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001. memo	From Harold Ickes re: DNC 1996 Budget Summary (27 pages)	01/29/1996	Personal Misfile
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FOLDER TITLE:

Chron Files February 18-24, 1996 [2]

2019-0774-S
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RESTRICTION CODES

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

Freedom of Information Act - [5 U.S.C. 552(b)]

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RR. Document will be reviewed upon request.

To: Stiglitz

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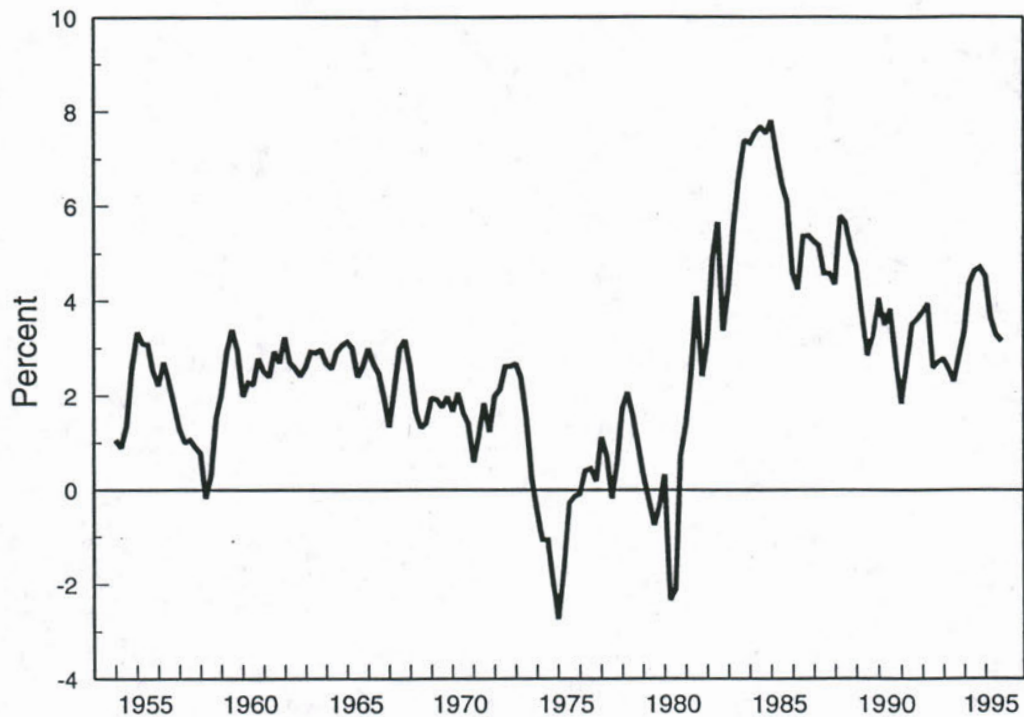
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

February 16, 1996

CHART OF THE WEEK

Real Long-Term Interest Rate



The 10-year Treasury rate, adjusted for expectations of inflation, fluctuated in a narrow band during the 1960s, fell sharply during the 1970s, and then skyrocketed during the 1980s. Although this rate has varied somewhat in recent years, it has at times approached the level of the late 1950s and early 1960s. The lower average level of real long-term rates in recent years has been attributed to progress in reducing the budget deficit, in contrast to the 1980s when burgeoning deficits pushed rates higher.

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"Another decade or so, and it'll be warm enough for us."

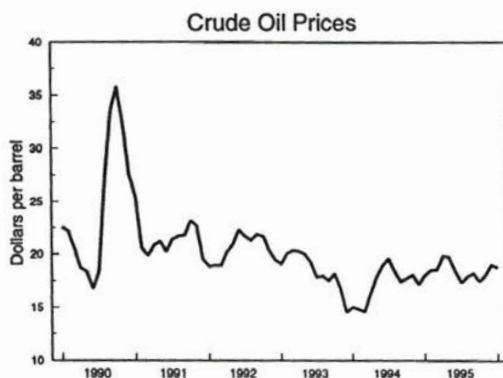
CURRENT DEVELOPMENT

Will Iraqi Oil Drive Prices Down?

The United Nations and Iraq are discussing the UN's long-standing offer to make an exception to the UN-imposed embargo. The exception would permit Iraq to sell limited amounts of oil on the world market, if the bulk of the proceeds were used for humanitarian purposes. Iraq has rejected this offer in the past, claiming it violates Iraq's sovereignty.

The UN offer would permit Iraq to sell \$1 billion of oil each quarter. At the current price of about \$18 per barrel, this would add about 600,000 barrels of oil per day to world production, or about 1 percent to world supply of about 62 million barrels per day.

Effect on price. If the worldwide supply of oil is increased due to Iraqi production, a price decline of about 10 percent (from \$18.00 to about \$16.20) should be sufficient to equate short-run supply and demand. Such a decline in price is relatively small and would be in the range of recent fluctuations (see chart). Over time, however, a reduction in supply—primarily from high-cost sources of oil and possibly OPEC—should moderate the price effect.



Effect on U.S. Economy. In general, the United States benefits from a lower worldwide price of oil, because it is a net importer of crude oil. A rough estimate is that a sustained \$1 drop in oil prices would translate into a 0.2 percentage point drop in annual consumer price inflation. Lower oil prices, though, could hurt oil patch states through lower oil-industry revenues and a fall in the value of oil-producing assets. These states, however, have diversified their economies and are less dependent on oil today than they were in the mid-1980s when oil prices fell sharply.

SPECIAL ANALYSIS

Protecting the Ozone Layer: Incentive-Based Approaches

This December, parties to the Montreal Protocol on Substances that Deplete the Ozone Layer agreed to place the first global limits on the widest uses of the pesticide methyl bromide and to set a timetable for significant use reductions. Scientists have identified methyl bromide as a significant depletor of the stratospheric ozone layer, which shields the Earth from harmful ultraviolet radiation. The chemical is used for quarantine and pre-shipment of agricultural imports and exports as well as soil treatment for several fruit, nut, and vegetable crops.

Terms of agreement. Developed countries will phase out methyl bromide production and use by 2010, with a few exceptions (quarantine and pre-shipment) accounting for less than 10 percent of current use. Interim reductions of 25 and 50 percent will be required by 2001 and 2005, respectively. Developing countries, which previously were not subject to limits, are to freeze their production and use (currently less than 20 percent of the world total) in 2002, with further controls to be negotiated in the next 2 years.

Keys to success. The Protocol has successfully curtailed the use of many ozone depleting compounds. Two factors have been credited with reducing the costs of these phase-outs. The first is the development of cost-effective substitutes. The second is the use of market-based mechanisms to achieve compliance. While a strict timetable for use reduction helps spur development of substitutes, market-based mechanisms can ensure that the timetable is met in a cost-effective manner.

Market-based measures. The phase-out of CFCs was implemented in the United States using a combination of tradeable production permits and taxes. Economists view tradeable permits as more cost-effective than mandatory controls that require the use of specific technologies or prohibit specific uses. A Rand study estimated that mandatory controls would cost twice as much as a tradeable permit system to achieve the same level of CFC reductions.

The signatories to the Montreal Protocol will review the expanded use of market-based measures for controlling methyl bromide use. One option, an international trading system, could allow some countries to reduce their methyl bromide use more slowly by purchasing allowances from those countries that have reduced use ahead of schedule. Such internationally tradeable production allowances have previously been employed in CFC phaseout.

SPECIAL ANALYSIS

Why Social Security Disability Costs Surged in the Early 1990s

The Social Security Administration recently released a congressionally mandated report on the cost of Social Security disability benefits. After rising about 5 percent per year from 1985 to 1989, the cost of disability benefits jumped sharply in the early 1990s. The sudden rise in costs placed the disability program on the brink of insolvency and required the reallocation of payroll-tax revenues from the retirement (OASI) trust fund into the disability (DI) trust fund.

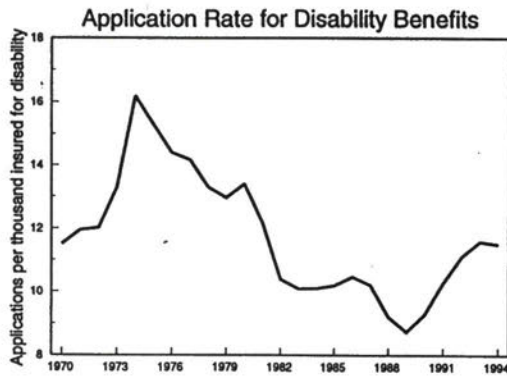
Analysis. The explosion in costs during the early 1990s was due to rapid growth in the number of persons receiving disability payments rather than to an increase in benefit levels. The report finds that about half of this growth in beneficiaries during the early 1990s was attributable to measurable factors including:

- unemployment associated with economic recession (responsible for 19 percent of the rise in applications);
- demographic factors, especially baby-boomers reaching the age where disability becomes more likely and growth in the insured population (responsible for 15 percent of the rise in applications);
- an increase in HIV/AIDS infection (responsible for about 6 percent of the rise in applications);
- cuts in states' general assistance that shifted residents from state-funded programs to Federal disability rolls; and
- modifications in program rules that placed a greater emphasis on "pain" in determining severity of impairment and an emphasis on functional (ability to work) rather than clinical (diagnosis) criteria in determining mental impairment.

The remainder of the growth in the program during the early 1990s resulted from less quantifiable factors such as legal precedents making it easier to get on the disability rolls and harder to be removed, changes in public attitudes toward disability, and stepped-up outreach efforts to locate potential recipients of Supplemental Security Income (SSI), which led to an increase in concurrent applications for both SSI and disability coverage.

Trends show signs of stabilizing. Although the number of applications for disability increased from about 1 million per year in the late 1980s to about 1.4 million in 1993 and 1994, applications as a share of the insured population rose less steeply, and remain below earlier peaks (see chart on next page). Furthermore, the annual rate of increase in applications was greatest during 1991 and has declined since then, with total applications actually falling during the first

10 months of 1995 compared with a year earlier. Likewise, the share of applications actually accepted, which increased rapidly in the late 1980s and early 1990s (in part due to program changes), has fallen for the past several years.



Looking ahead. With applications leveling off and award rates declining over the past couple of years, the indications are that disability benefit costs should rise more slowly in the near future than they have in the recent past. Even so, unless significant reforms take place, expenditures are likely to outpace revenues over the long run. An ongoing problem with the disability program is that few of those on disability ultimately leave, and there

is no way within the program for recognizing partial disabilities, which impair, but do not eliminate, an individual's ability to earn a living.

The National Performance Review has designated reengineering of the disability process as one of its ways of improving government. At present, the Social Security Administration has several initiatives underway to address program growth. These include efforts to help current beneficiaries return to work and new procedures to determine continued eligibility.

*Liter
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Cony 001*

ARTICLE

Should Social Security Trust Funds Invest in Equities?

All three proposals in the forthcoming report of the Quadrennial Social Security Advisory Council consider investing in equities--either directly through the trust funds or indirectly through federally mandated individual accounts. Investing in equities is a way to improve rates of return on Social Security contributions, which have declined sharply over the past several decades (see Weekly Economic Briefing, September 8, 1995). Thus far, none of the proposals spell out in detail how they would structure these investments. Treasury and CEA are just beginning to explore the implications of such a strategy. Nevertheless, this feature will gain much attention and be controversial, so it is helpful to highlight the key issues involved.

Impact on the solvency of Social Security. Investing in equities would improve the financial status of Social Security by increasing the return on the trust funds which now must be invested only in Treasury securities or government guaranteed securities. The actuaries estimate that Treasury securities will provide an average annual real return of 2.3 percent over the 75-year projection period, significantly below the postwar real return on equities of about 7 percent. Thus, investing 30 percent of the trust funds in equities could raise the ultimate projected return from 2.3 percent to 3.7 percent, if the historical relationship between returns on equities and returns on Treasury securities continues in the future. This increase in the return on the trust funds would cut the 75-year deficit by one-third. It would also increase the riskiness of the Social Security portfolio, but the Federal Government is well positioned to wait out fluctuations in market value.

Impact on private-sector investors. The higher return on Social Security assets will be matched, however, by lower returns on non-Social Security assets held by the public. In other words, without any change in the Federal budget deficit, the primary effect of the shift in Social Security investment policy is a restructuring of portfolios so that the trust funds hold some higher-return equities and the public ends up holding the lower-return government securities previously held by the trust funds. As such, investing in equities is a relatively painless way of getting some additional money into the Social Security system.

Impact on relative returns. The increased demand for equities would initially lower the returns on equities, while the need to attract private sector investors would require higher returns on Treasuries. These effects would be moderated, however, as corporations restructured their finances to take advantage of cheaper equity financing and as international buyers increased their purchases of higher yielding Treasuries. Although we cannot be certain about the precise magnitude of the changes in relative returns, our best guess is that, in the end, they are likely to be small. These changes in returns on equities and Treasury securities will have mixed effects: private investment, particularly in riskier enterprises, is likely

will our
have to react
to that on
Govt & Securities
to get things
sorted

to be encouraged, while the Federal non-Social Security deficit will be slightly worsened.

✓ **Administrative issues.** If 30 percent of Social Security assets were invested in equities, Social Security would be an important "player" in the market, and the trust funds could end up owning roughly 5 percent of the stock market in 2013. Concerns about market disruptions and public sector interference in private sector activity could probably be addressed by having the trust funds hold a portfolio indexed to the overall stock market. A somewhat trickier question pertains to corporate governance, and whether the fund should vote its shares or act as a passive investor. Another issue is that the pattern of Social Security purchases could have further market implications when baby-boomers retire and the pace of purchases slows, eventually turning negative. This problem could be alleviated by fixing the long-run financing problem and stabilizing the size of the trust funds. Nevertheless, the administrative aspects of investing in equities would require solving a lot of tough problems.

Conclusion. Given the decline in returns to Social Security contributions, investing trust-fund assets in equities merits serious consideration. Investing in equities would raise returns, reduce the 75-year deficit, and increase public support for Social Security. An alternative approach is to allow individuals to invest some of their Social Security contributions in equities through federally mandated IRA-type accounts. Such a structure, however, sets the scene for unfortunate comparisons between the low returns on the basic program and the high returns on the supplementary accounts, which could weaken support for the overall system.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

FCC Auctions Rain Cash on the Treasury. Total revenues from spectrum license auctions have topped \$15 billion in less than 2 years, putting to shame all early revenue estimates, according to a report from the Federal Communications Commission. In 1993 (when Congress passed legislation authorizing the auctions), the House Budget Committee estimated that receipts would reach \$10.2 billion over 5 years; 1994 estimates by CBO and OMB were \$8.1 and \$12.6 billion, respectively, over 5 years. The \$15 billion figure includes revenues to date from ongoing auctions, suggesting that revenues will continue to climb relative to estimates. Besides providing a non-tax revenue source for the Treasury, the auctions should improve the efficiency of license allocation across firms and geographical regions.

LEON -
can we get a
reduction on budget
for 1994?
PR

Minority Mortgage Approvals Make Big Gain. The number of mortgages granted to minority applicants increased sharply in 1994, according to Federal Reserve data. For example, approved mortgages for blacks grew by 38 percent relative to 1993; by contrast, approved mortgages for whites grew by just 12 percent. This change is driven by an expansion in total mortgage applications, not by convergence in black and white rejection rates. The black denial rate remained over 30 percent, while the white rejection rate held steady at about 17 percent. A leap in total applications by blacks suggests that banks are taking greater pains to serve minority and inner-city residents. One possible explanation of the bump in approvals is tougher enforcement of fair-lending laws, which have become more relevant as the recent wave of bank mergers has put a premium on good standing with Federal regulators. Despite this jump in approvals, the data do not provide enough information to determine whether blacks and whites are receiving equal treatment: a 1992 study by the Boston Federal Reserve Bank found that about one-third of the discrepancy in denial rates was due to racial factors.

CC: from Leona
Re: KY
Nash / Curran's

More Efficient Allocation of California Water Rights Flows Through Technological Pipeline. After years of reliance on a crazy quilt of political and legal directives for allocating water in central California, the Westlands water district plans to move to an electronic trading system next month. The central idea of the plan is to use personal computers linked through modems to reduce the transaction costs of water trading. At present, much trading is done in such an ad hoc way (e.g., over coffee at the local diner) that prices often fail to act as reliable allocative signals. By contrast, the new system will make details of previous trades by many different farmers publicly available, so that information concerning both previous and current prices will be more widespread. While analysts express optimism about the new system, its success will require broad acceptance by the region's several hundred farmers.

INTERNATIONAL ROUNDUP

Development Aid from OECD Countries Hits 20-year Low. According to a recent report of the OECD's Development Assistance Committee, non-military aid to developing countries and multilateral organizations in 1994 fell to its lowest level (as a share of GNP) in 20 years. Japan remained the largest donor in absolute terms. With contributions of roughly 1 percent of GNP, Scandinavian countries (except Finland) are still the most generous donors in relative terms. The United States was the smallest OECD donor in relative terms, contributing only 0.2 percent of GNP. Countries experiencing fiscal difficulties, such as Italy, Belgium, and France, scaled back their aid effort considerably. While official aid has been restrained, private financial flows to developing countries have risen significantly. Indeed, total resource flows to developing countries amounted to \$184 billion in 1994, 13 percent more than in 1993. Roughly 60 percent of these resources originated in the private sector, including direct and portfolio investments and bank lending. These private flows are highly concentrated. During the 1989-93 period over 80 percent of all international private capital flows to the developing world went to just 17 "emerging markets," such as China, Mexico, and Thailand.

Economic Stabilization Remains Elusive in Ukraine. The Ukrainian economy has yet to achieve macroeconomic stabilization. A comprehensive reform program introduced in October 1994 has helped to reduce average monthly inflation from 14.4 percent in 1994, to 9 percent in 1995 (and 4.6 percent in December). But in other areas, such as privatization, there has been less progress. And according to official statistics, real consumption has declined by about half since 1992, while unemployment is a serious problem. This lackluster performance meant that Ukraine failed to meet the benchmarks set by the IMF, and the country's \$1.5 billion stand-by program was suspended in December. This week, the IMF's team in Kiev reached an understanding with the Ukrainian government on the criteria for extension of the stand-by agreement. The ability of the government to meet the agreed targets may be endangered by the demands of striking miners, but the government appears determined to resist the miners' demands.

Women Play an Important Role in the Income of European Households. A recent poll has found that 59 percent of European working women supply half or more of their household income. This finding parallels the results of a U.S. study, released in 1995, which found that 55 percent of U.S. working women earn nearly half or more of household income. However, a larger share of European working women—28 percent—provide all of their household's income than in the United States, where the share is 18 percent. Of the five surveyed countries (France, Germany, Great Britain, Italy, and Spain), the highest contributors were France and Germany, where more than one in three working women were contributing all of the household's income. If financial constraints were not binding, almost one-third of working women surveyed in the United States would prefer to work at home, compared with about one-quarter in Europe.

RELEASES THIS WEEK

Industrial Production and Capacity Utilization

****Embargoed until 9:15 a.m., Friday, February 16, 1996****

The Federal Reserve's index of industrial production decreased 0.6 percent in January following increases of 0.2 percent in both November and December. Capacity utilization fell 0.8 percentage point to 81.9 percent.

Employment Cost Index

The employment cost index for private industry workers rose 2.8 percent for the 12-month period ending in December.

Durable Goods Orders

In December, new orders for durable goods increased 2.1 percent following decreases of 0.8 percent in November and 1.5 percent in October.

MAJOR RELEASES NEXT WEEK

Gross Domestic Product (Friday)
Housing Starts (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1994	1995:1	1995:2	1995:3
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.5	0.6	0.5	3.2
GDP chain-type price index	5.3	2.3	3.3	2.5	2.4
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	0.7	-1.1	3.0	1.4
Real compensation per hour:					
Using CPI	0.6	-0.2	0.6	2.0	1.8
Using NFB deflator	1.3	0.1	0.8	3.2	1.6
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	9.6	10.1	10.2	10.2
Residential investment	4.5	4.2	4.1	3.9	4.0
Exports	8.2	10.4	10.9	11.1	11.1
Imports	9.2	11.8	12.4	12.8	12.5
Personal saving	5.1	2.8	3.5	2.9	3.0
Federal surplus	-2.7	-2.7	-2.4	-2.2	-2.2
	1970- 1993	1995	Nov. 1995	Dec. 1995	Jan. 1996
Unemployment Rate	6.7**	5.6**	5.6	5.6	5.8
Payroll employment (thousands)					
increase per month			212	161	-201
increase since Jan. 1993					7695
Inflation (percent per period)					
CPI	5.8	2.5	0.0	0.2	N.A.
PPI-Finished goods	5.0	2.2	0.5	0.5	N.A.

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

FINANCIAL STATISTICS

	1994	1995	Dec. 1995	Jan. 1996	Feb. 15, 1996
Dow-Jones Industrial Average	3794	4494	5136	5179	5551
Interest Rates					
3-month T-bill	4.25	5.49	5.14	5.00	4.78
10-year T-bond	7.09	6.57	5.71	5.65	5.70
Mortgage rate, 30-year fixed	8.35	7.95	7.20	7.03	6.94
Prime rate	7.15	8.83	8.65	8.50	8.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level February 15, 1996	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.470	-0.4	-2.7
Yen-Dollar	106.2	-0.7	+7.8
Multilateral \$ (Mar. 1973=100)	86.73	-0.1	-1.0

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	1.9 (Q3)	5.8 (Jan)	2.5 (Dec)
Canada	1.9 (Q3)	9.4 (Dec)	1.7 (Dec)
Japan	-0.2 (Q3)	3.4 (Nov)	-0.3 (Dec)
France	2.0 (Q3)	12.2 (Sept)	2.1 (Dec)
Germany	1.5 (Q3)	6.7 (Nov)	1.5 (Dec)
Italy	3.4 (Q3)	12.0 (Oct)	5.8 (Dec)
United Kingdom	1.8 (Q4)	8.6 (Dec)	3.3 (Dec)

THE
CARTER CENTER



February 14, 1996

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*2/20/96
Send to USC
for appropriate
Action?*

*Yes
no*

To President Bill Clinton

In the 1970s America's proud record of protecting and admitting Indochinese refugees began. Under American leadership, over 1.5 million refugees were protected and resettled in over 20 countries, including the U.S. There was, and still is, strong bipartisan support for Indochinese refugees.

About 40,000 Vietnamese asylum seekers remain in camps in the region. The last chapter in this saga is about to be written, and all odds are that it will end violently and with loss of life, unless swift action is taken.

At a recent UN conference, the ASEAN countries decided to send all these boat people home, by force if necessary. Two weeks ago, in Malaysia, there was a raid on a camp by Malaysian security personnel who killed one refugee and wounded 17 others. Just yesterday, Philippine troops forced a group of boat people onto a plane bound for Vietnam, separating families and provoking an attempt by hundreds of other Vietnamese to block the plane's take off.

There is a way for the U.S. to help promote voluntary repatriation of the bulk of the refugees, while helping those with close ties to the U.S. As originally conceived, interviews for Vietnamese asylum seekers would have been carried out in Vietnam. This could have been done through an adaptation of a program already adopted by your Administration to provide INS interviews to all the remaining boat people in the camps, on the basis of generous standards and using liberal criteria. Unfortunately, the Vietnamese government has rejected this procedure.

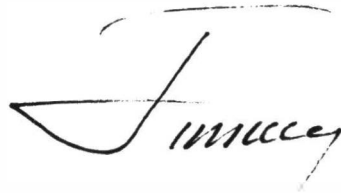
What is needed now, without delay, is to conduct the INS interviewing in the countries of first asylum. ASEAN countries will require persuasion, but this could be done, and in a way that is helpful to them also. Not only is this the best humanitarian course, it is the right thing for our relations with the ASEAN countries which otherwise almost surely will be driven

Page 2

to use unacceptable levels of force to get the boat people to return to Vietnam. Such actions will put the U.S. in the position of having to protest the mistreatment of a population of special interest to us, which includes some of our former comrades-in-arms.

I know that you will want this last chapter of the Indochinese refugee crisis to close, under your tutelage, in a dignified and honorable way. I believe your personal intervention could be instrumental in achieving this.

Sincerely,

A handwritten signature in black ink, appearing to read "Jimmy". The signature is stylized with a large, sweeping initial "J" and a cursive "immy".

The Honorable Bill Clinton
President of the United States
The White House
Washington, D.C. 20500

THE PRESIDENT HAS SEEN



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JIM DORSKIND:

Please coordinate
the reply.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

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February 16, 1996

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MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D'ANDREA TYSON

RE: OPTIONS FOR FEDERAL RESERVE APPOINTMENTS

Your advisers believe that the best course of action at this time is to announce as quickly as possible your decision to reappoint Alan Greenspan as Chairman of the Federal Reserve Board and to announce at the same time your intention to nominate two additional Board members, including your choice of Vice-Chairman.

We have discussed several possible candidates for these two positions including:

Vice-Chair Position

1. Alice Rivlin, currently serving as OMB Director
2. Eugene Ludwig, currently serving as Comptroller of the Currency
3. Jerry Hawke, currently serving as Treasury Under Secretary for Domestic Finance
4. Jim Jones, currently serving as US Ambassador to Mexico
5. Robert Hormats, currently serving as Vice-Chairman of Goldman Sachs
6. Richard Jenrette, just retired CEO of The Equitable Companies, Inc. (dropped from consideration because he does not satisfy the open district requirement)
7. John Clendenin, just retired CEO of BellSouth

Although each of these people also have the qualifications necessary to serve in the Board position, it is unlikely that any of them would want to serve in such a position.

Board Position

1. Peter Kenen, international economist currently working at the Treasury and on leave from Princeton University
2. Lawrence Meyer, business macroeconomist, head of his own forecasting and consulting business (three-time winner of award for best economic forecaster)
3. Rob Shapiro, macroeconomist, Progressive Policy Institute

Although each of these individuals would bring different economic and political strengths to the Board, all of them are judged by your advisers to have the experience and expertise necessary to serve as effective Board members, representing your Administration's interests and concerns. The White House Counsel's Office is currently examining whether each of them is also eligible to represent an open Federal Reserve District. (The discussion below indicates the most likely District representation of each candidate.)

After reviewing these candidates, your advisers agreed to recommend the following possible packages for your consideration. Your advisers believe Larry Meyer is probably the best choice for the Board position in each of these packages for the reasons indicated below.

Option 1: A Macroeconomist as Vice-Chair

We believe that Alice Rivlin, who is a professional macroeconomist, would make an excellent Vice-Chair and we believe that she is confirmable by the Senate. She would be an energetic and articulate promoter of Administration positions on the Board. Because her Federal Reserve District would have to be the Philadelphia District, Kenen could not be nominated with her since he comes from the same District. A possible shortcoming of this package is that Rivlin and Meyer are both macroeconomists and therefore they bring somewhat similar strengths to the Board. Both, however, would be persuasive and articulate proponents of a pro-growth monetary policy.

Option 2: Someone with Experience in Banking and Banking Regulation as Vice-Chair

Both Gene Ludwig and Jerry Hawke would bring outstanding experience and knowledge in banking and financial market regulation to the Board, something which has been missing since the departure of John LeWare in the spring of 1995 and something which is important for the Fed's large and growing power in the area of banking regulation. Both would have broad support in the banking community and should satisfy its concern to have its interests represented on the Board. At the same time, both would be fair-minded and effective regulators and would also be ardent defenders of CRA, an Administration priority which Alan Greenspan opposes.

If Gene is the choice as Vice-Chair he would represent the district of Philadelphia, in which case Lawrence Meyer or Rob Shapiro would be your only possible Board member choices. Larry Meyer would make an excellent addition to this package because he would bring outstanding forecasting and macroeconomic skills that would complement Gene's bank regulation skills.

If Jerry is the choice as Vice-Chair he would represent the district of Boston, in which case Rob Shapiro could not be nominated as Board member since his only possible District representation is Boston. Meyer is the best macroeconomist, the one most likely to

be listened to by Alan Greenspan, and therefore the best complement in this package as well.

Option 3: A Business Leader as Vice-Chair

John Clendenin recently retired as Chairman and CEO of BellSouth, serving as President since 1981 and CEO since 1984. He is a member of several corporate boards and the Board of Governors of the American Red Cross. He is Chairman of the Committee for Economic Development and also a past Chairman of the both the U.S. Chamber of Commerce and the National Alliance of Business and is the past National President of the Boy Scouts of America. Clendenin has been positive toward your Administration. He would represent the District of Atlanta on the Board.

Larry Meyer would be the best complement to either Jenrette or Clendenin because Meyer would add macroeconomic expertise which neither of them have.

Option 4: Bob Hormats as Vice-Chair

Bob Hormats has broad financial market and government service experience. Before joining Goldman Sachs in 1982, he held high-ranking positions at the National Security Council, USTR, and the State Department under President's Nixon, Ford, and Carter. He is probably a Republican, but he is clearly a moderate and non-ideological one, and he is a supporter of your Administration. He has broad financial market experience and is a moderate on monetary policy issues. He believes, for example, that the current federal funds rate is probably about 50 basis points too high. He is an extremely articulate observer and loves to be quoted so he is likely to serve as an articulate Fed spokesperson on growth and financial issues. He should be confirmable, although he may be questioned for his involvement with numerous multilateral organizations, including the Trilateral Commission.

We believe that Hormats would represent the Boston District, so Shapiro could not be nominated as Board member to complement this package. Since there is substantial overlap between Hormats and Kenen on international economic issues, Meyer would be a better choice.

Option 5: Jim Jones as Vice-Chair

Before becoming US Ambassador to Mexico, Jim was the Chair of the American Stock Exchange. Before that he served for 14 years in the House of Representatives where he chaired the Budget Committee between 1981 and 1985.

Jim has been a valuable and trusted Ambassador, playing important roles in NAFTA's passage and in the Mexican financial package. His many years of Congressional experience give him a broad understanding of budgetary and other economic issues, but he does not have experience in either monetary policy or banking regulation.

Jim is articulate, effective, and a strong Democrat who would actively support Administration positions on the Board. Although he should be confirmable, there is some concern that his very partisan Senate race against Don Nickles or his involvement in the Mexican financial package could cause a problem.

Jim would represent the District of Kansas City on the Board. Since he is not a macroeconomist, we believe that Larry Meyer would represent the best Board choice in this package.

Option 6: Janet Yellen as Vice-Chair

Janet is currently our only Board appointment. By all accounts, she is doing a terrific job and has been instrumental in swaying the Board toward more interest-rate lenience. Because she is widely respected by the Board and because she appears to have the support of Alan Greenspan, she should be easily confirmable in this position. Of course her appointment as Vice-Chair would free up another Board position.

We could recommend Janet as Vice-Chair alone or in combination with any of the three alternatives for Board member mentioned above since she represents the San Francisco Fed District.

2/23/96

Todd -

(same in envelope to us)

Send to Dorskind?

Yes ☒

No ☐

Original
sent to
Dorskind

C.

INTERGOVERNMENTAL AFFAIRS CORRESPONDENCE ROUTING SHEET

96 FEB 23 P12:24

Date received in IGA 2/10/96

Correspondence referred to: MLH JPH JE EB

I. **Presidential Response Needed** -- Forward to Emily Curtis, 94

☐ Brief Acknowledgement

☒ Policy Response

Check if applicable:

Personal Signature Requested _____

Return to IGA for final approval: MLH JPH JE EB

Approval needed by other staff or office: _____

Background information to assist the writer in drafting a response: _____

II. **Response from Marcia Hale** -- forward to Lawton Jordan

III. **Scheduling Request** -- forward to Megan Williams, 111.5

☐ Regret

☐ Pending

☐ Prepare schedule proposal

IV. **Personal Recommendation** -- forward to Anne Swartz, Office of Presidential Personnel, 135

V. **Request for a Presidential Message** (letter of greetings for an event) or Proclamation -- forward to Carmen Fowler, 91

*Send to
Hall (Secret)*



**BOARD OF SUPERVISORS
COUNTY OF VENTURA**

GOVERNMENT CENTER, HALL OF ADMINISTRATION, L #1900
800 SOUTH VICTORIA AVENUE, VENTURA, CALIFORNIA 93009

MEMBERS OF THE BOARD
FRANK SCHILLO
Chair

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SUSAN K. LACEY
SUPERVISOR, FIRST DISTRICT

(VENTURA & OJAI VALLEY AREAS) (805) 654-2703
(OXNARD) TOLL FREE: (805) 385-8600 EXT. 2703
FAX (805) 654-2226

February 12, 1996

Bill Clinton, President
The White House
1800 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton :

I am a member of the Ventura County Chapter of the American Red Cross Board of Directors.

As you know, Ventura County has been affected by a series of natural disasters the past several years including earthquake, flood, landslides and wildfires. In addition, there have been numerous house fires and, of course, the Red Cross continues to provide emergency services to military personnel and their families.

Needless to say, both the budget and the staff are exhausted. An event has been planned to help raise funding Red Cross needs to ensure immediate, emergency assistance in available to major disasters or residential fires.

The **1996 Gala Soup Smorgasbord and Silent Auction** will be held on Sunday, March 24, 1996, at 6:00 p.m. at the Buenaventura Mall in Ventura. It will feature a tantalizing array of soups, salads, appetizers, breads, desserts and beverages. There will be a jazz band, roving musicians and wonderful auction items for sale.

We would be honored if your office would prepare a Resolution or Proclamation commending Red Cross and encouraging residents of Ventura County to attend the event. The Resolutions will not be formally presented at the event but will be displayed on prominently place tables.

To assist in the preparation of a Resolution, I have enclosed a brief Fact Sheet for your information. If you need any additional information, please do not hesitate to contact me.

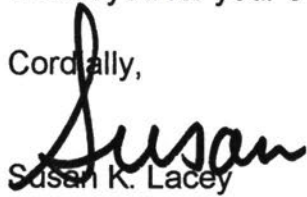
Page 2

February 12, 1996

The Resolution can either be mailed prior to the event directly to the Red Cross office at 2355 Portola Road, Ventura, CA 93003, or to my office at 800 South Victoria Avenue, Ventura, CA 93009. In any event, please let my Administrative Assistant, Joan Province, know if you will be able to accommodate our request.

Thank you for your consideration.

Cordially,

A handwritten signature in cursive script that reads "Susan".

Susan K. Lacey
Supervisor, First District

Enclosure



Highlights of Services

from your
American Red Cross of Ventura County

Why support the American Red Cross Soup Smorgasbord?

- I. Red Cross has delivered on its commitments to this community, and - with help from sponsors - will continue to deliver on its commitments.
- II. Red Cross emergency services are not supported by government funding, but by the voluntary service and financial contributions of the American people.
- III. Red Cross is accountable to the community. Annual Audits demonstrate that nationally and locally, 93 cents of every dollar donated to Red Cross are used for delivering programs and services to people in need - one of the very best records for all charities.
- IV. Red Cross stretches every dollar through extensive involvement of volunteers. The local chapter has only 12 full time staff, and more than 3,200 volunteers.

What has Red Cross done in Ventura County?

- More than \$35,000 was spent to aid the victims of the Firestorms of October, 1993.
- More than \$1.014 million was spent by Red Cross to aid the victims of the January 17th Earthquake here in Ventura County (total expenditures exceeded \$35 million in Southern California.) This successful relief operation was the largest ever provided by Red Cross in its 77 year history in Ventura County.
- Relief expenditures for the victims of the January, 1995 floods were more than \$50,600.
- Relief Commitments for the La Conchita Landslide and March Floods are in excess of \$60,000.
- More than \$100,000 has been spent to aid the victims of residential fires in Ventura County during the past 18 months.
- The Emergency shelter provided more than 10,000 person/nights of shelter to homeless persons this year, and more than 23,000 meals were served at the shelter - a record number.
- Red Cross volunteer instructors certified more than 17,800 people in the life-saving skills of First Aid, CPR and Water Safety last year.
- More than 13,800 emergency services were provided for our American Military personnel stationed at Port Hueneme and Point Mugu, and for families in Ventura County who have military persons stationed throughout the world.

Time after time, our Red Cross and its volunteers have delivered on their commitments, because they understand ...

Help Can't Wait

Please help make sure that
when emergency strikes,
Red Cross is on the way.

*A Fabulous
Feast*

the Soup Smorgasbord

*Sunday, March 24, 1996
6:00 pm to 9:00 pm
Buenaventura Mall
(Use the West Mall Entrance)
\$25.00 per person*

& Silent Auction

Good people help,
because
Help Can't Wait.



**American
Red Cross**
of Ventura County

*For tickets or more information, call (805) 339-2234
or write to "Soup Smorgasbord, P.O. Box 5850, Ventura, Ca 93005*

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 2/23/96

TO: Greg Simon
Steve Newmark

FROM: Staff Secretary

Thoughts?

Steve used language very
similar to the FCC letter.

Susan Ness response
Draft 2/23

Dear Susan:

Thank you for your fine letter and your generous comments on the State of the Union. I thought the speech went well and I'm confident we can continue to move our country in the right direction.

As you know I recently wrote to you and your fellow Commissioners about my views on the Children's Television Act. The FCC has an unequalled opportunity in reviewing the purposes of the Act to redefine how television can serve the public interest -- particularly as it relates to children . I hope you and your colleagues will utilize this occasion to ensure the availability of quality educational programming for our country's young viewers.

Thank you again for your letter.

Sincerely,

BC



Federal Communications Commission
Washington, D.C. 20554

96 FEB 5 P2:40

Commissioner Susan Ness

February 5, 1996

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

Dear Mr. President:

Your State of the Union speech was masterful! You really connected. It worked in so many different ways, but especially in highlighting the concept of national community.

I was particularly delighted with your comments relating to communications: wiring the schools, improving children's programming, enacting the communications legislation. While the legislation is not perfect, I am thrilled that it finally passed. We at the FCC will have a tremendous amount of work to do, but the goals are worthy and the potential benefits are enormous.

I know that you and the First Lady care deeply about children's television programming. Thank you for your leadership on this issue.

Mr. President, broadcasters are at a fork in the road. Television broadcasting either can be treated as -- to use former FCC Chairman Mark Fowler's words -- "a toaster with pictures" or it can continue to serve as public trustee of the airwaves. Admittedly, toasters do not have special requirements placed upon them (Children's Television Act, V-Chip, indecency restrictions, and lowest unit charge for political ads). But toasters are not guaranteed store shelf space ("must carry" rights on cable TV systems) and prime shelf placement ("channel positioning"), nor are toasters provided government facilitation for conversion to new technology (additional spectrum for digital conversion). Broadcasters cannot have it both ways.

President Bill Clinton
February 5, 1996
Page Two

Despite the Children's Television Act, many broadcasters continue to resist making any concrete commitment to meet the educational and informational needs of children. I am advocating a "safe harbor" that would permit broadcasters either to air three hours per week of core children's programming (and know they've met their obligation) or to demonstrate a truly *comparable* commitment in other ways. This approach provides flexibility and is both family-friendly and First Amendment-friendly. It remains to be seen what action the Commission will take on this matter.

It would be great if newspapers could be persuaded voluntarily to spotlight quality children's programming in their weekly television listings. If stations are required to identify the programs that they consider to be educational and informational and if newspapers publish that designation, parents will be in a better position to select programs for their children – and communities will have the tools to assess how well stations are meeting their commitments.

I hope that your eloquent words regarding our responsibilities as a national community will cause broadcasters to reflect upon their contribution to the welfare of our children and to do the right thing.

Most respectfully yours,

A handwritten signature in black ink, appearing to be "Bill Clinton", with a long, sweeping underline that extends to the left.

THE WHITE HOUSE
WASHINGTON

September 18, 1995

The Honorable Reed Hundt
Chair
Federal Communications Commission
8th Floor
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt:

The Children's Television Act of 1990 recognizes the power and value of television's influence on our nation's children. The Act sets forth a reasonable exchange -- it requires commercial broadcasters to honor their public trust by offering programming that enhances children's learning. The dissemination of true educational programming across the public airwaves is a priceless gift to our children.

The American public had every reason to believe that when the Children's Television Act was signed into law, programming specifically designed to benefit children would become an important part of the choices on every broadcast channel. The American public has been disappointed, and American children have lost countless opportunities to learn and to be challenged intellectually.

I urge you again to review the purpose of the Children's Television Act and the broadcast programming our children are offered today. To paraphrase former FCC Commissioner Newton Minow, if we can't figure out how the public interest standard relates to children, the youngest of whom can't read or write, and all of whom are dependent in every way on adults, then we will never figure out the meaning of the public interest standard.

I believe the public interest should require broadcasters to air at least three hours per week, and preferably more, of quality children's programming at reasonable times of the day. The FCC and the broadcast industry have an unequalled opportunity to redefine how television can serve the public interest, especially with respect to our children. I urge you to do so.

Sincerely,

Tom Clinton

Office of the Vice President

Domestic Policy
Old Executive Office Building
Washington, DC 20501
(202) 456-6222

96 FEB 23 A/D: 53

TO:

Phil

FROM:

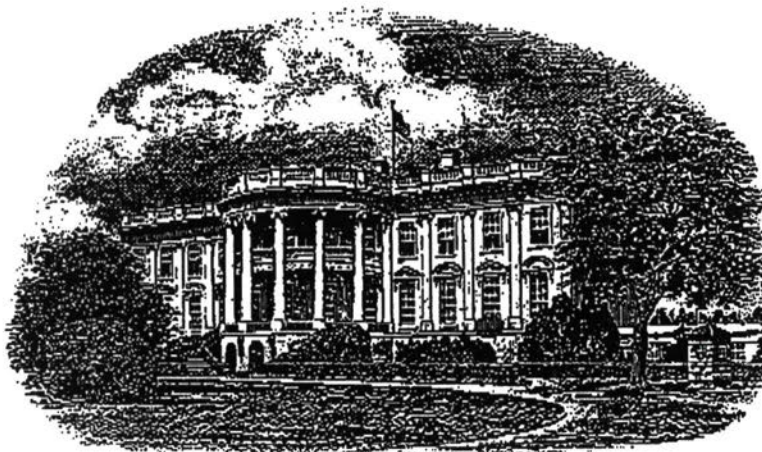
Greg

DATE:

2/23number of pages including cover: 2

COMMENTS:

Same letter went to
each of 5 Commissioners



2/23/94

NSL

Send to Doaskund for
reply?

Yes _____

No _____

C

96 FEB 23 A8:27

*Staff Sent to
Coordinator
Kopelman***ROBERT SCHULLER****February 22, 1996****Dear Mr. President:**

I cannot begin to thank you for your attention to my concern regarding the charge by Yasser Arafat that Palestinian money was frozen during the Gulf War.

After your careful research coupled with research by George Bush, and my reporting to Yasser Arafat, the following letter has been received which leaves understanding in the circle of some ambiguity.

Thank you for your attention. You may want to pass this letter on to someone who can follow through.

I'm simply praying for peace, and the health and prosperity of the children in this impoverished Palestinian state and a process of hopeful evolution.

Yours most gratefully,

Robert H. Schuller

**President Bill Clinton
The White House
East Wing, Room 214
Washington, DC 20500-2000
FAX: 202/456-6703**

RHS/bae

**THE CRYSTAL CATHEDRAL
12141 LEWIS STREET, GARDEN GROVE, CALIFORNIA 92640**

PALESTINE LIBERATION ORGANIZATION

Palestinian National Authority

Office of The President



منظمة التحرير الفلسطينية
السلطة الوطنية الفلسطينية
مكتب الرئيس

Dear Professor Schuller,

At the recent meeting between you and President Arafat there was a discussion on the price paid by the Palestinians and the P.L.O. as a result of the Gulf War.

President Arafat mentioned the sums which were deducted from the income of the Palestinian people as a contribution to the P.L.O. (at a rate of 5% of the income) in accordance with the decisions adopted at the Arab Summit to this effect. All the States concerned regularly transferred the sums collected to the account of the P.L.O. This continued to be the case until the Gulf War, when the sums due to the P.L.O. were frozen in Kuwait and Dubai (United Arab Emirates) and continue to be frozen. The sums involved until 1990 amounted in Kuwait to US \$ 128 million, and in Dubai to US \$ 56 million.

These sums would normally carry interest, which means that they have increased by tens of millions of dollars. The afore mentioned sums rightfully belong to the P.L.O..

There is also the fact that 460.000 Palestinians were expelled from Kuwait without compensation, and this has inflicted on the Palestinian people a loss which, in conservative estimates, amounts to no less than US \$ 12 billions.

The P.L.O., which has been pursuing the path of peace, is in dire need of this money to enable it to continue to discharge the commitments of the peace process.

Abul abu-Rdeinah
Advisor to the
President.

FAX/714/7489423

714/971 4075

Chron

2/21/96

From Oval -

Send to NSC for reply?

Yes ☒

No ☐

— Please
prepare
response
ASAP

~~Coordinate with the Affee?~~

C.

**Crystal
Cathedral
Ministries**

96 FEB 21 P 1 : 09

12141 Lewis Street, Garden Grove, CA 92640

*Pres has not seen
+ should reply :
Sgm*

FAX COVER SHEET

To: President Bill Clinton
Attention: Mrs. Carolyn Huber

FAX # 202/456-6703

From: Jolane Hawthorne

FAX # 714/749-9423

Phone: 714/971-4075

TOTAL NUMBER OF PAGES: 4 (including cover sheet)



ROBERT SCHULLER

February 20, 1996

Dear Mr. President:

Thank you for the wonderful visit you shared with me in the Oval Office only a few weeks ago.

I am writing now about a different issue that I ask for your help. It is to summarize the two telephone calls we had on this matter last week.

Recently I was the invited guest of the Israeli government. They remembered that you took me with you to the Rabin funeral.

Within that frame of reference they arranged for Mrs. Schuller and me to meet with Yasser Arafat.

Top Israelis believe that with my positive ecumenical ministry and theology I could be an encouragement to Yasser Arafat, and contribute to some degree to the continuance of the peace process. Everyone recognizes that Yasser Arafat must succeed. For if he fails in his new roll as President, the future of the peace process could be threatened, and that must not happen.

We were honored to be invited to have dinner with him and his cabinet a week ago Wednesday night in his headquarters in Gaza, Palestine.

"Why do the Christians always support Israel and never support Palestine?" This was the first question I was asked as I sat down at the dinner table with the Palestinian power people.

I asked him, "How can I help you?" He brought up the need for health care, education, and a strengthening of the peace process.

In my opinion, he desperately needs money — though he did not ask us to give him money, he did remind me that he paid a higher price in the Gulf War than anyone else — proportionately.

**THE CRYSTAL CATHEDRAL
12141 LEWIS STREET, GARDEN GROVE, CALIFORNIA 92640**

February 20, 1996

Page -2-

The Palestinian money which had been safeguarded in Saudi Arabian banks was frozen, presumably as a punishment to Arafat for having chosen the wrong side in that war.

The exact amount is ambiguous.

Now I write to you, Mr. President, as a humanitarian. I write to you as a Christian. I think it is time in history for a Christian to do something strong and meaningful. I want to succeed in getting your attention and the attention of other persons or powers to release any and all Palestinian dollars that may still be frozen in any and all other national banks to be released so health care, schools, and the peace process can continue in the new State of Palestine.

I have carefully avoided political involvements. But I cannot ignore the appeal for help. The Palestinian schools are on three shifts! They don't have money for more buildings.

If the freezing of this money was intended to be a punishment, then I would assume that having frozen it for five years, we can now say, is adequate punishment.

I have talked to George Bush, a person to whom I am as close and friendly as I am with you. I will pray that you, President Clinton, will take leadership to have the money released in the way and in a forthright manner which can be so helpful to all of the little children and families that desperately, urgently, need help from their newly installed President Yasser Arafat.

I will be happy to talk with you, or anyone you suggest, on the telephone, anytime, anywhere. I would be willing to go to any length or to any place to succeed in this request.

I discovered that my weekly television show, the Hour of Power, is now seen from 9:30 AM to 10:30 AM in all of the Holy Land. For the past six weeks we have been on Super Channel — NBC Europe — and I cannot have my face on a television screen every week to the multiplied millions of people and fail to do what God's will is for my life: And that's to bring a sense of spiritual comradeship between the major faiths of our world.

February 20, 1996

Page -3-

Ferrakhan has been, and remains, inflammatory. He feeds an "Islam vs. Christianity" spirit. I am determined to use my power and influence to build bridges of mutual respect between Islam, Christianity and Judaism.

Please help me become a successful bridge builder for peace.

Gratefully yours,



Robert H. Schuller

Dictated and signed in his absence.

President Bill Clinton
The White House
East Wing, Room 214
Washington, DC 20500-2000
FAX: 202/456-6703

RHS/bae

P.S. The name of the Chief Aide to President Arafat, who is so well informed on this matter, is Nabil Abu-Rdeinah. His telephone number is: 972-782-0735 and his fax number is: 972-782-2365

Chron

2/21/96

From Oval -

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Yes ☒ —
No ☐ —

Please
prepare
response
ASAP

~~Coordinate with the Affee~~

C.

*Pres has not seen
+ should reply
soon*

**Crystal
Cathedral
Ministries**

66 FEB 21 P 1 : 09

12141 Lewis Street, Garden Grove, CA 92640

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RHS/bae

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DATE: 2-21

TO: *Pat Ciccotti*

FROM: Staff Secretary

*I thought ARC
might like to see this.*

red

Feb. 20/56

Mr. President,

96 FEB 21 P 1:08

John Podesta asked that I
give you a copy of his recent
commentary. John is a good man
and made a nice contribution ~~here~~ while
he was still secy.

W.D.

cc: Harold

Misusing Congress' Investigatory Power

'Targeting' Individuals Is an Abuse

BY JOHN PODESTA

Perhaps no one has more succinctly summed up the oversight and investigations agenda of the new Republican Congress than Sen. Alfonse D'Amato (R-N.Y.). In a campy life-imitates-art response to a Doonesbury cartoon critical of his Whitewater approach, D'Amato shouted on the floor of the U.S. Senate, "It's payback time, baby."

In pursuing that investigative agenda with a political vengeance, the new Republican majority is perilously close to crossing the line that separates legitimate legislative inquiry from abuse of power.

Take, for example, the Senate Whitewater investigation. It began as a legitimate inquiry into three issues: (1) whether then Gov. Bill Clinton and his wife, Hillary, improperly helped to siphon funds from Madison Guaranty to the Whitewater land development; (2) whether the White House improperly interfered with the investigations of Madison by the Resolution Trust Corp. and the Department of Justice; and (3) whether the White House improperly handled the search of Vincent Foster Jr.'s office in the wake of his suicide.

After 48 days of congressional hearings and three independent investigations, what do we know? The first question has been answered in the negative by Jay Stephens in the report to the RTC prepared by Pillsbury Madison & Sutro. The second was answered in the negative by Special Counsel Robert Fiske Jr., and the Senate has produced no evidence to the contrary. The third is still being pursued by Independent Counsel Kenneth Starr, but after many millions in expenditures, charges of White House bungling still abound, yet no one has been accused of serious wrongdoing.

NO PUBLIC PURPOSE SERVED

So why does the Senate inquiry continue? What public purpose does its continuation advance? It has metastasized into a full-blown political assault on the first lady, designed not with any particular, or even fanciful, legislative purpose in mind, but because, to paraphrase Sen. D'Amato, the Senate has a right to get to the bottom of this.

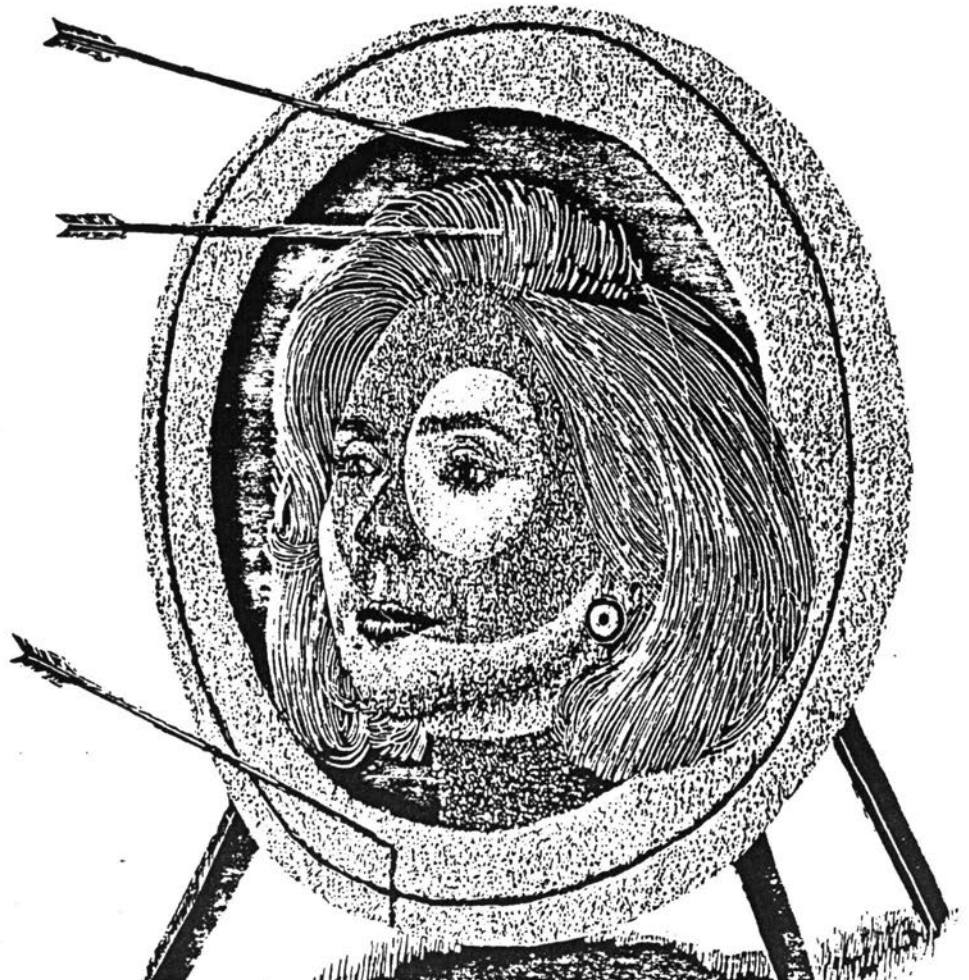
What right?

Congress' power to conduct investigations is appropriately broad. That power is not to be

auxiliary" to the legislative function, as the Supreme Court described it in *McGrain v. Daugherty*, 243 U.S. 135 (1927). But in *Eastland v. U.S. Servicemen's Fund*, 421 U.S. 491 (1975), the Court recognized that that power is not boundless. Neither house possesses a general power of making inquiry into the private affairs of the citizen, the Court held in *Kilbourn v. Thompson*, 103 U.S. 168 (1880). And contrary to the rationale put forward most recently for continuation of the Senate Whitewater investigation, the Court stated emphatically in *Watkins v. United States*, 354 U.S. 178 (1957), that there is "no congressional power to expose for the sake of exposure."

Could anyone watching the Senate Whitewater hearings and attendant media circus really conclude that the Republican members of the committee have a legislative purpose—that members are interested in informing themselves in order to change the nation's

SEE ABUSE OF POWER, PAGE 27



LEGAL MESS

2/12/96

Investigations Must Have Lawful Goals

ABUSE OF POWER FROM PAGE 24

banking laws, for example? It is clear that what began as a legitimate inquiry continues only as a series of partisan show trials—a trial of Maggie Williams, a trial of Susan Thomases, and a trial of Hillary Rodham Clinton.

The Supreme Court set down a clear marker. The semblance of a legislative purpose is insufficient. "Investigations conducted solely for the personal aggrandizement of the investigators or to 'punish' those investigated are indefensible," the Court wrote in *Watkins*.

Moreover, when members of Congress cross the line from legitimate investigation to punishing people, they would do well to remember Attorney General Robert Jackson's famous admonition delivered to federal prosecutors in 1940:

Therein is the most dangerous power of the prosecutor: that he will pick people that he thinks he should get, rather than cases that need to be prosecuted. . . . It is this realm—in which the prosecutor picks some person whom he dislikes or desires to embarrass, or selects some group of unpopular persons and then looks for an offense, that the greatest danger of abuse of prosecuting power lies. It is here that law enforcement becomes personal, and the real crime becomes that of being unpopular with the predominant or governing group, being attached to the wrong political views, or being personally obnoxious to or in the way of the prosecutor himself.

The danger that partisan politics has led to the misuse of Congress' investigatory powers is not limited to the Senate. The "Vendetta Machine," as one reporter has dubbed it, has swept up and swept along even the most well-respected senior Republicans in the House.

For example, Rep. William Clinger (R-Pa.), chairman of the Government Reform and Oversight Committee, said in a recent television interview that Harry Thomason would be his committee's next "target" in the ongoing travel office probe. Anyone who has

read the White House management review of the travel office incident, which I co-wrote, knows that the report had nothing kind to say about Thomason's role in the matter.

But "target" him? The term is usually reserved for prosecutors and political consultants doing attack ads. In overturning a legislative enactment that "targeted" three named individuals on account of their alleged un-American activities, the Supreme Court wrote in *United States v. Lovett*, 328 U.S. 303 (1945), that "when our Constitution and Bill of Rights were written, our ancestors had ample reason to know that legislative trials and punishments were too dangerous to liberty to exist in the nation of free men they envisioned."

INDEPENDENT INVESTIGATION?

Even the usually sensible Rep. Jim Leach (R-Iowa), who has generally kept his committee's Whitewater hearings properly focused, has, on occasion, given in to partisan sensibilities. One of Leach's principal criticisms of the White House has focused on the White House-Treasury Department contacts concerning the Madison investigation. He has argued strongly that even the knowledge that the White House has expressed an interest in being kept informed of the status of an investigation can have a chilling impact on regulators down the chain of command; thus, a possibility exists that the independence of the investigation will be compromised. Yet at the same time he was making this argument, he was insisting on seeing *drafts* of reports prepared by the RTC's independent outside counsel reviewing Madison. And he has sent his staff to look over the shoulders of RTC investigators who were attempting to complete their Madison review. What about the effect that meddling congressional overseers have on a supposedly independent investigation? Apparently, he applies a double standard.

Given that two of the most fair-minded members have succumbed, at least in part, to this partisan atmosphere, it is little wonder that young congressional staffers view their role as being little more than taxpayer-funded adjuncts of the opposition research departments of the national party committees.

TIT FOR TAT

Are Republicans worried that they are going too far? Echoing Sen. D'Amato, they provide a tit-for-tat defense. They cite the tormenting of former Reagan Justice Department official Theodore Olson, the vilification of Supreme Court nominee Robert

Bork, and the zany October surprise investigation as evidence that all they are doing is what the Democrats did when they ran things. There are two answers to that charge.

First, even setting aside the fact that Democrats, with rare exception, used their investigative powers to fight hard about policy, not to assassinate character in hopes of electoral gain, mutual assured destruction is a rationale for deterrence, not a

description of the way things ought to be.

More important, Republicans and Democrats need to remember the Supreme Court's warning to Congress in *Watkins* when they went too far in the McCarthy era: "[A]buses of the investigative process may imperceptibly lead to abridgement of protected freedoms." And the American people need to remember that those protected freedoms belong to every one of us. ■

John Podesta is a visiting professor of law at the Georgetown University Law Center. In the Clinton administration, he served as counsel to the president and staff secretary from 1993 to 1995. Previously, he served as counsel to the Senate Judiciary Committee (1979 to 1986) and as chief counsel to the Senate Agriculture Committee (1987 to 1988).

2120196

NYT Book Review on Mississippi: An American Journey by Anthony Walton.

Via Baer. A young African American man struggling with the racism he continually encountered in the North, travels to Mississippi to discover more about himself and his heritage. The memoir "becomes a compassionate meditation on this country and the South, their past, present and future."

Raskin letter commenting on your discussion with academics on Jan. 20. Via Harold. Rejects the ongoing "states' rights" arguments of those who would wage "cold war" against the federal government. Rejects "sophomoric" idea that baby boomers destroyed authority and community. Says important issue for Vietnam War opponents was that war was illegal and unconstitutional. Notes it was the federal government, not the states, that attempted to save and reconstitute communities in Appalachia, New York, the South, etc.

We have also received the following items:

Rahm note on school uniforms. Reports that several columnists, including George Will and Maureen Dowd, have written supporting your school uniform policy. During your California trip, you will be visiting a Long Beach public school whose uniform policy has reduced juvenile violence. And Rahm is working on events to be held in cities around the country on the day you announce the school uniform guidelines to highlight the positive impact your action can have on youth violence.

Rivlin note on funding for Everglades. Our plan provides strong support for Everglades restoration: (i) 25% increase in funding from \$104 million in FY 96 to \$131 million in FY 97 for agency programs, for science, land management, water projects and other programs; appropriations request of \$100 million/year for 4 years to create "Everglades Restoration Trust Fund;" support for 1 cent/pound assessment on Florida sugar production, to raise \$35 million/year for 7 years for the Trust Fund.

Follow-up from Leon on Nobel Peace Prize nomination. Per your request, Leon phoned Chris Dodd about your nomination by Rep. Rangel and former Rep. Frank Guarini.

Rep. Peter King letter on your meeting with Gerry Adams. Adams told him that he was honored and delighted that you met with him. "As Gerry told you, there would be no peace process without your efforts. Be assured that Gerry Adams will continue to support all your efforts for peace in Ireland -- and of course I will too."

Hand-written note from Rep. Steve Largent re: National Prayer Breakfast. "I felt your comments were right on target and were from your heart of hearts. I appreciated your sincerity and genuineness. I pray for you and your family."

To: Jocelyn
Jolley

Shirley
Steel

THE WHITE HOUSE
WASHINGTON

February 12, 1996

96 FEB 13 P12:09

MEMORANDUM FOR THE PRESIDENT

FROM: SUSAN BROPHY *SB*
SUBJECT: CONGRESSIONAL CORRESPONDENCE

Attached is a letter from Rep. Steve Largent (R-OK), that I thought you might like to see.

Enclosure



CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

STEVE LARGENT
FIRST DISTRICT
OKLAHOMA

2/5/96

Dear Mr. President,

I want to thank you for your commitment to the National Prayer Breakfast. I felt your comments were right on target and were from your heart of hearts. I appreciated your sincerity and genuineness.

I pray for you and your family. I cannot fully appreciate all the pressure on you all. May the Lord truly "enlarge" you to fulfill His task for you and our nation. Thank you and God bless you Mr. President.

In His grip -

Steve Largent

2-22-96

From Oval.

To Donskind for reply?

Yes ☒

No ☐

Coordinate w/OMB? yes

SCOTT McGEORGE

96 FEB 22 P1:46

February 16, 1996

The Honorable Bill Clinton
President of the United States
ATTN: Ms. Nancy Hernreich
The White House
Washington, DC 20500-2000

RE: Arkansas River Montgomery Point Lock & Dam

Dear Mr. President:

You came to Pine Bluff many times for good announcements with Wally Gieringer about jobs from new factory locations. These jobs were with good pay and benefits from fine companies. Most of these new companies either used the Arkansas River directly or as a backup for their inbound transportation needs.

Now the Arkansas River Navigation System is having problems. The Mississippi River is becoming deeper. It is pulling down the necessary water levels in the adjacent White River entrance channel to the Arkansas Navigation System. During construction of the Arkansas Project, Colonel Charles Maynard eliminated Montgomery Point Lock & Dam along with two other dams as a cost reduction measure. The other two eliminations were great money saving moves but now Montgomery Point is needed.

We know you will remember the hopes and dreams of the people up and down the river. As you cut the ribbon to their new plant and new job they cheered for you. Please do not let them down and instruct your staff to proceed with the 16 million dollar funding on Montgomery Point Lock & Dam in your 1997 budget.

Thank you & best wishes,


Scott McGeorge

SMcG/tr

cc: Mr. Thomas "Mack" McCarty

SHAPIRO & SHAPIRO, L.L.C.
ATTORNEYS AT LAW
5420 CORPORATE BOULEVARD, SUITE 101
BATON ROUGE, LOUISIANA 70808

ALFRED B. SHAPIRO
KRISTINA WEBB SHAPIRO

TELEPHONE (504) 928-4193
TELECOPIER (504) 928-4195

February 14, 1996

Secretary to the President
The White House
1600 Pennsylvania Ave., N. W.
Washington, D. C. 20006

Dear Madam or Sir:

I am a Democrat and am proud of the President's record during his term in office. I would like very much to have an autographed photograph of him to place in my office so that my support will be visible to everyone who comes here. Could you please send me such a photograph? I have contributed to his reelection campaign fund and will continue to do so as I am able.

Thank you for your cooperation in this regard. Please assure President Clinton that there are great numbers of us who support him and oppose the Republican agenda. He is doing a fine job.

Very truly yours,



Alfred B. Shapiro

ABS/ss

2-22-96

From Oral
Send to Doriskind?
Yes ☒
No ☐

C.

Doriskind -
Can you
handle? B

2-22-96

From Oval:

To Dorland for reply?

Jim - /
you guys or
political
reply?

Yes ☒
No

Coord w/Counsel?

C



U.S. Department of Justice

96 FEB 22 P 1. 46

Washington, D.C. 20530

February 15, 1996

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

Dear Mr. President:

I was thrilled about your successful trip to Iowa. The crowds were great, the enthusiasm electrifying, and you were magnificent! I'm only sorry that I wasn't there in person to cheer you on, although I certainly was there in spirit.

In addition to thanking you again for the opportunity to make a contribution to issues I care passionately about, I do want you to know how appreciative I am for your kind and flattering words about me in Iowa. You are a great President and a good friend, and I consider it an honor and a privilege to be part of your team. Please know that I will do all I can to assure your leadership for four more years.

Edward and I send our best wishes to you and the First Lady and trust that you will let us know if we can be helpful in any way.

With warm regards,

Bonnie

Bonnie J. Campbell, Director
Violence Against Women Office

And, of course, your wonderful commitment to fighting violence against women is changing America's attitudes. Thanks for mentioning us in your State of the Union address — it truly makes a difference!

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 2-23

TO: John H.
Mathis

FROM: Staff Secretary

This is going in
the morning unless
I hear differently.

10/14



THE DIRECTOR

Estimate No. _____
104th Congress, 2nd Session
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

NOTE: 2/27/96
DO NOT STAMP --
THIS OMB MEMO
IS XMITTED TO
THE HILL.
CLERK

The President

The White House

Submitted for your consideration is a request for an FY 1996 supplemental appropriation in support of the Middle East peace process. The requested supplemental, for the Foreign military financing program, would provide \$140 million in grants that would support the transfer of F-16 aircraft to the Kingdom of Jordan.

The United States has fostered significant progress toward comprehensive peace in the Middle East. King Hussein and the people of Jordan have proven themselves as vital partners with Israel in the Middle East peace process. A strong Jordan is a valuable force for stability in a volatile region, which in turn, will enhance regional security. The Jordanian F-16 program will fulfill commitments made by the U.S. to Jordan to satisfy its legitimate defense needs.

In total, sixteen aircraft -- 12 F-16As and four F-16Bs -- will be leased to Jordan. The requested funds would also be available for the purchase of associated logistics support and training.

The cost to the United States for the F-16 initiative is estimated to be \$200 million. The funds now requested would supplement the \$30 million in FY 1996 funds currently available for the program, and will permit timely and orderly obligations. The remaining \$30 million needed for the program will be requested in the FY 1997 Budget.

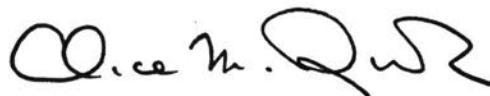
The \$140 million requested by this action would be offset by rescissions from funds available to the Department of Defense. The funds proposed for rescission, totaling \$140 million, are in excess of DoD's requirements. The savings are possible due to lower-than-expected rates of inflation. There will be no impact of defense readiness.

A paper that describes in greater detail the U.S. support for the Jordanian F-16 program that would be financed by this proposed supplemental follows this letter.

Also submitted for your consideration is a technical appropriations language request for the Department of Defense. The requested language would authorize the award of a C-17 multiyear contract for seven years.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the Secretaries of Defense and State in recommending that the proposals be transmitted to the Congress. The proposed offsetting rescissions are contained in an accompanying Special Message.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alice M. Rivlin". The signature is fluid and cursive, with the first name "Alice" being the most prominent part.

Alice M. Rivlin
Director

Enclosures

THE WHITE HOUSE
WASHINGTON

Speaker of the
House of Representatives

Sir:

I ask Congress to consider the enclosed request for an FY 1996 supplemental appropriation in support of the Middle East peace process. The request seeks \$140 million for an initiative that would transfer F-16 aircraft to the Kingdom of Jordan.

King Hussein and the people of Jordan have proven themselves as vital partners with Israel in the Middle East peace process. The transfer of the F-16 aircraft to Jordan will contribute to Jordanian security, as well as to security in the entire region, and further the commitment made by the United States to support Jordan's efforts to further the Middle East peace process.

The requested increase in budget authority is fully offset by rescissions from funds available to the Department of Defense, as proposed in the accompanying Special Message. The rescissions will have no impact on defense readiness.

Also included in this transmittal is a technical appropriations language request for the Department of Defense.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with her comments and observations.

Sincerely,

Enclosure

U.S. SUPPORT FOR JORDAN F-16 PROGRAM

The Middle East is closer to a comprehensive peace than has been the case since the creation of the state of Israel. There have been remarkable advances in recent years. To keep this process moving forward, the United States must make clear that it will live up to its commitments and support those who take risks for peace in the Middle East.

Jordan is an important friend and ally. King Hussein and the people of Jordan have proven themselves as vital partners with Israel in the Middle East peace process. A strong Jordan is a valuable force for stability in a volatile region, and in turn, will enhance Israeli security.

When Jordan signed a peace treaty with Israel, the United States told the King that it would stand by him and work with the Congress to satisfy the legitimate defense needs of his country. This transfer of a squadron of sixteen F-16 fighter aircraft to the government of Jordan will strengthen the cause of peace in the Middle East.

Secretary of Defense Perry presented a plan to King Hussein that would, subject to congressional approval, provide the King with F-16s. These aircraft would come from Air Force mothballed stocks and would have no negative impact upon U.S. defense capabilities. The aircraft would be leased to Jordan initially on a no cost/low cost basis. Twelve F-16As would be leased at no cost and four F-16Bs would be leased at very low cost. In time, title will be transferred to Jordan.

Prior to transfer, the F-16s would receive engine upgrades and some structural upgrades to make them flight worthy and sustainable in the outyears. Additionally, the United States would provide pilot and logistical training as well as spare parts and support equipment. King Hussein has agreed to use \$80 million in Jordanian funds to make required maintenance and logistics infrastructure improvements. Further, Israel has offered to help with maintenance and some training. The cost to the United States for this initiative is estimated at \$200 million.

The United States will fund the \$200 million in three parts. The FY 1996 Foreign Operations Appropriations Act already contains \$30 million in the Foreign Military Financing (FMF) account that was allocated for grant military assistance to Jordan. An additional \$30 million will be requested in the FY 1997 Budget for FMF for Jordan. To complete the financing for this program, legislation is being submitted to rescind \$140 million in excess FY 1996 Defense appropriations resulting from lower than expected inflation. There will be no impact on defense readiness or weapons procurement. This rescission would make the \$140 million FY 1996 FMF supplemental for Jordan budget neutral.

The F-16 program does not affect the \$100 million drawdown recently signed into law in the FY 1996 Foreign Operations Appropriations Act. The drawdown is geared primarily toward border security enhancements and ground forces, including M-60A3 tanks, ordnance, spare parts, ground surveillance, equipment and night vision devices.

These F-16s will enhance regional security and also demonstrate the great confidence both we and the Israelis have in Jordanian military capability. Only days before his death, Prime Minister Yitzhak Rabin asked the President to provide these aircraft to Jordan. Prime Minister Peres has reiterated this desire to assist Jordan and in so doing to increase Israeli security and advance the cause of peace in the Middle East.

FUNDS APPROPRIATED TO THE PRESIDENT
INTERNATIONAL SECURITY ASSISTANCE
Foreign Military Financing Program

For an additional amount for "Foreign Military Financing Program" for grants for Jordan pursuant to section 23 of the Arms Export Control Act, \$140,000,000: Provided, That such funds may be used for Jordan to finance transfers by lease of defense articles under Chapter 6 of such Act.

This supplemental request would provide an additional \$140 million to the Foreign military financing program for grants to the Kingdom of Jordan. These grants would support the transfer of sixteen F-16 aircraft from the United States to Jordan. The presence of these aircraft will contribute to Jordanian security, as well as regional security, and further the commitment made by the United States to Jordan in support of the Middle East peace process.

DEPARTMENT OF DEFENSE

Supplemental General Provision Language

Sec. . Funds appropriated under the heading, "Aircraft Procurement, Air Force," in Public Laws 104-61, 103-335, and 103-139 that are or remain available for C-17 airframes, C-17 aircraft engines, and complementary widebody aircraft/NDAA may be used for multiyear procurement contracts for C-17 aircrafts: Provided, That the duration of multiyear contracts awarded under the authority of this section may be for a period not to exceed seven program years, notwithstanding section 2306b(1) of title 10, United States Code.

This request would permit the Department of Defense to extend multiyear procurement (MYP) limits in the case of the C-17 to seven years. It would also allow prior-year C-17 and NDAA funds for Economic Order Quantity funding of the C-17 under a multiyear contract. Current law (10 U.S.C. 2306b(1)) limits MYP contracts to five program years or less.

PRESS RELEASE

President Clinton today asked Congress to provide \$140 million to support the Middle East peace process. The requested funds are a crucial element of the plan to transfer sixteen F-16 aircraft to the Kingdom of Jordan.

A comprehensive peace in the Middle East is closer than at any time since the creation of the state of Israel. King Hussein and the people of Jordan have proven themselves as vital partners with Israel in this peace process. A strong Jordan is a valuable force for stability in a volatile region. The transfer of the F-16 aircraft to Jordan will contribute to Jordanian security, as well as to security in the entire region, and further the commitment made by the United States to Jordan in support of the Middle East peace process.

The President proposed to offset this spending fully by rescissions from funds available to the Defense Department.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1996

96 FEB 22 P5:35

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin *AMR*

SUBJECT: Third Special Message on Rescissions and
Deferrals for FY 1996

Attached for your consideration is the third Special Message on rescissions and deferrals for FY 1996, to be transmitted to the Congress in accordance with the Congressional Budget and Impoundment Control Act of 1974. This Special Message contains three deferrals and one revised deferral of budgetary resources, totaling \$3.6 billion. Also included are four rescission proposals of budgetary resources, totaling \$140 million.

These deferrals affect the International Security Assistance program as well as programs of the Agency for International Development. They are justified under the Antideficiency Act as routine financial management actions.

The proposed rescissions of funds available to the Department of Defense would fully offset the proposed FY 1996 supplemental appropriation that would provide \$140 million for an initiative that would transfer F-16 aircraft to the Kingdom of Jordan.

Recommendation

The affected departments have reviewed these deferrals and rescission proposals. I recommend that this Special Message be transmitted to the Congress.

Attachment

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Congressional Budget and Impoundment Control Act of 1974, I herewith report three new deferrals and one revised deferral, totaling \$3.6 billion, and four rescission proposals of budgetary resources, totaling \$140 million.

These deferrals affect the International Security Assistance programs as well as programs of the Agency for International Development. The rescission proposals affect the Department of Defense.

THE WHITE HOUSE,

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Congressional Budget and Impoundment Control Act of 1974, I herewith report three new deferrals and one revised deferral, totaling \$3.6 billion, and four rescission proposals of budgetary resources, totaling \$140 million.

These deferrals affect the International Security Assistance programs as well as programs of the Agency for International Development. The rescission proposals affect the Department of Defense.

THE WHITE HOUSE,

CONTENTS OF SPECIAL MESSAGE
(in thousands of dollars)

Deferral No	ITEM	Budgetary Resources
Funds Appropriated to the President:		
	International Security Assistance:	
D96-1A	Economic support fund and International fund for Ireland	2,017,076
D96-4	Foreign military financing program.....	1,385,140
D96-5	Foreign military financing loan program.....	64,400
	Agency for International Development:	
D96-6	International disaster assistance, Executive.....	124,625
	Total, deferrals.....	3,591,241

Rescission No	ITEM	Budgetary Resources
Department of Defense:		
	Research, Development, Test, and Evaluation:	
R96-4	Research, development, test, and evaluation, Army.....	19,500
R96-5	Research, development, test, and evaluation, Navy.....	35,000
R96-6	Research, development, test, and evaluation, Air Force.....	44,900
R96-7	Research, development, test, and evaluation, Defense-wide.....	40,600
	Total, rescissions.....	140,000

Supplemental Report
Report Pursuant to Section 1014(c) of Public Law 93-344

This report updates Deferral No. D96-1, which was transmitted to Congress on October 19, 1995.

This revision increases by \$1,942,076,000 the previous deferral of \$75,000,000 in the Economic support fund and International fund for Ireland, resulting in a total deferral of \$2,017,076,000. This increase results from the deferral of funds made available by P.L. 104-107, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1996.

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

AGENCY: Funds Appropriated to the President	New budget authority..... * \$ <u>2,359,600,000</u> (P.L. 104-107)
BUREAU: International Security Assistance	Other budgetary resources..... * \$ <u>207,792,051</u>
Appropriations title and symbol: Economic support fund and International fund for Ireland 1/ 725/61037 726/71037* 72X1037	Total budgetary resources..... * \$ <u>2,567,392,051</u>
	Amount to be deferred:
	Part of year..... * \$ <u>2,017,076,000</u> 2/
	Entire year..... \$ _____
OMB identification code: 72-1037-0-1-152	Legal authority (in addition to sec. 1013):
Grant program: ☒ Yes ☐ No	☒ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: * September 30, 1997 September 30, 1996 (expiration date) ☒ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

Coverage:

<u>Appropriation</u>	<u>Account Symbol</u>	<u>OMB Identification Code</u>	<u>Deferred Amount Reported</u>
Economic Support Fund and International Fund for Ireland.....	725/61037	72-1037-0-1-152	\$ 50,000,000
	72X1037	72-1037-0-1-152	\$ 25,000,000
	* 726/71037	72-1037-0-1-152	* \$ <u>1,942,076,000</u>
			* \$ <u>2,017,076,000</u>

***JUSTIFICATION:** The President is authorized by the Foreign Assistance Act of 1961, as amended, to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability. Section 531(b) of the Act makes the Secretary of State, in cooperation with the Administrator of the Agency for International Development, responsible for policy decisions and justifications for economic support programs, including whether there will be an economic support program for a country and the amount of the program for each country.

Funds are deferred pending the development of country-specific plans that assure that aid is provided in an efficient manner and are reserved for unanticipated program needs. This action is taken pursuant to the Antideficiency Act (31 U.S.C. 1512).

Estimated Program Effect: None

Outlay Effect: None

* Revised from previous report.

1/ This account was the subject of a similar deferral in FY 1995 (D95-1B).

2/ This deferral amount has been reduced to \$1,139,079,859 due to subsequent releases.

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

AGENCY: Funds Appropriated to the President	New budget authority..... \$ <u>3,208,390,000</u> (P.L. 104- 107)
BUREAU: International Security Assistance	Other budgetary resources... \$ _____
Appropriations title and symbol: Foreign military financing program (FMF) 1/ 1161082	Total budgetary resources..... \$ <u>3,208,390,000</u> Amount to be deferred: Part of year..... \$ <u>1,385,140,000</u> Entire year..... _____
OMB identification code: 11-1082-0-1-152	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act
Grant program: ☒ Yes ☐ No	☐ Other _____
Type of account or fund: ☒ Annual ☐ Multi-year: _____ (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: The President is authorized by the Arms Export Control Act to sell or finance by credit, loan guarantees, or grants, articles and defense services to friendly countries to facilitate the common defense. Under Section 2 of the Act, the Secretary of State, under the direction of the President, is responsible for sales made under this Act. Executive Order 11958 further requires the Secretary of State to obtain prior concurrence of the Secretaries of Defense and Treasury, respectively, regarding consistency of transactions with national security and financial policies.

This action defers funds pending review of specific grants to eligible countries by the Departments of State, Treasury, and Defense. The review process will ensure that in each proposed program the proposed recipients are qualified and that the limits of available funds are not exceeded. This action is taken pursuant to the Antideficiency Act (31 U.S.C. 1512).

Estimated Program Effect: None

Outlay Effect: None

1/ This account was the subject of a similar deferral in FY 1995 (D95-2).

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

AGENCY: Funds Appropriated to the President	New budget authority..... \$ <u>64,400,000</u> (P.L. 104-107)
BUREAU: International Security Assistance	Other budgetary resources..... \$ _____
Appropriations title and symbol: Foreign military financing loan program 1/ 1161085	Total budgetary resources..... \$ <u>64,400,000</u>
	Amount to be deferred: Part of year..... \$ <u>64,400,000</u> Entire year..... _____
OMB identification code: 11-1085-0-1-152	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other _____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☒ Annual ☐ Multi-year: _____ (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other

JUSTIFICATION: The President is authorized by the Arms Export Control Act to sell or finance by credit, loan guarantees, or grants, articles and defense services to friendly countries to facilitate the common defense. Under Section 2 of the Act, the Secretary of State, under the direction of the President, is responsible for sales made under this Act. Executive Order 11958 further requires the Secretary of State to obtain prior concurrence of the Secretaries of Defense and Treasury, respectively, regarding consistency of transactions with national security and financial policies.

As required by the Federal Credit Reform Act of 1990, this account records the subsidy costs associated with the direct loans obligated and loan guarantees for foreign military financing committed in FY 1992 and beyond. The foreign military financing credit program provides loans that finance sales of defense articles, defense services, and design and construction services to foreign countries and international organizations. The subsidy amounts are estimated on a present value basis.

This action defers funds pending review of specific loans to eligible countries by the Departments of State, Treasury, and Defense. The review process will ensure that in each proposed program the proposed recipients are qualified and that the limits of available funds are not exceeded. This action is taken pursuant to the Antideficiency Act (31 U.S.C. 1512).

Estimated Program Effect: None

Outlay Effect: None

1/ This account was the subject of a similar deferral in FY 1995 (D95-3).

JUSTIFICATION: The International disaster assistance account allows the President to respond to humanitarian disaster relief efforts throughout the world. Funds are deferred pending the development of country-specific plans to ensure that aid is provided in an efficient manner to those most in need. This deferral action is taken pursuant to the Antideficiency Act (31 U.S.C. 1512).

Outlay Effect: None

1/ This account was the subject of a similar deferral in FY 1995 (D95-5).

DEPARTMENT OF DEFENSE
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
Research, development, test, and evaluation, Army

Of the funds made available under this heading in Public Law 104-61, \$19,500,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>4,785,622,000</u> (P.L. 104-61) Other budgetary resources.. \$ _____ Total budgetary resources... \$ <u>4,785,622,000</u>
BUREAU: Research, Development, Test, and Evaluation	
Appropriations title and symbol: Research, development, test, and evaluation, Army 216/72040	
OMB identification code: 21-2040-0-1-999	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research and development test, and evaluation, including maintenance, rehabilitation, lease and operation of facilities and equipment. The funding proposed for rescission is available due to revised economic assumptions.

ESTIMATED PROGRAM EFFECT: The Department of the Army's ability to successfully accomplish its mission would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
5,082,522	5,071,407	-11,115	-6,630	-1,034	-351	-156	-98

DEPARTMENT OF DEFENSE
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
Research, development, test, and evaluation, Navy

Of the funds made available under this heading in Public Law
104-61, \$35,000,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>8,581,223,000</u> (P.L. 104-61)
BUREAU: Research, Development, Test, and Evaluation	Other budgetary resources.. \$ _____
Appropriations title and symbol: Research, development, test, and evaluation, Navy 176/71319	Total budgetary resources... \$ <u>8,581,223,000</u>
OMB identification code: 17-1319-0-1-051	Amount proposed for rescission..... \$ <u>35,000,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease and operation of facilities and equipment. The funding proposed for rescission is available due to revised economic assumptions.

ESTIMATED PROGRAM EFFECT: The Department of the Navy's ability to successfully accomplish its mission would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
8,397,081	8,378,181	-18,900	-11,340	-3,150	-700	-385	-140

DEPARTMENT OF DEFENSE
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
Research, development, test, and evaluation, Air Force

Of the funds made available under this heading in Public Law 104-61, \$44,900,00 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>12,872,181,000</u> (P.L. 104-61)
BUREAU: Research, Development, Test and Evaluation	Other budgetary resources.. \$ <u>2,100,000,000</u>
Appropriations title and symbol: Research, development, test and evaluation, Air Force 576/73600	Total budgetary resources... \$ <u>14,972,181,000</u>
OMB identification code: 57-3600-0-1-051	Amount proposed for rescission..... \$ <u>44,900,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease and operation of facilities and equipment. The funding proposed for rescission is available due to revised economic assumptions.

ESTIMATED PROGRAM EFFECT: The Department of the Air Force's ability to successfully accomplish its mission would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
11,953,848	11,932,969	-20,879	-17,421	-3,996	-1,616	-494	-180

DEPARTMENT OF DEFENSE

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

Research, development, test, and evaluation, Defense-wide

Of the funds made available under this heading in Public Law 104-61, \$40,600,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>9,269,414,000</u> (P.L. 104-61) Other budgetary resources.. \$ <u>216,265,000</u> Total budgetary resources... \$ <u>9,485,679,000</u>
BUREAU: Research, Development, Test, and Evaluation	
Appropriations title and symbol: Research, development, test, and evaluation Defense-wide 976/70400	
OMB identification code: 97-0400-0-1-051	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease and operation of facilities and equipment. The funding proposed for rescission is available due to revised economic assumptions.

ESTIMATED PROGRAM EFFECT: The DoD's ability to successfully accomplish its mission would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
9,055,535	9,037,874	-17,661	-16,240	-4,872	-609	-609	-162

Bill for
son

J. C. : H.P. / E.M. / A.S. /
Send copy of my speech
in Patient son (signed)
to her -
BZ

Nancy Hernreich

The President
wants to know if
Jean Emerson
placed the letter
to the Girl Manned
to Kurt or w/ him?

THE WHITE HOUSE
WASHINGTON

February 19, 1996

Goldie Hawn
1422 Capri Drive
Pacific Palisades, California 90272

Dear Goldie:

I just received your wonderful letter of December 15. Your kind words on the signing of the Balkan Peace Agreement and on my Presidency meant more to me than you can know.

I hope you've finished your filming in Paris by now and that 1996 is off to a grand beginning for you and Kurt. Thanks for your continued support, encouragement, and friendship.

Sincerely,

Bill Clinton

Goldie Hawn



STATE OF THE UNION

ADDRESS TO THE 104th CONGRESS



SECOND SESSION

To Goldie Hawn

with appreciation

Bill Clinton

President William J. Clinton

JANUARY 23, 1996 • WASHINGTON, D.C.

*Maureen
Harris*

Goldie Hawn

*WHO-DB
only*

*Maureen
Harris (Person)*

December 15, 1995

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

Dear Bill,

I am in Paris finishing a film and awakened before dawn. I imagine you have left this paralyzed city, and once again with a flourish of good will and strength that has inspired me to take pen to paper and write this letter.

I want to congratulate you on your success as President. When I first met you, your kindness of heart was bleeding through your suit. Your dream to help this troubled world was a deep and honest commitment. I believed in you then as a compassionate leader.

You have undergone tremendous scrutiny, which is symptomatic of the angry and vindictive times in which we live, with a dangerously omnipotent press. They can undermine the stability and well-being of our sense of security.

You have in these few years shown a tenacity in expressing your ideals with passion and humanity. Not only are you paving a new road to peace among men and nations, but you are restoring long-lost pride in being an American.

When the Los Angeles riots erupted after the Rodney King verdict, I wrote a letter to President Bush because I felt that when these desperate lost souls were setting fire to their own neighborhoods, it was a bloodcurdling scream for help, a cry of hopeless children, lost and frightened, frightened for their futures, full of doubt, fear and hopelessness, a bedding ground for hatred

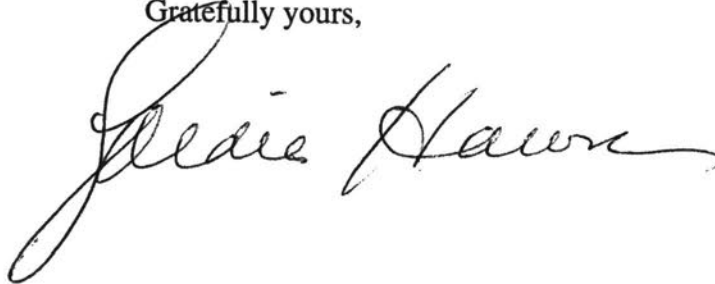
Mr. William Jefferson Clinton
Page 2
December 15, 1995

and aggression. I asked him, "Who is nurturing our family of Americans? Who is instilling a feeling of security and safety? When you took the Presidential oath, you adopted a nation of children of all ages and made a promise to protect and serve them, a symbolic father-figure. When a nation feels they have a compassionate leader, a sense of well-being flows from the doors of the White House into all the main arteries of our great nation." He never answered my letter.

You have, by being who you are from the core, and I will continue to applaud you as our brilliant and kind-hearted, peace-keeping leader.

I will always be there to help in anyway I can.

Gratefully yours,

A handwritten signature in cursive script, reading "Jesse Hawk". The signature is fluid and elegant, with a long, sweeping underline that extends to the right.

P.S. There will always be ailing budgets to balance now and forever. But balancing the ailing heart is a more serious endeavor. BRAVO....

Leon - McCaffrey wants to send this
on to POTUS. Okay w/ you?

ay JP

February 20, 1996

THE PRESIDENT HAS SEEN
2-22-96

Dear Mr. President:

96 FEB 21 11:08

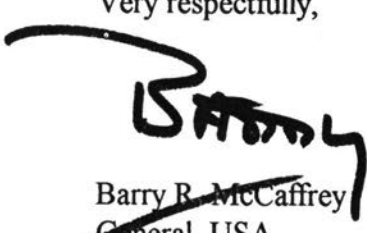
Wanted to provide you an update on my activities since being nominated to the position of Director, National Drug Control Policy last month. Have consulted with key leaders on drug issues in both the House and the Senate. There is widespread congressional support for your decision to empower ONDCP so that it can provide effective leadership to a bipartisan counterdrug effort. The cabinet officers with whom I have met - Tony Lake, Warren Christopher, Janet Reno, Donna Shalala, Dick Riley, Henry Cisneros, Alice Rivlin, et al - are also enormously supportive of the notion of better coordinated Federal counterdrug programs and a revitalized ONDCP.

Discussions with government officials and subject matter experts have allowed me to form some preliminary conclusions about what could be accomplished in the short to medium term:

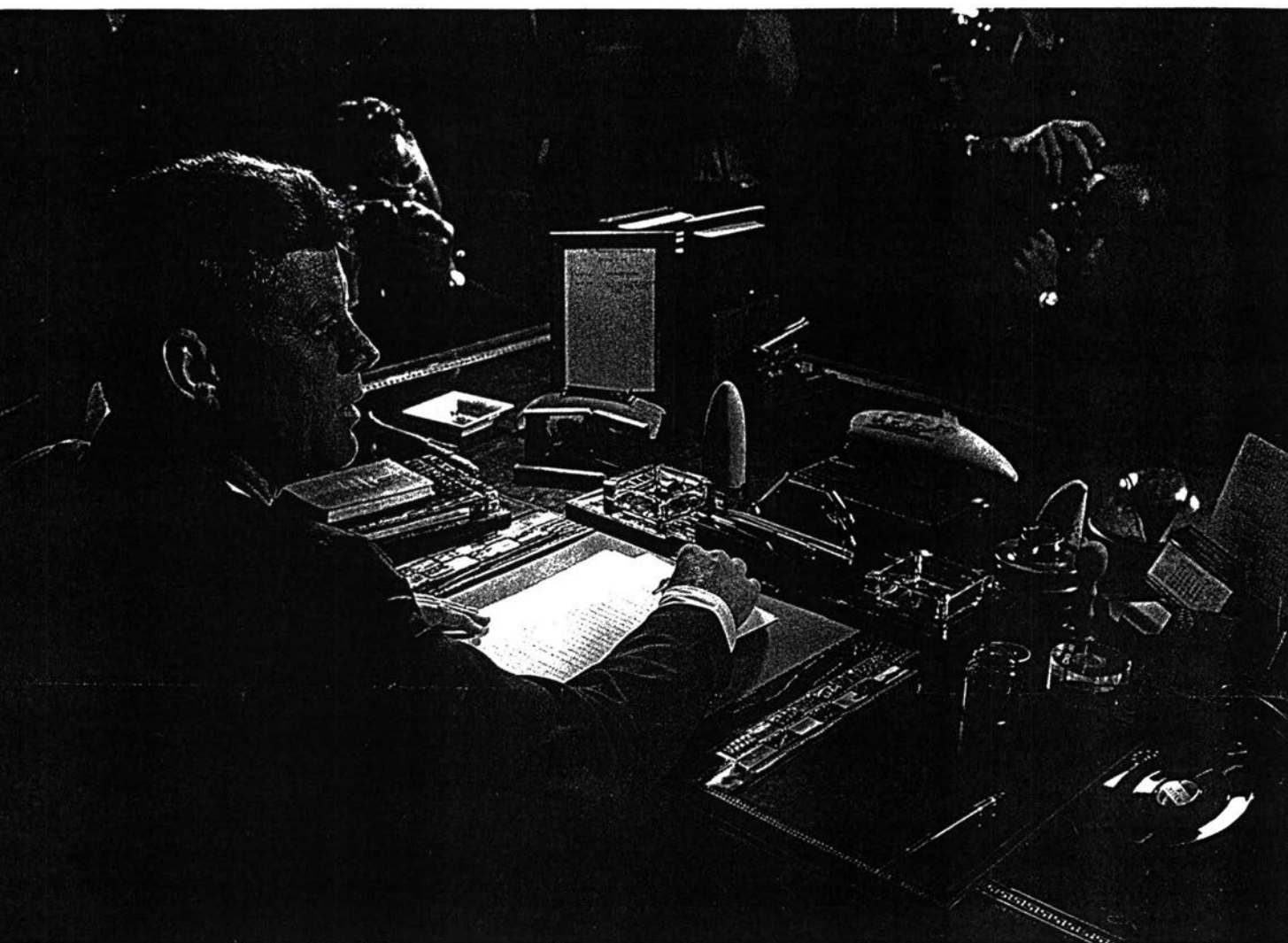
- The goals of the National Drug Policy and Strategy can be restated in ways that will generate public support for enacting programs.
- Cocaine use and its accompanying harms can be measurably reduced.
- Slight adjustments to existing programs can generate considerable pay-offs.

Am hopeful that Senate confirmation hearings will be held during the week of 26 February. If confirmed, intend to retire from active duty on Thursday, 29 February in order to assume my new duties on 1 March. Have asked Leon Panetta to explore the possibility of a Friday, 8 March public swearing in ceremony.

Very respectfully,


Barry R. McCaffrey
General, USA
Commander in Chief

THE CUBA STALEMATE



A FORMER STATE
DEPARTMENT EXPERT ON CUBA
CALLS THE EMBARGO AN IDEA
WHOSE TIME HAS PASSED

by Wayne S. Smith

Change is not only afoot in Cuba, it is well along the road. In "The Future of Cuba" (Winter 1993/94 CIGAR AFICIONADO) I noted that the economic reform process had begun, was irreversible and would take on a momentum of its own. So it has been. Dollarization and a tentative self-employment law have been followed by the opening of farmers' and artisan markets, and by a

significant broadening of the foreign investment law. These measures, plus the need to reduce the state sector of the economy, are putting mounting pressure on the government to expand the private sector. Hence, a small business law is now being discussed and will probably be adopted sometime this year.

Cuba, in short, is on the way to a thoroughly mixed economy. The results are encouraging. From the free fall of a few years ago, when the Cuban economy was retracting by 10 to 12 percent a year, it has begun to recuperate. Last year brought a growth rate of 0.7 percent and economists estimate the economy will grow 2.3 percent in 1996. Not much, to be sure; Cuba has a long way to go to full recovery. Other reforms must follow. Still, the corner has been turned.

PRESIDENT JOHN F. KENNEDY SIGNS A PROCLAMATION AGAINST CUBA IN 1962. PHOTO FROM UPI/BETTMANN

There have also been profound changes in Cuba's foreign policy over the past few years. It is no longer assisting revolutionary movements, no longer has troops in Africa or anywhere else and is no longer the military ally of the former Soviet Union.

Yet, none of this has resulted in any relaxation of U.S. policy toward Cuba. The principal instrument of that policy, our 35-year-old trade embargo, not only remains firmly in place but has actually been tightened. Why is this? If we can lift the embargo against Vietnam, extend most favored nation treatment to China and negotiate with North Korea, why can we not show some flexibility toward Cuba? Was there something in the genesis of the trade embargo against Cuba that produced such rigidity?

A quick examination of how and why the embargo was imposed

Cuba and U.S. subsidiaries overseas. The latter was a particularly sticky point, for while the United States may consider, say, Ford of Argentina to be a branch of the American company, Argentina considered—and considers—it a company incorporated in Argentina, to be fully subject to local law and trading practices. Efforts by the United States to impose its law and practices on such companies are inevitably resented and seen by the host governments as a violation of their sovereignty. At first, however, given that most of those governments sympathized with the United States against Cuba and even cooperated with the trade embargo, the question was moot. But only for a time.

I should note at this point that I was, in a sense, present at the creation. As a young foreign service officer in the U.S. Embassy in Havana (until we broke relations in January 1961) and then dur-

ing much of 1961 as an officer in the Department of State, I not only helped write some of the language that went into the embargo, but saw all the documents outlining our justification for imposing it. Essentially, these reflected three objectives:

- First, to punish Cuba for having nationalized our properties without compensation, and perhaps even to force it into a compensation agreement.
- Second, to raise the costs to the Soviets, and to the Cubans, of maintaining their alliance and pursuing policies detrimental to U.S. interests.
- Third, to reduce the resources Cuba could pour into assistance to revolutionary movements, especially in Latin America.

None of these objectives was irrational or idle. They were, after all, formulated against the backdrop of the Cold War and Fidel Castro's vows to turn the Andes into the Sierra Maestra of Latin America; i.e., to spark revolution throughout the southern hemisphere. To

defend themselves, the Latin American governments—the targets of this outward thrusting on Castro's part—stood with us and entered into a multilateral trade embargo against the island. Our policy toward Cuba in those years, then, was not an isolated one; rather, it was endorsed by the Organization of American States (OAS) as a whole.

But times changed. At the end of the 1960s, Castro began to pull back from his efforts to overthrow other Latin American governments, and, rather, reached out to establish diplomatic and trade ties with them. They responded in kind. Country after country broke ranks with the OAS. Nor was U.S. prohibition of subsidiary trade any longer a moot question. Trading partners protested, and in 1973 Argentina threatened strong actions against U.S. subsidiaries that did not participate in its new trade agreement with Cuba.



FIDEL CASTRO ADDRESSES THE U.N. GENERAL ASSEMBLY DURING ITS 50TH ANNIVERSARY CELEBRATION LAST OCTOBER. PHOTO FROM REUTERS/ERIC MILLER/ARCHIVE PHOTOS

would suggest that that was not the case. On the contrary, the embargo was established for perfectly logical reasons. The process began in the summer of 1960 when the Cuban government ordered two U.S. oil companies, Standard and Texaco, to refine Soviet crude oil at their Cuban refineries, rather than the oil they had been bringing in from their own sources. Not surprisingly, they refused. Also to no one's surprise, the Cuban response, on July 1 of that year, was to nationalize both companies' holdings in Cuba. A few days later, the United States retaliated by cutting the Cuban sugar quota, and that led, in August, to Cuba's nationalization of virtually all U.S. property on the island.

By the end of 1960, this tit-for-tat process had produced an embargo on trade between the countries—one that was expanded to include, by 1962, even food and medicine, and trade between



PRESIDENT CLINTON ADDRESSES A U.N. LUNCH ATTENDED BY CASTRO IN 1995. PHOTO FROM REUTERS/WIN MCNAMEE/ARCHIVE PHOTOS

With conditions thus changing, in 1975 the OAS voted to lift its multilateral embargo. For its part, the United States not only voted with the majority to end the ban, but also, having concluded that our efforts to prohibit subsidiary trade were causing us more problems than they were Castro, gave them up. From that point until 1992, U.S. subsidiaries abroad were free to trade with Cuba.

The United States did not, however, lift its own unilateral trade embargo against the island. Over the next 15 years, America argued that Cuban meddling in Central America and support for Soviet incursions in Afghanistan and elsewhere were reason enough to keep the embargo in place. But over those same years, the United States assured the Cubans that if they would remove their troops from Africa, halt support for revolutionaries in Central America and reduce their military ties to the Soviet Union, the United States would move ahead toward normalization of relations. I know; I delivered that message myself on a number of occasions.

By 1992, all those conditions had been met. All that and more: The Soviet-Cuban alliance was finished. So was the Cuban support for revolutionary groups that had once so concerned us. Cuba, moreover, had reached compensation agreements with every other country that had property claims against it and was offering to negotiate one with us. In short, the original objectives that had brought forth the embargo were achieved or were now realizable

through other means. The embargo had no more *raison d'être*.

So, did we move toward normalization, as we'd promised? No; instead we went in the opposite direction. With the Cuban Democracy Act of 1992, signed by then-president George Bush and fully supported by presidential candidate Bill Clinton, we tightened the embargo and restored the ban on subsidiary trade, to the outraged cries of other governments. Rep. Robert Torricelli (D-New Jersey), the principal proponent of the Cuban Democracy Act, assured one and all that it would "wreak havoc in Cuba," and that as a result, Castro would fall "within weeks."

More than three years later, Castro is not only still there, but the Cuban economy is beginning to recover. Meanwhile, U.S. policy toward Cuba is now virtually isolated. The vote in the United Nations this past November was 117 to 3 against our embargo. Only Israel and the former Soviet republic of Uzbekistan voted with us, and both trade with Cuba! No other government cooperates with our embargo. As do we, many of those governments want to see Cuba move toward a more open society, to free the remaining 600 to 900 political prisoners (down from the tens of thousands held in the 1960s), to permit freedom of expression and a free press. They disagree entirely, however, that the embargo is the best way to achieve all that, and they note also that Cuba is no less democratic and has a better human rights record than several countries with which the United States has rather warm relations—countries such as China and Saudi Arabia.

So what is to be our next step? More of the same, with the Helms-Burton bill now before Congress. Pushed by Sen. Jesse Helms (R-North Carolina) and Rep. Don Burton (R-Indiana), the legislation aims to tighten the embargo still further, so as, in the words of Senator Helms, "to carry Castro out feet first."

Helms-Burton, however, isn't likely to have any more effect than the Cuban Democracy Act. The bill would only deepen our own isolation on the Cuban question. It nonetheless enjoys broad partisan support in Congress. How to explain this intellectual sclerosis? It has nothing to do with the original rationale behind the embargo. That made sense. But over the years we seem to have become so caught up in an emotional crusade to oust Castro that we have lost sight of any sensible, practical goals. Nor are there signs of amelioration. Whether or not Helms-Burton prospers, and despite the growing pressures from American businessmen, who are tired of being shut out of the Cuban market, it seems unlikely that this or any successive administration will lift—or even tamper with—the embargo for at least another few years. That is regrettable, but not surprising. When it comes to Cuba, we have a penchant for shooting ourselves in the foot.❖

Wayne S. Smith is visiting professor at The Johns Hopkins University and senior fellow at the Center for International Policy in Washington, D.C. He was chief of the State Department's U.S. Interests Section from 1979 to '82, and before he left the Foreign Service in 1982, was regarded as the department's leading expert on Cuba.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001. memo	From Harold Ickes re: DNC 1996 Budget Summary (27 pages)	01/29/1996	Personal Misfile
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COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 7694

FOLDER TITLE:

Chron Files February 18-24, 1996 [2]

2019-0774-S

rs3309

RESTRICTION CODES

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

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE PRESIDENT HAS SEEN

Tuesday

February 20

1996

DAILY \$1.00

AN EDITION OF THE LOS ANGELES TIMES

Ukraine Supplying Planes to Colombia Drug Traffickers

Narcotics: As many as 20 Antonov-32Bs, a Soviet-designed military cargo craft, may be running illicit missions. U.S. has warned Kiev to reverse the deals.

By WILLIAM C. REMPEL and CRAIG PYES, SPECIAL TO THE TIMES

KIEV, Ukraine—The Ukrainian government, through its state-owned aircraft factory here, is engaged in a series of business deals with the Colombian cocaine cartels, selling and leasing a small fleet of Soviet-designed military cargo planes to drug traffickers, The Times has learned.

The Antonov-32Bs, twin-engine turboprops regarded by U.S. anti-drug officials as "the ultimate smugglers' plane," have been employed along traditional drug routes from Colombia, Peru, Panama and Mexico, according to U.S. and Colombian law enforcement sources and former partners in the Ukrainian aircraft ventures.

The Antonov aviation factory, which operates under the authority of Ukraine's Ministry of Machine Building and Defense Conversion, retains legal ownership of at least six of about a dozen Antonovs known to be operating in Colombia. As a result, the now-ailing state-owned factory stands to profit from what appear to be continuing business arrangements with traffickers.

"It would be like [in the U.S.] NASA selling rockets to drug lords," said an American source familiar with the Ukrainian transactions.

The United States has privately warned Ukraine that drug runners are acquiring its planes and has urged Kiev to "be very careful whom you sell them to," a senior Clinton administration official in Washington said. Equipping drug traffickers with planes that increase their capacity for delivering cocaine to U.S. markets is a threat to U.S. national security interests, the official said.

Despite the warnings, however, American sources say there are few signs of official action by Ukraine to reverse the deals. In fact, at least six new sales were still pending last month, a Colombian aircraft broker involved in the transactions said in an interview.

The planes are flown by experienced Ukrainian and Russian pilots who also assist in training local flight crews.

U.S. officials say they are unsure how many Antonovs are actually operating in Colombia either in legitimate or illicit trades. Colombian aviation records reviewed by The Times show nine are registered, but Colombian national police say they have spotted at least 12. Canadian authorities documented the transit of 20 Antonovs through their airports last year alone; all of those planes are now believed to be in Colombia, according to the U.S. Drug Enforcement Administration.

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U.S. law enforcement officials believe the unaccounted-for Antonovs also ended up in the hands of traffickers.

Ukraine's military cargo planes first entered the civilian market in Panama with three sales in 1992. Those planes are now the subject of a criminal investigation by Ukraine's Security Service, which has linked the aircraft and Ukrainian pilots to alleged drug smuggling and money laundering.

Please see PLANES, A2

PLANES: Kiev Supplying Aircraft

WASHINGTON EDITION / LOS ANGELES TIMES

to Traffickers

Drug Lords' Wings of Choice

On the lookout for the perfect cargo plane based on price, performance and availability, Colombian drug lords have hit on the Ukrainian-built Antonov-32B. The plane was once used by the Soviet military to haul cargo and drop paratroopers during the war in Afghanistan.



Favorable features of the AN-32B

- Can easily haul 6.5 tons of cocaine
- Designed to make precision airdrops: tested under wartime conditions
- Has good performance in a hot climate
- Inexpensive: sells new for \$800,000 to \$2 million, a price similar to that of older American planes
- Able to take off and land on short, unimproved runways like those found in the jungle

■ Normal range, depending on weight, is 750 to 1,500 miles, flying at 30,000 feet and 330 miles per hour. Extra fuel tanks permit a round-trip airdrop as far as northern Mexico.

■ So far, it is free of frustrating and costly interference by U.S. drug agents. Sales and leases involving the Antonov don't show up in traditional databases, so agents have been unable to monitor transactions.

Cocaine airways

Cocaine from the Colombian cartels begins in the coca-growing regions of Peru, proceeds through jungle processing plants in Peru and Colombia and is dropped at locations throughout Mexico for smuggling to other global destinations. The range of the cartels has been greatly enhanced by the use of twin-engine turboprop aircraft.

How cartel transportation evolved

The Colombian drug cartels have used a variety of aircraft to get drugs to North America. They began with U.S. -built planes but

switched to foreign aircraft when U.S. aircraft are unable to be used, at tracking down and capturing the suspects.

Notes: Planes not drawn to scale.

151854-1

The Auto Commander

- At one time, more than

U.S. & Black and White

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2. The Chinese Conquest

2. 14

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1989 to 1991


Kindle

Figure 1. The effect of the concentration of the polymer on the α -transition temperature of the polymer. The concentration of the polymer was 0.1 g/dl.

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between Panama and Colombia. Ukraine is trying to repossess those planes, alleging "unauthorized transfers of state property."

Interviews in Panama and Ukraine also show that those first Antonovs were owned, in part, by a company made up of Panamanian government officials responsible at that time for regulating civil aviation. Some were secret partners in the company, according to former business associates.

Drug Cartels' Reach

The Ukrainian state factory's links with drug trafficking air cargo firms in Latin America—and the involvement of Panamanian officials—demonstrate not only the reach of wealthy international drug organizations into public offices around the globe, but the vulnerability of weak ex-Soviet economies to exploitation by organized crime.

Furthermore, the story behind the AN-32Bs' appearance in the drug trade reveals the constantly changing tactics and strategies of the cartels' covert transportation wing, which continues to operate despite a publicized string of high-level arrests and international law enforcement pressures.

A three-month Times investigation into the Antonov deals also found that:

- The Kiev Antonov factory is represented in Colombia by a Bogota-based leasing company run by a man who has been identified by the DEA as an intermediary in purchasing aircraft that went to traffickers.
- In the spring of 1993, Colombia's Cali drug cartel specifically asked about the plane's ability to make cocaine airdrops over Mexico, according to a Ukrainian businessman who says he met twice in Panama with a Colombian introduced to him as the boss of Cali's air transportation operation.
- The most recent Antonov registered in Colombia was leased late in September to a company that, shortly after the contract was signed, lost another of its large planes when it crash-landed near the southern tip of Baja California transporting an estimated 10 tons of cocaine.

Ukraine Investigation

The Ukrainian Security Service inquiry into the original Panama deals began last year as a local tip probe that quickly led investigators to allegations of drug smuggling and money laundering.

It is a politically sensitive inquiry that is also raising questions about whether some in the Kiev government may have received secret payoffs to let the planes leave the country, according to sources familiar with the Ukrainian investigation.

Last summer, Ukrainian Security Service officials sought U.S. law enforcement assistance in locating the Panama planes and were informed by U.S. agents that additional Antonovs had also been sent to Colombia, where they had ended up in the hands of known and suspected drug traffickers.

Various Ukrainian government agencies have routinely approved the deals and authorized export of the state-owned planes, according to an official of the Transportation Ministry here who said he examined records of the transactions at the request of The Times.

"The factory cannot sell planes without [state] permission," said Viktor Reznik, chief of the air registry for Ukraine's Transportation Ministry.

A spokesman for Ukraine's Foreign Ministry promised "active cooperation" with the United States against traffickers and expressed chagrin over links between the Antonov planes and drug trafficking. "Our state is interested that our companies and vessels are not involved in illegal trade of narcotics," said the spokesman, who asked not to be named.

Yuri Shcherbak, Ukraine's ambassador to the United States, said Sunday he had forwarded additional questions from The Times to authorities in the Ukraine. He said he would respond when he heard from those authorities.

The Antonov factory is a prime economic asset of the financially ailing Ukraine, and sales of its aircraft are vital to the young nation's stability and national security. Besides the light cargo class AN-32B, the factory manufactures more than 100 kinds of aircraft ranging from small crop-dusters to the world's largest cargo jet, the AN-225 Mriya.

Interviewed in his Kiev office, Reznik said: "If our planes are used by traffickers, it will be very troubling to us. . . . But how can a factory, having sold a plane, know it will be used to transport drugs?"

The cartels' move into former Soviet aircraft is an ironic result of the DEA's highly successful but

unheralded "Operation Emerald Clipper," a 5-year-old Phoenix-based crackdown on airplane sales to traffickers. Its effectiveness in the United States has driven traffickers to aircraft markets in Europe and the former Soviet Union.

The Antonov, which was used by the Soviet military to haul cargo and drop paratroopers, can easily carry 8.5 tons of cocaine and has the ability to make precision airdrops. It is relatively cheap, selling new for \$800,000 to \$2 million, a price similar to that of older American planes. And unlike American aircraft, the Antonov offers an illicit bonus: For now, at least, anti-drug agents are unable to monitor Antonov transactions through traditional databases available in the West.

The CIA predicted nearly two years ago, in a report on trafficking aircraft, that smugglers would turn away from traditional drug-running planes and try to "gain access to Russian-made cargo aircraft like the AN-32 and [the larger] AN-72/74." Now, says one U.S. agent, "I believe these planes are going to take over the cocaine industry."

Cartel Shopping Spree

How the cartel came to put the Antonov at the top of its shopping list of cargo planes is a story, told through court records and interviews, that began in 1991 with what would turn out to be an enormous tactical error by one drug lord.

It was the day that two cartel thugs from Miami barged into a Scottsdale, Ariz., aircraft broker's office demanding a half-million-dollar refund on a plane that had not been delivered as promised. They vowed to cut off the finger of an employee every day until their money was returned. Shaken employees called police, who brought in the DEA.

The investigation led to Operation Emerald Clipper and U.S. law enforcement's first systematic assault on the cartel's covert aviation network. The operation's brass motto: "Kicking ass, taking planes."

"You always hit the top-level

traffickers when you're tracing airplanes, because they're the ones who have them," said Richard L. Canas, who heads the Phoenix DEA office.

Phoenix and Chicago DEA agents, working with federal prosecutors, led a series of investigations that resulted in dozens of aircraft forfeitures. They also provided major intelligence breakthroughs.

They discovered, for example, that the cartel air wing is made up of scores of air cargo companies that are run by 20 to 30 Colombian air transport specialists. These experts arrange logistics for international cocaine deliveries for a handful of upper-echelon traffickers.

These little-known transportation bosses, some of whom call themselves "the brain trust," according to investigators, are extremely powerful and continue to operate unaffected by past arrests of key Cali cartel leaders.

Emerald Clipper investigators also identified significant trends in air trafficking tactics. Before 1991, for example, the cartels favored Aero Commanders, the executive-sized twin-engine turboprop models costing about \$1.5 million used and capable of carrying more than half a ton of cocaine per flight. Shipments were delivered by swarms, or convoys, of up to a dozen planes.

Agents said they were stunned to find that more than half of those Aero Commander models operated in Colombia. Emerald Clipper, with manufacturer assistance, targeted transactions involving that plane, interrupting sales and forcing forfeitures of aircraft and money when they were traced to drug profits.

The cartel countered by buying up Convair 580s that cost no more than the Aero Commanders but carried up to five tons. When federal agents caught on to those transactions and traced some of the purchase money back to drug couriers in New York and Chicago, more planes were seized.

The cartel again countered with even bigger planes—used Boeing 727s and French-made Caravelle cargo jets. Those planes could carry eight to 10 tons—and much more if

stripped down and overloaded. And cartel aviation agents moved their shopping trips offshore, to safer markets in Europe where they tried to buy up every used Caravelle still flying.

But it was impossible to disguise the true purpose of older 727s and Caravelles because the legitimate Colombian air cargo market needed smaller, medium-range planes.

"If you had one of those planes, it was like wearing a sign: 'I'm a trafficker,'" one U.S. official said.

History Plays a Hand

The cartel was still looking for the perfect cargo plane based on price, performance and availability free of the increasingly frustrating and costly DEA interference when history played a hand.

The collapse of the Soviet Union in December 1991 left its former defense industries in a desperate state. The Antonov aviation complex in newly independent Ukraine suddenly lost its primary customer: the Soviet military.

Hundreds of unsold planes clogged ramps and tarmacs, among them AN-32Bs perfected under war conditions in Afghanistan, where they had to operate at high altitudes and in a sometimes hot climate.

Unfinished airframes waited on assembly lines for parts the factory could no longer afford to stock. Ukraine's biggest employer had no orders to support about 30,000 workers in the giant manufacturing and design complex.

It was only a matter of time before struggling aircraft makers, wealthy traffickers and entrepreneurial middlemen would find each other.

But it was not the Colombian cartel that first sent a team of buyers to Kiev. It was a group of Americans—with a get-rich-quick scheme and a picture of former President Reagan—who came in the summer of 1992.

The Americans proposed an audacious venture to turn Panama into a huge air cargo hub serving North and South America. And they picked the cheap and readily available Antonov to launch their plan.

The American venture, however, ultimately was hijacked by Colombian cartel interests with their covert agenda to put the versatile planes to use in the lucrative drug trade.

Through a series of complex business deals and old-fashioned double-crosses, the Americans were shoved aside and—Ukrainian and U.S. law enforcement agents allege—the planes were put into the service of Colombian traffickers operating out of Panama.

An American Dream

Rio Hato, once a busy U.S. military airfield about 75 miles southwest of Panama City, today more closely resembles a ghost town, with vacant buildings and silent runways.

But in 1992, it also resembled a pot of gold to the little team of rainbow-chasing Americans with a grand plan to turn the base into a giant international air cargo terminal. Teaming up with Panamanian officials, they envisioned operation of a new cargo airline with more than 100 planes.

The plan's chief promoter was Ralph Van Sky, a Miami dealmaker who represented himself as a millionaire financier while working out of an office in his dining room and, as court records show, being pursued by creditors from Florida to Colorado.

He was joined by a Miami businessman whose air of success seemed unaffected by the fact that his landlord said he was chronically in arrears on his office rent. The suave Carlos Benitez, a prominent Dade County Republican and Cuban American activist, kept a prized photo of himself with Reagan. It was part of the Rio Hato investment prospectus. Not disclosed, however, was the fact that the national finance committee for Reagan's 1984 presidential campaign had complained that he misused Reagan's name in raising funds for unauthorized causes.

Robert Pinkhasov, the third member of the group, was a 1947 Soviet emigre and former Aeroflot flight engineer who dreamed of opening a Miami Beach dell and

selling Antonovs on the side. By then a U.S. citizen, he still had contacts in Ukrainian aviation and government circles.

In the summer of 1992, their small entourage arrived in Kiev to Ukrainian VIP treatment—an airport welcome by political dignitaries, a chauffeured car, food, drink and access to key government officials.

Van Sky laid out the Reagan photo and another showing the Americans with the director of Panama's civil air authority, Zosimo Guardia. Van Sky said he knew the Panamanian personally, and that everything would go smoothly.

His business plan showed an astounding 100% return on investment in one year. And the Americans talked about eventually buying 50 Antonovs—maybe more—at \$1 million a plane.

"Everything looked very nice," said Victor Kudimenko, a post-Communist financier to whom Kiev government ministries had steered the Americans. He, in turn, had organized a small group of politically connected Ukrainian investors to finance Antonov purchases from the factory.

The Ukrainians were so impressed that they immediately signed a contract committing the first plane to service in Panama for no money down, with payment to come out of the proceeds of the plane's anticipated cargo-hauling revenues. The state-owned factory agreed to sell more planes, Kudimenko said.

The first AN-32B flew out of Kiev a few days later—its original Soviet registration number—CCCP-48072—still stenciled to its fuselage, bound for Panama.

But the Americans' dream of a super cargo terminal was dashed almost from the moment the Antonov arrived in Latin America in the summer of 1992.

Power Play

In a power play orchestrated a few days later by their Panamanian partners, the Americans were dumped. The Panamanians and Ukrainians shared ownership of the Antonov. That plane—and, later, two more like it—were leased to a new air cargo company, Aerovias Las Americas.

To Kudimenko, manager of the Ukrainian interests, his deal was basically a simple partnership between his group and Panamanians connected to the local government. The Ukrainians provided the planes as their share of the investment, and the Panamanians provided official favors.

Kudimenko said he became suspicious when he returned to Panama in the spring of 1993 to check on the Ukrainians' investment. Not only were Aerovias' books in total disarray—"They kept no books!" he said—but he found the planes making unusual night flights to and from Cali.

Kudimenko said the Ukrainian flight crews told him they suspected they were running drugs and cash. One night at the airport a small parcel was delivered by one of the Antonov flights from Colombia. Kudimenko said he was told it was worth \$1 million.

"I did not ask what was in it because it was clear I should not," Kudimenko said.

He said he took his fears that the company was running drugs to one of his Panamanian partners, a government official, who Kudimenko said dismissed his warning as "impossible."

To the Ukrainian investors, however, one thing was clear: They weren't seeing any profits. According to Kudimenko, they faced losses of about \$2.5 million in aircraft and equipment for which Aerovias had not reimbursed them.

Confronted by an emerging financial debacle half a world from his Kiev home, Kudimenko set aside his concerns about possible drug connections.

He said an executive of Aerovias offered to introduce him to "the boss of the transportation department of the drug cartel," and he agreed.

Kudimenko says he explained to the executive at the time: "I want to live in peace. I don't want to carry drugs, [but] what others do with the plane I don't need to know."

A Deal Over Dinner

The recollections of the participants don't dovetail on all details. But they agree that negotiations to buy Antonovs from Kudimenko were held in Panama. And to Kudimenko, it was clear what the planes would be used for.

By his account, Kudimenko met two Colombians over dinner and a bottle of Scotch one evening in the spring of 1993 at Panama City's fashionable Plaza Patiya Inn, taking the table nearest the band. Loud Latin music provided extra privacy for their conversation. Almost immediately, the subject was drugs and Antonovs.

Please see PLANES, A3

PLANES

Continued from A2

He said the Colombians were a 50-ish man called "Capitan Silva" and a younger man in a red shirt who was introduced as the chief of the Cali cartel's air transport department.

The Colombians "asked me many technical questions about the aircraft's performance," Kudimenko recalled during a recent interview in his Kiev residence. He said the younger man spoke no English, so most of the conversation and negotiations were through Silva.

"They wanted to know about the cargo capacity. [The man identified as the Cali boss] wanted to adapt the aircraft so it could carry drugs to Mexico and drop it from the air. He wanted to fly from Bogota to Mexico and return without landing... so we talked about adding internal fuel tanks," Kudimenko said.



Courtesy of Airways International Inc.

A Soviet-designed Antonov-32B plane. "You can shake your eyeteeth out flying that thing," one pilot said.

On fact, the plane was ideally suited. With its distinctive high-mounted engines, it is capable of using short, unpaved runways. Its normal range, depending on weight, is 750 to 1,500 miles, flying at 30,000 feet and 330 mph.

With extra internal fuel tanks installed to permit a nonstop round trip to a Mexican airdrop zone, Kudimenko said, cargo capacity would be limited to a still-significant four tons, instead of the normal 6.5 tons.

The plane's versatility also makes it useful not only for running long-range smuggling routes into Mexico—with airdrops or landings—but also for serving the isolated jungle factories in the Peruvian Andes where coca paste is produced and shipped out to cocaine refining centers.

According to Kudimenko, the Colombian in the red shirt was willing to pay up to \$2 million for a new plane—a bit extra to expedite the deal. Kudimenko said he was offered a \$10,000 cash advance to start lining up the proper permissions in Ukraine.

Kudimenko was agreeable, and he met the pair a second time a month later. But nothing came of the deal, he said. They did not meet again, and he never got the advance.

"I think they had no need [to buy] an additional plane at the time, because they were already using our aircraft," Kudimenko said.

Kudimenko's Panama investment eventually collapsed. He sued for damages in Panama late in 1993. A year later, Aerovias was defunct and some of its shares dispersed. Kudimenko said he was warned by an ex-Panamanian partner against pursuing litigation because it could be dangerous for him.

Thereafter, Kudimenko gave up trying to salvage his investment and returned to Ukraine. Later, his Kiev-based investment company closed, a financial victim of the Panama deal, he said.

But within a year, a new Antonov migration to Colombia was underway, this not only from Ukraine but also from Russia and Moldova. And leading the market shift was a "Captain Silva."

Colombian Operation

From the second floor of a pale, unpretentious office building in northern Bogotá, Luis Silva Quintero operates Meruc Aviation

A Soviet-designed Antonov-32B plane. "You can shake your eyeteeth out flying that thing," one pilot said.

Leasing, a company with its corporate headquarters a mail drop in Plantation, Fla.

By appearances, it is a modest business. Silva claims Meruc is the exclusive factory representative in Colombia of Ukraine's Antonov manufacturing giant. Colombian records show that all but one of the officially registered Antonovs operating in the country were brokered by Silva. In addition, the company has imported more than 20 former Soviet military helicopters from Russia.

The 50-ish pipe-smoking pilot is introduced to visitors as "Capitan Silva." Yes, he knows Kudimenko. Met him in Panama in 1995, he says. But he denies that they talked about Antonovs in 1993, as Kudimenko described.

Silva takes credit for being the architect of Colombia's growing Antonov fleet.

"The factory is my partner," he says, summoning a gray-haired man from the outer office.

Alexander Pototski, introduced as the chief mechanic on leave from the Kiev factory where he has worked for 35 years, says that Silva has an exclusive business arrangement with the Antonov factory. He claims to be living proof.

According to Silva, the Antonov plant initially provided the planes for lease to create a market. Meruc provided the customers; they split the lease fees.

In Kiev, the aviation registry's Reznik said that Transportation Ministry records show that the Ukrainian planes brokered by Silva's Meruc are still legally owned by the Antonov plant.

"They are Ukrainian planes," he said.

And Silva says business is good. Six new planes are on order. But with Ukraine's economy in crisis and the factory unable to buy parts to finish assembling aircraft, Kiev wants to shift from slow-return lease deals to cash-in-advance sales.

Silva retrieves a fax in Cyrillic lettering just sent from the factory that shows, he says, that the factory is raising the price of new Antonovs to \$3 million, an indication that the Colombian market is growing. That is double the price for the initial Colombian order of one plane.

Silva insists he is very careful

about choosing his customers. He conducts what he calls "careful background checks" of clients.

Could any of them be traffickers? He shrugs.

"There is always a risk a company could be dirty."

Tangled Ties

In 1991, after a Convair 580 was seized with more than five tons of cocaine in Mexico, investigators traced the aircraft transaction through a Dallas broker who, according to court documents, said that Capt. Luis Silva Quintero recommended the buyers to him.

According to Colombian aviation records, some of the companies that have acquired Antonovs through Silva include:

- Silva, an oil service company that employed one of the cartel's "most accomplished" drug-running pilots, according to a DEA investigator. Silva once had a plane temporarily seized by the Colombian government for transporting cocaine.

- Caricarga, a newly formed cargo company that leases two Antonovs and is trying to acquire another from Silva. Both U.S. agents and Colombian anti-narcotics police are investigating whether the company is a front for high-level Cali trafficker Guillermo Angel Restrepo. During a federal property seizure case in Phoenix last year, a U.S. District Court judge concluded that Angel Restrepo was part of the Cali cartel and had concealed his interests in various Colombian air cargo companies, including Air Colombia and Air Caribe.

In that case, \$11 million in aircraft and cash were forfeited by Air Colombia to the United States after the judge ruled that laundered drug money had been used to purchase the planes.

Said a U.S. law enforcement source: "Caricarga took the same address, the same phones, the same beeper numbers as Air Colombia... and we were told they have the same owners."

A man answering Air Colombia's phones in Bogotá said his company also handled affairs for Caricarga, whose planes shared the same facility.

In December, Colombian anti-drug officials said they had delayed

approval of the pending Caricarga request to certify its sublease of the Silva plane. Authorities questioned how the cost of the plane could be justified by the firm's legitimate business revenues.

"In Colombia there are more than 200 airline businesses, but about 30 companies are all the country's legitimate business can support," said a Colombian official who oversees civilian aircraft licensing. "Often we see that the [legitimate] income from their businesses doesn't justify the cost of the planes."

The most recent Colombian firm to acquire an Antonov, Iberoamericana de Carga, went to the used aircraft market in Central America to acquire an 8-year-old military version of the plane from a Nicaraguan company that the DEA said belongs to Pascual Bravo, who is identified in federal court records in Chicago and Phoenix as a Colombian drug trafficker.

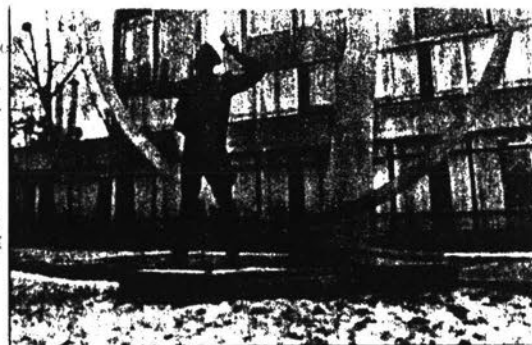
According to records in the Phoenix property seizure case, Bravo and his associates have acquired planes for Air Colombia and other traffickers. Also, law enforcement reports say a company controlled by Bravo sent more than a ton of cocaine to Sonora, Mexico, aboard a Caravelle in March of last year.

Iberoamericana, suspected by the DEA of being a cartel front company, nonetheless late last October was granted a certificate from Colombian anti-narcotics officials allowing it to operate its new Antonov. One week later one of its other cargo jets—a Caravelle—was found in Baja after delivering a load of about 10 tons of cocaine. Law enforcement authorities said the company is trying to acquire two additional AN-32Bs.

Jungle Base

One of Caricarga's AN-32Bs, its fuselage painted in contrasting purple tones and bearing the Colombian registration number HK-4008, stands on a remote tarmac of Bogotá's international airport, near the old Simon Bolivar Terminal.

The area is dubbed "the Bermuda Triangle" by one prominent Colombian drug runner. Most of the cargo companies there, he says, are owned by traffickers. It is no place for strangers to ask a lot of



WILLIAM C. REMPEL, Los Angeles Times

The administrative headquarters at the Antonov aviation complex in Kiev. The firm, with 30,000 workers, is Ukraine's biggest employer.

questions, warns a Colombian anti-narcotics officer, who tells visitors the area is "muy peligroso" (very dangerous).

The Antonov is secured by a high fence and a gate patrolled by three armed men and two growling Rotweillers. In the same enclosure is a plane from another cargo company whose Caravelle was seized 17 months ago in Zacatecas, Mexico, with eight tons of cocaine. And from an unmarked hangar nearby operates Iberoamericana, one of whose planes delivered a similar load to Baja just three months ago.

One morning in December, HK-4008 rolls out, powers into the air and banks toward the jungle. Flying an Antonov is very demanding. It handles like an old Mack truck with no oil in the bearings, says a U.S. military analyst who has piloted an AN-32B. "You need to be strong like a bull. You can shake your eyeteeth out flying that thing," he said.

Just 15 minutes by air from the cool, drizzly highlands of Bogotá is the small airport of Villavicencio, sweltering gateway to los llanos, a vast savanna bleeding into the Amazon jungle.

This is the forward base of the Antonovs that are used by cargo companies to serve the oil and mineral industries and to supply isolated jungle communities. It is also a vast, lawless territory where the drug cartels conceal the laboratories that convert Peruvian coca paste into finished cocaine.

The airport is a modest complex with a single runway. There is a small terminal and a dozen cargo hangars, among them the facilities

of Caricarga, Air Colombia and Silva.

A National Police captain strolls from one end of the runway to the other, pointing out planes and companies suspected of narcotics trafficking as well as running drug and munitions to guerrillas.

He is followed by a bodyguard, a short, dark and wiry man with a crew cut and curved sunglasses who nervously clicks the cap of a Gatorade bottle with one hand and rests the other on his holstered 9-millimeter Beretta.

Back in the police substation, the captain sweeps his hand over a map of the region and expresses the utter hopelessness of his task.

Los llanos and the jungle cover more than half of Colombia, he explains, but there is no police or military presence in 95% of the territory of those regions. The closest thing to authority there is the narco-guerrillas who guard the cartel labs in return for cash and arms.

The captain runs his finger across an expanse of color indicating jungle on the map. He stops at a tiny dot denoting the jungle town of Miraflores.

It is little more than a runway bordered by houses, he says. The population might support a few cargo flights each week. Yet there are at least 15 to 20 cargo planes flying there every day.

Miraflores, he says, is the supply depot for the jungle cocaine labs.

When asked which of the Villavicencio cargo companies fly to Miraflores, he does not hesitate: "All of them."

Times staff writer Rempel reported from Ukraine, special correspondent Pyes from Panama and Colombia.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 2-22

TO:

George (S.)

FROM: Staff Secretary

I gather from
your comment this
meaning that you
don't think this should
go to Burns, right?
Todd



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

RECEIVED FEB 20 12:28

February 20, 1996

MEMORANDUM FOR: President William Clinton
Vice President Al Gore

FROM: Henry G. Cisneros *Henry Cisneros*

SUBJECT: Public Dispute between Governor Wilson and Cardinal Mahony

When you are in Southern California this weekend, it may be useful to know that there is an ongoing public dispute between Governor Wilson and Cardinal Mahony (see attached Daily News clip). The dispute is of importance to you in at least two ways:

1. The dispute revolves around prevention vs. punishment priorities in youth programs. The Cardinal has championed a program named Hope-in-Youth, which is a church-sponsored attempt to engage thousands of parents in providing guidance to the 160,000 at-risk youth in the Los Angeles area. He has long sought Federal assistance which has not been forthcoming, although the Justice Department and John Emerson are working on it. His concept is a perfect example of the community-based prevention strategies you highlighted in your State of the Union address.
2. As the attached newspaper clip makes clear, the dispute has expanded to differences between the Governor and the Cardinal on immigration and on affirmative action. My point is that you and the Cardinal are on the same side on all the key issues and he personally speaks very highly of you. He is seen as the absolute hero and defender of the millions of Latinos living in Los Angeles. A call or visit with him during your trip could be very helpful.

Attachment

JANUARY 28, 1996

ONE DOLLAR DESIGNATED
AREAS HIGHER

Summit to seek gang cure

Governor, cardinal at loggerheads over punishment, prevention programs

By Tony Knight
Daily News Staff Writer

Cardinal Roger Mahony is calling political, law enforcement and community leaders to a Feb. 21 summit on the rising tide of violent juvenile crime and the lack of public funds aimed at keeping kids out of gangs.

But Mahony said he also

hopes the summit will help heal the widening political rift between himself and Gov. Pete Wilson over the withdrawal of state funding for the cardinal's controversial Hope In Youth program.

Their personal disagreement is a subtext to a larger public policy debate over how best to deal with the growing problem of juvenile crime — by getting

tougher on youthful offenders or by providing more programs to divert them from crime.

Wilson's budget emphasizes the law enforcement side of the equation; Mahony favors more spending on diversion programs.

Hanging in the balance may be the future of Hope in Youth, which was the largest anti-gang program in the United States

when it was launched in 1993 with \$2.9 million from the county, \$2.5 million from the city and \$2 million from the state.

After several critical audits and eroding support from the governor and others, the program has shrunk from 45 centers and a staff of 146 to just 10

See **GANGS** / Page 18



WILSON



MAHONY

Hope In Youth at center of debate over crime

GANGS / From Page 1

centers, including three in the San Fernando Valley, with 37 staff members.

Mahony said he has sent two letters in recent weeks inviting Wilson to the Early Intervention Strategy Summit in Los Angeles and two earlier letters asking for a face-to-face meeting with the governor on Hope In Youth.

The governor, an early supporter of Hope in Youth who now says the program "isn't working," has not replied.

Mahony, who circumspectly described Wilson's turnaround on Hope in Youth as "puzzling," said he presumes that the governor is unhappy at Mahony's outspokenness against Proposition 187 — a 1994 initiative that made illegal immigrants ineligible for many public services — and affirmative action reform.

"If he from Day One had never been supportive of this, or had been very cool, maybe it would have been a little easier to understand," Mahony said in an interview last week.

"But he said to us, 'I really want to be the state leader in this prevention strategy,'" Mahony said. "We were just ecstatic. That's what's so puzzling in this abrupt chasm and lack of communication." In a Jan. 12 letter to the governor, the cardinal made clear that he is impatient with Wilson's unresponsiveness.

"I must say that I remain mystified why the governor of the great state of California is unable to communicate with the Roman Catholic archbishop of Los Angeles, the largest Catholic archdiocese in the United States," Mahony wrote.

Wilson said last week that he was unaware of the cardinal's letters, asserting that if they were indeed

"Clearly, there has not been a communication between Cardinal Mahony's staff and the (Office of Criminal Justice Planning) staff and Gov. Wilson's staff, so the governor is going to respond to Cardinal Mahony in writing as early as next week," Walsh said.

He said he could not explain why Wilson had not seen Mahony's previous four letters, dating back to March, or why the governor's staff had not responded earlier.

Mahony said his letters were faxed directly to the Governor's Office.

"I've never had a response from anybody of any kind in the Governor's Office, and I'm just puzzled. That bewilders me," the cardinal said.

Mahony said he still hopes to mend fences with Wilson in a face-to-face meeting or at the summit, if Wilson agrees to attend.

Hope In Youth Executive Director Michael Clements said Los Angeles Mayor Richard Riordan, federal Housing Secretary Henry Cisneros, Los Angeles County District Attorney Gil Garcetti, City Attorney James Hahn and Los Angeles schools Superintendent Sid Thompson all have agreed to participate.

Mahony said the remarks Wilson called uncharitable, which the cardinal made at a Dec. 2 news conference, were aimed at a highly critical state audit of Hope In Youth, not at the governor himself.

"Uncharitable? I don't think I've ever said anything uncharitable," Mahony said. "Every time I've said anything, it's been very respectful."

"I was very pointed in saying that I believe the evaluation was a real sham. But the attack wasn't on him. It was on this bogus evaluation."

The audit by the Office of Criminal Justice Planning was a critical blow to Hope In Youth, which lost \$2 million in Los Angeles County

Number of California juveniles involved in violence growing

By Tony Knight
Daily News Staff Writer

Juveniles accounted for 18.3 percent of homicide arrests and 13.9 percent of rape arrests in California in 1994, according to background reports released by Gov. Pete Wilson's office for his State of the State address.

As the kids of the baby boomers become teen-agers, the California Department of Justice predicts, there will be roughly a quarter of a million gang members in the state by the end of the decade.

In 1980, juveniles accounted for just 10 percent of all arrests for homicides, and in 1990 they accounted for 13.6 percent. Between 1984 and 1992, the number of juveniles under 15 arrested for homicide increased by 50 percent, according to Peter W. Greenwood, director of criminal justice programs at the RAND Corp. think tank in Santa Monica.

"The trend in violence, particularly lethal violence, among juveniles is up," Greenwood said.

Wilson's State of the State address this month heavily emphasized law enforcement programs over prevention programs — a trend that is happening nationwide.

"It's at the politician level, where nobody's figured out how to get elected with a prevention slogan, that you get tough talk about more prisons and law enforcement," Greenwood said.

Wilson said he is in favor of prevention

programs, and in his State of the State address proposed programs to discourage out-of-wedlock births to stabilize communities and to create all-male academies and special scholarships for disadvantaged youths.

"I'm the father of prevention," Wilson said in an interview last week. "What we should do is by every means possible try to prevent their choosing this (violent) path. If they come to the point where they're so brutalized that they can blow somebody away without a flicker of remorse and they lack any capacity for empathy, then prevention means prison."

Although the experts agree that hardened criminals of any age should be put away, they said statistics show that won't solve the problem. Societal forces such as the growth of single-parent households and the lack of parental skills among adults are causing the problem, they said.

"Sooner or later the local community has to take control of its own problems," said Malcolm Klein, a USC sociologist, who is one of the foremost experts on street gangs.

"We keep turning it over to the police," he said. "Sooner or later the fabric of the community has to take control of its own problems. It's a community problem. It's their kids. And we're not very good at learning how to empower communities."

Empowering communities is exactly what the Hope In Youth program, supported by Cardinal Roger Mahony and other religious leaders, is trying to do in a five-year program to create

structures in poverty-stricken, crime-ridden neighborhoods that can give kids an alternative to gang involvement.

The organization was started by 10 religious denominations and four community organizations in 1993 in response to increased gang activity, drug use and truancy. Catholic Charities of Los Angeles provides financial planning and oversight.

With \$7.5 million in funding, achieved largely through Mahony's lobbying, Hope In Youth centers were established at 45 sites with a staff of 146 ministering to the needs of youth and the community.

Programs to keep kids in school, provide mentors as role models, work with parents to improve their parenting skills and launch community improvement projects were set up in each community.

But audits done for the city and county in 1994 and 1995 found problems with documentation that would show the program was effective.

However, an audit by the nonprofit Evaluation and Training Institute suggested that the program should be given more time to prove itself because making fundamental societal changes in tough neighborhoods was a long-term job.

"When they started it, it was the largest gang prevention program in the country," said Sal Bolus, ETI vice president. "We just did not think it was fair given the length of time they had been working to evaluate whether the program was effective."

that realized that there was such a furor over that issue, and it was just terrible misjudgment," Clements said.

In the Dec. 2 news conference the day after the audit was released, Mahony called the OCJP report a "pseudo-audit" and mused that it was political payback.

"I'm just surmising that that might be the linkage, because our

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Wilson said last week that he was unaware of the cardinal's letters, asserting that if they were indeed received, "He deserves a response, and he'll get one."

The governor flatly denied any attempt at political payback for Mahony's opposition to two of his most cherished political goals: controlling the fiscal impact of illegal immigrants and rolling back affirmative action programs.

"I don't think there's a dispute with him," Wilson said. "He is imagining a political animus that doesn't exist."

He said Mahony was "a bit paranoid" and asserted that his decision to end funding for Hope In Youth was based solely on audits that questioned the effectiveness of the program and found documentation of its activities lacking.

"Our purpose in life isn't to frustrate the cardinal," Wilson said. "I wish his program had been successful, because we need every possible success against juvenile gangs that we can."

Yet even in denying a rift with the cardinal, Wilson was stung by Mahony's criticism of the decision to pull Hope In Youth's funding and the cardinal's assertion that the cut was retaliation for Mahony's opposition to Proposition 187 and Wilson's agenda on affirmative action.

"I've been turning the other cheek," Wilson said.

"He has been unhappy — and I might add uncharitable, as a good Christian — in some of his comments about my motivations on 187 and my effort to turn back a system of racial preferences that's been called affirmative action," the governor said.

The governor was working on a response to Mahony's letters Friday, said his aide Sean Walsh. It was still undecided whether Wilson would attend the Feb. 21 early intervention summit.

COLUMN 2

The audit by the Office of Criminal Justice Planning was a critical blow to Hope In Youth, which lost \$2 million in Los Angeles County funding a year ago because of the county's fiscal crisis, and now has lost another \$2 million in state grants.

The OCJP audit said Hope In Youth was unable to attain its goals, had failed to document progress and had used public funds to lobby the Board of Supervisors for more funding and to organize opposition to Prop. 187 in violation of the Hatch Act.

It also noted that a Hope In Youth employee had tried to use a dark marker to hide records that showed political organizing against Prop. 187.

Hope In Youth officials denied that public funds were used to organize rallies before the county supervisors and pointed out that youths were taken to a Prop. 187 forum a month after the initiative won at the ballot box.

Clements said going to political forums was an appropriate activity for at-risk youths to learn how to deal with problems democratically.

Calling the release of the OCJP audit late on a Friday afternoon in December a "hatchet job," he said Hope In Youth had made major changes to improve administrative record keeping and train field staff to keep good records.

"We conceded many times that Hope In Youth documentation could have been better and the information management system could have been more sophisticated and going more smoothly," Clements said.

He also said the employee who had marked over official records had been reprimanded.

"I think that the person that did

COLUMN 3

"I'm just surmising that that might be the linkage, because our estrangement from the governor started about the time of 187 and my opposition to it," Mahony said in an interview last week. "I don't know what else it could be."

In asserting last week that he had not received Mahony's letters, Wilson said it appeared that Mahony was "communicating through press conferences."

Mahony said Wilson's administration started the tiff in the press by releasing the audit to newspapers.

"They released the full thing to the press without telling us they were going to do it, and they did it on a Friday afternoon," Mahony said. "That left us in a terrible situation of having all of this Saturday morning press and commentary that we couldn't respond to easily because we couldn't get a hold of people."