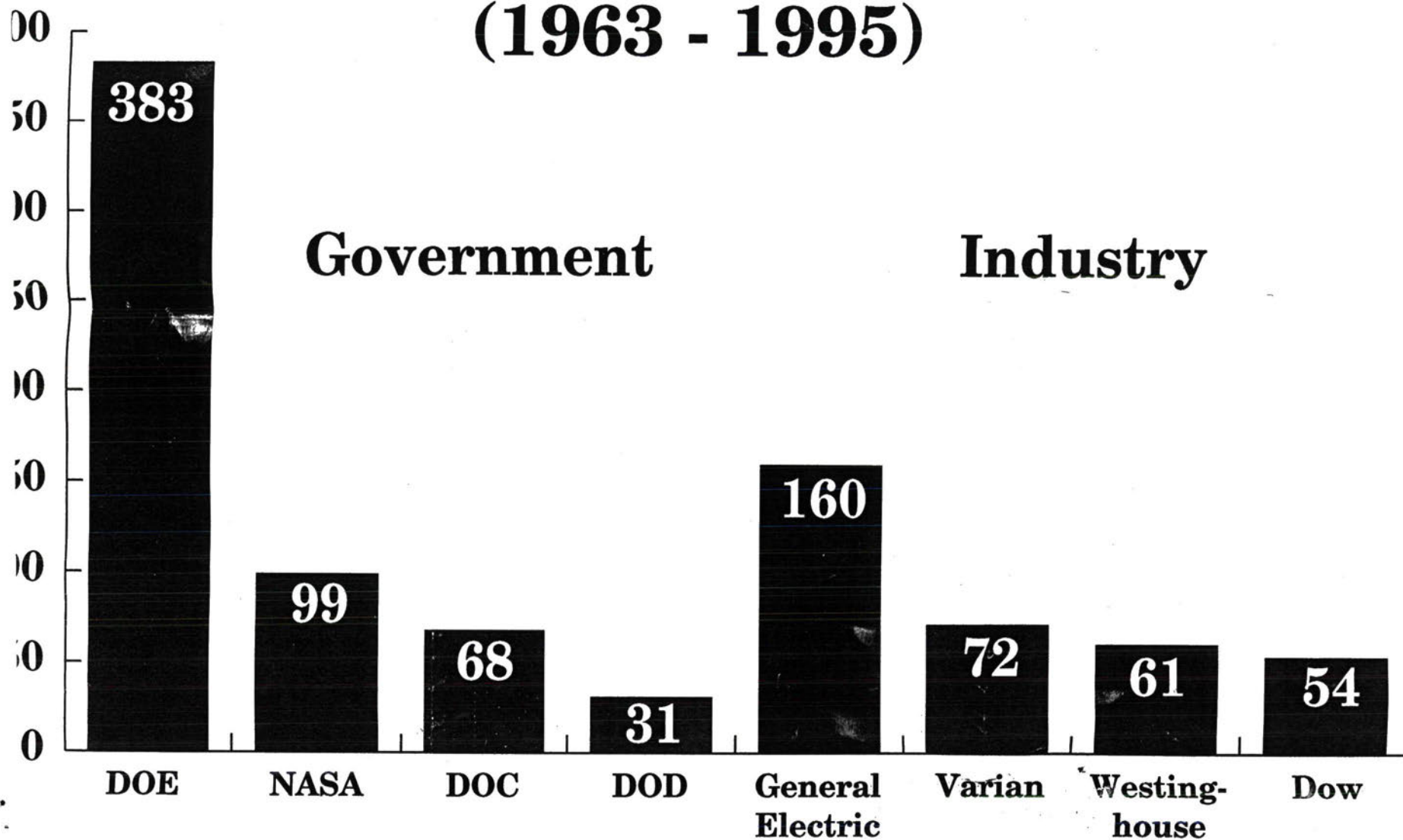
V. Daniel Radford
Executive Secretary-Treasurer

VDR:RS/opeiu #98 afl-cio

SCHNEI.DOC

TRACKING OUR PROGRESS

Top R&D 100 Award Winners (1963 - 1995)



There is the
kind of
charts we can
use to help

Be

1007
See Mr. M. D. Miller
Re.

THE PRESIDENT HAS SEEN
10-30-75

TO: THE PRESIDENT

DATE: October 27, 1995, noon.

I had breakfast with Al From yesterday and he recommended Rob Shapiro for the Blinder seat on the Federal Reserve Board.

VP/

75my

so in need to

do a symposium about this

PR

THE PRESIDENT HAS SEEN

10-30-95

Thousands in Bosnia Massacred on March

A1

By Michael Dobbs and Christine Spolar
Washington Post Staff Writers

As Bosnian Serb forces closed in on the United Nations "safe area" of Srebrenica in early July, some 12,000 draft-age Muslim men gathered on a hill outside the town. Terrified of being killed by the advancing Serbs, they decided to gamble their lives on an arduous 60-mile trek through enemy-held territory to reach the Muslim stronghold of Tuzla.

The men set off at dawn on Tuesday, July 11, in two columns that stretched back seven or eight miles. Most were unarmed, although large groups at the beginning and end of the procession had weapons. As they trekked along wooded mountain streams, they could see NATO warplanes destroy a single Serb tank in a futile, last-ditch attempt to prevent the fall of the "safe area" in eastern Bosnia.

Of the 12,000 men who set out that day, significantly less than half ever made it to safety, according to information collected by international human rights organizations and Bosnian officials. Nearly all of the remainder were butchered by troops under the command of Gen. Ratko Mladic, the Bosnian Serb military commander, despite repeated promises he gave the refugees that he would personally ensure their safety. For the rest of that week, a large area of eastern Bosnia was turned into a brutal killing field.

The accounts now available indicate that the massacres in the Srebrenica area during the week starting July 11 were the worst atrocities committed in Europe since World War II.

"Being there, and seeing so many people executed was terrible," said Hurem Suljic, a 55-year-old Muslim who survived a massacre near the town of Karakaj by staying motionless beneath a pile of dead bodies. "Anybody who moved or screamed was killed. . . . I was afraid that somebody would be alive who was on my back and if he moved, we'd get shot. But nobody moved."

Although reports of mass killings began to circulate soon after the fall of Srebrenica, the full horror of what took place became

See MASSACRE, A24, Col. 1

MASSACRE, From A1

apparent only much later as survivors of the long march told their stories to journalists, diplomats and human rights activists. A detailed reconstruction of events by The Washington Post now suggests that there were at least five or six separate massacre sites, where large numbers of Muslim men were buried in mass graves, as well as dozens of other places where individual killings took place.

In hindsight, Srebrenica marked a decisive turning point in the brutal 3½-year war between the Bosnian Serbs and the Muslim-led Bosnian government. The fall of Srebrenica helped shame Western governments, including the United States, into finally drawing the line against Serb aggression and approving a strategy of massive airstrikes to protect the remaining "safe areas."

"The Bosnian Serbs made a fatal error," said U.S. Defense Secretary William J. Perry. "They overplayed their hand when they went into Srebrenica. This was the action that caused the European NATO members to stiffen their resolve and be willing to take some action."

Nevertheless, mass abuses by the Bosnian Serbs have continued since Srebrenica, according to U.S. and U.N. officials. About 2,000 Muslim men are missing since Bosnian Serbs began expelling Muslims from the town of Banja Luka in northwestern Bosnia early this month. There have been conflicting reports about whether they have been killed or are held in prison camps.

An Exodus of Men

A town of about 12,000 that swelled to three times that number with refugees, Srebrenica is nestled in wooded hills close to Bosnia's Drina river border with Serbian-dominated Yugoslavia. It first came to international attention in early 1993 when, surrounded by territory that had already fallen to the Serbs, the largely Muslim-inhabited enclave was on the verge of starvation. In a gesture that made headlines around the world, the U.N. commander in Bosnia, Lt. Gen. Philippe Morillon, forced his way into Srebrenica and promised to "protect" the population.

Earlier this summer, Bosnian Serb commanders decided to consolidate their control of eastern Bosnia, eliminating the government enclaves. In a letter sent to U.N. officials in early July, Mladic complained that Muslim fighters operating out of the Srebrenica pocket had mounted raids against nearby Serb villages, killing more than 100 civilians. On July 6, the Bosnian Serb army mounted a full-scale assault on the enclave with tanks and artillery, and Srebrenica fell five days later.

The following description of what befell the inhabitants of Srebrenica was put together from accounts given by survivors and witnesses in interviews conducted in the Muslim-controlled Tuzla region in recent days. It also draws on testimony collected by human rights organizations including Human Rights Watch, Amnesty International and the U.N. Human Rights Commission.

The exodus of the fighting-age men of Srebrenica began relatively uneventfully. In order to avoid land mines, the men marched two abreast. Estimates of the number of marchers carrying weapons range from several hundred to 2,000. The defenders of Srebrenica had earlier given up most of their weapons when the U.N. "safe area" was declared.

It took seven hours for the columns to clear the opening stretch. The horrors began as the men approached the asphalt road between Nova Kasaba and Konjevic Polje, which was patrolled by dozens of Serb tanks and armored vehicles. As they penetrated deeper into Serb-controlled territory, the marchers were repeatedly shelled and ambushed.

Serb fighters, many of them dressed in black uniforms with white T-shirts, decimated the Muslims with mortar and heavy machine-gun fire. Men coming up from the rear of the column came across piles of bodies dumped in streams. Many had slit throats. Others were decapitated.

At this point, the column began to split up. Many surrendered. Others headed off in a different direction, attempting to cross the Konjevic Polje-Bratunac road at Kravica. Terrified by the scenes of carnage around them, many people simply lost their minds. Some experienced hallucinations that they later attributed to grenades of poison gas fired by the Serbs.

"People began acting crazy, hallucinating, hugging trees, trying to kill themselves," said Zulfo Salihovic, 30, who started off near the rear of the march and got lost during a Serb ambush.

Some men committed suicide rather than give themselves up. The U.N. commissioner for human rights, Tadeusz Mazowiecki, reported that one man shot himself in the

face, but failed to kill himself. He had to plead with friends to finish the job. A marcher, Ramiz Becirevic, described an incident in which a man took his own life with a grenade and killed five other people as well.

"People attacked their friends," recalled Becirevic, a 38-year-old Bosnian army liaison officer with the Dutch peacekeeping battalion in Srebrenica. "I felt crazy myself. I saw water all the time in front of me. A couple of times I tried to drink it, but it wasn't there."

Thousands of men were rounded up by Serb forces as they attempted to cross the main roads at Kravica and Nova Kasaba. Some were tricked into surrendering by Serb soldiers driving captured U.N. vehicles in their distinctive white colors and masquerading as U.N. troops. After their capture, the Muslims were forced to chant Serb nationalist slogans such as "Srebrenica is Serbian" and hold up their hands in the three-fingered Serbian nationalist salute.

According to survivors, mass killings of captured Muslims took place in both Kravica and Nova Kasaba. The best-documented incidents occurred in the Nova Kasaba area. On July 12 and 13, U.S. satellites and spy planes took photographs of hundreds of people in a soccer stadium, later identified by eyewitnesses as one of several Serb detention camps. Several days later, American aerial reconnaissance recorded an empty stadium, together with four large patches of freshly dug earth in nearby fields and new truck tracks.

Addressing a closed session of the U.N. Security Council a month later, U.S. Ambassador Madeleine K. Albright accused the Bosnian Serbs of killing many of the detainees in the soccer stadium and burying them in mass graves. The photographs corroborated eyewitness testimony of several survivors, including Hussan Mustafic, who kept a written record of his experiences. Mustafic told investigators that he hid in some tall reeds near the main road for 48 hours and watched "the Chetniks"—a derogatory term for Serbs—executing their captives.

"The Chetniks picked out Muslims whom they either knew about or knew, interrogated them, and then made them dig pits which would be used as mass graves," Mustafic told Human Rights Watch, according to the group's report issued earlier this month. "During our first day there, the Chetniks killed approximately 500 people. They would just line them up and shoot them into the pits. The men who had dug the mass graves then had to fill them in. At the end of the day, they were ordered to dig a pit for themselves . . . and were shot into it."

"I could see people being taken down to the river in groups," I heard

THE WASHINGTON POST
THURSDAY, OCTOBER 26, 1995

1/2

2/2

shooting," said Salihovic, who watched the scene from a nearby hill, where he was hiding out. "The [prisoners] never came back. Only the Chetniks came back."

The marchers who avoided capture pressed on northward. After several more ambushes, they eventually succeeded in joining up with Bosnian government forces from the Tuzla region. Most of the men who reached safety belonged to the advance group that was armed.

Mladic's Role

According to numerous eyewitnesses, the operation to round up draft-age Muslim men was personally supervised by Mladic, who was indicted by the International War Crimes Tribunal in The Hague in July for his alleged participation in earlier atrocities. A career-Yugoslav army officer, Mladic came to international attention with his ruthless conduct of the siege of Sarajevo. According to an intercepted radio communication, he ordered his subordinates to shell the civilian population in a way that would "stretch their brains."

Bosnian Serb television showed Mladic handing out candy to Muslim children in the Srebrenica enclave on Wednesday, July 12, as his troops consolidated their control over the "safe area." Refugees remember the general telling them, "We won't hurt you—we are the regular army." He repeated such assurances on a half-dozen other occasions over the next few days, including places like Nova Kasaba that would shortly become the sites of mass executions.

Most of the prisoners who were rounded up in the Nova Kasaba and Kravica areas were taken by bus or truck to the town of Bratunac. There, according to several former detainees, they spent a terror-filled night as Bosnian Serb soldiers pulled people off buses for "interrogation." Sometimes the soldiers were looking for specific individuals who had taken part in Muslim raids against Serb villages in the Srebrenica region, but on other occasions they selected their victims at random.

"Each time someone left, they didn't return," Smail Hodzic, 63, told Human Rights Watch. "We couldn't see anything, but we heard what sounded like questioning, then it sounded like they were beating them, and finally we heard rifle shots."

Another eyewitness, Hurem Suljic, said he was kept in a warehouse in Bratunac for two days, during which time Bosnian Serb soldiers interrogated and tortured dozens of prisoners. The prisoners were crowded together so tightly that they had to sit on top of one other. Five men died during the night. In one particularly gruesome incident,

Suljic said, he saw a soldier plunge an ax into the back of an elderly man.

In the evening of Thursday, July 13, Mladic's men began transporting their captives to the town of Karakaj. The prisoners were led into a school gymnasium where, according to several accounts, up to 2,500 people were detained. The men were made to strip to the waist and surrender their identification papers. Their hands were tied behind their backs. There were more beatings and summary executions.

"Whose country is this?" the men were made to chant, as a Serb soldier hit them with the barrel of a gun. "This is Serbian land. It always was, and it always will be." Several eyewitnesses, including Suljic, reported seeing Mladic at the school.

After being blindfolded, the men were loaded onto trucks and taken on a five-minute drive to an execution site, of which there were at least two. According to testimony collected by Human Rights Watch, one of the sites was a grass meadow, the other a gravel field on top of a plateau. The prisoners were machine-gunned minutes after being made to jump out of the trucks. Some removed their blindfolds first, and cried out in fear as they saw a field littered with corpses.

"They ordered us to lie down, and as I threw myself on the ground, I heard gunfire," recalled Nedžad Avdic, a 17-year-old Muslim interviewed by Human Rights Watch. "I was hit in my right arm and three bullets went through the right side of my torso. . . . I thought it would soon be over."

The executioners moved among the corpses, looking for any sign of life and occasionally putting an extra bullet through someone's head. There were moans of "kill me, just finish me off." The survivors could hear the sound of bulldozers in the background, shoveling corpses into tractor-trailers. As it grew dark, the executioners decided to resume their grisly work in the morning.

When the Serbs left, a tiny handful of survivors began picking themselves off the ground and unfastening each other's ropes. Human Rights Watch investigators were able to trace four men who survived the Karakaj massacres. They managed to reach government-controlled territory around the town of Tuzla, following a long trek through enemy lines.

Those Left Behind

As the fighting-age men of Srebrenica were making their desperate odyssey across Serb-controlled territory, the friends and relatives they had left behind were undergoing trials of their own. Some 5,000 women and children, and a few hundred

mainly elderly men, had taken refuge in the U.N. base at Potocari, a few miles north of Srebrenica. Roughly 20,000 others hid in a nearby factory.

Humiliated by the overrunning of the "safe area" they were assigned to protect, the Dutch peacekeepers made little attempt to defend the civilian population. They were worried about their own hostages. Refugees later described how many of the Dutch were forced at gunpoint to strip to their underwear by Bosnian Serb soldiers, who then strutted around in U.N. uniforms themselves.

Muslim civilians who remained behind in Potocari said that the Dutch peacekeepers turned down pleas by male refugees for protection. Hassan Nuhanovic, a 27-year-old translator, said he was permitted to remain in the compound because he was employed by the United Nations. But Dutch officers insisted that his father, mother and brother leave the compound in the afternoon of July 13.

"I don't understand it. Nobody believed that the U.N. wouldn't protect the people," said Nuhanovic, who has not seen any of his family members since their tearful farewell at the gate to the U.N. compound. The Serbs separated the remaining draft-age Muslim men from the women and children.

The failure of the peacekeepers to protect the enclave and its inhabitants has provoked a sharp political controversy in Holland, a country that is proud of its humanitarian traditions. Dutch officials have sought to shift the blame to the U.N. military command, which failed to provide the battalion of 450 Dutch peacekeepers with the means to repel a Serb attack. Even so, the chief of staff of the Dutch army, Gen. Hans Couzy, has acknowledged that his men tended to view the Serbs as "the good guys," particularly after a July 8 incident in which Muslim soldiers shot and killed a retreating Dutch peacekeeper.

On July 17, the deputy commander of the Dutch battalion, Maj. Robert Franken, signed a joint statement with Mladic confirming that the "Serb side has adhered to all the regulations of the Geneva conventions and international war law" on the evacuation of Srebrenica. Dutch officials later dismissed the statement as "meaningless," as it was signed under duress.

The evacuation of Muslim women and children began on July 12, in a fleet of 50 buses and trucks. During the 2½-hour drive to government-held territory near Kladanj, the refugees saw large groups of captured Muslim men, as well as dozens of corpses lying by the side of the road. Bosnian Serb soldiers frequently boarded the buses to demand money and jewelry.

Several dozen men and boys managed to get onto the buses by dressing up as women. Many were hauled off the buses en route to Kladanj. Kadir Habibovic, 31, who was wounded early in the war, escaped from Srebrenica by hiding beneath his wife's skirts. He was discovered by Bosnian Serb soldiers a few miles before the line dividing Serb from Muslim territory, and forced off the bus. He endured a terror-filled night of torture, together with 21 other Muslim men.

After searching the prisoners for money and jewelry, and tying their hands behind their backs with telephone wire, the Serb soldiers began to beat and kick them. Habibovic still bears the scar over his right eye where he was struck by a metal bar. Early the following morning, he and the other prisoners were ordered into an open-bed military truck. Four soldiers carrying automatic weapons sat across from them.

The soldiers told the Muslims that they would escort them to Bosnian government territory. After a short distance, however, the truck turned off on a dirt road and finally stopped by a small stream. "Not here," one soldier said. "Drive them to the place where the others were taken."

Habibovic recalled that the truck drove on up a hill and stopped in a field. The soldiers jumped down and turned their flashlights on the prisoners. Then they grabbed a man from the front of the truck and shot him. There was pandemonium in the truck as the remaining prisoners attempted to shield themselves from the bullets. At that moment, Habibovic heaved himself over the rail and tumbled into the brush.

As he ran off into the night, Habibovic said, he heard repeated gunfire from the direction of the truck. He has never seen any of the other prisoners since. "I am sure that all the men I was with were killed," said Habibovic, who says he wandered around in a daze for the next six days. He eventually joined up with other Muslim refugees and hiked across the mountains to government-controlled territory.

Three months after the Srebrenica massacres, it is still impossible to estimate the number of dead with any accuracy. The task of tracing survivors has largely fallen to the Bosnian war crimes commission in Tuzla, which is made up of 26 volunteers with one phone, no computers and only a couple of file cabinets.

The Bosnian Serb authorities have so far refused repeated requests by the United Nations and others for access to the sites of alleged graves in the Srebrenica region. U.S. officials said Serbian President Slobodan Milosevic on Tuesday privately assured a visiting U.S. diplomat that the Red Cross and United Nations would be permitted access to the sites.

The International Committee of the Red Cross has compiled a list of 3,000 Muslims who were positively identified by witnesses as having been detained by Bosnian Serb forces. They have drawn up a second list of 5,000 other people who went missing from Srebrenica and whose whereabouts are unknown.

Officials of the Muslim-led Bosnian government insist that the number of missing is higher. "I'm always trying to decrease the number to satisfy myself," said Fahrudin Salihovic, the former mayor of Srebrenica, who was among a group of armed men at the head of the march who managed to fight their way through to the Tuzla region. "I'm afraid when all is found out, there will be more than 10,000 dead."

Dobbs reported from Washington.
Spolar from Tuzla.

THE WASHINGTON POST
THURSDAY, OCTOBER 26, 1995

Survivor Tells of Brutal Murders

A1

By Christine Spolar
Washington Post Foreign Service

BANOVICI, Bosnia

Hurem Suljic was cutting grass in a meadow outside his home in Ornice, about 12 miles west of Srebrenica, when he heard the news. "Something is wrong in Srebrenica," a neighbor called. The 55-year-old Muslim farmer, lame in one leg, hobbled to his front door and rounded up his family. Suljic headed on horseback to the U.N. camp near Srebrenica. His wife, children and grandchildren followed on foot.

The road to the U.N. base was clogged with people by the time he arrived. He wouldn't get near the compound until the next morning. Then, while waiting in line to enter the base that Wednesday, July 12, he felt the hand of a gun-toting Serb soldier on his shoulder. "They took us away; other men too," Suljic said. "I said, 'Why are you separating me from my family?' They said, 'You're a man. Let's send the women and children out first.'"

"At first I thought it made sense," the short, wiry man said. Within hours, he realized there was little that was rational about anything else that day.

See SULJIC, A25, Col. 1

SULJIC, From A1

Suljic's account of his experiences in the aftermath of the fall of Srebrenica, a U.N.-designated "safe area" in eastern Bosnia, could not be confirmed independently. But it is consistent with interviews conducted with several survivors by investigators from the New York-based organization Human Rights Watch.

Suljic was taken to a nearby house and ordered to sit on the floor, and he watched as dozens of other men were brought in. Then, he said, the yard of the house was filled. About 7 p.m., a red-faced, stocky man came to the door, accompanied by guards. It was Ratko Mladic, commander of the Bosnian Serb force. "Hello, neighbors," Mladic said. "Do you know who I am? If you don't know, I am Ratko Mladic. You have a chance to see me now." He continued: "Do you see now what Alija Izetbegovic [Bosnia's Muslim president] did to you?"

Suljic called out: "I don't care for Alija Izetbegovic. Why did you separate me from my family?"

Mladic said he needed 180 men for a prisoner exchange. "Don't be afraid," Mladic told Suljic and the others. "Nothing will happen to you. Not a single hair will be missing from your head. We just need you for the exchange."

More men were sent into the house and yard. By nightfall, the men were ordered to leave the house and fill two buses. Mladic was standing by the side of one bus, Suljic remembered. The two buses were jammed, and then a Serb guard, carrying an automatic weapon, got on and stood next to the driver.

Suljic said the buses left Srebrenica and headed north to Bratunac. They passed a school and pulled up to a warehouse that had a dirt floor. Busloads of men kept coming. The men were ordered to sit on the floor. It was so crowded that men had to sit on top of each other. Soldiers ordered them to squeeze in, firing automatic pistols over their heads to hurry them.

Beaten to Death

About midnight, a macabre interrogation began. Guards came to the door and shone their flashlights on individual men, shouting: "You! Stand!" The men were passed overhead by those still seated. When each man reached the front, he was ordered to turn left. Then, Suljic said, he could hear the sound of beating. He said it sounded like a bat was smacking the men. Screams were heard. Guards could be heard discussing the torture matter-of-factly: "He's finished. Drag him over there."

Suljic estimated that 50 people were beaten this way. Forty didn't return. Of the 10 who did return to the room, bloody and moaning, five died during the night as they lay on top of the seated men.

By daylight of July 13, Suljic said, men who

were stronger and better looking were ordered to leave the building in groups of 10. Suljic said he did not see any of them return. Then those who remained were ordered to turn over all of their documents, a process that took until about 4 p.m.

They were also allowed to use a toilet outside the warehouse but were ordered to turn and look to the right immediately upon leaving the building or face trouble. Suljic went to the toilet but peeked at the forbidden area. He saw bloodstained pavement to the left of the entrance and then one old man facing Serb guards. One guard hit the man in the back of the head with a steel bar. Another guard heaved an ax in the man's back. The old man fell. His body writhed. The soldier held the ax deep into his back, said Suljic.

About 7 p.m. that day, Mladic came to the warehouse entrance. He announced that negotiations were finished and the men would be exchanged. He ordered one of the prisoners to count the people. The prisoner counted 296 men.

An hour later, Suljic heard engines. The prisoners were ordered out. Six buses waited. Suljic looked over to where the bloody pavement had been. It was wet and clean.

The men boarded the buses. Mladic was standing near the buses, giving orders, Suljic said. For 90 minutes, the buses waited as darkness fell.

When the buses started down the road from Bratunac, they continued toward the Drina River and then turned left. They went past Zvornik. From a bus window, Suljic saw the chimney of a factory in Karakaj, a small town north of Zvornik on the border between Bosnia and Serbia. Then the buses turned left and he saw a school and a long building, and the buses turned into a compound with a concrete playing field.

Again the men were ordered out of the buses and told to wait in the long building, a sports hall.

The hall began filling with new men during the night. Younger people entered, Suljic said. By morning the hall was filled with about 2,500 men, Suljic estimated.

Mladic returned at midday on July 14. Prisoners yelled to him for water and food. "What can I do when your government doesn't take care of you?" Suljic remembered Mladic as saying. "I have to do it?" Before the men would be transported, Mladic said, they could drink water outside the hall.

Lined Up And Shot

Suljic said he crawled over people to get to the front of the hall for water. Like all the others, he was blindfolded with a piece of cloth before he received his drink. He pushed the blindfold onto his forehead. He drank and then climbed onto a military truck that already had about 25 men in its open bed.

The truck left the schoolyard, climbed and rounded a curve. Suljic saw bodies lying along both sides of the road. The truck stopped close to the bodies. The men were ordered out and lined up in four rows. As the truck drove away, automatic gunfire rang out.

Suljic heard the burst of fire and felt the men behind him collapse onto him. He fell. After the shots, some men continued to scream. Guards came over individually and shot them. Suljic remained quiet. "I was afraid that somebody would be alive who was on my back and if

he moved, we'd get shot. But nobody moved," he said.

Suljic turned his head at one point to see who was there. Mladic, he said, was standing nearby. "I knew him by now," he said. "After the people were killed, he got in his car."

Suljic said heavy earthmoving equipment began chugging down the rows of bodies. As guards watched over another section of the operation, he said, he crawled out from under the bodies and hid under a bush.

He waited for some time until he heard a guard say, "There is no more. It's all finished." The guard left about 9:30 p.m., he said. The moonlight was bright and Suljic began to move.

"Is anyone else alive here?" he called out softly. "If there is, let's go."

A voice responded: "I'm alive."

"Are you wounded?" he asked back.

"No," the voice said.

"Then what the hell are you waiting for?" Suljic said.

"I don't know where to go," said Mevludini Oric, 25, a Muslim soldier who had been separated from the march.

Together the two men scrambled into the nearby forest. The next day, they found another survivor, Smail Hodzic. They walked all day, looking for the Karakaj factory chimney. For two days they crossed the countryside, from burned-out village to burned-out village, once coming too close to the Serbs and nearly getting caught, another time losing contact with each other. By July 17, all three men made it to the Bosnian government-held territory, Suljic said.

He asked to be taken to his brother's house in Banovici, a town 12 miles south of Tuzla, where he found his wife and family.

THE WASHINGTON POST

THURSDAY, OCTOBER 26, 1995

THE PRESIDENT HAS SEEN
10-30-95

Free East Timor

By Allan Nairn

When candidate Bill Clinton was asked about East Timor, he said, "We have ignored it so far in ways that I think are unconscionable." But as President, he has continued Washington's 20-year support of Indonesia's occupation of neighboring East Timor. When President Clinton meets Friday with President Suharto, the Indonesian dictator, he should tell him that America can no longer go along with the repression, which even the pro-Suharto State Department admits is worsening. East Timor is in turmoil,

A message for Suharto at the White House.

with riots, mass arrests and the secret police going from door to door.

The Clinton Administration is making matters worse by its willingness to sell General Suharto 20 F-16's and approve \$60 million in weapons sales. If Mr. Clinton were serious about promoting democracy, he would call off the deals and instead embrace the solution offered by East Timor's Roman Catholic Bishop, Carlos Filipe Ximenes Belo. In 1989, risking his life, he asked the United Nations to hold a referendum on East Timor's future political status. The army cut off his phone and mail and threatened him with death.

About a third of the populace has

Allan Nairn, a journalist, witnessed the massacre in 1991 in Dili, the capital of East Timor.

been killed in massacres and by enforced starvation. Ignoring the evidence of mass murder, Washington maintains that terrorism is not Jakarta's policy. That position willfully ignores what even the Indonesian generals say. After the massacre in Dili, the capital, in 1991, General Try Sutrisno — whom President Suharto later promoted to Vice President — said of the Timorese who opposed the occupation: "These ill-bred people have to be shot ... and we will shoot them." Gen. Herman Mamtiri said the massacre, which involved American M-16 rifles, was "quite proper" because the Timorese "were opposing us, demonstrating, even yelling things against the Government."

President Clinton should urge President Suharto to let the Timorese conduct a free referendum and should permit the United Nations to organize it in accordance with two Security Council resolutions that call for an Indonesian withdrawal.

American companies profit from Indonesia's repressed labor — the women who make Nike and Reebok sneakers there earn about \$2 per day — and some say they do not want Washington to rock the boat. But even by Washington's most cynical standards, corporate lobbyists would be hard-pressed to explain why democracy in East Timor is intolerable.

The occupation violates not only international law but also a 1958 defense treaty under which Indonesia agreed not to use American arms for aggression. In 1975, America chose to overlook a finding making this point from the State Department's legal office when it gave President Suharto the green light after he asked permission to invade Timor.

Right after his troops parachuted ashore, Washington doubled military aid to his regime and ran interference at the United Nations to prevent enforcement of Security Council resolutions. If President Clinton switched to democracy's side, President Suharto would quickly find that it was no longer feasible to continue the occupation. □

Tony
on this situation
factually correct?
Clinton do
anything more?
BN



Smiley
FHS - your letter

THE PRESIDENT HAS SEEN
10.30.95

October 24, 1995

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

City of Hot Springs
Municipal Building

Post Office Box 700
Hot Springs National Park,
Arkansas 71902
(501) 321-6800

Mr. President:

Thanks to you and the policies of your administration, and the hard work of the citizens of Hot Springs, the area continues to show tremendous growth in all sectors of the economy.

The latest demographic numbers, a few of which are listed below, document the ongoing economic strength of the Hot Springs area.

Travel Expenditures - 23% increase in 2 years .

Gross Hotel/Motel/Restaurant Receipts - 29% increase in 4 years.

Gross Sales & Use Receipts - 20% increase in 1 year - from 1993 to 1994 (up a total of 38% since 1991) to \$885,000,000.

Median Household Effective Buying Income - 25% increase in 4 years - to \$25,967.

Average Per Capita Personal Income -13% increase in 3 years - to \$17,946.

Hot Springs is growing and on the move for a number of reasons.

In addition to the construction of new roads and bridges, the planned construction of a \$34 Million, 10,000 seat Convention Center will continue to fuel this growth. This Convention Center expansion is to be funded by a bond issue which the voters have already passed. Opening date is estimated to be 1998.

The already successful revitalization of downtown Hot Springs, coupled with the low cost of living and recreating in the Hot Springs area add to Hot Springs appeal.

In the employment area, 1,500 new manufacturing jobs have been created since 1989 and the county unemployment rate is under 5%.

Above are just a few of the reasons Hot Springs is doing well should remain a strong generator of jobs and enjoyment.

As Mayor of the City of Hot Springs and an ardent supporter of you and your policies, I wish to invite you to publicly come to Hot Springs and showcase our success and yours.

Sincerely,

A handwritten signature in cursive script, appearing to read "Helen", followed by a horizontal line.

Helen Selig

Mayor Helen Selig
Post Office Box 700
Hot Springs National Park,
Arkansas 71902



THE PRESIDENT

10/30/95

Dear Mayor -

Thank you for your great
letter and your support. It
was so good to see you and the
other home state folks at the Conference.

Sincerely
Bill Clinton

October 17, 1995

JIM DORSKIND:

Please coordinate

William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

response if
necessary

*Heidi / Sonia / Ann / Karen
they're right → need to reply
get them to organize again →*

THE PRESIDENT HAS SEEN
10-30-95

Dear Mr. President:

One out of every twelve Americans works in a health-related profession. Many Americans consider themselves consumer activists on health issues. We secured the vote of both groups in 1992 and lost it in 1994. Health-worker and health activist contributions to Clinton-Gore '96 are far below projections.

A Presidential campaign probably cannot win without soliciting support from this, the Nation's largest constituency, and this solicitation must be on issues palatable to consumers. Such a campaign should, however, be more subtle in 1996 than in 1992 (i.e., enticing to health interested voters without promoting extensive government programs or financing).

A network organized by the National Health Policy Council, Families USA, the American Nurses Association, AFL-CIO, and The Wexler Group was a very effective force in attracting both providers and consumer health activists in 1992.

After the '92 election, broad-based health constituency support waned for a variety of reasons. Previous Democratic support amongst nurses, hospitals, physicians, labor, and business groups weakened as they became concerned about government's role in managing health delivery -- a development which created great political opportunity for well-funded insurance opponents.

Issues that will work for today's campaign that appeals to hospitals, nurses, business, the elderly, doctors, and labor across the board are:

1. **Preserving Medicare.** A veto may be necessary to show strength.
2. **Preserving consumer choice** of provider and choice of plan.
3. **Paperwork reduction** -- (not sexy to the press, but very appealing and important to health constituents).
4. **Insurance reform** including elimination of pre-existing condition exclusions and attention to inappropriate denial of services (e.g., short stay c-sections and pediatric mental health denials).
5. **Violence as a health issue** -- the suffering of trauma and its relationship to drug abuse, alcoholism, and crime.

In contradistinction, the debate in 1993-94 made clear that certain concepts and terms should, in fact, be avoided in this campaign. They are:

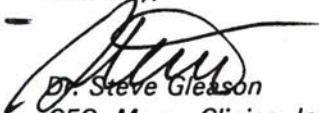
1. Comprehensive health reform.
2. Anything that equates to big government.

Further scientific analysis of health workers and consumers' opinions nationwide would be helpful to identify other issues that resonate with these groups. The President's platform on health must recognize that, in health care, it's a **new ballgame**. The process of evaluating the platform requires new and better information. A seasoned group of experts with knowledge of the electorate, health care groups, polling data, and political planning is necessary to this effort.

In recent weeks we and other advisors have submitted a campaign plan with both strategic and tactical considerations as well as a timetable and a budget. We are available to help you if and when you feel it is timely.

Thank you very much.

Sincerely,



Dr. Steve Gleason
CEO, Mercy Clinics, Inc.
Chair, National Health Policy Council
Ass't. Prof., Mayo Medical School



Dr. Rick Boxer
Pres., Urology Specialists, P.C.
Assoc. Prof., Dept. of Fam. Med. & Health Policy
Institute, Medical College of Wisconsin

Jack Quinn

Should we say or
do more on this?

Did not seriously
open, urging the
Court to take or refuse
the case?

Bx

THE PRESIDENT HAS SEEN
10-30-95

The High Court's Fear of AIDS

By Michael L. Closen

About 40,000 people die annually of AIDS in the United States, but the Supreme Court doesn't seem to have noticed. Since 1989, the Court has been presented with six cases involving issues central to the AIDS epidemic, and it has refused to consider all six.

Each of the cases presented significant Federal questions. They have involved the constitutionality of mandatory H.I.V. testing of employees at a residential mental health facility; whether testing prison inmates is a civil rights violation; whether a company's reducing the health care benefits of an employee with AIDS violated Federal law, and whether barring an infected medical assistant from participating in surgery violated the Federal Rehabilitation Act.

They also involved the constitutionality of an Illinois law that makes it a felony for anyone knowingly H.I.V. positive to engage in "intimate contact" with another person, and the propriety of a Federal class-action suit on behalf of thousands of hemophiliacs who allegedly contracted H.I.V. from transfusions.

These issues did not go away when the Supreme Court chose to ignore them. Just as in the the 1980's, when President Ronald Reagan refused to talk about the AIDS epidemic, Federal inaction is promoting ignorance about the disease and increasing the suffering of the afflicted.

AIDS is more than a medical condition — it has become an economic, social, political and legal quagmire. In the same way that the Warren

Court helped shift the nation's view of race, this Court could have helped overturn some of the myths and prejudices about H.I.V. and AIDS.

The Court did decide to review one AIDS-related case, which was filed against the American Red Cross by a patient who allegedly received an H.I.V.-infected blood transfusion. But the case turned solely on procedural grounds, so the Court did not address any substantive issues about H.I.V..

True, the Supreme Court's jurisdiction is largely discretionary and no law binds it to hearing a case

It refuses to hear cases involving H.I.V.

involving AIDS. In recent years, it has cut its caseload largely to those cases involving issues about which the lower courts, especially the Federal circuit courts, have been divided. There was no such rift between the lower courts on the six AIDS-related cases the Court refused to hear.

But the Court's rules expressly provide for circumstances in which "an important question of Federal law" should be settled. In other words, cases of great national interest ought to be heard. If the AIDS epidemic presents one of the most important challenges of our time, and if there are numerous Federal statutory and constitutional questions associated with H.I.V., shouldn't the Court hear one of them?

The failure to do so represents a retreat from the Supreme Court's long history of noble leadership. If earlier Courts had narrowed their jurisdiction to cases involving only

conflicts among the lower courts, numerous landmark cases would never have been considered.

There was no real division of judicial opinion on school segregation when a courageous Court decided *Brown vs. Board of Education* in 1954.

There was no conflict in the lower courts on the question of enforcing a subpoena for Presidential communications when the Court took up *United States v. Nixon* in 1974. The Court decided to review the case because of the "public importance of the issues and the need for their prompt resolution."

Just what has the Supreme Court done with its time since 1989? Has it been so burdened with other cases of great national consequence that it has not had time to consider AIDS? Hardly. Under its discretionary authority, it accepted a substantial number of cases arising out of relatively obscure aspects of state law and Federal statutes such as the bankruptcy code and the tax code. If such arcane matters are important enough to merit Supreme Court review, why not an AIDS-related case?

It is time for the Justices to get their heads out of the sand and confront AIDS. □

Michael L. Closen is a professor at the John Marshall Law School.

*Laura THE PRESIDENT HAS SE N
10-30-95
Figs - pretty important
Roc.*

INTRINSIC VALUE/By ROGER LOWENSTEIN

Will Flat Wages Beget Future Trouble?

In five years, half the people on welfare will be busy as bees, some flipping hamburgers, some grilling tunas, and some, no doubt, toiling as economists. Even better, little money will be required to train or coax these freeloaders into adapting to the blissful routine of the work week. Hence, very little funding will be available. Better still, with wages rising so fast, tax credits for the working poor—what Ronald Reagan called the best antipoverty program ever—will be unneeded.

All this may be inferred from recent actions of Washington budget-cutters. It happens that none of it is credible to economists, particularly on Wall Street.

In fact, said economists are increasingly worried about an opposite set of trends. Throughout the recovery, job growth has been anemic and downsizing has continued. Adjusting for inflation, wages have been flat for a decade. And the relative rewards for unskilled, untrained burger-flippers (and economists) have fallen.

The trends are so strong that some Wall Streeters have begun to sound like radicals. Stephen Roach, chief economist at Morgan Stanley & Co., an institution not known for harboring subversives, warns of a "backlash" unless workers "begin to receive a just reward for their productivity contributions."

Mr. Roach was among the first to predict that service industries would discover the joys of laying off workers, just as smokestack factories had. In 1991, he predicted this would lead to economic growth, corporate profit growth, lower inflation, increased U.S. competitiveness and (in case you care) rising stocks. Predicted and delivered.

His colleagues now ask, "Who could ask for more?"

Mr. Roach replies (we paraphrase), "the proletariat."

For many decades, he notes, wages rose and fell with productivity. In other words, as companies earned more for each employee, the value (and wages) of workers rose. In the 1980s, productivity began to leave wages behind. In the 1990s, the two have become totally unhinged.

This is partly because employers are paying more for fringe items, including higher contributions to Social Security and worker's compensation. And of course, in part, it's because workers overseas demand less than employees here.

Regardless, workers have reason to feel they are missing the fun. According to Mr. Roach, while profits have boomed, the recovery has generated 6.5 million fewer jobs than a "normal" expansion. He sees "an unmistakable sign that po-

litical and social tension is going to boil over." Perhaps, in know-nothing but hard-to-resist pressures for trade barriers. Maybe, in demands for reflation. Possibly, in unions returning from their decade-long coffee break, as they have at strike-crippled Boeing Co. Failing those, anti-incumbent fervor could become permanent politics.

Economists who disagree with Mr. Roach—and there are plenty of them—still share his basic concern. Peter Bernstein, an economist of eclectic tastes, thinks workers will remain cowed, but is hardly pleased about it. A consequence of perpetually low wages would be perpetually slow growth (no raise, no new minivan). This would be bad for society, bad for the Dow Jones industrials. "The wage thing is serious," he adds. Ditto, David Shulman at Salomon Brothers.

David Wyss, a mainstream economist at DRI/McGraw-Hill, says the issue of how to create jobs that pay a living wage worries him, because nobody knows how to do it. Mr. Wyss, like most people since the fall of communism, liberalism and Aid to Families with Dependent Children, abhors thinking in class terms. Nonetheless, he says: "It's hard to avoid. The basic fact is that the bottom 60% are losing ground. The working poor are really caught."

On the right, Michael Tanner and Stephen Moore, of the Cato Institute, argue that entry-level wages are too low to lure workers off welfare, contributing to demand for same. Government cannot raise wages, but it can cut welfare, and it is. What will replace it is unclear.

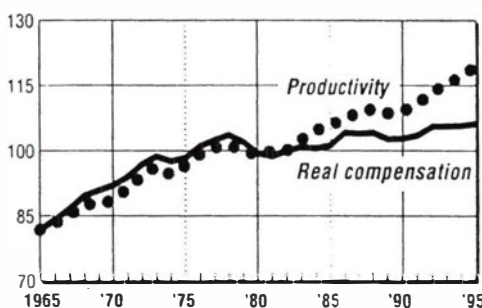
The best hope for higher wages, Mr. Moore says, is to stimulate capital investment, which usually leads to higher pay. The more money invested in business, the more productive it is, and the more that workers are "worth." He thinks a capital-gains tax cut would help.

Mr. Roach knows that such a cut would be met with smiles in the Morgan Stanley dining room, but questions whether it's needed. He's more concerned about the falling share of national income going to workers, and thinks Washington's recent moves could make it worse.

However, the two agree that only Americans with skills will be able to command a higher wage than foreigners. To Mr. Roach, this argues for more investment in "human capital." Mr. Moore, who sees federal jobs programs and such as failures, is happy to see them go. But in their absence, he allows—and he faults both political parties—there is nothing, "no policy out there," to promote higher wages.

Wages Fall Behind

Productivity vs. real compensation per hour, 1982=100



Source: Morgan Stanley

WHERE ARE THOSE GRAY FLANNEL SUITS?

Just before the 1992 presidential election, at a dinner with some of his peers in corporate America, John A. Young, then the president and chief executive officer of Hewlett-Packard Co., was surprised when a survey of his table mates revealed that "probably 8 out of 12" planned to vote for Bill Clinton, a young governor of a small state in the South—and a Democrat to boot.

"Most people felt that President Bush had kind of let things run down and really was unwilling to address domestic policy issues," Young said in a recent interview. "Here was a fresh voice."

But times change. "Sampling those people today may get you quite a different view," said Young, who's no longer in charge of the Palo Alto (Calif.)-based computer company but still has an office there. And although he publicly endorsed Clinton in 1992, Young declined to comment on whether he was backing the President in 1996.

Clinton's not without friends in America's corporate suites, and his Administration can still count on help from big business when it comes to lobbying on Capitol Hill for certain issues of mutual interest. Like any other relationship, though, this one has "matured," a Washington representative of a *Fortune* 500 company said. No divorce, in other words, but separate bedrooms.

During the 1992 race, Clinton's campaign strategists exploited almost every opportunity to show off their candidate's support in the corporate world. Young was among a passel of Silicon Valley CEOs that the campaign trotted out to show in the key electoral battleground of California that Clinton was high-tech-friendly. In the closing days of the campaign, Clinton was showcased with scores of energy company executives at a stop in Houston. And when Clinton spoke at a Merck & Co. Inc. plant in New Jersey, he had by his side one of the senior statesmen of the nation's pharmaceutical industry, then-Merck CEO P. Roy Vagelos.

During Clinton's first year in office, the White House was eager to extend the honeymoon. A series of intimate lunches was set up so the President and the corporate chieftains could get to know one another. And during the budget debate in 1993, it seemed as if the White House PR machine was featuring the luncheon sessions as an almost weekly photo-op. Indeed, Clinton rounded up an impressive



bunch of corporate types to get behind his budget, and it wasn't unusual for them to be escorted out to the White House driveway to talk with reporters about their presidential chats.

Those get-to-know-you lunches have been replaced by sessions in which CEOs come to the White House for meetings with Clinton on specific issues. Just before Clinton handed down his assessment of affirmative action programs in July, for instance, he met with a dozen or so CEOs to get their take on the issue.

These days, the White House hype has died down. "It is perhaps not as public as it has been in the past," Alexis M. Herman, the director of the White House's office of public liaison, said.

Some of the 1992 campaign props have fallen by the wayside, too. Oscar S. Wyatt Jr., the chairman of the Coastal Corp. and a veteran Democratic fund raiser, was one of the leading oil barons at the Houston event. He's now on the Texas presidential campaign steering committee of Senate Majority Leader Robert Dole, R-Kan. And Vagelos soured on Clinton less than two months after he was inaugurated when the President launched a public war on drug prices.

By nearly all accounts, the Administration's handling of health care reform was the main reason for the CEOs' estrangement from Clinton. "I think many of them were horrified by his health care proposal," Young said. "It was so unlike the way a CEO would have approached a problem. Most CEOs want to try something

out and see if it works instead of inventing some blot-out-the-sun whole new system. Those almost never work as advertised."

"We recognize that we have to rebuild some relationships after the health care legislative battle," said Herman, who still receives high marks from corporate lobbyists for her outreach efforts to the business community. And even if some CEOs aren't as enthusiastic about Clinton as they once were, that hasn't stopped Herman from continuing the courtship. She has Clinton scheduled to travel to Williamsburg, Va., next month for a speech and some give-and-take with CEOs at the annual meeting of the Business Council. That's a chance for Clinton to show off his nimble mind, one of his strongest selling points with CEOs.

Still, Administration officials scratch their heads when they look at the performance of the nation's economy, corporate profits and the stock market and wonder why the CEOs aren't more approving. In some meetings, they say with a hint of frustration, corporate executives seem to take for granted what the Administration is doing for business on wide range of issues—from trade to education—and zero in on Clinton's call for an increase in the minimum wage. "That's when they return to their Republican roots," an Administration official said with a sigh.

George R. Stephanopoulos, the President's senior adviser for policy and strategy, recalled that he once explained to a CEO that the Administration's health care plan would actually save his company money. "and [the CEO] said, 'OK, so what?' It's hard—a lot of them are still Republicans."

Indeed, now that the GOP has taken over Congress, the CEOs don't need to rely on the White House for help as much as they did in 1993 and 1994, when the Democrats controlled Capitol Hill and Clinton seemed to be a friendlier and more moderate shoulder to lean on.

But when it comes to 1996, Clinton doesn't need the CEOs as much, either. He's no longer an unknown quantity, and his leadership credentials have largely been set in the public mind. For better or worse, even 1,000 corporate executives at his side couldn't change those perceptions.

And CEOs are a cautious breed. As long as Clinton looks as if he could win reelection, not too many will bet heavily against him.

FROM
ERSKINE
BOUNCES
we need to
since we
BE

THE PRESIDENT HAS SEEN
10/30/95

THE PRESIDENT HAS SEEN
10/30/95

M E M O R A N D U M

TO: THE PRESIDENT
FROM: BETTY
RE: OFFICIAL GIFT FOR SPAIN
DATE: OCTOBER 28, 1995

PROTOCOL HAS SUGGESTED THAT AS THE OFFICIAL GIFT WE
GIVE:

U. S. MINT HAS OFFERED TO DONATE TO YOU,
16 GOLD, SILVER AND BRONZE COINS,
COMMEMORATING THE U. S. OLYMPICS TO BE
HELD IN ATLANTA. THE IDEA IS THAT THE
COINS WOULD BE AN INTERNATIONAL GOODWILL
GESTURE FOR NEXT YEAR'S OLYMPICS.

YOUR THOUGHTS?

[Handwritten signature]

Todd -
Should I give a copy
to Mack McLarty?

Yes ☒

No ☐

C.

THE PRESIDENT HAS SEEN
~~10-30-95~~

cc: W. H. H. H.
Terry McKinniff
supp in BC

Donald Dunn
Rebecca Cameron

Dean Blevins
532 Northwest 39th Street
Oklahoma City, OK 73118



THE WHITE HOUSE

WASHINGTON

10-28-95

Dear Dean—

I was so pleased to get
your kind letter — and I
enjoyed our visit very much.

Whatever you decide to
do I wish you well. Please stay
in close touch with us —

Sincerely
Bill Clinton.

DEAN BLEVINS
532 NORTHWEST 39TH STREET
OKLAHOMA CITY, OKLAHOMA 73118

Philly

PHONE
405-525-5252

FAX
405-525-7676

② AS REQUESTED

Monday, 9 October, 1995

The Honorable William Jefferson Clinton
The Chief of Staff Office
The White House
Washington, D.C.

Dear Mr. President,

It was a tremendous honor to spend time with you over dinner recently in Washington. Through mutual friends I have heard glowing reports on your charisma and communication skills, but what overwhelmed me was your compassion, your depth of knowledge of issues, your desire for critical critique and your humility.

I have not made a decision on whether to make a run for the U.S. Senate, but the evening with you was very helpful and a terrific learning experience.

My family was flattered by your remembering them and they wish you only the best. Thanks again, and as President I know would conclude, God bless.

Respectfully,


Dean Blevins

DB/sb

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: October 30, 1995

TO: Tony Lake
Laura Tyson

FROM: Staff Secretary

Any comment before I send this
into POTUS?

Todd

The World Bank
Washington, D.C. 20433
U.S.A.

JAMES D. WOLFENSOHN
President

95 OCT 27 P6:01
October 27, 1995

The President
The White House
Washington, DC, 20500

Dear Mr. President:

I am currently in Budapest, having just arrived from Moscow, and am writing to thank you for your timely phone call to Sonny Callahan encouraging him to increase the IDA figure to \$700 million.

I recognize that this level is a victory in the House and the Senate negotiations, but of course it still represents a very big set back for IDA and America's leadership in the development community.

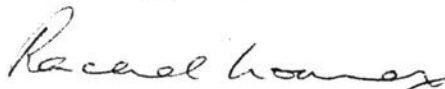
At this level we have two problems: the first being that if other nations reduce their contributions in proportion to the U.S. contribution, IDA's capacity to lend would be reduced by \$2.5 billion. It also puts us in a very bad position for IDA-11 which must be negotiated to cover the next three years of concessional lending.

I have written to Bob Rubin to request a meeting after my return to Washington on November 6, and once I have talked to him I would welcome a few minutes with you to discuss this matter, which is tremendously important to the lives of over 3 billion people.

I know that you share my sentiments completely, and all of us appreciate your leadership and support.

With warmest wishes and thanks.

Sincerely yours,



James D. Wolfensohn

*(dictated by Mr. Wolfensohn &
Signed in his absence)*

THE PRESIDENT HAS SEEN
10/30/95

October 15, 1995

MEMORANDUM FOR THE PRESIDENT

FROM:

VICE PRESIDENT

SUBJECT:

TELECOM BILL: DISCUSSION WITH SEN. HOLLINGS

Sen. Hollings is scheduled to accompany you on Air Force One Sunday to Connecticut. This would be an opportune time to discuss a mutually acceptable approach to the telecommunications bill conference. We lost several close votes on the Senate floor because Hollings was aligned with Pressler to get the bill out of the Senate, even though Hollings agreed with our position.

In a recent discussion Sen. Daschle told me that Sen. Hollings was willing to work out with the Administration a joint negotiating position for the conference. By combining forces we demonstrate that a filibuster or a veto is a real threat unless the conference successfully addresses Hollings' and our most important concerns.

Our concerns encompass among other things limiting broadcast media concentration at the local and national levels, preventing premature cable rate de-regulation, opening the local phone market to competition before letting the regional Bells into the long distance market, and preserving the V chip in the final bill.

TALKING POINTS

1. Senator, I very much would like to sign a telecommunications reform bill this year. But in order to get the changes I think we both support, we need to join forces and strengthen our bargaining position.
2. We would like to work with you to reach mutually acceptable positions and then synchronize our strategy for negotiating those positions in conference.
3. I appreciate the fact that you worked very hard with Sen. Pressler to pass the Senate bill. We would like to work equally hard with you to get the maximum movement in the conference toward the Senate bill and to get some changes we need in order to support the final bill.
4. I know our staffs are already working together toward these ends. I hope we can work together shoulder to shoulder throughout the conference along with Sen. Daschle to get the best bill possible. If we are united I think we can get more than was possible at the beginning stages of the process.

— Meet — Sen + Hollings



5

OFFICE OF THE VICE PRESIDENT
WASHINGTON

October 17, 1995

MEMORANDUM FOR THE VICE PRESIDENT

FROM:

GREG SIMON 

SUBJECT:

TELECOMM UPDATE FOR POTUS LUNCH 10/18

DISCUSSION

The House and Senate conferees have been named and staff discussions are beginning on the Hill. We have a simple strategy : forge an agreement with Hollings defining an acceptable conference report and negotiate in conference and with the affected industries to achieve it. We will meet with all the other key players as well, but Hollings is essential to sustaining a veto in the Senate and his alliance with us for the conference gives us the best chance of moving the final bill in our direction.

Hollings is very upset that he has been given several conference reports on a ☐take it or leave it☐ basis by the Republicans. He told Pressler that this bill has to be a joint effort or he won't support it. Hollings also told Daschle (who told you) that he was willing to work with the Administration for a unified democratic position.

Pressler is now courting Hollings to cement a ☐Senate☐ position. He also visited Leon Panetta Tuesday and reportedly offered to help us get a bill we could sign. This makes it all the more important that we arrange for the President to meet with Hollings soon and tell him the same thing Hollings told Pressler -- we do not want to be handed a fait accompli at the end of the conference; we want to be involved in the debate and have an understanding with Hollings of the kind of bill we can sign.

Several issues will define whether we can sign the bill.

-We have laid down a hard marker with Hollings's staff that we oppose loosening the restrictions on broadcast media concentration even to the small degree they loosen them in the Senate bill.

-We are encouraged that the cable industry has now made opening the local phone market their number one concern (☐co-equal☐ with cable de-regulation) and are actively engaged in lobbying for stronger interconnection requirements for the Bells congruent with our concerns.

-On cable de-regulation, the cable industry is willing to have a longer period before there is de-regulation in order to avoid a "bad actor" test that will be difficult to define and administer and prolong uncertainty in the cable financial picture. Hollings staff is talking about asking for no de-regulation for three years from enactment (approximately January 1999).

-We are working on a compromise role for the DOJ in reviewing Bell entry into long distance. One proposal is to have the FCC review the Bell entry's impact on competition as part of their public interest test, giving deference to the DOJ opinion. We would also need strong requirements for opening the local markets in order to favor and provide for facility-based competitors to the phone companies.

Our priorities are:

- Set up a POTUS-Hollings meeting to cement the relationship
- Work toward a compromise on the phone issues and the cable that could be sealed in a meeting between the Regional Bells, the cable companies and the VP
- Continue to have a hard position on broadcast media concentration and the V chip, while working for a reasonable compromise on the Exon amendment.

To: Albert Gore/OVP
cc: Heather M. Marabeti/OVP, Jack M. Quinn/OVP
From: Gregory C. Simon/OVP
Date: 10/13/95 02:39:00 PM
Subject: Hollings and TC bill, Hollings and POTUS

*Need
Talking
Points*

Our team had a serious negotiation with Hollings' people today on the standard for Bell entry into long distance and the role of the DOJ. They are willing to support having the FCC show deference to the DOJ's opinion regarding a Bell's entry petition and specifically address DOJ's concerns. But they think that a stronger decision making role for DOJ will not be possible. A decision making role for the DOJ has never been a veto issue for us provided that the local competition requirements are strong enough to give the FCC something to measure and enforce and provided that the FCC can apply the public interest in addition to any checklist requirement. When we have reached a compromise with Hollings' staff on the total requirements for Bell entry we will present it to you for a decision whether it satisfies your concerns.

Hollings is flying with POTUS to the Dodd event this Sunday. I would like to give the POTUS a memo recommending that he tell Hollings that while he would like to sign a good bill this year he is serious about vetoing an unacceptable one; that our best chance for getting a good bill is if Hollings would negotiate in conference based on a compromise we both support; and that we think the pressure to produce a bill gives Hollings the chance to get more concessions that he has won so far.

TRENDLINES

Spending Comparisons

Budget Deficit? Other Nations Admire Our Balancing Act

By John M. Berry
Washington Post Staff Writer

From the perspective of other industrial nations, the current battle over how and when to balance the U.S. government's budget, cut taxes and reduce regulation of American businesses has a certain otherworldly quality to it.

The argument, often repeated in the debate, that government spending and taxes must be cut to stimulate economic growth rings strangely to foreign ears because the United States currently has the most balanced economy, the second-lowest unemployment rate and the best growth prospects among the industrial nations, according to many international economists.

But the key point for many foreign policymakers and analysts

trying to follow the debate is shown in the chart at the right: Federal, state and local governments in the United States already spend a smaller share of national income than governments in any other industrial nation.

Among industrial nations, only three—the United States, Japan and Australia, which is not on the chart—will spend less than 40 percent of their gross domestic products this year, according to estimates by the Organization for Economic Cooperation and Development (OECD). The U.S. figure is put at 33.4 percent.

Furthermore, the United States will have a combined government budget deficit of only about 1.8 percent of GDP, the smallest of any industrial country save Norway, which is expected to have a

See TRENDLINES, D19, Col. 1

TRENDLINES, From D11

moderate surplus, courtesy of its huge oil revenue.

Analysts at TransAtlantic Futures, a Washington-based economic consulting firm, asked a number of European government and banking officials attending the recent World Bank and International Monetary Fund meetings here what they thought about the U.S. budget and regulatory debate.

"In essence, Europeans are surprised by the hard edge of the current U.S. debate on reforming the economy," the firm told its clients. "While they would not say it out loud, most European finance ministers would probably feel outright ecstasy if they could induce their societies to display the same degree of flexibility and risk-taking that is already the positive hallmark of the United States."

For instance, a number of those queried pointed to the extremely strong performance of the U.S. stock market as evidence of great confidence in American businesses' ability to prosper.

"In the view of investors around the globe, U.S. stocks continue to be attractive because U.S. companies—at least compared to [those in] other industrialized countries—have long since thrown off the shackles of regulation in the broadest sense. In many ways, they can actually operate in a very entrepreneurial fashion," the firm said.

Certainly the high level of government spending and taxes in Europe is causing problems in many countries there. Unemployment is stubbornly high in many areas partly because the extremely high level of payroll taxes makes employers reluctant to hire. Several European governments are trying to reduce the scope of their social safety nets so they can reduce those taxes and encourage more hiring.

Sweden's government embarked several years ago on an effort to reduce its spending as a share of GDP—currently the highest of any industrial nation—from around 69 percent, as shown on the chart, to the European-wide average of 50 percent. So far it has not had a great deal of luck.

The difficulties encountered in Europe in trying to trim government spending is another reason for the envious way in which policymakers there are viewing the United States these days, TransAtlantic Futures found.

"Many of these voices readily admit that they are amazed, if not completely perplexed, by the apparent ability of this country not to encounter severe social unrest. . . . Were the same the case in Europe, there would be national strikes, to say the least," the firm said.

An example of that was the one-day nationwide strike last week by seven unions representing French government workers protesting a plan to freeze their wages and

THE WASHINGTON POST
THURSDAY, OCTOBER 26, 1995

privatize many government-run businesses such as Air France. One of the French government's goals is to try to reduce its public-sector budget deficit to allow the country to qualify to join in creating a single European currency in 1999.

The OECD predicted last summer that among the 15 European Union countries, only six would have deficits below the qualifying level of 3 percent of GDP in 1996 and only four would have debt-to-GDP ratios below 60 percent.

As mentioned above, the United States easily meets the 3 percent test and its debt-to-GDP ratio for all levels of government combined almost would qualify at 63 percent.

Actually balancing the federal budget in 2002 likely would mean that federal government spending would fall to between 18 percent and 19 percent of GDP, using Congressional Budget Office projections of the size of current-dollar GDP and federal revenue that year. Recently it has been running just under 23 percent.

No one knows what share of GDP state and local governments will be spending seven years from now, particularly since responsibility for major federal welfare and health programs appears destined for the states. But even if state and local spending were to rise somewhat faster than the economy grows, the U.S. line on the chart seems headed for less than 30 percent.

THE PRESIDENT HAS SEEN
10/30/95

cc: Laura/GS/Bear
Darius

Economic Scene

Peter Passell

Using creative accounting to reduce the deficit.

WHEN Congress sells an oilfield, should the proceeds count toward reducing the budget deficit? To most economists, such a move is "pure window-dressing," in the words of William D. Nordhaus of Yale University.

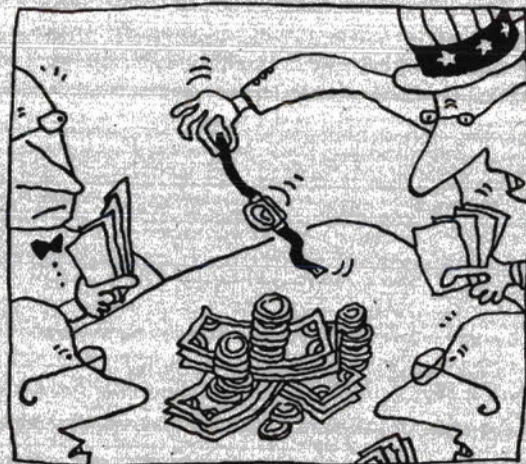
Window-dressing or not, Washington's latest foray into creative accounting does offer an excuse to examine how far the practice of deficit reduction has drifted from the theory. What started as an effort to increase national savings and investment is now a cause lacking any clear economic rationale.

To cover budget deficits, Washington routinely sells Government bonds. To cover the deficit over the next few years, members of both political parties have decided to throw in some tangible assets: oil reserves, power plants in Alaska, the air rights to Union Station in Washington. What is the difference between selling bonds and selling oilfields?

None, by the reckoning of economists. Selling either reduces the private savings available for private investment in, say, factories or housing.

Most elected officials presumably understand this. Even if they do not, they can read the law: under 1987 amendments to the Gramm-Rudman deficit-reduction act, Congress explicitly prohibited the "scoring" — counting — of asset sales as a deficit reducer. Why, then, the new enthusiasm for legislating a few dozen exceptions?

For some, it seems a golden opportunity to get the Government out of businesses in which it has no business. Selling off the Elk Hills Naval Petroleum Reserve in California certainly fits this category. For others, it is a way of locking in Government perks for constituents that may be threatened by future administrations. The sale of hydro-power dams and irrigation systems at bar-



Niculae Asciu

gain-basement prices to local cooperatives belongs here. For yet others, it is a way of getting past powerful lobbies. Auctioning the oil rights in the Arctic National Wildlife Refuge, a sale long fought by environmental groups, fits here.

But for many — including President Clinton — it is a means of delivering on promises to balance the budget with the least political pain: every dollar "earned" from selling Government assets is one less dollar that has to be cut from Medicare or highway repairs.

So what else is new? Washington usually makes policy with generous helpings of indirection. If the goal — maintaining the momentum toward a balanced budget — is a worthy one, why quibble over a few political compromises along the way?

Robert Eisner, an economist at Northwestern University and a former president of the American Economic Association, does not think the goal is especially worthy. Fire sales of assets, he says, "are just one terrible consequence of budget-balancing paranoia." And while Mr. Eisner's convictions on the subject are unusually strong, his contention that deficit reduction is no longer anchored in good economics does touch a nerve.

The point of deficit reduction, most economists

agree, is to reduce consumption to make resources — human and physical — available for investment. But the Government budget makes no distinction between investment and consumption. Nor, if Congress has its way, will it distinguish between revenues gained by reducing private consumption and revenues gained by selling productive assets. As a result, the current exercise of budget-balancing may reduce investment or increase it, depending on the composition of the revenues raised and the expenditures reduced.

The only way to clarify the consequences would be to keep a separate set of books for capital spending. By this reckoning, a balanced budget would be one in which any additions to the national debt were offset by additions to Government-financed assets like buildings and airplanes.

And why doesn't the Government keep its books this way? In part, the reasons are that "cash flow" accounting is the way it has always been done and that capital accounting would create ways of cloaking deficit spending. Rudolph G. Penner, an economist at the Barents Group and a former director of the Congressional Budget Office, worries that the gray area between consumption and intangible investment in health and education will be an invitation to expand the definition of investment. "How would the Clinton Administration count children's vaccinations?" he asks.

It is undeniably true that the possibilities for fudging the books would rise: simply changing the rate at which the Air Force depreciated F-16 fighters or estimated the value of its real estate could change the deficit by \$5 billion in a single year. But most state and local governments already use capital budgets, so there is plenty of experience to discipline the process.

In any case, the clear and present danger of using asset sales to balance the budget and the subtler folly of failing to distinguish between cuts in Government spending and investment suggest that the current accounting system is fatally flawed. "The whole point is to know what you are actually doing," Mr. Nordhaus argues.

Lobbyist Admits He Hid Political Gifts

WASHINGTON, Oct. 25 (AP) — James H. Lake, a prominent Republican lobbyist, pleaded guilty today in Federal District Court to one felony and two misdemeanor charges brought by the independent counsel investigating former Agriculture Secretary Mike Espy.

Mr. Lake was charged with disguising contributions from a client, Sun-Diamond Growers of California, a growers cooperative, that went to the Congressional campaign of Mr. Espy's brother, Henry.

"It's a mistake in judgment that I cannot explain," Mr. Lake told reporters outside the courthouse.

Court papers disclosed that Mr. Lake arranged the contributions after a Sun-Diamond lobbyist, Richard Douglas, told him that Mike Espy wanted help retiring his brother's campaign debt from the 1993 election in Mississippi. Mr. Douglas is said to have told Mr. Lake of Mr. Espy's request during a telephone conversation in March 1994.

Anti-Smoking Ads To Begin Tonight

The American Cancer Society will begin running a television commercial tonight that urges public support of the strict regulations on tobacco advertising proposed by the Clinton Administration.

The commercial, titled "Younger and Younger," begins with a man on camera but ends with a boy to dramatize the provisions of the regulations meant to discourage smoking among minors; they include limits on the giving away of merchandise decorated with logos of cigarette brands.

"There's no excuse for what they're doing to our kids," concludes the spot, which is scheduled to appear during "Larry King Live" on

CNN. The commercial was created by Martilla & Kiley in Boston, which has also created anti-smoking spots for a campaign sponsored by the State of Massachusetts that is funded by a cigarette tax there.

Tom Brandt, a spokesman for the American Cancer Society in Washington, said yesterday that the organization planned to run the commercial for two weeks at a cost of \$125,000, then determine whether to spend additional funds to continue running it or other similar spots.

THE PRESIDENT HAS SEEN
10/30/95

Handwritten note: Laura
By [signature]

Two Years Later, the Promises Used to Sell Nafta Haven't Come True, but Its Foes Were Wrong, Too

By BOB DAVIS

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—Promises, promises.

Here's what was predicted two years ago for the North American Free Trade Agreement, followed by what really happened.

Prediction: "I believe the Nafta will create 200,000 American jobs in the first two years of its effect," President Clinton said, flanked by three of his predecessors in the Oval Office.

Reality: No evidence of any overall job gain as a result of trade with Mexico.

Prediction: Quaker Oats Co. said it would add 61 U.S. jobs in Dallas, Cedar Rapids, Iowa, and St. Joseph, Mo., if Nafta passed, by shifting Gatorade, pancake mix and oatmeal production from Mexico.

Reality: Quaker Oats continues to make the stuff in Mexico. No new Nafta-related jobs at the factories.

Prediction: "I believe that you have to just say that the peso would become stronger if Nafta passes," said Mr. Clinton, "because it would strengthen the Mexican economy."

Reality: He should leave futures trading to his wife.

Views of Nafta Foes

Hardly anything anyone said about Nafta during the congressional fight, including Nafta foes, has turned out to be true. That's a problem for all the big players in Nafta, particularly President Clinton. Meantime, many Nafta foes consider the trade pact a symbol of fat-cat Washington, where promises aren't kept and the little guy always loses. For them, says Nafta-opponent Pat Choate: "Nafta was their first real issue. They lost by a hair. They feel the vote was stolen by the president. And it's turned out worse than they expected."

Of course, Nafta's ultimate impact won't be known for years. But measured by promises used to sell it, Nafta is a colossal disappointment. Jobs haven't materialized, border-area congestion has worsened, and environmental cleanup remains haphazard. But Ross Perot had it wrong, too. He warned that Nafta would put six million U.S. factory jobs "at risk." Instead, U.S. manufacturers have added about 300,000 jobs since he made the prediction. Nafta probably limited the length of the Mexican recession by boosting exports to the U.S., while also helping some chronically depressed border towns.

At its core, Nafta is a pact to eliminate tariffs among the U.S., Canada and Mexico over 15 years, and protect investments in all three countries. Judging strictly by these criteria, it works. Two-way trade between the U.S. and Mexico—Canada already had its own free-trade pact with the U.S.—has grown 30% since 1993.

But Nafta's significance was always greater than trade statistics; it was a new model for economic development. A big industrialized nation would merge economically with an impoverished neighbor, without paying billions of dollars in aid as the European Union did when pulling in poorer relations. Liberalized trade and investment would make Mexico wealthier, the White House said, opening markets and creating jobs. Results were promised—fast.

Improvements should be most obvious at the border, where trade's impact is the strongest. Lured by cheap wages and tariff breaks, U.S. companies have run factories on the Mexican side for 30 years—and aggravated health hazards as factories and a burgeoning population poured refuse into canals on the Mexican side. By cutting tariffs throughout Mexico, the White House argued, development would extend inland, while environmental funds would clean up the border.

What really happened?

So-called *maquiladora* border factories—which import auto parts and electronics, process them and send them north again—have boomed. Foreign investment in the interior has withered. In the nearly two years since Nafta took effect on Jan. 1, 1994, *maquiladora* employment rose 20% to 648,000, according to the Mexican forecasting arm of WEFA Group Inc. By the year 2000, it will reach 943,000, the consulting firm predicts.

Maria Luna takes home \$31 a week assembling seatbelts at a TRW Inc. factory in Reynosa, Mexico, a few miles south of Brownsville, Texas. How has her life changed since Nafta? A niece from Veracruz recently joined her to seek work and crowd into Ms. Luna's garage-sized shack with 10 others. "People still come," she says. "They thought they'd stay here a little time, but they stay."

The border boom results largely from Mexico's peso devaluation, which cut overall labor costs, including benefits, to \$1.80 an hour from \$2.54. Human factors contribute, too. U.S. managers can live in comfortable homes in Brownsville and El Paso in Texas or in San Diego, sending their children to American schools and commuting across the border to work. That can't be duplicated in Mexico's interior, whose lousy roads and telephone lines also scare off U.S. companies.

One expanding shantytown is Colonia Salinas de Gortari, named for the former Mexican president, on the outskirts of Reynosa. Workers there say they can't afford city rents anymore, so they seize land and build plywood shacks the size of tool sheds, with no running water, no sewage, no electricity, no paved streets. Maria Del Carmen Garcia Luna, who isn't related to Ms. Luna, lives in one of the shacks with her toddler and husband, a Zenith maintenance worker.

Not Enough Money for Chicken

In the U.S., jobs like her husband's are the backbone of countless blue-collar neighborhoods. But he takes home only \$26 a week, and merely buying powdered milk for the child consumes 15% of it. "We don't have enough money for meat or chicken," she says.

About the best Nafta has done so far is to limit the impact of the Mexican crisis on the U.S., while offering Mexico a chance to export its way out of trouble. During the last crisis in 1982, U.S. border communities were crippled as Mexico sharply raised tariffs and restricted imports. This time, Mexico kept tariffs at Nafta-reduced levels and pushed exports.

In Brownsville, retailers complain that few Mexicans can afford to shop there for clothes and electronics anymore. But Brownsville's port, which serves the industrial hub of Monterrey, is booming. Cranes load five-foot-high coils of steel into the black-hulled "Sunny Success," bound for Italy. Port managers lobby for a new bridge to ease border transport. Local unemployment remains distressingly high, around 11%, but it hasn't surged, as in 1982.

However, Nafta has failed to deliver on the biggest White House promise: creating U.S. jobs.

During the Nafta debate, Fortune 500 companies forecast job gains, which now look foolishly naive. Johnson & Johnson says it can't locate the person who in 1993 forecast "800 more U.S. positions" as a result of Nafta. "If there is job growth, I don't think that's because of Nafta," says a spokesman.

Some big-time exporters do report gains. General Electric Co. says sales of power equipment and locomotives are up, as Mexico upgrades its infrastructure. But the company notes carefully that this work "isn't creating jobs, it's supporting jobs." In other words, Nafta makes it less likely that GE will have to lay off workers.

Special Nafta Math

U.S. Trade Representative Mickey Kantor gamely argues that Nafta "created a huge number of net jobs." But he needs special Nafta math to do so. He counts just export growth—not jobs lost through imports—and adds in Canada. Mr. Clinton only cited trade with Mexico in his job-growth prediction, and for good reason. Canada's free-trade agreement with the U.S. dates to 1989; Nafta barely affected their trade relations.

Gary Hufbauer, an economist at the Institute for International Economics whose predictions of Nafta job gains were embraced by the Clinton and Bush White Houses, now figures the surging trade deficit with Mexico has cost the U.S. 225,000 jobs. But such estimates are suspect, too. With the U.S. economy near what's considered to be full employment, it's difficult to know how many workers actually lost jobs as a result of Nafta and whether they found new ones quickly. The Labor Department has certified only 21,500 workers for special unemployment benefits because they lost their jobs as a result of trade with Mexico.

The Clinton administration pins much blame for missed promises on the peso's collapse last December, when Mexico ran out of dollars to support it. The country had become too dependent on short-term borrowing to finance imports and didn't recognize quickly enough that it had to devalue.

Some economists say Nafta helped cause delay. It let Mexico see itself as part of the industrial elite, a self-image reinforced when it joined the rich-nation Organization for Economic Cooperation and Development. In August 1994, an internal U.S. Treasury analysis found the peso overvalued by 10%, but noted Mexico didn't agree because it expected a Nafta surge.

Optimists contend the Mexican economy will start growing soon. Yet the peso mess and ensuing recession have pushed the benefits far into the future. "If people notice anything with Nafta, they notice more traffic because there's more trade," says Alfredo Phillips, who runs a border development bank. "Expected improvements haven't occurred." He then adds a new prediction: "We expect we'll see them next year."

THE WALL STREET JOURNAL THURSDAY, OCTOBER 26, 1995

Luna
Do you agree?
No new jobs?

THE PRESIDENT HAS SEEN
10/30/95

PINE 3.91 MESSAGE TEXT

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The "Albuquerque Journal" (September 24) reports that a number of highly offensive bumper stickers were prominently for sale at a recent convention of the National Federation of Republican Women (NFRW).

Among the tacky stickers were those with these slogans: "Roosevelt -- A Chicken in Every Pot; Clinton -- A Fag in Every Pup Tent," "The Miracle of AIDS Turned Fruits Into Vegetables," "Work -- It's the White Thing To Do," and "Renuke Japan." As one observer noted: "If this is the attitude of Republican women, one can only guess at that of Republican men." Demand that the NFRW repudiate the message of these stickers and apologize for allowing them to be sold! Contact the National Federation of republican Women, 124 N. Alfred Street, Alexandria, VA 22314-3011, tel. 703-548-9688.

Peace,

Mike Corso
CNI Telecom

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

THE PRESIDENT HAS SEEN
10/30/95

Kathleen A. McGinty
Chair

95 OCT 27 P 9:00

October 27, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

TIMBER

On Wednesday, the Circuit Court of Appeals for the Ninth Circuit denied the government's motion for a stay of Judge Hogan's decision ordering release of 62 additional old growth timber sales in Oregon and Washington. The court set argument in January and stated that our chances of success on the merits were negligible. Thus, contrary to our understanding of this provision of the rescissions act, the law requires us to release all timber sales ever offered at any time in the 13 national forests in Oregon and Washington and Bureau of Land Management lands in western Oregon.

As a consequence of this ruling, the Forest Service and the Bureau of Land Management immediately released 62 sales with about 230 million board feet. This is responsive to the injunction issued by Judge Hogan to release all sales offered during fiscal years 1991-1995. Next Wednesday, we are to submit a list to Judge Hogan of all such sales offered by the agencies prior to the passage of the original "318 sales" - that is, prior to 1990.

One more legal argument remains to shield some sales from release. The rescissions bill provides that no sale units shall be released if they contain threatened or endangered bird species "known to be nesting" in the unit. We are withholding a number of sale units based on our agencies' determination that they contain nesting marbled murrelets or spotted owls. That argument is set for the first part of November, but we are still uncertain which court will hear that part of the case.

Even if we succeed in defending our position on that argument, I must tell you the release of these old growth sales - all of which had been withheld because of our determination that they would cause significant environmental harm - puts the continued viability of your Forest Plan at risk. It also puts into question the continued viability of our initiatives to offer relief to private landowners under the Endangered Species Act and to avoid listing of certain widespread fish species that will be adversely

affected by these sales. The Department of Justice and USDA through the Forest Service have issued releases decrying the decision and asking timber industry stakeholders to voluntarily mitigate environmental damage. The press has been bad, equating our compliance with the court order as acquiescence. I will keep you informed as we assess the damage that this very broad reading of the rescissions bill has inflicted upon our forest policies. I attached to this memo, however, the final two pages of a memo I wrote to Harold Ickes on implications for the President's programs and recommends steps for you to take to turn this around.

MEETING WITH GOVERNOR KITZHABER

Governor John Kitzhaber (D-OR) met with Chief of Staff Panetta and the Western Strategies Group to discuss natural resource and health care issues. I have enclosed the memo from Gov. Kitzhaber and an article quoting him from *The Register-Guard* in Eugene, Oregon. I and others in the White House met with him separately. He urged us not to bow to timber industry and labor pressure. "They will never be with you and there aren't enough of them to fill a school bus, anyway" he said.

BONNEVILLE POWER ADMINISTRATION

The Vice President announced an agreement with Senator Mark Hatfield (R-OR) and other Northwest Senators on salmon recovery costs and the Bonneville Power Administration (BPA). The deal calls for a 10 year, \$4 billion salmon recovery program that shields the region's ratepayers from higher electricity prices and does it without suspending environmental laws. The BPA will have to spend as much as \$435 million annually to protect salmon. The deal sets aside an additional \$325 million contingency fund over 10 years to ensure that efforts to save salmon comply with federal environmental laws. You received significant praise from environmentalists and the fishing industry as well as regional elected officials on this initiative. This followed a week of bad press with speculation that we would cave both from an environmental perspective and allowing BPA to dictate unfair terms to its non-industrial customers.

PROJECT XL

We are preparing an event for Friday, November 3 so you, the Vice President, and Administrator Browner can announce the first set of companies to be accepted into the initial phase of the Project XL program. We plan to have a company executive and a community representative join you in the event. The message will focus on innovative ways to bring together government, the private sector, and communities to identify innovative approaches that will achieve results that are both cheaper and cleaner. While we emphasize our "Rollback - no" message I believe continued demonstration of your commitment to Reform is important too. The picture here will be of you leading -- bringing people together and moving forward -- while the Congress is paralyzed by polarization and radicalism.

RECONCILIATION

This week the House and Senate both passed their versions of the Reconciliation budget each of which included serious anti-environmental provisions. Chief among these was the provision included in both bills to open the Arctic National Wildlife Refuge (ANWR) to drilling. An amendment in the Senate, that the Administration supported, to excise that provision narrowly lost but with a margin sufficient to sustain a veto.

Other provisions of concern include a sham mining reform proposal passed by the House and Senate, and adverse provisions regarding grazing, endangered species, and energy taxes passed by the House.

EPA APPROPRIATIONS

Facing defeat on a vote opposing the legislative riders in the EPA appropriations bill, House leadership postponed action until next week. This move on the part of the Republicans is part of an emerging strategy to try to avoid votes or vetoes on environment issues where possible because of the perception that they have been losing these issues in the media and with the public. If they pursue this strategy we will need to create our own opportunities for you to continue to slam them on these issues. They are running scared; we've got to nail them.

CLIMATE CHANGE

The Intergovernmental Panel on Climate Change (IPCC) Working Group II released its findings at a press conference on Tuesday. This report was prepared and reviewed by over 1,000 experts worldwide. The key conclusions were:

- o The smoking gun has been found: the temperature increase we have seen is human-induced. This change is an important new stress that may well exacerbate existing ecological and socio-economic systems already affected by pollution, increasing resource demands, etc.
- o Specific potential impacts include increases in sea level, increases in risks to human health from increased heat stress and expanded range of vector-borne infectious diseases, and reductions in biodiversity. Developed countries will likely be in a better position than developing countries to adopt in ways that reduce the harm from climate change.
- o Substantial reductions in greenhouse gas emissions could be achieved through both energy efficiency measures and alternative sources of supply. These options appear to be technically feasible and economically possible.

THE PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

The PCSD is scheduled to hold its last meeting next Wednesday, November 1. They will be

voting on final report language. We are moving toward a remarkable consensus among the government, business, and environmental members. I will provide an update next week.

CONFIRMATION

I am pleased to report that the Environment and Public Works Committee unanimously approved my nomination to be Chair of CEQ by a voice vote on Tuesday. Chairman John Chafee (R-RI) is optimistic that floor action will be swift and non-controversial. I suspect we have more work to do to ensure this is the case. In fact, Senator Alan Simpson (R-WY) already indicates he will put a hold on my nomination -- not because of any problem he has with me, but because of a problem he has with an EPA regulation.

What's Next: There are yet more sale units subject to release under this provision of the Rescission Act. Next Wednesday, we must submit a list to Judge Hogan of all of the timber sales offered but not released by the Forest Service or BLM prior to 1990. In other words, any old sales still on the books - no matter how old - are supposed to go out the door. The agencies are busy searching their records; we don't yet know what this list will look like.

The statute provides one way out of releasing sales. If the agency determines that there are threatened or endangered birds "known to be nesting" in a sale unit, that unit is not to be released. Using the best scientific standards available, our agencies have withheld 55 sale units under this provision. However, industry has also filed a lawsuit in front of Judge Hogan challenging our use of the current scientific protocol as inconsistent with the statutory language. They claim, backed by the same letter used by the same Judge to rule against us on the issue of geographic scope, that we have to produce actual eggshell fragments or fecal material before we have proven that birds are nesting. Those arguments will be heard on November 7th.

Implications for the President's Programs: There are serious repercussions from the release of all of these old growth sales, all of which were withheld in the first place because of serious environmental problems. For example, in our affidavits filed with the 9th Circuit, we explained that the 62 sales just released would cause:

- o adverse impact on threatened Snake River spring/summer chinook salmon, Snake River fall chinook salmon the Upper Grande River population of spring/summer chinook salmon;
- o will cause harm to the northern spotted owl and marbled murrelets;
- o will have an adverse impact on the bull trout.

The legal and policy implications of this are, of course, to some degree speculative. Obviously, the more of these sales we have to continue to release, the greater the probability of harm to our programs. However, **there appears to be at least initial consensus that the President's Forest Plan will be highly vulnerable to legal challenge because the environmental baseline is changing. Judge Dwyer, in the opinion upholding the Plan, stated that if any further timber sales were released or any other significant changes were made that would affect the ecology of the areas under review, he would have to revisit the Plan's viability. While the Rescissions bill purports to shield individual sales from judicial review, the Plan as a whole is not shielded.**

Further possible impacts on Administration initiatives include:

- o the proposed rule providing relief from the Endangered Species Act (ESA) to private landowners for the northern spotted owl may be put on hold (the "4-D rule) and other agreements with states and private landowners in Washington, Oregon and Northern California will have to be reexamined (Habitat Conservation

Plans) (this is the heart of our reinventing of ESA and we had been receiving very positive marks on these initiatives);

o because of the impacts on bull trout, the agreements reached not to list the bull trout under ESA may be challenged. If successful, this could result in injunctions shutting down activities on national forests in Montana and neighboring states;

o because of changes in the environmental baseline on a variety of fish, our PACFISH initiative and other actions in the Columbia River Basin ecosystem are more likely to be challenged. It was only because of PACFISH that we got a court to lift a massive injunction against any activities (logging, mining, grazing) in Idaho. Without PACFISH, these injunctions are likely to be reinstated.

Recommendations:

While we should continue vigorously to pursue remaining legal issues through the courts (principally, the "known to be nesting" case), there is no doubt that Wednesday night's decision is a blow to our overall Pacific Northwest strategy that cannot be remedied at this point through the judicial system. Thus, I have the following suggestions:

✓ 1) That the President issue a statement explaining that the court's decision does not comport with our understanding of the bill when we signed it; criticizing the Republican-led effort to savage our natural resources, and calling on the timber companies to act responsibly and voluntarily modify these sales to avoid environmental damage. We have sent you a draft of such a statement.

Legal
wyder
2) That major timber company CEOs be called to the White House for a meeting [with the Chief of Staff?] and be asked to support the Administration in fixing this problem so that the President's efforts to provide stability, certainty and regulatory flexibility along with environmental protection - efforts from which they are benefitting enormously and that they strongly support - can proceed. FYI: Many of these CEOs met confidentially this week with Gingrich to express their grave concern and to get him to call off the radical Rs off.

Legal
wyder
3) That the President meet with Senator Hatfield, recalling Senator Hatfield's clear statements during the negotiations on the Rescission Act that this rider would not make us move a single stick of timber in an environmentally unsatisfactory way;

4) That the President insist that the reconciliation bill (or some other vehicle) contain an emergency provision repealing the entire timber rider.

ISSUES FOR WESTERN STRATEGIES GROUP

Governor John A. Kitzhaber
Oregon
October, 1995

1. Process The Administration should continue to emphasize how Congress is subverting the process by bypassing key federal environmental laws. The Administration must stand firm against the use of sufficiency language. Special interest exemptions are used for those who would exploit public resources for their own gain, while the rest of us abide by existing laws. It is a divisive process and will eventually subvert our long term goals for resource protection and utilization

2. Northwest Forest Plan: The Administration needs to give support and assistance to the USFS and BLM to implement the NW Forest Plan, including timber harvest and watershed restoration. These agencies have within their existing authorities the ability to make the plan work.

3. Columbia Basin Project: Clearly industry special interest groups are pushing Congress not to allow completion of the plan. The Administration should insist that information gathered in the biological assessment be released because millions of dollars have been expended to gather that information.

The Administration should not accept Congressional selection of the alternative in the EIS, which would illustrate blatant disregard for the public process and would override the interests of good stewardship.

4. Endangered Species Act: Oregon adamantly opposes cuts in funds for prelisting activities, and the moratorium on further listings. We support the WGA proposal that doesn't overturn the *Sweet Home* decision, and instead makes reasonable improvements in the Act.

5. Research: Oregon strongly opposes cuts in forest research, especially in the USFS research station. This is a critical time to gain understanding of Northwest forests and make wise policy on forest health.

6. Columbia River Salmon Oregon gives provisional support for salmon cap, but opposes use of sufficiency and questions how BPA accounts for foregone power revenues as a means for calculating cost of salmon.

The Register-Guard

EUGENE, OREGON • WEDNESDAY, SEPTEMBER 20, 1995

Governor blasts anti-environmental bills

■ Congress: Kitzhaber says special interest concessions threaten Oregon's quality of life.

By LANCE ROBERTSON

The Register-Guard

SALEM — Gov. John Kitzhaber lashed out at Congress on Tuesday, saying a host of anti-environmental bills on the brink of passage pose a "grave threat" to Oregon's quality of life and economic well-being.

Kitzhaber railed against legislation that would slash funding to protect the air, water, salmon and other at-risk wildlife. However, he saved most of his criticism for several bills overriding existing federal environmental laws to allow logging, grazing, oil drilling and hydroelectric power generation. **SEP 20 1995**

"Congress has set up a virtual environmental exemption bazaar, granting special interest after special interest exemption from the very environmental regulations that were established to protect the public interest," Kitzhaber said at a Capitol news conference.

Congress recently passed a budget-cutting bill that also included language exempting most federal logging from environmental laws. Kitzhaber called these so-called "sufficiency" riders "back-door tools to aid special interests."

It was perhaps Kitzhaber's strongest statement on environmental issues since becoming governor last January and was a departure from his usual nonconfrontational style of working more quietly behind the scenes.

"Certainly, this is the most vocal he's been on national (environmental) issues," said Louise Bilheimer of the Pacific Rivers Council in Eugene. "It's good to see the governor stand up and say this is not what we need for this state."

Timber industry leaders said Kitzhaber's comments are off the mark, however.

Chris West, spokesman for the Northwest Forestry Association, said the exemptions are needed because the overlapping and conflicting nature of environmental laws "just don't work."

The exemptions enable loggers,

ranchers and others to continue making a living while Congress considers changing laws such as the Endangered Species Act, he added.

Nevertheless, Kitzhaber urged Oregonians to "raise a hue and cry" against anti-environmental bills pending in Congress. He was joined in his ceremonial office Tuesday by a handful of business and environmental leaders.

Kitzhaber also praised environmental protesters in the Warner Creek area near Oakridge and the Sugarloaf timber sale in Southern Oregon — two initial flash points of the recent logging bill passed by Congress.

"They deserve credit for raising the issue," he said. Kitzhaber said protesters' actions so far, which include civil disobedience resulting in more than two dozen arrests, "are well within the parameters of what we will accept in this country."

• He is trying to enlist the help of other Western governors and will make a trip to Washington, D.C., next month to urge the Oregon delegation, particularly Republican Sen. Mark Hatfield, to restore funding to natural resource agencies and to kill attempts to override environmental laws.

Hatfield is chairman of the powerful Senate Appropriations Committee, through which most of the legislation must pass.

The law-exemption riders have proven to be effective in the past because they usually are attached to an overall spending bill, making a presidential veto unlikely.

Since the mid-1980s, Congress has approved riders exempting federal logging from environmental laws to circumvent legal challenges to old growth forest logging.

The most recent rider exempts

most federal logging in the Northwest from environmental laws, although the Clinton administration has pledged to continue following those laws.

But Kitzhaber said Tuesday that Congress is extending other law-exemption riders to a host of "special interests." One sets a "cap" on the amount the Bonneville Power Administration would be required to spend on salmon recovery efforts, declaring the cap would comply with the Endangered Species Act.

The cap is opposed by numerous conservationists, fishing groups and utilities.

"You don't get salmon protection by declaration," said Rick Applegate, western regional director for Trout Unlimited.

Other legislation would cut off funding for agencies charged with protecting salmon or other wildlife species. One bill eliminates funding for the listing of fish under the species act. **SEP 20 1995**

Several budget-cutting bills would hamper the state's ability to protect the air and water, clean up hazardous waste sites and fund parks, the governor said. Six fish hatcheries would be closed.

He said the legislation not only would be bad for Oregon's environment but could ruin one of the driving forces behind the state's robust economy: the lure of its clean environment and quality of life.

Oregon business leaders at the news conference echoed that theme.

"It really is our quality of life that attracts people to Oregon," said Richard Reiten, president of Portland General Electric Co.

"This special place is being threatened by the change in environmental laws that is proposed," added Harold Pollin, the owner of several hotels in the Portland area.



John Kitzhaber
"Raise a hue and cry"

THE PRESIDENT HAS SEEN
10/30/95

THE WHITE HOUSE
WASHINGTON

October 27, 1995

95 OCT 27 P6:45

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: RAHM EMANUEL ²⁻⁹

SUBJECT: WEEKLY REPORT

Supp. P. 2

CRIME:

The Department of Education did a good job at their press conference concerning zero tolerance. The NYT covered the event and ABC news sent a crew. The Times ran a good story on Friday and I expect to see a story on ABC news in the coming week.

I have been in touch with Hand-Gun control this week to see if there are any new issues we could address. My thought is that we will never get a repeal of the assault weapon ban to veto and the more we tick up gun control the more difficult it becomes for Colin Powell in the GOP primary. Lately we have been identifying ourselves in opposition to Republicans, we need to bring a starker contrast between our policies and special interests. We need to continue to put pressure on the NRA to force the confrontation.

The Justice Department is coming back with their changes in the drug testing directive this week. My goal is to have this ready for signing at the CADCA event. I would expect coverage of this directive. However, given the uproar over sentencing guidelines, the CADCA event on Nov. 2 may not be the time or the place to make this announcement. In addition, we will not release a presidential statement when the President signs the crack cocaine sentencing bill.

On November 19, the FBI is releasing its final crime statistics for this year. The President is scheduled to be out of town that day. Unless the date for the release changes, the best media plan is to have the President meet with the Attorney General, Director Freeh, and Director Joe Brann to discuss the report prior to its release. This will allow them to publicly discuss the President's reaction to the report in their press availabilities regarding the report when it is released.

What will it say

WELFARE:

The Department of Agriculture is holding a press conference on their continued crackdown on fraud and abuse in the food stamp program. Today Secretary Glickman will announce that they are shutting down 720 ineligible stores that were distributing food stamps. Their last announcement received good coverage and I would expect to see even more today. I worked with them on their statement and I am confident the President will receive credit for this effort.

*WFA's
The Deal on
Pur?*

This week we worked on a story in the NYT suggesting that the GOP is ready and willing to compromise in the area of welfare. However, we have begun to receive bad stories about the suppression of a HHS study on welfare and the impact of this bill on children. We have stated that we are going to do a study on child poverty per Cong. Gibbons and Sen. Moynihan's request.

We hope to generate a couple of stories on today's letters from Senate Republican moderates. They wrote letters on child nutrition, WIC, food stamps, and other matters.

Next week HHS will be ready to release the Annual Report on Child Support Enforcement. This report will record what we collected, how the system is working, etc. I think the President should be part of its release.

IMMIGRATION:

Joe

This week INS released their deportation numbers which were picked up by USA Today. Also, Operation Jobs received a Ford Foundation award for innovation.

I have been working with INS and the White House Counsel's office to prepare an executive order banning companies that have been fined for hiring illegal aliens from doing Federal Government business.

Next week INS will announce the new computer system check with two hundred companies in Southern California. The announcement will take place in the city of Santa Ana at a bicycle factory. Commissioner Doris Meissner will be out there for the unveiling.

On Tuesday, I will give you a status report on immigration policy in both the House and the Senate which INS is preparing.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 10-28-55

TO: George Stephanopoulos
Alexis Herman

FROM: Staff Secretary

P41

DODD

CENTER FOR THE STUDY OF URBAN INEQUALITY

I.B. Harris Graduate School of Public Policy Studies
The University of Chicago

FACSIMILE COVER SHEET

1155 East 60th Street
Chicago, Illinois 60637

Phone (312) 702-0894 Fax (312) 702-8822

Date: *October 23, 1995*

To: *President Bill Clinton*

ATTN: *James Doriskind*

Fax Number: *(202) 456-2993*

Telephone:

From: *William Julius Wilson*

Number of pages faxed: 3 (+1 cover page)

Comments:

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October 23, 1995

To: President Bill Clinton

From: William Julius Wilson

In re: Your request that I send you a memorandum on the steps that ought to be taken next to address the problems of race in America.

Mr. President, it was a pleasure to see and talk to you again at the ceremony for the National Medal of Science recipients. As I indicated in our brief conversation your speech on race in Austin, Texas was outstanding. I was very pleased when you asked me to send you a memorandum on my thoughts of what we should do next. Below are my thoughts.

I think that the idea of a national Commission to study and review the national state of race relations is a very good idea at this time. To support the work of this Commission I think that you should give several additional speeches on race similar in tone and compassion to the speech you delivered in Austin. I believe that these speeches should emphasize interracial unity to overcome the racial divide rhetoric.

These speeches might point out that our nation's response to racial discord has been disappointing. In discussing the problems we have a tendency to invoke the kind of rhetoric that exacerbates rather than alleviates urban and metropolitan racial tensions. Ever since the 1992 Los Angeles riot, the media has focused heavily on the factors that divide rather than those that unite racial groups. Emphasis on racial division peaked in 1995 following the jury's verdict in the O. J. Simpson murder trial. The racial divide, as depicted in the media, seemed as wide as ever.

The extent of the racial divisions in this country should not be minimized. The different reactions to the Simpson trial and the verdict in part reflect the

fundamentally dissimilar racial experiences of blacks and whites in America—the former burdened by racial injustice, the latter largely free of the effects of bigotry and hatred. Nonetheless, you should point out that the emphasis on racial differences has obscured the fact that African Americans, whites, and other ethnic groups share many common concerns, are victimized by many common problems, and have many common values, aspirations, and hopes.

As I point out in my new book (Jobless Ghettos: How the Disappearance of Work Affects Urban Life), which will be published next summer by Knopf, if inner-city blacks are experiencing the greatest problems of joblessness, it is to a large extent a more extreme form of economic marginality that has affected most Americans since 1980. Solutions to the broader problems of economic marginality in this country, including those that stem from changes in the global economy, will go a long way toward addressing the problems of inner-city joblessness, especially if the application of resources includes wise targeting to the groups most in need of help. Discussions that emphasize common solutions to commonly shared problems promote a sense of unity, regardless of the different degree of severity to which these problems afflict certain groups. Such messages bring races together, not apart, and are especially important during periods of racial tension. You should point out, however, that in comparison with the rhetoric on racial divisions interracial unity messages have been infrequent and are generally ignored in the media.

You should also emphasize in your speeches on race that it is important to recognize that racial antagonisms, or the manifestation of racial tensions, are products of economic, political and social situations. In a 1992 op-ed article in the New York Times, entitled "The Right Message," I used this argument to point out why it is important for political leaders to channel the frustrations of average citizens in positive or constructive directions during periods of economic duress. I discussed your 1992 political campaign and I pointed out that you not only explicitly acknowledged the growing racial tension in America and the need for political leadership to unite and not divide the races, but you had actually developed a public rhetoric that reflected these concerns. This campaign rhetoric warned Americans against the distraction of pitting race against race; it urged citizens to associate their declining real incomes, increasing job insecurity, and growing pessimism with the complex but real sources of these problems. I pointed out that the use of this positive public rhetoric during a period of intense racial tension enabled you to bring together antagonistic racial groups in an effective political coalition during the primary elections—even in Louisiana where a majority of white voters supported the former Klansman David Duke in the 1991 gubernatorial election. Unfortunately, the media failed to record the significance of this event.

A vision of interracial unity that acknowledges distinctively racial problems but, nonetheless, emphasizes common solutions to common problems

is more important now than ever. Such a vision should be developed, shared, and promoted by all leaders in this country, but especially by political leaders.

Mr. President, I have in mind a vision that promotes values of racial and intergroup harmony and unity and rejects the commonly held view that race is so divisive that whites, blacks, Latinos, and other ethnic groups cannot work together in a common cause. This vision recognizes that if a political message is tailored to a white audience, racial minorities draw back, just as whites draw back when a message is tailored to minority audiences. The foundation of this vision emphasizes issues and programs that concern the families of all racial and ethnic groups so that individuals of these groups will see their mutual interests and join in a multiracial coalition to move America forward; it promotes the idea that Americans have common interests and concerns—ranging from employment to the toll of crime and drug trafficking in their neighborhoods—that cross racial and class boundaries. This vision encourages Americans to see that the application of programs to combat these problems would benefit everyone, not just the truly disadvantaged; to recognize that the division between the suburbs and the central city is partly a racial one and that it is vitally important to emphasize city-suburban cooperation, not separation; and, finally, to endorse the idea that all groups should be able to achieve full membership in society because the problems of economic and social marginality rest with the inequities in society at large and not with group deficiencies.

Mr. President, in the introduction of my new book, Jobless Ghettos, I discuss these points because I feel that a public rhetoric of interracial unity is an essential and important first step in addressing the problems of race in the United States, including those that are related to the jobless ghetto. You drew from my last book, The Truly Disadvantaged, in your 1992 campaign. I think that you will find my new book even more useful given the problems that have emerged since then. I will make sure that you receive an advanced copy. The campaign will be in full swing when it comes out.

You will note that I am not recommending that you call for new programs. If you appoint a national Commission to study race in America, the appropriate time to discuss programs would be in reaction to the Commission's recommendation. What is needed now is a change in the public discourse on race. As President of the United States you could be an effective voice in promoting this change.

If I can be of further help, please let me know. I was pleased to learn from Vice President Gore that you found the materials from the discussions on race that we had at his house useful.