THE WHITE HOUSE

WASHINGTON

March 25, 1996

MEMORANDUM FOR: FIRST LADY'S STAFF (MELANNE VERVEER)
TODD STERN (PHIL CAPLAN)
JACK QUINN (KATHLEEN M. WALLMAN)
KITTY HIGGINS
JOHN HILLEY
CAROL RASCO
DOUG SOSNIK
ALEXIS HERMAN (DANA WYCKOFF)
JODIE TORKELSON
ANNE WALLEY/STEPHANIE STREETT - FYI

FROM: Lana Dickey/Julia Bator
for JIM DORSKIND

SUBJECT: (Draft Proclamation)
Cancer Control Month, 1996

Attached for your review is the above-mentioned proclamation designating April 1996, as "Cancer Control Month."

It was submitted by the Department of Health and Human Services, through the Office of Management and Budget and edited/revised by the Presidential Letters and Messages Office.

IMMEDIATE ATTENTION REQUIRED. Written or oral response required by no later than 5:00 p.m., Tuesday, March 26, 1996. IF WE HAVE NOT HEARD FROM YOU BY 5:00, WE WILL ASSUME THAT THE DRAFT IS ACCEPTABLE TO YOU.

For questions, discussion, or routine clearance, contact Lana Dickey, extension 67487, or Julia Bator, extension 65518, via phone or interoffice mail, in room 91. Thank you.

cc: Tim Saunders

CANCER CONTROL MONTH, 1996

- - - - - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Research and the ~~expeditious~~ prompt application of research results have proved to be the strongest weapons we have against cancer. ~~Perhaps~~ One of the greatest scientific achievements of modern times ~~is~~ (For example(?)) the discovery of the processes by which a normal cell is transformed into a cancer cell. Genetic studies are leading to better understanding of many cancers and improving our ability to intervene and stop their spread. ~~And~~ While the implications of some findings are still unclear, we know that further progress hinges on continued scientific inquiry, and we understand that basic research must remain a national priority. In addition, we can act on information already at hand to make lifestyle choices that reduce the risk of developing cancer.

Smoking -- a known factor in cancers of the lung, pancreas, esophagus, uterus, cervix, mouth, throat, and bladder that contributed to nearly one-third of all cancer deaths in the United States last year -- is the primary preventable cause of the disease. While businesses~~, industries,~~ and Government have recognized tobacco's terrible impact on public health, some 3,000 young Americans still begin smoking every day. We must continue to help our youth understand the devastating consequences of smoking, ~~using measures such as those taken by the Substance Abuse and Mental Health Administration and the Food and Drug Administration to~~ curtail minors' access to tobacco products, and to ~~restrict~~ limit advertising and marketing ~~aimed at~~ that appeal to children. Consider ways

Scientific evidence has also led to an increased understanding of the links between the foods we eat and certain types of cancer. By reducing dietary fat, increasing fiber intake, consuming a variety of fruits and vegetables, and avoiding obesity, every American can ~~make positive changes and~~ take steps to reduce the risk of cancer. The National Cancer Institute, in collaboration

researchers

with the food industry, sponsors "5 A Day For Better Health," a national program that encourages people to eat five or more servings of fruits and vegetables daily. and studies continue to investigate nutrition programs that may have the potential to prevent cancer.

Mammography is another recently developed resource that can make a vital contribution to cancer control efforts, helping doctors detect breast tumors at an early, more treatable stage. Indeed, 93 percent of all women diagnosed with early breast cancer this year will live 5 years or longer. Recognizing the importance of this diagnostic tool, third-party reimbursement for mammograms is on the rise, and Medicare covers most of the cost of ~~biannual~~ screening mammography for women over the age of 65. I encourage State governments, insurance providers, medical facilities, and employers to develop policies that improve women's access to this life-saving, affordable procedure.

Jan. Klein

To publicize all such advances and options, the National Cancer Institute's Cancer Information Service helps patients, health professionals, and the public in all 50 States and Puerto Rico. Toll-free telephone service provides accurate, up-to-date information about prevention and detection methods, diagnosis, treatment, rehabilitation, and research. In addition, the CIS' outreach system has developed partnerships with other cancer organizations and Federal, State, and local health agencies to promote cancer education initiatives aimed at medically underserved and other special populations.

This year marks the 25th anniversary of the National Cancer Act, which expanded and intensified America's efforts to stop cancer. We can take pride in the strides that have been made toward this goal during the past quarter-century, but we must also remember the essential work that remains. As we observe Cancer Control Month, let us renew and strengthen our abiding commitment to ~~fully~~ controlling and eliminating this disease so that our children and grandchildren can lead longer, healthier lives.

In 1938, the Congress of the United States passed a joint resolution requesting the President to issue an annual proclamation declaring April as "Cancer Control Month."

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, do hereby proclaim April 1996, as Cancer Control Month. I invite the Governors of the 50 States and the Commonwealth of Puerto Rico, the Mayor of the District of Columbia, and the appropriate officials of all other areas under the American Flag to issue similar proclamations. I also call upon health care professionals, private industry, community groups, insurance companies, and all interested organizations and individuals to unite in support of our Nation's determined efforts to control cancer.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , in the year of our Lord nineteen hundred and ninety-six, and of the Independence of the United States of America the two hundred and twentieth.

Phil

96 MAR 26 P5:00

THE WHITE HOUSE

WASHINGTON

March 26, 1996

MEMORANDUM FOR: FIRST LADY'S STAFF (MELANNE VERVEER)
TODD STERN (PHIL CAPLAN)
JACK QUINN (KATHLEEN WALLMAN)
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ALEXIS HERMAN (DANA WYCKOFF)
JODIE TORKELSON
ANNE WALLEY/STEPHANIE STREETT - FYI

FROM: Lana Dickey/Julia Bator
for JIM DORSKIND

SUBJECT: (Draft Proclamation)
Education and Sharing Day, U.S.A, 1996

Attached for your review is the above-mentioned proclamation designating March 31, 1996, as "Education and Sharing Day, U.S.A."

It was drafted and edited/revised by the Presidential Letters and Messages Office.

IMMEDIATE ATTENTION REQUIRED. Written or oral response required by no later than 5:00 p.m., Wednesday, March 27, 1996. IF WE HAVE NOT HEARD FROM YOU BY 5:00 p.m., WE WILL ASSUME THAT THE DRAFT IS ACCEPTABLE TO YOU.

For questions, discussion, or routine clearance, contact Lana Dickey, extension 67487, or Julia Bator, extension 65518, via phone or interoffice mail, in room 91. Thank you.

Jim

cc: Tim Saunders

OK

w/ one

edit.

J.

3.27.96

EDUCATION AND SHARING DAY, U.S.A., 1996

- - - - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

In looking forward to the 21st century, we recognize that excellence in education is the key to our nation's future. At a time when we face difficult choices about how best to strengthen that future, our commitment to meaningful education for our youth must ~~stand~~ remain absolutely firm -- we have a profound obligation to put children's needs first and to make the essential investments that will help them succeed.

Throughout his distinguished life, Rabbi Menachem Mendel Schneerson was an advocate for the high-quality education and strong values young people need to become productive and caring citizens. Drawing on a deep tradition of faith and a dedication to strengthening family and community ties, the Lubavitcher Rebbe sought to help our youth become responsible leaders and moral thinkers.

On this day and throughout the year, let us join leaders like Rabbi Schneerson and parents, teachers, and concerned people everywhere who are working to empower young people with essential skills and knowledge. By nurturing their minds and spirits together, we can help our children to embrace all of the exciting challenges ahead.

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, by virtue of the authority vested in me by the Constitution and laws of the United States, do hereby proclaim March 31, 1996, as Education and Sharing Day, U.S.A. I call upon educators, volunteers, and all the people of the United States to observe this day with appropriate ceremonies, activities, and programs.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , in the year of our Lord nineteen hundred and ninety-six, and of the Independence of the United States of America the two hundred and twentieth.

THE PRESIDENT HAS SEEN
3-26-96

Laura

Paul should summarize in CEO meeting - can him + get suggestions on wire list Pr

THE WHITE HOUSE
WASHINGTON

March 12, 1996

Paul M. Montrone
Liberty Lane
Hampton, New Hampshire 03842

Dear Paul:

Thanks for your fine letter of March 5 and for your suggestion that we bring together leaders from the business community to examine employment and income issues for the middle class. It's an intriguing idea.

As always, it was great to see you last month. Please give my best to Sandra.

Sincerely,

Bill Clinton

We're putting it together and need your help - will be in touch

PAUL M. MONTRONE
LIBERTY LANE
HAMPTON, NEW HAMPSHIRE 03842

March 5, 1996

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500-2000

Dear Mr. President,

Congratulations on your success in persuading America's media giants to devise a rating system for TV programs. By utilizing the media industry itself, you have unleashed a force more powerful than any government bureaucracy to solve this national problem and, at the same time, neutralized the same force that would surely have opposed a government regulation -- all without increasing the deficit.

I hope this success will encourage you to apply a similar approach to other national concerns -- particularly employment insecurity and declining real income of the middle class. With all due respect, neither Senator Kennedy nor Pat Buchanan is equipped to solve this puzzle, and adding more complexity to an already overburdened tax code would certainly trigger the law of unintended consequences.

America's most powerful force for solving the employment and income problem is the force that created it -- the business community. The nation's business leaders understand the dynamics that have led to the present economic situation, and they are the best team to work with you to develop a solution that will be effective while maintaining the economic momentum you've worked so hard to establish.

As I mentioned to you in New Hampshire, in the long run the business community cannot stand by while incomes decline. It is these incomes that create America's economic well-being (and our revenues). I am certain that a group of responsible business leaders would respond to an invitation from you to take on the task of reversing these destructive macroeconomic trends.

As always, I am available to assist in any way.

Very truly yours,

P.S. Thanks for your note on the SEC reform law. There are many more innings left to play and I look forward to playing out the full game with you.

McCurry

THE PRESIDENT HAS SEEN
3/26/96

THE WHITE HOUSE
WASHINGTON

March 20, 1996

MR. PRESIDENT:

The Press Office has prepared written answers to questions from the *Smithsonian Magazine* on the Lewis and Clark expedition.

The answers are fine and you needn't bother looking them over unless you want to.

Todd Stern

Good
BC

THE PRESIDENT HAS SEEN
3/26/96

THE WHITE HOUSE
WASHINGTON

96 MAR 18 P5:21

March 18, 1996

MEMORANDUM TO THE PRESIDENT

FROM : MIKE McCURRY MMC

SUBJECT : *SMITHSONIAN MAGAZINE*

The Smithsonian Institution is celebrating its 150th anniversary this year, and to celebrate is running a special issue of the *Smithsonian Magazine* which focuses on the Institution itself. They have asked you to contribute to this issue by answering a few questions about one of your favorite moments in American history, the Lewis and Clark expedition. This interview will be published in an issue of the magazine later this year. Please see the attached draft of answers to the questions posed by the magazine.

Please let me know if you would like to discuss or edit these answers before we send them to the *Smithsonian Magazine* for publication.

Smithsonian Magazine
Lewis and Clark Q & A

1. What attracts you to the expedition?

There's so much about the Lewis and Clark expedition that is both endlessly fascinating and historically significant. It was our young nation's first official venture into unknown territory, launching a legacy of exploration that extends to the present-day space program. Lewis and Clark encountered and described species of plants and animals -- from the prairie dog to the grizzly bear -- previously unknown to science. As the United States' first envoys to scores of western tribes of Native Americans, they conducted themselves with great dignity. Their journey across the newly acquired Louisiana Territory -- and then beyond it to the Pacific -- also represented the first steps into America's future of becoming a continental nation.

And, of course, it was all initiated by the remarkable man I have always considered one of our greatest leaders, a President who constantly pointed us toward the future: Thomas Jefferson. The expedition was his dream. In fact, he authorized the expedition even before he purchased the Louisiana Territory.

But having said all that, for me the principal attraction of the Lewis and Clark expedition has to be the sheer spirit of discovery. Who wouldn't be thrilled to experience the breathtaking magnificence of the western landscape with new eyes every day? Imagine what it must have been like to stand with Lewis and Clark and see, as they reported in one instance, 10,000 buffalo swarming over the Plains; to witness the power of the Great Falls of the Missouri; to become the first United States citizens to cross the Rockies; to race down an untamed Columbia River, teeming with salmon, and reach the farthest shore of our continent.

What they accomplished was important to science and to our national history, but it seems to me that the spirit underlying the expedition is equally important. It's the spirit of pushing forward, of expanding our horizons, of undertaking new challenges. It's at the core, I think, of the American spirit. Jefferson embodied it. Lewis and Clark and their expedition embodied it. That's why people are drawn to their story.

2. What point in the journey do you wish you could have experienced?

In August of 1806, as Meriwether Lewis was climbing a ridge to become the first United States citizen to reach the Continental Divide, he expected to see a vast plain on the other side, with a river like the Missouri flowing to the sea. Jefferson had sent Lewis to find the Northwest Passage, and Lewis thought this must be it. Instead, when he reached the ridge top he saw mountains -- as far as he could see. And even though it was late summer, many of them were already covered with snow. At that moment, the collective wisdom about the continent's geography went out the door.

For Lewis, it must have been a tremendous shock. What he had anticipated as a moment of great personal triumph suddenly turned into profound disappointment and the real possibility of failure. No Northwest passage. More mountains to cross. But he didn't stop. He kept on going. Lewis and Clark's journey is full of examples of Americans overcoming adversity, of refusing to give up, of pushing on in the face of possible failure. But that moment seems to be particularly important: Lewis on the Divide, confronting a new, intimidating reality, but pushing on toward his goal. I think that's a tremendously symbolic moment, and I wish I could have experienced it.

3. What about Lewis and Clark as leaders? Do such men exist today?

There's no question that the great success of the "Corps of Discovery" relied on the remarkable leadership of Lewis and Clark. They prepared themselves and their men for the journey. They studied every bit of existing information at hand. But more important, once they entered unchartered territory and began encountering unexpected obstacles and situations no one could have anticipated, they relied on their own reserves of good sense, intelligence, and courage. They adjusted to new realities. They altered their original plans when necessary. But they kept themselves focused on their goal. And they never gave up. That's the American spirit. It was timely when Lewis and Clark made their journey. And it's timely today. I think America is filled with such people, in every walk of life.

4. They led as a team. Is there a place today for such shared leadership?

The other remarkable thing about Lewis and Clark as leaders is the way they worked together. They recognized each other's particular strengths and weaknesses and forged themselves -- and the rest of the expedition -- into a team that was greater than the sum of its parts. They demanded a lot from the others, but also of themselves. Their success -- their very survival -- depended on it. And while there was never any question that they were ultimately in charge, in several important moments they involved everyone else in the decision-making.

For example, when the expedition reached the Pacific, they were far beyond the existing boundaries of the United States. They needed to decide where to spend the winter before trying to get back. It was a crucial decision, and they made it not by themselves, but as a democracy. The captains had every member of the expedition vote on the issue. That included an African-American slave -- more than half a century before blacks were emancipated and enfranchised. And it included an Indian woman -- a century before Native Americans or women were granted the right to vote. I think that's a tremendously important moment, a great American moment, and I wish I could have witnessed it. Part of the lesson of the expedition, I think, is that there's nothing Americans can't accomplish when everyone is working together, when we turn toward a common goal and each person's talents are tapped. That's as true today as when the Lewis and Clark expedition crossed the continent nearly two centuries ago.

5. What about their relations with Indian peoples?

Lewis and Clark met scores of Native American tribes during their journey, and the encounters were almost always friendly. In two and a half years, they had only one fight. In fact, in a number of instances the expedition relied on the help and hospitality of native peoples to survive and succeed. As our nation's first official representatives to those tribes, Lewis and Clark treated them with fairness and dignity. I think we all know -- and are still saddened by -- the fact that not everyone who followed Lewis and Clark west held to the same standards and values.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 3/26/96

TO: Mike McCurry

FROM: **Staff Secretary**

POTUS note reads:

"agree w/ this
should invite or notify
relevant local media
when do here"

in reference to the One Strike
announcement, 3/28/96.

THE PRESIDENT HAS SEEN
3-26-96

I have also attached a clip from Buchanan's border visit, where he praised the Administration's accomplishments at the border. I have also sent the clip and quote to the campaign.

Two weeks from today, INS will announce the completion of Operation Northeast. The operation is a multi state worksite enforcement action. It should coincide with the Senate floor action on immigration legislation.

This week the New York Times will run a story on Douglas, Arizona and how the crackdown along the border has forced all the border crossings to Arizona. I had INS announce to the Times reporter that the Administration was moving 45 new agents to Douglas.

CRIME/DRUGS: This week we worked on the repeal of the assault weapons ban. The President made his announcement at the Health-Care event and we organized the Vice-President's event on Friday.

We have coordinated events with the House Leadership and helped Congressman Schumer get victims to his hearing.

We held our final meeting on 'One Strike You Are Out' guidelines. HUD and Justice have come to agreement on the language of the guidelines. The event on Thursday in the Rose Garden, will highlight Toledo's success with the public housing policy. I am working with ABC news planning division on getting them to go to Toledo to film before the announcement.

Although I understand the need not to travel and that the President is tired, it is ~~a mistake on significant announcements such as One Strike, to not travel to Toledo~~, Ohio a key state. We must begin to treat the Midwest with the same energy and focus with which we treat California. If we can go to Long Beach for the school uniforms, we should be able to go to Toledo, Ohio for the One Strike announcement.

The New York Times is working on a story on how many school districts are considering school uniforms for the fall. I have also been talking with them and I sent them information from the Department of Education.

I have been working with General McCaffrey on his trip to Mexico. It is important that the President meet with the General upon his return. The President and General McCaffrey can then announce the formation of the new standing committee to coordinate anti-narcotic efforts with Mexico.

I have also attached a copy of the letter to Senator Dole signed by three of the four border Governors concerning Mexico.

The "Meth" strategy is ready to be announced and the funding will be part of General McCaffrey's reprogramming. I have

THE PRESIDENT HAS SEEN
3/26/96

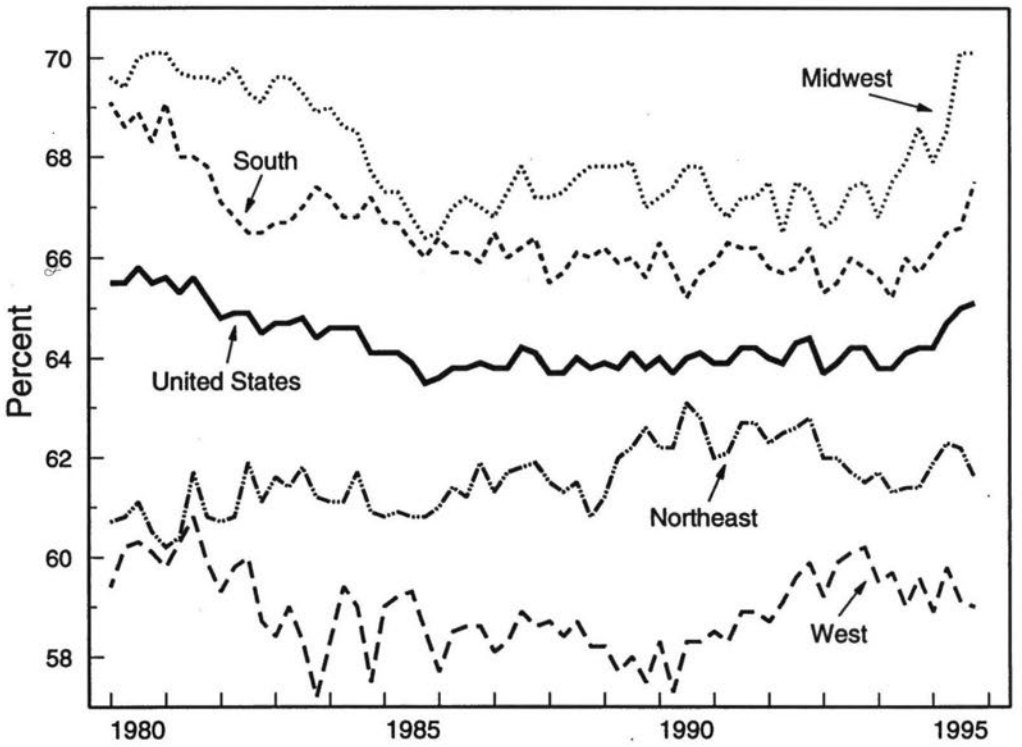
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

March 22, 1996

CHART OF THE WEEK

Home Ownership By Region in the United States



For more and more Americans, the dream of owning one's own home is becoming a reality. At the end of 1995, the home ownership rate—the proportion of households that own their own home—reached 65.1 percent, its highest level since 1981. The rise in home ownership began in 1994 and reflects strong increases in the Midwest and the South. By contrast, the home ownership rate in the Northeast and the West has been relatively flat. Low interest rates, an increase in the rate of household formation, and improved access to mortgage credit for low-income households are possible explanations for the overall increase in home ownership.

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MACROECONOMIC UPDATE

Economy Picking Up Steam

Evidence has accumulated over the past few weeks that the economy is regaining vigor and will grow moderately for the rest of the year. The outlook was clouded until recently by uncertainties associated with the effects of January's severe weather and delays in data due to the government shutdown. A clearer picture is now emerging that the economy has weathered the slow patch of late last year (growth in the fourth quarter of 1995 is likely to be revised down to an annual rate of about 0.3 percent) and is poised to move ahead at a sustainable pace.

Economy will avoid first-quarter pothole. The strong gain in employment during February showed the economy had shaken-off any lingering effects from the government shutdown and severe January weather, and appeared to ensure that the economy would grow at its potential rate during the first quarter. However, the recent strike at General Motors (a tentative settlement was reached on Thursday and production is expected to resume over the next few days) will reduce GDP growth in the first quarter by about 0.5 percentage point (with an offsetting boost in the second quarter). In addition, data released this week showed retail sales growing a bit slower than expected, raising concern that consumers are restraining spending. As a result, first-quarter growth likely will be lower than the employment report might suggest, at an annual rate of about 1.6 percent.

Inflation remains under control. The core CPI (excluding volatile food and energy prices) rose only 2.9 percent over the past 12 months—about the same as the past two and one-half years. As long as the economy does not appear overheated—and the stable inflation rate is strong evidence that it currently is not—the Federal Reserve is unlikely to raise interest rates, dispelling one threat to the expansion. Financial markets expect no change in Federal Reserve policy at next Tuesday's meeting of the Federal Open Market Committee, nor through the end of August.



Looking forward. The recent bounceback in consumer confidence, along with strong personal income growth and solid gains in household net worth, should help return consumer spending to firmer levels later this year, although rising household debt remains a potential stumbling block. Business equipment investment has been robust, as technological advance continues to prompt purchases of new capital goods. Residential construction should gain momentum, as housing starts have risen the past few months (see chart). In

addition, economic growth should be supported by improvement in the economies of our major trading partners: Employment in Canada has grown more in the past 3 months than in the previous year and Japanese GDP grew by a surprisingly strong annual rate of 3.6 percent in the fourth quarter—a sign that it is recovering from its doldrums. Thus, exports should continue their recent strong gains, helping to power the economy over the balance of 1996.

THE PRESIDENT HAS SEEN
3-26-96

CURRENT DEVELOPMENT

U.S. Economy Outpacing Japan and Germany

Over the past 3 years, economic growth in the United States has been significantly stronger than in either Japan or Germany (see table). This divergence in growth rates has been mirrored in employment, which has risen substantially in the United States, stagnated in Japan, and actually fallen in Germany. In addition, U.S. exports have grown relatively rapidly, reflecting improved U.S. competitiveness. As a result, the U.S. share of world exports now stands at roughly 13 percent, substantially higher than for Japan or Germany.

But lower than our 70's GDP at 22 and our investment per capita

Analysis. The comparatively better performance of the U.S. economy partly reflects different stages of the business cycle in the three countries. When Japan and Germany emerge from their recessions, the performance gap with the United States should narrow.

Despite this recent solid growth and employment record, the United States continues to lag in several measures believed to affect long-term performance. In particular, although the budget deficit has fallen in the United States while rising in Japan and remaining roughly constant in Germany, our gross investment and saving rates are significantly lower (the smaller budget deficit in the United States is not sufficient to offset our paltry private saving rate). Higher investment and saving rates are essential for maintaining and improving our economic performance in the future.

Cf. Woody Brock Japan adjusted for currency

Economic Performance, 1993-95 (percent)

	United States	Japan	Germany
Real GDP growth	2.6	0.5	1.3
Industrial production growth	4.2	-0.2	-1.1
General budget deficit as a percent of GDP in 1995	1.8	3.3	3.6
Employment growth	2.4	0.1	-1.0
Export volume growth	6.6	3.5	1.5
Share of worldwide exports, 1995	12.6	8.0	9.4
National saving, as a percent of GDP in 1995	15.5	30.6	21.9
Total fixed investment, as a percent of GDP in 1995	17.3	28.1	21.8

Note: Unless otherwise noted, table gives geometric mean of year-over-year growth rates. All data for Japan and Germany in 1995 are based on International Monetary Fund estimates. Saving rate in 1995 is an estimate for United States.

THE PRESIDENT HAS SEEN
3-26-96

ARTICLE

Should Employers Pay More When They Lay Off Workers?

Recent layoff announcements often have been greeted by cheers from Wall Street but by heightened anxiety from workers. In response, some observers question whether the unemployment insurance (UI) system charges firms an appropriate cost for laying off workers. They argue that changes in the system could discourage layoffs by firms. This Article assesses this issue by weighing the advantages and disadvantages of more closely linking an employer's UI payroll tax to its layoff experience.

Experience Rating. Unemployment benefits are financed by employer payroll taxes. In general, the taxes that employers pay depend partly on their past layoff experience. A fully "experience-rated" system would have employers pay the entire cost of the unemployment benefits received by their laid-off workers. The current system is less than fully experience rated. The Federal Government provides strong incentives for states to have some experience rating in their UI systems, but states have substantial leeway to set their own policies. Consequently, the degree of experience rating varies a lot across states. Recent estimates suggest that the average employer pays a tax equal to roughly 60 percent of the laid-off employee's UI benefits.

Benefits of Increasing Experience Rating. Many economists believe that increasing the degree of experience rating in the UI system would:

- **Reduce layoffs.** Requiring firms to pay more of the costs of layoffs would likely reduce temporary layoffs. One recent study estimated that approximately 30 to 50 percent of unemployment due to temporary layoffs (rather than to permanent job loss or to quits) could be avoided with full experience rating. This reduction in temporary layoffs would reduce the average unemployment rate by roughly 0.2 to 0.5 percentage point, with a greater reduction during recessions when temporary layoffs represent a larger share of unemployment. Furthermore, full experience rating also may lead to some reduction in permanent job losses.
- **Better allocate resources.** Under the current UI system, industries that experience a lot of layoffs are subsidized by industries that do not. Studies have found that highly cyclical and seasonal industries like manufacturing and construction receive subsidies from more stable industries like finance, retail, and services. For example, a recent study reported that during the 1980s construction workers received roughly two-thirds more in benefits than their firms paid in taxes, whereas benefits for workers in finance, insurance, and real estate represented only about half the taxes paid. Moving to a fully experience-rated UI system would eliminate such cross-industry subsidies and improve allocation of resources.

Costs of Increasing Experience Rating. Some observers do not believe that increasing the amount of experience rating is appropriate. They argue that more experience rating would:

- **Increase employer scrutiny over UI claims.** Under a fully experience-rated system, employers have greater incentives to challenge UI claims and to encourage workers to quit rather than be laid off. Studies have found that employers who face an increase in taxes for laying off workers were more likely to contest UI claims. This evidence, however, does not necessarily indicate that such appeals were excessive.
- **Reduce employer insurance.** Full experience rating would make employers bear the entire cost of bad economic shocks, such as a temporary fall in demand for their product, whereas the current system provides them with some insurance.

Conclusion. Many economists believe that an increase in the degree of experience rating in the UI system would be desirable. To the extent that UI payments received by job losers are a good measure of the social cost of unemployment, forcing employers to bear these costs would ensure that workers would not be laid off unless the benefits to employers exceeded the social costs. Increasing the amount of experience rating in the UI system would reduce temporary layoffs and increase efficiency. More experience rating, however, likely would not have much of an effect on the corporate downsizing that has captured so much recent attention, since the increase in employer layoff costs resulting from full experience rating would represent only a small fraction of the total cost-savings associated with downsizing.

THE PRESIDENT HAS SEEN
3-26-96

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Costs of Military Downsizing Below Projections. California has weathered recent defense cutbacks with less-than-predicted damage to communities near closed bases, to small defense firms, and even to the defense industry workforce, according to recent studies released by RAND researchers. Using data for 1989 to 1994, the studies show that California took a disproportionate hit in defense downsizing, and emphasize that substantial dislocation occurred in specific cases. Some communities, however, seem to have rebounded, as population, real estate values, and school enrollment rose in these areas after bases closed, while real estate vacancy rates and unemployment worsened only slightly. And even when economic conditions declined significantly, the damage typically fell far short of projections. The studies also show that aerospace workers lost jobs at about the same pace as workers in other durable goods manufacturing industries; they were unemployed for roughly the same amount of time; and they eventually rejoined the state's work force in similar proportions.

Delayed Marriages "Altar" Demographics. Continuing a decades-long trend, age at first marriage rose to 26.7 for men in 1994, the highest since statistics first were collected in 1890, according to the Census Bureau. The figure for women held steady at 24.5 years of age, which also is the highest level on record. Unmarried persons now make up 39 percent of all adults over 18, by comparison to just 28 percent in 1970. At the same time, the effects of delayed first marriages and rising divorce rates have lowered the proportion of children living with two parents (biological, step, or adoptive) from 85 to just 69 percent. Of children in one-parent families, 36 percent were living with a never-married parent, 37 percent with a divorced parent, and the remainder with a separated or widowed parent.

Supreme Court Affirms 1990 Census Count. The Supreme Court has affirmed the validity of the 1990 Decennial Census. A coalition of cities had sued the Commerce Department over a Bush Administration decision not to use statistical techniques to adjust the Census for acknowledged undercounting, primarily of poor urban-dwellers, many of whom are minorities. Adjusting for such statistical biases would have significantly affected the apportionment of Federal aid, as well as redistributed some congressional seats across the states. Widespread agreement among statisticians on the usefulness of adjusting for biases raised the question of whether failure-to-adjust was constitutional in light of the Constitution's mandate of an "actual Enumeration." Others, however, argued that the enumeration clause should be interpreted as prohibiting the use of statistical adjustment. The Court ruled that not adjusting the 1990 Census was constitutional, but it did not address the issue of whether future Census counts may be adjusted. In an attempt to save money and increase accuracy, the Census Bureau has previously announced plans to use statistical techniques to adjust the 2000 Census.

THE PRESIDENT HAS SEEN
3-26-96

INTERNATIONAL ROUNDUP

World Bank and IMF Agree on Approach to Debt Relief. The World Bank and the IMF recently agreed on a new approach to relieving the debt burden of impoverished countries with "unsustainably high" external debt—defined as extremely high levels of debt and debt payments compared to exports. This group includes roughly 41 countries. To qualify for debt relief, countries must not only meet the "unsustainable" debt criterion, but must also show "an extended track record of sound economic policies and management," which is defined as 6 years of successful reform. Qualifying countries will receive assurances from the multilateral agencies that their debt burdens will be brought down to sustainable levels within 10 years.

Investment Fund Launched to Target Microenterprises. Nonprofit organizations across the globe have recently founded Profund Internacional, S.A., the first private investment fund for lending to very small-scale businesses ("microenterprises") in Latin America and the Caribbean. This fund, capitalized at $25 million, represents a departure from the history of official donor-funded microlending in the region, which for the last 20 years has been primarily nonprofit. But as official aid flows have become increasingly scarce, the need for commercial for-profit institutions in the informal credit sector has grown. Microenterprises play a critical role in the development process as they help reduce poverty, especially among women, and provide employment to at least 150 million people in the region overall. However, microenterprises have a hard time getting loans from traditional credit institutions, who consider small borrowers too risky. Profund should help close this gap by investing in microfinance institutions with a demonstrated ability of reaching clients in the informal sector.

Strong Growth Sends Israel's Trade Deficit Upwards In 1995. The Israeli economy, which has been surging ahead at an average growth rate of 6 percent per year since 1990, recorded a trade deficit equivalent to nearly 14 percent of GDP in 1995. Because its domestic market is small, Israel is highly dependent on foreign trade: In 1995, the sum of exports and imports equaled 80 percent of GDP. U.S. exports to Israel totaled $5.3 billion in 1995, up 24 percent over 1994. This gives the United States a 19 percent share of the Israeli import market, compared with the European Union's share of 52 percent. The large Israeli trade deficit would be unsustainable if not for the financing provided by capital inflows, which amounted to $7.5 billion in 1995. U.S. aid accounted for $3 billion of these inflows, while another $2.1 billion was in the form of foreign investments. Israel enjoys a favorable international credit rating and its foreign debt, at 22 percent of GDP, represents a relatively low burden on the economy.

RELEASES THIS WEEK

Retail Sales

Advance estimates show that retail sales increased 0.8 percent in February. Excluding sales in the automotive group, retail sales increased 0.4 percent.

Housing Starts

Housing starts rose 3.0 percent in February to a seasonally adjusted annual rate of 1.49 million units.

MAJOR RELEASES NEXT WEEK

Consumer Confidence—Conference Board (Tuesday)
Advance Durable Orders (Wednesday)
U.S. International Trade in Goods and Services (Friday)

U.S. ECONOMIC STATISTICS

	1970–1993	1995	1995:2	1995:3	1995:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.4	0.5	3.6	0.9
GDP chain-type price index	5.3	2.6	2.5	2.2	2.2
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	0.8	3.0	1.7	–0.5
Real compensation per hour:					
Using CPI	0.6	1.4	2.0	2.2	0.6
Using NFB deflator	1.3	2.2	3.2	2.4	2.4
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.2	10.2	10.3
Residential investment	4.5	4.0	3.9	4.0	4.0
Exports	8.2	11.1	11.1	11.1	11.3
Imports	9.2	12.5	12.8	12.5	12.3
Personal saving	5.1	3.3	2.9	3.2	3.6
Federal surplus	–2.7	N.A.	–2.2	–2.2	N.A.

	1970–1993	1995	Dec. 1995	Jan. 1996	Feb. 1996
Unemployment Rate	6.7**	5.6**	5.6	5.8	5.5
Payroll employment (thousands)					
increase per month			145	–188	705
increase since Jan. 1993					8397
Inflation (percent per period)					
CPI	5.8	2.5	0.2	0.4	**0.2**
PPI-Finished goods	5.0	2.2	0.6	0.3	–0.2

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1994	1995	Jan. 1996	Feb. 1996	March 21, 1996
Dow-Jones Industrial Average	3794	4494	5179	5519	5627
Interest Rates					
3-month T-bill	4.25	5.49	5.00	4.83	4.94
10-year T-bond	7.09	6.57	5.65	5.81	6.28
Mortgage rate, 30-year fixed	8.35	7.95	7.03	7.08	7.81
Prime rate	7.15	8.83	8.50	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	**Current level March 21, 1996**	**Percent Change from Week ago**	**Year ago**
Deutschemark-Dollar	1.478	+0.2	+4.3
Yen-Dollar	106.7	+1.2	+19.4
Multilateral $ (Mar. 1973=100)	86.56	0.0	+3.1

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	1.4 (Q4)	5.5 (Feb)	2.7 (Feb)
Canada	0.6 (Q4)	9.6 (Jan)	1.7 (Dec)
Japan	2.2 (Q4)	3.4 (Jan)	–0.3 (Dec)
France	0.7 (Q4)	12.3 (Oct)	2.1 (Dec)
Germany	1.5 (Q3)	6.8 (Dec)	1.5 (Dec)
Italy	2.4 (Q4)	11.9 (Oct)	5.8 (Dec)
United Kingdom	1.9 (Q4)	8.4 (Jan)	3.3 (Dec)

THE PRESIDENT HAS SEEN
3-26-96

THE WHITE HOUSE

WASHINGTON

March 22, 1996

96 MAR 22 P9:02

See Misc. Memo

MEMORANDUM FOR THE PRESIDENT

FROM: **KITTY HIGGINS**

SUBJECT: **Summary of Cabinet Weekly Reports**
March 15 - March 22

DEPARTMENT OF TREASURY

- **U.S. Court of Appeals Upholds Brady Law:** On March 15th, the U.S. Court of Appeals for the Second Circuit reversed a decision made by the U.S. District Court of Vermont and upheld the constitutionality of the Brady law. The appeals court found that the background check requirement in the law places only minimal duties on local law enforcement, and that state police can serve as the law enforcement entity designated to conduct background checks.

- **District of Columbia:** If the D.C. Appropriations bill is passed within the next three weeks, the District will receive the remaining $219 million of its federal payment before it runs out of cash to fund core disbursements. The District is still conserving cash and is only funding core disbursements such as payroll, debt service, pension fund contributions and certain benefits. Treasury is leading a small Administration working group to develop a strategy and a financing vehicle to deal with the District's accumulated deficit.

- **Reinventing Government:** Treasury's survey of the Department's regulations has thus far led to the elimination or reinvention of 1,228 pages of regulations, and the initiation of rulemakings to eliminate or reinvent an additional 319 pages. Additionally, the IRS has reinvented or eliminated 469 pages of other guidance documents.

- **Health Insurance Reform:** On March 19th, the Ways and Means Committee passed a bill which would provide for health insurance "portability" when workers change jobs. The bill would also provide for medical savings accounts and increase the deductibility of health insurance premiums for the self-employed from 30 percent to 50 percent. These provisions will be paid for by denying the Earned Income Tax Credit to individuals not authorized to work in the U.S. and by a revision of the bad debt deduction for thrift institutions that convert into banks.

THE PRESIDENT HAS SEEN
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- **IRS Commission:** As part of its FY96 spending bill, the Senate agreed to an amendment by Senator Dole that would give the Republicans an additional four appointments to the National Commission on Restructuring the IRS. This would leave the Commission with eight Democrats and nine Republicans.

DEPARTMENT OF COMMERCE

- **Economic Indicators**:

Manufacturing and Trade, Inventories and Sales	March 21
Advance Report on Durable Goods	March 27
Investment Plans Survey for 1996	March 28
U.S. International Trade in Goods and Services	March 29

- **Eizenstat Confirmation:** Senator D'Amato stated his intention to move Ambassador Stuart Eizenstat's nomination through the Senate before the April recess.

Council on Competitiveness Report: The Council on Competitiveness is circulating early copies of a new report on the importance of research and development to selected members of Congress. The report positively describes NIST's partnership programs. Public release is expected in April.

ATP Congressional Report: On March 28, NIST will send to Congress a mandated report on the status of the Advanced Technology Program and its impact to date. The report highlights the positive impacts of this unique government/private partnership, and some successful anecdotes from ATP participants.

Tokyo Summit: On April 16-17, Secretary Brown is scheduled to accompany the President to Tokyo, Japan for the Summit postponed from November. From Tokyo, he will depart on April 18 and travel to Jamaica to participate in the Caribbean BDC Meeting in Kingston through April 21.

DEPARTMENT OF LABOR

- **General Motors/UAW Settle Strike:** The walkout at the two Dayton, Ohio, GM brake plants began March 5 and involved 3,200 people. By the time of its resolution sixteen days later, 27 of 29 North American assembly plants were shut down, over 166,000 GM workers were idled, and thousands of workers had been laid off by GM suppliers. Members of UAW Local 696 voted by a 95 percent margin to approve the tentative agreement reached between UAW and GM. UAW Local workers went back to work today (Friday), and as soon as parts are received at other plants the remaining idled workers will return.

- **Yale University:** There is a possibility that a work stoppage at Yale University may resume as early as March 25.

THE PRESIDENT HAS SEEN
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- **Federal Express:** On March 18, Federal Express Corp. and the Air Line Pilots Association announced that they had reached a tentative agreement on a first contract covering 3,000 pilots.

- **Caterpillar:** On March 19, Caterpillar Inc. announced that it will close its parts plant in York, PA. About 750 of the 1,100 affected workers are represented by the UAW. The shutdown will begin in the next few weeks and is expected to be completed in two to three years.

- **AFL-CIO:** On March 25, the AFL-CIO will hold a special convention to consider a one-year assessment of 15 cents per month per union member. The assessment will generate about $25 million towards the federation's goal of $35 million for political action. The difference will be made up by direct contributions from the AFL-CIO and its larger affiliates.



Minimum Wage: Senators Kennedy and Daschle held a press conference on March 21 to reiterate their intention to attach the Administration's minimum wage increase proposal to the first appropriate vehicle on the Senate floor. There is a possibility that the amendment will be brought up during the week of March 25.

- **Ann Landers:** A letter from the Secretary will run on March 27 in Ann Landers' column addressing worker anxiety and the administration's accomplishments.

DEPARTMENT OF TRANSPORTATION

- **Burlington Northern Sante Fe (BNSF) Freight Train Derailment:** On March 21, a southward bound BNSF freight train consisting of three locomotives and 103 cars derailed at Ada, OK. Seven cars of denatured alcohol were involved in the derailment. An evacuation, affecting approximately 1,500 people, was ordered. Federal Rail Administration (FRA) has a hazardous materials inspector at the site. FRA and BNSF are investigating the cause of the accident.

- **Tank Barge Spills Oil off Galveston, Texas:** On March 18, the Tank Barge BUFFALO 292, while being towed in the Houston Ship Channel, sustained catastrophic hull damage and began spilling oil. The barge was carrying 17,000 barrels of No. 6 fuel oil (heavy and persistent, not likely to dissipate easily), of which 4,200 barrels have spilled. The Coast Guard is coordinating response operations with federal, state and local officials.

- **U. S. - France Aviation Talks:** On March 21, DOT issued an order denying most of the 500 additional flights requested by Air France. In response, the French have suggested that they would escalate the dispute by reducing U.S. carrier operations below their summer 1995 level. Embassy Paris has asked the French not to take any action until Assistant Secretary Hunnicutt has personally discussed the situation with French aviation officials in Paris next week.

THE PRESIDENT HAS SEEN
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- **U. S. - Japan Aviation Talks:** The U.S. and Japan plan to resume cargo-liberalization negotiations in Tokyo on March 25. Your summit in Tokyo in April is an opportunity for discussions with the Prime Minister about this subject, and how closure might be achieved and the possibility of future passenger negotiations.

- **Additional Aviation Talks:** Civil Aviation talks are scheduled with Colombia the week of April 15; with Brazil from April 29 - May 1; South Africa on March 25; and Singapore April 23-25. Singapore has asked for negotiations to obtain an Open Skies aviation accord with the United States.

- **FAA Reform Rollout:** Vice President Gore, Secretary Peña and Federal Aviation Administrator Hinson will participate in the rollout of FAA personnel and acquisition reforms on March 28, followed by possible trips to New York, Cleveland, and Chicago, April 1-3.

- **Global Positioning System:** The Presidential Policy on the Global Positioning System is being prepared for announcement in Washington, D.C. next week with Secretary Peña and Defense Secretary Perry. Industry analysts indicate that over the next five years, the GPS industry has the potential to create 100,000 new U.S. jobs in a global market of $8 billion. Half of all GPS revenues are expected to go to California-based companies.

- **Olympic Preview:** On March 27, near the Washington Monument, Secretary Peña will join Vice President Gore for a photo opportunity in front of public transit buses that will be examples of the national public transit fleet headed to Atlanta for the Summer Olympics. The Secretary will also brief the Vice President on how DOT has assisted with the overall Olympic/Paralympic transportation plan.

- **NAFTA--Texas Poll:** A recent news article in the *Dallas Morning News* cited that most Texans are concerned about the safety problems that Mexican trucks pose on Texas highways. A survey conducted by the University of Texas shows that 55 percent of the respondents believe that opening Texas highways to trucks from Mexico poses a very serious concern for traffic safety. The survey also showed that 46 percent of respondents believe NAFTA has been very beneficial or somewhat beneficial to the Texas economy. According to U.S. DOT data, Mexican trucks carry 80 percent of the $100 billion in U.S.-Mexico trade, and 70 percent of that traffic goes through Texas.

- **Pilot Employment Histories:** Secretary Peña is about to endorse legislation to require that relevant aspects of a pilot's employment and National Driver Register records be obtained by a prospective airline employer to ensure that adverse safety history is known before hiring.

- **Rail Safety Article:** *U.S. News & World Report* is preparing a comprehensive article on the status of rail safety in America for early April. *U.S. News* has been attending congressional hearings, talking to all segments of the rail industry, the National Transportation Safety Board and labor.

- **PA Governor Endorses Gas Tax Increase:** Governor Ridge has endorsed an increase in the gas tax, not to exceed 6.5 cents, the largest ever in PA history. This increase would bring the Commonwealth's total State tax to 28.85 cents, the third highest in the Nation (behind Connecticut and Rhode Island). With a nearly $1 billion estimate of damage sustained to the State's infrastructure during recent flooding, and with tremendous maintenance needs even before the "floods, fire and other pestilence," Governor Ridge has declared that "this final option" must be pursued. PA DOT maintains more miles of highway than New York, New Jersey, and all New England States combined.

UNITED STATES TRADE REPRESENTATIVE

- **Canadian Lumber:** Ambassador Shapiro met with Canadian federal and provincial officials in a further effort to bring the February 16th Agreement-in-principle on softwood lumber to a final agreement in time for an April 1st implementation.

DEPARTMENT OF JUSTICE

- **Indictment Charges 17 with Major Drug Offenses in California:** On March 11, in the Northern District of California, an 11-count indictment was unsealed and 17 defendants were arrested on charges of conspiracy to distribute and possession with intent to distribute both powder cocaine and crack cocaine, as well as related substantive drug charges.

- **Largest Fine Ever Levied for Hiring of Illegal Workers in New York:** On March 21, Commissioner Meissner announced that a $1.5 million Notice of Intent to Fine will be levied against a janitorial company in New York for repeatedly hiring illegal workers.

- **Nevada District Court Reaffirms That the United States Owns and Has the Authority to Manage Public Lands in Nye County, Nevada:** On March 14, the district court granted the United States' motion for partial summary judgment in this county supremacy case. In addition to reaffirming the United States' rights to manage unappropriated public lands and National Forest System lands within Nye County, the court declared invalid and unenforceable Nye County Resolution 93-49 (giving Nye County ownership of and management authority over paths and roads across public lands) to the extent it applies to roads for which no valid right of way exists under federal law.

- **Supreme Court Grants Government's Petition for Certiorari to The Ninth Circuit's Grant of Relief for a Convicted Alien Drug Offender:** On March 18, the Supreme Court granted the government's petition for certiorari in Mohammad Baher Elramly v. INS. This case raises the question of whether the Board of Immigration Appeals can require an alien who is deportable because of his conviction of a drug trafficking offense to demonstrate unusual or outstanding countervailing equities before the Board will exercise its discretion to waive deportation.

THE PRESIDENT HAS SEEN
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- **Two Methamphetamine Labs Seized in Mexico:** On March 15, Mexican authorities seized an operational methamphetamine lab in a residence in Rosarito. Seized at the lab were 140 kilograms of ephedrine, which were in the process of being converted into methamphetamine.

- **Organization of American States to Fund Communications Network to Help Battle Drugs:** The Organization of American States announced recently that it will fund a communications network to facilitate information sharing on chemical and drug investigations and enforcement among Brazil, Columbia, and Peru. The network , the first of its kind, is expected to be established in Tabatinga, Brazil, and will target chemical diversion on the tri-nation river systems.

- **Media Inquiries:** On Sunday, *60 Minutes* will likely air a piece on the Marshals Service's management of a California casino seized as part of the government's asset forfeiture program.

- **FOIA Requests:** *60 Minutes* is seeking a listing of awards (including Presidential rank awards) given by INS in 1992 and 1993, including awardees' names and any videos, pictures, etc. of award ceremonies.

- **Travel:** On March 23, the Attorney General will address the National Youth Crime Prevention Conference in Miami. On March 24, she will address the National Conference on the Judiciary in Williamsburg. On March 25, Attorney General Reno will be meeting with the National Association of Attorneys General. On March 27, she will attend budget hearings on Capital Hill.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Reinventing Government:** HHS' streamlining plan will achieve a reduction of more than 7,000 full time employees between FY 1993 and 2000. In 1994 and 1995 together, HHS reduced 3,300 FTE and finished FY 1995 at 2,700 FTE under the target level. HHS used a combination of selective hiring freezes, attrition and buyouts to accomplish these reductions, and no employees were separated through reductions-in-force. The Department plans to reduce an additional 2,500 FTE below the FY 1995 actual level to reach its FY 2000 target.

- **Texas Welfare Waiver:** On March 22, HHS approved *Achieving Change for Texans*, a statewide welfare demonstration proposal that requires recipients ~~to sign a personal~~ responsibility agreement, addressing a range of issues from work requirements to parenting skills training. This will be the Administration's second welfare waiver approval for Texas and the 57th overall.

- **Texas Child Support Waiver:** On March 21, HHS approved a child support waiver that will allow families in need of child support services to receive such services automatically, without a special application as currently is required.

- **Final Rule on Physician Incentive Plans:** Next week, HHS will issue a final rule designed to protect Medicare and Medicaid beneficiaries from inappropriate financial incentives offered to doctors by certain managed care plans. Under the rule, managed care groups participating in the Medicare and Medicaid programs would be required to disclose incentive plans to HCFA or the state Medicaid agency, and to provide a summary of the plan to enrollers, if requested.

- **Tobacco Rulemaking Reopened with New Information:** On March 20, FDA reopened its tobacco-rulemaking process for 30 days to allow for public comment on information being added to the administrative record. The information includes three statements from former tobacco industry employees which describe, among other things, the industry's understanding of nicotine and industry practice with respect to the control of nicotine levels in cigarette manufacture.

- **RU-486:** The Abortion Rights Mobilization group in New York report it has made a copy of RU-486 and will begin testing to help speed the drug to market in the United States. The Population Council in New York, which obtained the United States patent rights to RU-486, stated that it had just completed clinical trials and that further testing is not necessary.

- **Child Support Enforcement:** This week, agents from HHS's Office of the Inspector General arrested Robert Lamas, Jr. in Texas for refusing to pay child support. His arrearages total more than $40,000; he has paid only $3,580 since 1979, and that money was collected through wage or tax attachments.

- **FDA Reform:** On March 27, the Senate Labor and Human Resources Committee is scheduled to consider the Food and Drug Administration Performance and Accountability Act. The legislation would specify a timeline for FDA review of new drugs, medical devices and biological products. It also would allow manufacturers to market approved products for "off label" uses that have not been approved by FDA.

- **Secretary to Deliver Speech at CDC:** April 1, Secretary Shalala will speak at CDC's 50th Anniversary celebration in Atlanta.

- ***MMWR* Article re: Philip Morris Cigarette Recall -- May 26, 1995:** An upcoming article in the March 29 *Mortality and Morbidity Weekly Report* (MMWR) analyzes a voluntary recall by Philip Morris of 36 cigarette product lines in spring of 1995. In May, when taste and odor problems, along with traces of methyl isothiocyanate, were detected at the company's North Carolina plant, the manufacturer initiated a voluntary recall. In June and July, CDC, in consultation with state and local health officials, made investigations of 72 episodes of illness among persons who reported smoking one of the recalled product lines. This article summarizes results of that investigation.

- **Media Inquiries:** *CBS Evening News* has been researching a story on how the Head Start program has been affected by the string of continuing resolutions. HHS and the Administration on Children and Families provided background.

- **Medicine Research:** The *New York Times* has been working on a story about NIH's Office of Alternative Medicine. Dr. Wayne Jonas, director of the office, was interviewed for the piece. The story may be critical of alternative medicine research and could run anytime.

- **Chronic Fatigue Syndrome:** *Prime Time Live* is preparing a story about chronic fatigue syndrome keying in on a new book that is critical of CDC's efforts. Other outlets have also expressed interest in the story.

- **HCFA**: Administrator Bruce Vladek, and other HHS officials, are scheduled for a joint interview with *NBC Dateline* on March 29 to discuss Operation Restore Trust (ORT), the Department's program to combat Medicare fraud. *NBC Dateline* is interested in gaining an overall picture of ORT, including the sponsors of ORT, the problems being addressed, the role of the Federal government, and the program's budget.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **"One Strike and You're Out" Announcement:** On March 28, Secretary Cisneros will participate in the Rose Garden ceremony with you to announce a new strict policy on cracking down on crime in public housing facilities. A number of mayors and police chiefs have been invited. To follow up on the announcement, the Secretary will highlight this new policy on the "Montel Williams Show" that will feature public housing. The show will air during the first week of April.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **National Drug Control Strategy:** Preparation of the strategy continues, with a target date of March 27 to circulate it to the agencies for review and a release date of April 24.

- **Proposal to Reprogram $250 million into Counterdrug Funds:** Federal agencies initially nominated $1.3 billion in programs for consideration. ONDCP is working with the agencies to tailor a final program that will be high impact, near term, and responsive to newly emerging drug threats or problems. DoD has identified a list of programs for rescission. ONDCP, in concert with OMB, is developing legislative language for the reallocation effort. The final package will be submitted to you in time for submission to FY '96 Budget Conference.

- **Supplemental Appropriations:** An amendment passed in the Senate by unanimous consent for ONDCP to get $3.9 milllion to hire 80 additional staff. The amendment was modified so that all offsets come from GSA. ONDCP will work with the House Leadership and the Appropriations Committee to support the amendment in Conference.

SMALL BUSINESS ADMINSTRATION

- **Women's Demonstration Site:** On March 26, the Administrator will visit an SBA Women's Demonstration Site in Albuquerque, NM, which supports 54 women's business centers nationwide that provide training and assistance on financial management, marketing and procurement matters to more than 2,000 women every month.

- **Technology Innovation:** On March 28, the Administrator will participate in a Technology event on the Hill with Senators Kennedy and Kerry to highlight the Small Business Innovation and Research.

VETERANS AFFAIRS

- **Vice President Gore to Visit Milwaukee:** Vice President Gore is expected to visit the Veterans Affairs Medical Center in Milwaukee on March 26 to present the facility with a Hammer Award for their telepathology initiative.

- **Congress:** The House Government Reform and Oversight Committee/Subcommittee on Human Resources and Intergovernmental Relations will hold the second of three hearings on Persian Gulf issues. Dr. Thomas L. Garthwaite, Deputy Under Secretary for Health, will testify.

- **Contaminated Equipment Believed to be Cause of Five Deaths:** The recent deaths of five patients at the VA Medical Center in Temple, TX, has received widespread media coverage. An oxygen supply system in the process of being installed at the hospital was found to be contaminated. It is not yet known whether the deaths are related to the newly installed equipment. An investigation is underway. Continued media coverage is expected.

- **Secretary to Address Veterans Clinic in Colorado:** Secretary Brown will address the participants and sponsors of the National Disabled Veterans Winter Sports Clinic in Crested Butte, Colorado, March 24 - 29. The Clinic, co-sponsored with the Disabled American Veterans, provides rehabilitation to physically and visually challenged veterans through skiing and other sports.

SOCIAL SECURITY ADMINISTRATION

- **Hearing on Social Security Advisory Council Report:** On March 25, the Senate Finance Subcommittee on Social Security will hold a hearing on the Social Security Advisory Council

Report which has not yet been finalized. Advisory Council Chairman Edward Gramlich, and members Robert Ball and Syl Schieber, as well as the chairs of the Council's two technical panels, have been invited to testify.

DEPARTMENT OF INTERIOR

- **Atlanta:** The Department is working closely with Park Service staff at the Martin Luther King, Jr., National Historic Site for a formal dedication of the new vivstor complex at the MLK site in late May or early June.

- **Executive Order on National Wildlife Refuge System**: The proposed Executive Order, for your signature, will direct the Secretary of the Interior to take certain actions to improve the management and general public use of the National Wildlife Refuge System. The Secretary would like to announce the Executive Order on March 25 at a national convention on wildlife refuges.

- **Parks Initiative:** The Department has prepared a Presidential Initiative for the National Parks. Entitled **Parks For Tomorrow**, this initiative brings together a number of legislative and executive proposals to renew and protect National Parks, Historic Sites, Battlefields, Seashores, and other open spaces. The proposals include: reforming fee and concessions policies, broadening the authority of the National Park Foundation, improving park housing and transportation systems, park wilderness designations, enhancing partnerships and natural heritage initiatives, and creating tax incentive programs. This initiative should be ready to announce in early April.

- **Grazing:** The Senate is currently debating the Domenici Grazing Bill. The Administration has sent a SAP in which the Secretaries of Interior and Agriculture recommend a veto should the legislation pass the Senate and House unchanged.

- **Glen Canyon Dam:** The Secretary will initiate a first-of-its-kind test at Glen Canyon Dam on the Colorado River on March 26. This test will mimic the seasonal pre-dam flooding of the river in an effort to restore natural beaches and wildlife habitat in the Grand Canyon. A more natural flow of the Colorado River will be "recreated," without sacrificing power or water capture.

- **Outdoor Life Network:** Interior officials met with executives from the newly-created *Outdoor Life Network (OLN)*, a new company with about 4 million cable viewers now and an anticipated 10 million + within a year. *OLN* executives are interested in making use of DOI resources to create informative programming about outdoor recreation resulting in a unique marketing vehicle for promoting information about Interior programs.

- **Washington Post Op-Ed:** The Secretary prepared an op-ed piece for *The Washington Post*, which is doing a special section on the environment next week or soon thereafter.

THE PRESIDENT HAS SEEN
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UNITED STATES DEPARTMENT OF AGRICULTURE

- **Focus On Karnal Bunt Situation:** On March 21, Secretary Glickman declared a state of emergency to pave the way for the management and control of Karnal bunt (a fungus affecting wheat). These steps are being taken to protect U.S. producers and export markets and to provide growers affected by Karnal bunt with the best options. The Animal and Plant Health Inspection Service (APHIS) is conducting a national export elevator sampling and testing project to assure that U.S. grain continues to move to export markets. The Foreign Agricultural Service and APHIS continue to work with trading partners to ensure that we are meeting their requirements.

  It is believed that the infection remains localized in southwestern AZ and adjacent areas of NM and TX. A shipment of Durex variety seed sent to Joplin, MT from AZ tested positive for Karnal bunt and none of that shipment has been sold or distributed. If it is found, destruction of infected wheat is only one of the options used for eradication.

  The following countries have agreed to regulations for moving U.S. wheat: Mexico; Taiwan; Brazil; Turkey; Honduras; Uzbekistan; Tunisia; Guatemala; Indonesia; Egypt; El Salvador; Morocco; and China. China's acceptance is valid through March. A science panel of state, federal, and other experts will convene again to make further recommendations to Secretary Glickman.

- **Environmental Group Loses Salvage Sale Bid:** The Forest Service will not award the Thunder Mountain salvage sale on the Okanogan National Forest (WA) to the Northwest Ecosystem Alliance, a western WA environmental group that outbid two logging companies for the rights to log the sale. This was the first time in Forest Service history that someone bid on a timber sale with no intention of harvesting. The contract included the harvesting and removal of 3.5 million board feet of dead timber. After careful review of the law, it was determined that the Forest Service had no option but to offer the sale to the highest qualified bidder. The qualified bidder must cut the timber.

Little Progress Made On Russian Ban Of U.S. Poultry: Despite assurances received at the highest levels, the US continues to receive a mixed message from Russia as to whether or not the previously announced deadline of March 16 for a cutoff of U.S. shipments of poultry to Russia still applies. Russian veterinary officials had laid down the deadline for resolving their sanitary concerns about U.S. poultry processing plants. U.S. officials resumed discussions with Russian officials this week. In a related matter, Russian officials raised concerns over U.S. testing procedures for trichinosis in hog carcasses. They implied that no new import licenses will be issued for U.S. pork exports to Russia until these latest questions are addressed.

THE PRESIDENT HAS SEEN
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DEPARTMENT OF ENERGY

- **Senator Thurmond Press Release on Cleanup Budget:** Chairman Strom Thurmond released a statement this week criticizing your Administration's FY 1997 budget request and calling for the dismantlement of the Department and for Secretary O'Leary's resignation.

- **Meeting with President of Turkey:** On March 29, Secretary O'Leary will meet with Turkey's President, Suleyman Demirel, during his State Visit to discuss development of the Turkish energy sector and opportunities for the U.S. energy sector.

- **Nuclear Nonproliferation Initiative:** The Departments of Energy and State are engaged in an important nuclear nonproliferation initiative to return spent nuclear fuel from foreign research reactors. Public meetings were held in SC and CA.

- **Hanford Site:** On March 27, Secretary O'Leary will meet with Senator Gorton and Rep. Hastings to discuss a proposal to utilize the Fast Flux Test Facility at the Hanford Site in eastern Washington as a source for tritium production. Tritium is a necessary component of nuclear weapons, and the Department is currently examining technologies for production.

ENVIRONMENTAL PROTECTION AGENCY

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- **Proposed Rule for Hazardous Waste Combustion Facilities:** On March 20, Administrator Browner proposed the toughest standards ever for controlling air pollutants such as dioxin and lead that come from burning hazardous waste in incinerators and cement kilns. These facilities account for approximately 80% of total hazardous waste incineration nation-wide. EPA's standards will protect the health of Americans living near these facilities that burn hazardous waste. The rule will control important air pollutants, including dioxin, lead, mercury, and dust -- reducing emissions from these facilities by as much as 98%.

- **PCB Lifted:** In 1980, EPA banned the importation of wastes containing the pollutant PCB'S into the United States. Last week EPA lifted that ban, thereby allowing the burning of PCB wastes coming into the country from Canada, Mexico and elsewhere. EPA lifted the ban because it was established in order to allow the U.S. to develop the necessary capacity to address the PCB-disposal problem, which has happened. Since the ban, science

has learned that persistent pollutants like PCB's can be transported globally in the atmosphere, and proper disposal is more important than ever. Articles on the ban appeared in the *Washington Post*, *AP*, and the *LA Times*.

DEPARTMENT OF EDUCATION

- **Education Summit:** On March 26, the Secretary will address the National Governors' Association's Education Summit in Palisades, NY. The two-day meeting of governors and business leaders will focus on how States can establish specific standards of achievement consistent with the National Education Goals and how technology can be better used in the classroom.

GENERAL SERVICES ADMINISTRATION

- **Sale of Governors Island:** OMB predicts the sale of the Island could bring as much as $500 million. Interest has heightened as Rep. Molinari has sponsored legislation to facilitate sale to the City.

OFFICE OF PERSONNEL AND MANAGEMENT

- **Retirement Model Prepared for Subcommittee:** House Civil Service Subcommittee Chair Mica has expressed an interest in exploring the idea of allowing Federal employees to invest their retirement contributions in funds similar to the Thrift Savings Plan. OPM has prepared an economic model for a "Federal Employees' Retirement System (FERS) Equivalent Defined Contribution Plan." The proposal was cleared by OMB and forwarded to the Subcommittee on March 21.

DEPARTMENT OF STATE

- **Bosnia:** On March 18, Secretary Christopher emphasized to Presidents Milosevic and Tudjman and Acting President Ganic in Geneva the U.S.'s determination to ensure full compliance with the Dayton Accords. The Secretary set the scene for the Moscow Contact Group Ministerial on March 23, which officially marks the beginning of the second stage of implementation following the final transfer of territory under the Dayton Accords. The "D-90" milestone of a reunified Sarajevo was marred by looting and destruction before the transfer of Grbavica, the last Serb-held area of Sarajevo. It will require strong efforts to see that the sense of partition now prevailing in the Bosnian capital does not radiate through the whole country. To this end, the Department is leading an intensive effort to keep the parties meeting together to make progress on Federation issues.

- **Sharm el-Sheikh Follow-up:** The U.S. will chair the "Counter-Terrorism Coordinating Conference," the follow-on to the Sharm el-Sheikh Summit of the Peacemakers, at the State Department, March 28-29. This conference will produce an action plan with

recommendations and questions to be resolved for a follow-up ministerial on or about April 13. Delegations from all the participants at the Sharm el-Sheikh summit have been invited. State Department officials are informing the Syrians and Lebanese that their participation would be welcome, but are not putting them in a position to turn down another formal invitation.

DEPARTMENT OF DEFENSE

- **China:** Operating in international waters, the aircraft carrier *USS Independence* and its battle group elements have been monitoring Chinese missile tests and military live-fire exercises in the waters surrounding Taiwan. To further demonstrate U.S. commitment to peace and stability in the region, the carrier *USS Nimitz* and its battle group elements are scheduled to arrive in the area next week. Additionally, the aircraft carrier *USS George Washington* is moving from the Mediterranean into the Arabian Gulf.

- **Charleston, SC:** At a ceremony in Charleston on March 15, the Department of the Navy formally marked the closure of the Charleston Naval Shipyard and Naval Station, which began operating in 1901. Nearly the entire industrial area of the shipyard has been leased out to private entities engaged in ship repair, ship overhaul and manufacturing activities. Of the approximately 5,000 jobs lost as a result of closure of the navel Complex, 1,600 have already been replaced.

- **First Lady's Trip:** The Office of the Secretary and the Joint Chiefs of Staff have worked closely with the First Lady's office to ensure her trip to Tuzla and Baumholder is both meaningful and productive. Secretary of the Army Togo West and Deputy Assistant Secretary of Defense for Personnel Support, Families, and Education Carolyn Becraft will join the First Lady in Germany.

- **Former President Bush's Inquiry:** This week the Secretary wrote former President Bush with background information on Persian Gulf Illness. President Bush wrote Secretary Perry last month and asked for information on what the Administration was doing to help Veterans of the Persian Gulf War.

UNITED NATIONS

- **Libya:** On March 21, the UN Security Council renewed sanctions against Libya without change. US efforts to strengthen the sanctions did not succeed.

- **Capitol Hill:** On March 28, Ambassador Albright is scheduled to testify before the House International Relations Committee regarding U.S. policy toward Iraq, including the issue of UN economic sanctions.

CENTRAL INTELLIGENCE AGENCY

- **Paris Report:** Director Deutch received the report of the CIA Inspector General on the compromise of intelligence operations in Paris. The report highlights a number of reasons that led to the compromise of Paris Station. Considerable progress has been made in several of the areas mentioned in the report, including counterintelligence awareness. After the Agency's accountability panel has completed its work, the DCI will address the other concerns outlined in the IG report.

UNITED STATES INFORMATION AGENCY

- **Haitian President at VOA:** Rene Preval, newly elected President of Haiti, visited the Voice of America immediately after his White House meeting with you.

- **Fulbright Fellow:** USIA is bringing 20 notable leaders in various fields from other countries to the US to lecture and consult as a part of the year-long celebration of the Fulbright Program's 50th Anniversary. Director Duffey will be the keynote speaker June 9th at the opening session of the Worldwide Meeting of the Fulbright Commission Executive Directors.

cc: The Vice President
Leon Panetta
Evelyn Lieberman
Harold Ickes
George Stephanopoulos
Alexis Herman
Carol Rasco
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Donald Baer
Ron Klain
Rahm Emanuel
John Hilley

THE PRESIDENT HAS SEEN
3-26-96

- **Two Methamphetamine Labs Seized in Mexico:** On March 15, Mexican authorities seized an operational methamphetamine lab in a residence in Rosarito. Seized at the lab were 140 kilograms of ephedrine, which were in the process of being converted into methamphetamine.

- **Organization of American States to Fund Communications Network to Help Battle Drugs:** The Organization of American States announced recently that it will fund a communications network to facilitate information sharing on chemical and drug investigations and enforcement among Brazil, Columbia, and Peru. The network , the first of its kind, is expected to be established in Tabatinga, Brazil, and will target chemical diversion on the tri-nation river systems.

- **Media Inquiries:** On Sunday, *60 Minutes* will likely air a piece on the Marshals Service's management of a California casino seized as part of the government's asset forfeiture program.

- **FOIA Requests:** *60 Minutes* is seeking a listing of awards (including Presidential rank awards) given by INS in 1992 and 1993, including awardees' names and any videos, pictures, etc. of award ceremonies.

- **Travel:** On March 23, the Attorney General will address the National Youth Crime Prevention Conference in Miami. On March 24, she will address the National Conference on the Judiciary in Williamsburg. On March 25, Attorney General Reno will be meeting with the National Association of Attorneys General. On March 27, she will attend budget hearings on Capital Hill.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Reinventing Government:** HHS' streamlining plan will achieve a reduction of more than 7,000 full time employees between FY 1993 and 2000. In 1994 and 1995 together, HHS reduced 3,300 FTE and finished FY 1995 at 2,700 FTE under the target level. HHS used a combination of selective hiring freezes, attrition and buyouts to accomplish these reductions, and no employees were separated through reductions-in-force. The Department plans to reduce an additional 2,500 FTE below the FY 1995 actual level to reach its FY 2000 target.

- **Texas Welfare Waiver:** On March 22, HHS approved *Achieving Change for Texans*, a statewide welfare demonstration proposal that requires recipients ~~to sign~~ a personal responsibility agreement, addressing a range of issues from work requirements to parenting skills training. This will be the Administration's second welfare waiver approval for Texas and the 57th overall.

- **Texas Child Support Waiver:** On March 21, HHS approved a child support waiver that will allow families in need of child support services to receive such services automatically, without a special application as currently is required.

THE PRESIDENT HAS SEEN
3-26-96

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Costs of Military Downsizing Below Projections. California has weathered recent defense cutbacks with less-than-predicted damage to communities near closed bases, to small defense firms, and even to the defense industry workforce, according to recent studies released by RAND researchers. Using data for 1989 to 1994, the studies show that California took a disproportionate hit in defense downsizing, and emphasize that substantial dislocation occurred in specific cases. Some communities, however, seem to have rebounded, as population, real estate values, and school enrollment rose in these areas after bases closed, while real estate vacancy rates and unemployment worsened only slightly. And even when economic conditions declined significantly, the damage typically fell far short of projections. The studies also show that aerospace workers lost jobs at about the same pace as workers in other durable goods manufacturing industries; they were unemployed for roughly the same amount of time; and they eventually rejoined the state's work force in similar proportions.

Delayed Marriages "Altar" Demographics. Continuing a decades-long trend, age at first marriage rose to 26.7 for men in 1994, the highest since statistics first were collected in 1890, according to the Census Bureau. The figure for women held steady at 24.5 years of age, which also is the highest level on record. Unmarried persons now make up 39 percent of all adults over 18, by comparison to just 28 percent in 1970. At the same time, the effects of delayed first marriages and rising divorce rates have lowered the proportion of children living with two parents (biological, step, or adoptive) from 85 to just 69 percent. Of children in one-parent families, 36 percent were living with a never-married parent, 37 percent with a divorced parent, and the remainder with a separated or widowed parent.

Supreme Court Affirms 1990 Census Count. The Supreme Court has affirmed the validity of the 1990 Decennial Census. A coalition of cities had sued the Commerce Department over a Bush Administration decision not to use statistical techniques to adjust the Census for acknowledged undercounting, primarily of poor urban-dwellers, many of whom are minorities. Adjusting for such statistical biases would have significantly affected the apportionment of Federal aid, as well as redistributed some congressional seats across the states. Widespread agreement among statisticians on the usefulness of adjusting for biases raised the question of whether failure-to-adjust was constitutional in light of the Constitution's mandate of an "actual Enumeration." Others, however, argued that the enumeration clause should be interpreted as prohibiting the use of statistical adjustment. The Court ruled that not adjusting the 1990 Census was constitutional, but it did not address the issue of whether future Census counts may be adjusted. In an attempt to save money and increase accuracy, the Census Bureau has previously announced plans to use statistical techniques to adjust the 2000 Census.

THE PRESIDENT HAS SEEN
3-26-94

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Focus On Karnal Bunt Situation:** On March 21, Secretary Glickman declared a state of emergency to pave the way for the management and control of Karnal bunt (a fungus affecting wheat). These steps are being taken to protect U.S. producers and export markets and to provide growers affected by Karnal bunt with the best options. The Animal and Plant Health Inspection Service (APHIS) is conducting a national export elevator sampling and testing project to assure that U.S. grain continues to move to export markets. The Foreign Agricultural Service and APHIS continue to work with trading partners to ensure that we are meeting their requirements.

  It is believed that the infection remains localized in southwestern AZ and adjacent areas of NM and TX. A shipment of Durex variety seed sent to Joplin, MT from AZ tested positive for Karnal bunt and none of that shipment has been sold or distributed. If it is found, destruction of infected wheat is only one of the options used for eradication.

  The following countries have agreed to regulations for moving U.S. wheat: Mexico; Taiwan; Brazil; Turkey; Honduras; Uzbekistan; Tunisia; Guatemala; Indonesia; Egypt; El Salvador; Morocco; and China. China's acceptance is valid through March. A science panel of state, federal, and other experts will convene again to make further recommendations to Secretary Glickman.

- **Environmental Group Loses Salvage Sale Bid:** The Forest Service will not award the Thunder Mountain salvage sale on the Okanogan National Forest (WA) to the Northwest Ecosystem Alliance, a western WA environmental group that outbid two logging companies for the rights to log the sale. This was the first time in Forest Service history that someone bid on a timber sale with no intention of harvesting. The contract included the harvesting and removal of 3.5 million board feet of dead timber. After careful review of the law, it was determined that the Forest Service had no option but to offer the sale to the highest qualified bidder. The qualified bidder must cut the timber.

Little Progress Made On Russian Ban Of U.S. Poultry: Despite assurances received at the highest levels, the US continues to receive a mixed message from Russia as to whether or not the previously announced deadline of March 16 for a cutoff of U.S. shipments of poultry to Russia still applies. Russian veterinary officials had laid down the deadline for resolving their sanitary concerns about U.S. poultry processing plants. U.S. officials resumed discussions with Russian officials this week. In a related matter, Russian officials raised concerns over U.S. testing procedures for trichinosis in hog carcasses. They implied that no new import licenses will be issued for U.S. pork exports to Russia until these latest questions are addressed.

THE PRESIDENT HAS SEEN
3-26-96

DEPARTMENT OF ENERGY

- **Senator Thurmond Press Release on Cleanup Budget:** Chairman Strom Thurmond released a statement this week criticizing your Administration's FY 1997 budget request and calling for the dismantlement of the Department and for Secretary O'Leary's resignation.

- **Meeting with President of Turkey:** On March 29, Secretary O'Leary will meet with Turkey's President, Suleyman Demirel, during his State Visit to discuss development of the Turkish energy sector and opportunities for the U.S. energy sector.

- **Nuclear Nonproliferation Initiative:** The Departments of Energy and State are engaged in an important nuclear nonproliferation initiative to return spent nuclear fuel from foreign research reactors. Public meetings were held in SC and CA.

- **Hanford Site:** On March 27, Secretary O'Leary will meet with Senator Gorton and Rep. Hastings to discuss a proposal to utilize the Fast Flux Test Facility at the Hanford Site in eastern Washington as a source for tritium production. Tritium is a necessary component of nuclear weapons, and the Department is currently examining technologies for production.

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THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 03/27/96

TO: KITTY HIGGINS

FROM: Staff Secretary

The attached came to this office from the Oval Office.

Please forward it to James Lee Witt.

Thanks.

JAMES LEE,

IT WAS GREAT TO

TODAY I AGREED TO

THIS WEEK. LOU HARDIN WANTS ME TO HELP WITH A COFFIE AT UNION STREET STATION. DANNY ORMAND IS SETTING EVERYTHING UP. WE ARE PRACTICING FOR YOUR CAMPAIGN.

THANKS FOR YOUR HELP ON THIS AWARD. GOVERNOR DAVIS IS ONE OF THE MOST LIKED MEN I HAVE EVER KNOWN. IF ANYONE EVER DESERVED PRESIDENT'S METAL OF ART AWARD IT IS GOV. DAVIS. I WAS WRONG - THE PRESIDENT DID GIVE THIS AWARD LAST YEAR, SO HE IS A MAMALIER WITH THIS AWARD. THANKS AGAIN AND IF YOU NEED ANYTHING ELSE PLEASE CALL. SINCERELY RANDY

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a quartet. "I remember one time we played a show and got paid $5.00 -- a dollar and a quarter a piece."

After earning his BA degree in education and Masters at LSU he taught in a women's college for a year and he said that had to be a great and enlightening experience.

Davis gave up teaching when he became clerk of the criminal court of Shreveport, Louisiana.

KANDY LANN
2407 CHAFFIN LANE
MAGNOLIA, AR 71753

JAMES LEE WITT
500 C SOUTHWEST
WASHINGTON, D.C. 2

"PERSONAL"

THE PRESIDENT HAS SEEN
3-26-96

THE WHITE HOUSE

WASHINGTON

96 MAR 22 P7:43

March 22, 1996

MEMORANDUM TO THE CHIEF OF STAFF

FROM RAHM EMANUEL R.E.

SUBJECT THE WEEKLY REPORT

WELFARE: A bipartisan group of House members announced their welfare proposal today in a press conference. We helped facilitate this press conference. We wanted this public before the upcoming Governor's Conference. The statement by the members included their objective to move on welfare now and not wait for Medicaid. I doubt this persuades anyone, but 14 Republicans attended the press conference.

This afternoon Bruce and I will meet with HHS to review their suggested executive actions. There are some promising ideas here. We need to get White House Counsel involved in order to push HHS lawyers.

IMMIGRATION: This was a very significant week for the Administration on immigration reform. We were successful in splitting legal and illegal immigration and we defeated all three guest worker amendments. The press credited these amendment victories to the Administration.

The press no doubt will focus on the education provision of the immigration legislation. However the provision would be ruled unconstitutional and has very little chance of passing in the Senate.

According to the Congressional Daily, the Senate is scheduled to call up the Immigration bill in three weeks.

In addition to the legislation, INS announced our new anti-smuggling initiative and the largest worksite penalty fine in history.

I am working with ABC News, America Agenda, to do a series on immigration for next week. I am pushing the new smuggling initiative and the worksite enforcement actions to be the focus.

On Monday Doris Meissner was in Chicago to swear in 5,000 new legal citizens. She is also starting a new monthly memo to you detailing INS's progress on naturalization.

THE PRESIDENT HAS SEEN
3-26-96

I have also attached a clip from Buchanan's border visit, where he praised the Administration's accomplishments at the border. I have also sent the clip and quote to the campaign.

Two weeks from today, INS will announce the completion of Operation Northeast. The operation is a multi state worksite enforcement action. It should coincide with the Senate floor action on immigration legislation.

This week the New York Times will run a story on Douglas, Arizona and how the crackdown along the border has forced all the border crossings to Arizona. I had INS announce to the Times reporter that the Administration was moving 45 new agents to Douglas.

CRIME/DRUGS: This week we worked on the repeal of the assault weapons ban. The President made his announcement at the Health-Care event and we organized the Vice-President's event on Friday.

We have coordinated events with the House Leadership and helped Congressman Schumer get victims to his hearing.

We held our final meeting on 'One Strike You Are Out' guidelines. HUD and Justice have come to agreement on the language of the guidelines. The event on Thursday in the Rose Garden, will highlight Toledo's success with the public housing policy. I am working with ABC news planning division on getting them to go to Toledo to film before the announcement.

Although I understand the need not to travel and that the President is tired, it is ~~a mistake on significant announcements such as One Strike, to not travel~~ to Toledo, Ohio a key state. We must begin to treat the Midwest with the same energy and focus with which we treat California. If we can go to Long Beach for the school uniforms, we should be able to go to Toledo, Ohio for the One Strike announcement.

The New York Times is working on a story on how many school districts are considering school uniforms for the fall. I have also been talking with them and I sent them information from the Department of Education.

I have been working with General McCaffrey on his trip to Mexico. It is important that the President meet with the General upon his return. The President and General McCaffrey can then announce the formation of the new standing committee to coordinate anti-narcotic efforts with Mexico.

I have also attached a copy of the letter to Senator Dole signed by three of the four border Governors concerning Mexico.

The "Meth" strategy is ready to be announced and the funding will be part of General McCaffrey's reprogramming. I have

provided General McCaffrey a list of minority anti-drug leaders for the new deputy director slot he has created office.

PENSION: Gene Sperling and I have been working with Labor officials on Pension security legislation. We have a good record in this area and can use the legislation to highlight our record and push forward on a new initiative.

Buchanan visits border, says Clinton finally listens

By JOHN MARELIUS
Staff Writer

Patrick Buchanan, mathematically out of the running for the Republican presidential nomination, visited the U.S.-Mexican border yesterday and found himself praising the Clinton administration's efforts to stem the tide of illegal immigration.

"There's no doubt that some of the things the Clinton administration has done in response to moral and public pressure from folks like me has been beneficial," he said. "They've done more than the previous administration did."

Sporting a red, white and blue cap, Buchanan stood on a dusty ridge between San Ysidro and Tijuana — next to a metal security fence whose extension he has long championed.

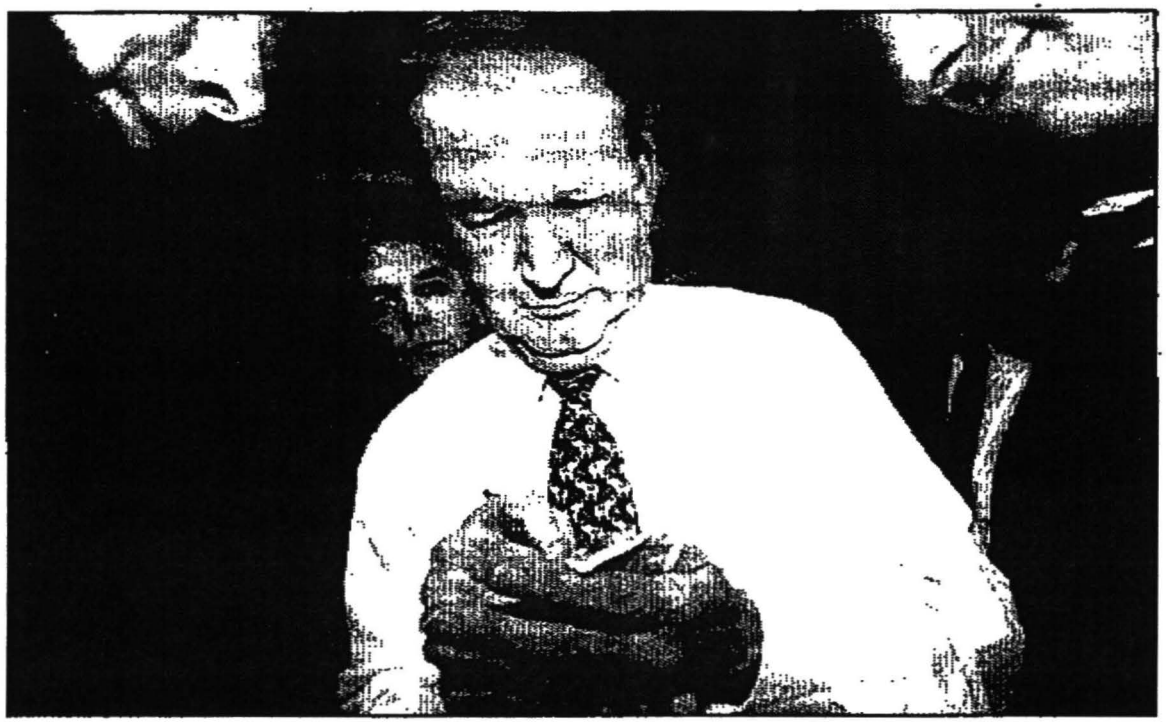
"What I've said about the security fence, triple-lined, it works," he declared. "It's not that extreme, so to speak. It is a very reasonable idea,and it's working right here."

By most estimates, Senate Majority Leader Bob Dole clinched the nomination Tuesday when he won primaries in Michigan, Ohio, Illinois and Wisconsin. But Buchanan vowed once again to continue campaigning all the way to the Republican National Convention in San Diego in August.

Last night, Buchanan's never-say-die campaign was cheered on by a boisterous crowd jammed inside the convention center at the Town and Country Hotel.

The audience broke into hearty applause at almost every sentence and greeted Buchanan's scathing denunciation of the United Nations as a threat to America's sovereignty with shouts of "treason."

"Nowhere in any campaign anywhere in the last year and a half have there been crowds with the kind of fire and energy and enthusiasm we see here tonight," Buchanan said. "It's a testament to the truth that no matter what happens in San Diego, one day this cause will triumph."



Union-Tribune / LAURA EMERY

His John Hancock: *Pat Buchanan signs a dollar bill at a rally last night in Mission Valley.*

While vowing not to give up the campaign, Buchanan put out mixed signals about his intentions; he insisted the nomination remained "very fluid."

He said comments the previous day by campaign communication director Greg Mueller that Buchanan should be considered for the vice presidential nomination were unauthorized.

But Bay Buchanan, the candidate's sister and campaign manager, said in an interview yesterday, "Generally speaking, the person who comes in second and is a strong second is usually considered on a short list."

Buchanan also disavowed, but did not close the door on, an overture from the tiny U.S. Taxpayers Party to head its presidential ticket.

He warned that now that Ross Perot is dropping hints about a second presidential candidacy, the Republican Party would be making a serious mistake if it "moved down the road to internationalism, globalism." He said the party needs to reach out to the working-class voters who have responded to Buchanan's attacks on foreign-trade agreements and corporate greed.

"Bob Dole has no reach for these people," he said. "Like it or not, Ross Perot has reach with these people."

With Dole leading the ticket, the Republican Party could be headed for the same kind of drubbing it took in 1992 under President George Bush, Buchanan contended.

"The Republican Party has a very, very serious situation," he said. "It appears to be moving down the same road as 1992."

Even though Dole has handily won every nomination contest this month, Buchanan claimed a moral victory in winning respectable shares of the votes in key states while spending little money.

He set a modest standard by which to measure his success in this week's Midwestern primaries: "In every single state, we ran stronger than we did in 1992. What we're doing is we're going to run as hard as we can in California, move our vote up as high as we can, go into that convention with a maximum number of votes."

Buchanan plans to campaign nonstop in California all the way up to Tuesday's primary election. Dole is scheduled to make a weekend swing through California, which is expected to include his own visit to the border tomorrow.

Buchanan highlighted the illegal immigration issue in his campaign against Bush in 1992. He said he helped create the political climate that led to the passage of Proposition 187 in California and spurred the Clinton administration to take more aggressive measures to control the border.

"Tremendous progress has been made since we came here last and put the focus and the spotlight on it," Buchanan said.

Sounding not unlike Clinton administration officials, Buchanan suggested that efforts to stem illegal immigration are being hampered in large measure by the faltering Mexican economy.

"I think what we did in 1992 has helped tremendously in getting the national attention to this problem, which quite frankly helps greatly in alleviating it," he said. "And if it had not been for the devaluation of the peso, this problem would be on its way — not there, but on its way to resolution."

He faulted Clinton and Dole for not moving to enact a national version of California's Proposition 187, which sought to deprive illegal immigrants of most public social services but was blocked in federal court.

"He and Sen. Dole ought to get together on a Proposition 187 nationwide, pass it through," he said. "That would be a tremendous help in alleviating this problem overnight."

Buchanan also broke with Republicans, including Gov. Pete Wilson, by advocating severe penalties — and possibly criminal ones — against businesses that hire large numbers of illegal immigrants.

THE PRESIDENT HAS SEEN
3-26-96

THE WHITE HOUSE

WASHINGTON

March 13, 1996

96 MAR 20 P3:00

MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN
OFFICE OF PUBLIC LIAISON

SUBJECT: BI-WEEKLY REPORT

OVERVIEW:

Over the last two weeks the Office of Public Liaison (OPL) has largely worked on responding to the concerns of constituents over the bombings in Israel and the shooting down of the American aircrafts in Cuba. We also included many of our groups in the events around your meeting with Media Executives and the White House Leadership Conference on Youth, Drug Use, and Violence. In addition, we are using the upcoming events commemorating St. Patrick's Day as a way to reaffirm our commitment to Irish Americans and the peace process.

JEWISH AMERICANS

The fate of the Mid East Peace Process in light of the terrorist attacks in Jerusalem and Tel Aviv dominated the news during the week. Virtually all correspondence and communication within the community centered on the tragedies in Israel and the prospects for the continuation of the peace process. OPL touched base with every Jewish organization and many community activists to keep them informed of the Administration's efforts in response to the terror.

- National and local Jewish organizations, community leaders and rabbis were faxed the following:

  Presidential statement, Sunday, March 3, 1996, following the bus bombings in Jerusalem;

  The Secretary of State's statement, following the bus bombings in Jerusalem;

  Presidential statement, Monday, May 4, 1996, following the bombing in Tel Aviv;

  Press Release, Tuesday, March 5, 1996, announcing recommendations President Clinton ordered in response to the bombings in Israel;

  Presidential remarks delivered at the memorial service held at the Israeli Embassy, Tuesday, March 5, 1996;

  Text of your videotaped address to the people of Israel, Tuesday, March 5, 1996.

- OPL coordinated a briefing for the Jewish Federation of Cleveland on the Mid-East Peace Process and on the budget negotiations.

- The VP dropped by a meeting of the Council of Jewish Federations on March 7.

AFRICAN AMERICANS

You are receiving positive press coverage from the African American national media (ie. over five articles in the latest edition of Jet Magazine). Also, your appearance at the NAACP swearing-in of Former Congressman Mfume was received very favorably.

While African Americans continue to support the Administration's budget stance, there is a growing undercurrent surfacing in the civil rights community. The Civil Rights Commission's recent OMB budget mark-up has drawn criticism from the Washington office of the NAACP and others. The OMB budget request for the Commission has been reduced to $9.3 million for FY 1997. This is down from the $11.4 million requested in 1996. OPL put in a special request to OMB to include a narrative in the budget that states that if money is available, you would recommend that the Commission get the full amount. The groups were informed of this, and they were pleased that we made this effort.

Additionally, affirmative action has resurfaced as an issue, which if not solved, may prove to diffuse many of the Administration's accomplishments. The attached New York Times article and our inability to satisfactorily resolve the DoD suspension on the Rule of Two program only serve to exacerbate the problem.

- OPL met with representatives of the minority business community and the Civil Rights community to keep them informed of our progress on the post-Adarand affirmative action review. The group remains extremely concerned about the characterization of the Administration's position on affirmative action as reflected in the New York Times article. This group requested a meeting with Leon for next week and is preparing a list of Administration actions they would like to see taken.

- OPL held a conference call with key African American ministers to enlist their support in the budget battle. The ministers responded favorably, and many were pleased to report that they already have GOTV efforts underway in their areas.

- Your participation in the Mfume's swearing-in ceremony as the new president of the NAACP received extensive press coverage and solidified your relationship with the civil rights community. Your attendance at this event is considered as significant as your affirmative action speech was in July.

- OPL hosted a ceremony honoring African American appointees to the Administration at the historic Metropolitan AME Church. Several African American appointees attended and commended your leadership for appointing a record number of African Americans to key government positions.

- OPL gave a presentation to D.C. African American residents on how the Administration's actions had benefited D.C. residents. Most of the residents stressed the importance of White House intervention in the dispute between the Mayor and the Control Board. Most sided with the Mayor and thought some of the members of the Control Board should be replaced. We were successful in reaching some common ground, and at the end of the meeting several people expressed their support for the Administration.

RELIGIOUS ORGANIZATIONS

Many moderate evangelicals, mainline Protestants, and Muslims were supportive of the Administration positions on family-values issues, such as a television rating system, the v-chip, and school uniforms. With many of the evangelical Christians (40 million Americans) tired of being portrayed as intolerant ultra-conservatives, they are "seeking to reclaim the political and religious center."

- **Meeting with Media Executives:** Over 15 representatives from key supportive religious organizations were included in the background media briefing provided by the First Lady, Vice President and Mrs. Gore. The religious community was pleased with the briefing and felt that your meeting with media executives was a positive boost for family-values issues.

- Episcopal Presiding Bishop Edmond Browning released a statement of encouragement for the media industry's rating system. The statement is another affirmation of support for the Administration's efforts on family values.

- Your phone call to Don Argue, President of the National Association of Evangelicals (NAE) was well received at the NAE Convention in Minneapolis. Argue was pleased with your focus on family-values, particularly in your comments on school uniforms and the signing of the Telecommunications Bill.

- Secretary Cisneros gave the keynote address of an Interfaith Impact national conference. Over 500 national grassroots religious leaders attended, primarily liberal Protestant, Catholic, and Jewish leaders. This group has felt somewhat neglected since there has not been a Presidential address to a mainline, non-African American Protestant convention, but Secretary Cisneros did an outstanding job of changing this tide.

- **Cuba-** The National Council of Churches of Christ (NCCC) and the Episcopal Church wrote a letter urging the White House to lift the embargo against Cuba and to oppose the Helms-Burton Amendment because it "would do little to move Cuba to more democratic and peaceful leadership."

  Episcopal Presiding Bishop Edmond Browning will travel to Cuba on March 21 for a visitation with religious leaders in Cuba. Ongoing visitations to the country were established by the Episcopal Diocese in Cuba before Fidel Castro came to power. Browning is willing to brief NSC about his trip on his return.

- **Mid East** -The NCCC has requested a meeting with you to discuss how they can help the peace process, and they have released a statement condemning the bombings.

- **Northern Ireland** - Bishop Reilly, Chairman of the Committee on International Policy for the U.S. Catholic Conference, called for prayers for peace in Northern Ireland on Sunday, March 17. Five leading U.S. church organizations supported the idea. A similar day was called for on March 10 by the four main churches in Ireland.

- **Gambling** - Heads of 16 religious denominations signed a letter sent to the House Leadership urging support for HR 497, Rep. Frank Wolf's legislation establishing a national commission to study the impact of gambling. Signatories included heads of the AME Church, Church of the Brethren, the American Muslin Council, the Southern Baptist Convention, the Serbian Orthodox Church in the USA and the Presbyterian Church (USA). This issue has diverse support and may come to the forefront in coming weeks.

- **Muslims** - The First Lady's remarks during the Eid al Fitr (Ramadan) reception OPL hosted in the Indian Treaty Room generated positive, new interest in the Administration from the Muslin community -- one of the fastest growing denominations in the country. Her remarks were distributed to Muslims living in the Detroit area.

- In an effort to communicate our message on religious freedom, OPL distributed copies of our Religious Freedom Proclamation to 50 Baptist leaders from across the country.

ASIAN PACIFIC AMERICANS

In addition to the current budget issues, the Asian Pacific American (APA) community is most concerned with the Administration's position on immigration and affirmative action.

- Doris Matsui met with the Congressional APA Caucus Institute to discuss how they can be helpful to the Administration.

- Doris met with state leadership of the two largest and most prominent civil rights groups in the APA community: the Japanese American Citizen's League and the Organization of Chinese Americans. A variety of states were represented including California, New York, New Jersey, Utah and Oregon. They were deeply interested in how the community can have a stronger voice in the political process and upcoming election.

- OPL held a round table on APA immigration issues with representatives of various immigration organizations.

NON PROFITS

The non profit community is concerned about the implications of the Istook anti-lobbying legislation. They support your position and want to make sure the White House remains firm

on this. We are trying to schedule a meeting for you to meet with some of the key people in the nonprofit field to discuss this.

CHILDREN AND FAMILIES

Violence (both real and in the media) is a top concern for children and family advocacy groups. They were very supportive of the leadership you showed by convening the meeting with media executives and the Leadership Conference on Youth, Drug Use, and Violence.

Childrens groups remain supportive of the Administration's position on welfare and the budget. They are concerned not just with low-income children, but on middle-income and working families as well. Many of the groups are preparing for the June 1, 1996 "March for Children" in D.C. organized by the Children's Defense Fund.

- OPL held a round table for the National Association of Child Care Resource and Referral Agencies (NACCRRA). They strongly support and recognize your commitment to children.

- OPL distributed a follow-up briefing and talking points from both of these events to over 350 state and national advocacy groups. We also held two conference calls with state-based groups on these events.

LAW ENFORCEMENT

All of the police groups were enthusiastic about the appointment of Barry McCaffrey as the new drug czar and the Leadership Conference on Youth, Drug Use and Violence.

- NAPO, FOP, and the Federal Law Enforcement Officers Association (FLEOA) greatly appreciated being included in McCaffrey's swearing-in ceremony, and we distributed biographical information on McCaffrey to all the groups. We are also arranging for a meeting McCaffrey to meet with representatives of all the major police groups in the next two weeks.

- 31 law enforcement representatives, from all ranks in the law enforcement community, attended the Leadership Conference. L.A. Chief Willie Williams and Atlanta Chief Johnnie Johnson were very supportive of your remarks. The feedback was very positive, particularly from FOP President Gil Gallegos who is very supportive of you.

- James Rhinebarger, Chairman of the National Trooper's coalition, and David Walchak, President of the International Association of Chiefs of Police (IACP), brought four outstanding troopers -- being honored as "Troopers of the Year"-- to meet with the Vice President on the day of the semi annual Troopers convention. This photo will be circulated in newsletters to all troopers and chiefs throughout the country.

- The Attorney General is attending a COPS graduation in Los Angeles on Friday, March 15 of 100 new police officers. Mayor Riordan is planning on reading a letter from you congratulating the new officers. OPL is working to secure Administration participation in several of the upcoming COPS graduations.

ETHNIC GROUPS

OPL used St. Patrick's Day as an opportunity to reaffirm our commitment to peace in Northern Ireland. In addition to inviting Irish Americans to celebrate St. Patrick's Day at a White House reception, the following materials were distributed to organization leaders and supporters, party leaders, national and local elected officials from key states:

- Presidential message on St. Patrick's Day message
- Irish-American Heritage Month Proclamation
- Videos of Ireland trip
- Posters commemorating Ireland trip.

- OPL organized a conference call on March 1 with Anthony Lake and 30 key Irish-Americans to brief them on the Gerry Adams decision. Irish-American contacts were provided with updated talking points to ensure a coordinated message going into St. Patrick's Day season.

- In a continued effort to be more inclusive of all ethnic groups in Presidential activities, OPL invited representatives of 15 different ethnic groups to attend your March 11 environmental speech in New Jersey.

DISABLED

- OPL arranged for HHS Asst. Secretary Peter Edelman and HCFA Administrator Bruce Vladeck to speak at the national conference of Family Voices, a national grassroots network of parents and children with disabilities, on the impact Medicaid cuts will have on their families.

- We organized a conference call with our key disability activists from across the country on the delegate selection process for the convention. Because the community has traditionally been under-represented, we arranged for representatives from the DNC and past disability delegates to brief the community on how to become a delegate.

- We are working with Cabinet Affairs and IGA to coordinate the Administration's response to the Advisory Committee on Intergovernmental Relations' report on Unfunded Mandates. The preliminary report calls for the repeal or weakening of important federal protections including the Americans with Disabilities Act (ADA), Family and Medical Leave Act, and the Fair Labor Standards Act, among others. We will be working to ensure that key groups testify at the public hearing to be held on March 26th.

CAMPAIGN FOR TOBACCO FREE KIDS (TFK)

OPL continues to promote the Administration's commitment to reducing youth access to tobacco products through White House briefings. Last week we met with representatives of the Corporate Health Care Community in an effort to draw more corporate involvement in the Campaign for TFK. We have focused on corporations with an interest in prevention and wellness of employees. Many of our supportive groups are beginning to join the campaign,

however the level of support varies. The members of the campaign and grassroots advocates will be infused in the Presidential event on Wednesday in the East Room. This event is important in that it will unify the Coalition and the Campaign, prior to the opening of the new national Center.

AGRICULTURAL/RURAL COMMUNITY

- The agriculture/rural community is waiting for the outcome of the Farm Bill. Much of what we do on the Farm Bill will guide the support/interest in this community. Over the past few weeks much time and effort has been spent with this community, especially the National Farmers Union, from inclusion in a coffee, Sec. Glickman attending their convention, to a Presidential letter. We coordinated a meeting with National Farmers Union and a broad based group to meet with Leon Panetta and Secretary Glickman to discuss the Farm Bill.

- Your trip to Mason City, Iowa, was a tremendous success for your relationship with the rural/agriculture community. The reactions were very positive and everyone felt that you had a "real understanding" of agricultural issues.

WOMEN

- OPL coordinated listening session with eight Good Housekeeping readers from the Chicago area, Ellen Levine, Editor-in-Chief, and the First Lady on the challenges facing today's families. The interview was covered in 52 media outlets across the U.S., including the Chicago Tribune, the Miami Herald, the Defender, the New York Times, radio talk shows, and live interviews for noon news. There will be an editorial in next month's Good Housekeeping, and a full story in August highlighting the panel discussion. Good Housekeeping has a circulation of 27 million. The feedback by the panel and audience (made up of women's and children's advocacy groups, community and civic organizations) was excellent.

Breast Cancer

- The First Lady taped a video for National Association of Breast Cancer Organizations annual volunteer benefit. Over 1,000 breast cancer survivors from across the U.S. will be in the audience.

A Woman's Voice / Marlene Adler Marks

Coffee with the President



The call from the White House liaison office last Wednesday was right out of Rob Reiner's movie, "The American President." "The president wants to have coffee with you on Friday afternoon. Can you be there?"

Like Annette Bening in her response to the call from Michael Douglas, I thought the liaison officer, Jay Footlik, was kidding. Monday was Purim, so maybe this was a prank call. But no, the president, it seemed, enjoyed refining his thinking via talks with "real people"; he periodically invites community leaders to the White House to help keep him current. Our group of 15, which convened in the Map Room of the White House's West Wing, included the lieutenant governor of Indiana (now running for governor); the mayor of Akron, Ohio; several highly articulate student activists; and five members of the Jewish community, including Walter Reich, director of the U.S. Holocaust Museum. Having been selected out of the blue by the leader of the free world (his staff, if not the Chief himself, reads the Jewish Journal) made each of us feel like Lana Turner at Schwab's, touched by pixie dust.

Obviously, the coffee (no decaf, no cookies) was geared to the fall presidential campaign. It occurred days before suicide bombings in Jerusalem and Tel Aviv perhaps fatally ruptured the Middle East peace process, which is the pre-eminent achievement of Bill Clinton's foreign policy. Gazing into the Oval Office and walking about the red-walled China Room while waiting to begin, I considered how dramatically this president's political fortunes have shifted where the Jewish community is concerned. Clinton won election as Mr. Not George Bush; he was a big foreign policy question mark, possibly a warmed-over Jimmy Carter, but preferable to the incumbent who had declared himself to be One Lonely Guy fighting the Israel lobby.

Yet, in 1996, we are in his pocket. No candidate in the Republican field comes close. Clinton received 85 percent of the Jewish vote in 1992; this year, he will do even better against his presumed challenger, Sen. Bob Dole, a candidate whose recent hard-line position on moving the U.S. Embassy to Jerusalem seems opportunistic, considering that during the Bush years, he once suggested cutting Israel's foreign aid.

By contrast, Clinton's contact with the Jewish community has grown steadily warmer. "Shalom, Chaver," the president's grief-stricken eulogy at the funeral of slain Israeli Prime Minister Yitzhak Rabin in November, is burned into the collective memory of American Jewry, woven into the fabric of abiding affection between two nations. Once a stranger to us, Clinton has become swift and sure with his political instincts. On Monday, after the bombing at Dizengoff Center, his impassioned outcry against Hamas pledged U.S. support to Israel's war against terrorism. President Clinton may be one of those leaders, like George Schultz in the Reagan administration, who grew late to appreciate what Israel means in the civilizing course of world history, but who finally absorbed that understanding in his guts.

Relaxed, fielding questions without benefit of staff, jotting down a note or two, Bill Clinton takes to late-afternoon chitchat as others take to a round of golf. "What's on your minds? What's happening where you live?" he asked. He knew, however, what he was looking for: a way of presenting his views on our current dilemma, caused by the 100-year sea change from an industrial society to a technology-based global market.

Holding his ideas up to light, he showed us that the U.S. economy was creating millionaires at a rapid clip, generating hundreds of thousands of new jobs but also producing a new class of the economically dispossessed. Clinton's job-training and public-works programs, designed to assist those who he says are getting left behind, butt up against an anti-government Congress. Meanwhile, Pat Buchanan's politics of fear and resentment fills the vacuum.

Four years ago, Clinton's soft, open face seemed to me the very picture of intelligent youth. He swept into office as if he had a mandate, convincing millions like me that after 12 years of Reagan-Bush, the next generation of leadership would banish the politics of resentment and selfishness. We've both learned a thing or two. Intelligence can only go so far. Good ideas badly presented are as corrosive as bad ones.

So last week, a chastened President Clinton spoke with wisdom of the nation's political will. Let Senators Ted Kennedy and Bill Bradley float the trial balloons of economic restructuring and worker rights. Let the grass roots build a coalition to find bridge and highway repairs. This president, who came in trying to do too much, seems determined to build a consensus before he makes his move. I only wish that come Labor Day, he'll come out fighting.

You cannot sit six feet away from this president without feeling empathy. He is famous for "feeling your pain," but there, in the Map Room, it was his pain I was feeling. He is taller, better looking, less contrived in person than on "Larry King Live." He thinks more clearly away from the mike. He has an instinct for what is good, even if it doesn't always come out that way.

And those about me were transformed too. Strange, now, how we all warmed to him. Only an hour before, we were a ragtag group of African-Americans, labor representatives, students, Jews; now we spoke of the same things — fear of scapegoating, intolerance, the erosion of civil society, the problems created by job insecurity. Pat Buchanan's harangues hurtle through the room where Franklin Roosevelt's generals plotted Normandy, and we are once again looking to a president to beat back the hate. Show us how we can all come together, we urged him; show us how we can be lean but not mean.

"They're going to make me into an alien, that's what the Republicans will do," the president said, suddenly confiding his personal plight. "They'll campaign as if my values are not American values." But, by now, we felt implicated in his predicament, and out of many came one. ■

Marlene Adler Marks is the managing editor of The Jewish Journal.

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JUSTIN J. FINGER

ADL
Anti-Defamation League®

March 8, 1996

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are writing to express our gratitude for your strong support of Israel at this most difficult time.

In both word and action your Administration has continually demonstrated America's commitment to promoting the safety and security of the State of Israel, to combating terrorism and to backing the pursuit of peace in the Middle East.

Sincerely,

David H. Strassler
National Chairman

Abraham H. Foxman
National Director

DHS:AHF:mes

Anti-Defamation League of B'nai B'rith, 823 United Nations Plaza, New York, NY 10017 (212) 490-2525 FAX (212) 867-0779

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Robert S. Rifkind
President

David A. Harris
Executive Director

March 7, 1996

The Honorable William J. Clinton
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Your words and actions in the days since the recent horrific attacks in Jerusalem, Ashkelon and Tel Aviv have been a source of comfort to all who grieve for the latest victims of terror, confidence to those who seek peace, and pride to Americans of all faiths. We of the American Jewish Committee applaud each of the decisive steps you have taken and the leadership that America has given to the world to ensure that the peace process is not derailed by terror.

You have helped to demonstrate to the terrorists that they cannot prevail and that the cause of peace will not be permitted to fail.

You have reminded the community of nations that it has a collective responsibility to defeat terrorism wherever it appears.

And you have made it clear that the Israelis, who have borne-up under so many harsh blows on the road to peace, will not be isolated or ignored in this hour of anguish, but will continue to enjoy the loyal friendship and support of the great American democracy.

For each of these undertakings you have our complete support.

Believing that this is, above all, a time for solidarity, I and the other officers of the American Jewish Committee will spend the coming week in Israel. We were gratified to learn of your plans to convene an urgent summit meeting in Egypt and to visit Israel, as well, and we are grateful for the powerful message that your presence in the region will send. I know that your trip will provide further evidence of the American commitment to Israel's security, to the fight against terrorism, and to Arab-Israeli peace.

We wish you a safe and productive journey.

Very truly yours,

Robert S. Rifkind

White House to Suspend a Program for Minorities

A1

By STEVEN A. HOLMES

WASHINGTON, March 7 — After a long review of affirmative action, the Clinton Administration has decided to suspend, for at least three years, all Federal programs that reserve some contracts exclusively for minority and women-owned companies, officials said today.

The officials added that the three-year moratorium on set-aside programs, which have proved to be the most hotly debated type of affirmative action, would include such stringent conditions for reintroducing the programs that it was doubtful they would ever return.

"As a practical matter, set-asides are gone," a senior Administration official said, speaking only after being promised anonymity.

At the same time, the Administration has decided to allow Federal agencies, if they can justify it, to use other kinds of preferences, like giving price breaks and extra points in evaluating contract bids by minority and woman-headed companies.

Officials said it was not clear how great a practical effect the moratorium would have, because the number of set-aside programs had been dwindling already. But in political and legal terms, the new guidelines represent the Administration's attempt to steer a middle course on an issue Republicans seized on after their landslide victory in 1994.

The Administration's decision to maintain some preferences puts it on a collision course with some Republicans, including Senator Bob Dole — the front-runner in the Republican race to become Mr. Clinton's opponent in November — who are moving legislation through Congress that would ban such practices. The bill sponsored by Mr. Dole in the Senate and Charles T. Canady of Florida in the House was approved today by the Constitution Subcommittee of the House Judiciary Committee by a vote of 8 to 5.

In addition to the debate in Washington, a proposal on California's ballot in November to halt virtually all affirmative action programs in that politically crucial state means that the question of race-based contracting, employment and educational programs will likely be a major issue in the fall election.

Continued on Page A18, Column 4

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In jettisoning set-asides, the Administration ends the type of affirmative action programs that officials say are most difficult to defend and most resemble quotas, which Mr. Clinton has said he opposes.

Meanwhile, the Administration is preserving some preference programs, though setting tougher criteria for their use and requiring Federal agencies to first try race-neutral means such as increased recruitment, to increase the number of minority contractors.

"If what you want is not to have the Federal Government take any steps at all to integrate Federal procurement processes then this won't satisfy you," an Administration official said. "If what you want is to have the Federal Government try to integrate its procurement processes, and involve qualified minority contractors in as restrained and lawful a way as possible, this does it."

The alteration of procurement regulations is the latest in a series of changes to the Government's affirmative action programs that stemmed from President Clinton's promise last July to "mend, not end" race- and sex-based remedial efforts. The President ordered the review to determine whether Federal affirmative action programs are effective and if they comply with last June's Supreme Court decision in Adarand Constructors v. Pena, which set strict limits on when and how Federal agencies may grant preferences to minority and female contractors.

The Administration's alterations of Federal affirmative action programs will be contained in a set of policy guidelines that will be issued in the coming weeks, officials said.

Administration officials say the Federal Government has only one set-aside program, the so-called rule of two program that was run by the Pentagon until last October when it was suspended. Under the program, if at least two qualified small, disadvantaged businesses bid on a Defense Department contract, the Pentagon can limit the bidding to such companies. Under Federal regulations, it is difficult for any companies, other than minority-owned ones, to qualify as "disadvantaged."

It is unclear, however, whether Administration officials consider the Small Business Administration's 8(a) program to be set-aside. That program allows Federal agencies to place some contracts into a special pool where only "disadvantaged" businesses may bid on them. Last year, minority companies received $4.5 billion in contracts under the 8(a) program.

Administration officials said today that the Justice Department will review the 8(a) program to see if is legal under the Adarand ruling.

Officials said today the guidelines are an effort to reach a goal of having five percent of the Federal Government contracts be awarded to minorities. That goal was unanimously approved by both houses of Congress in 1994 prior to the elections that year. Its passage without a dissenting vote is evidence of how quickly attitudes on affirmative action shifted among many Republicans. While the party was an architect of many affirmative action programs in the late 1960's and early 1970's, a number of prominent Republicans, like California Gov. Pete Wilson and Mr. Dole last year pushed sweeping proposals to abolish them.

Under the guidelines Federal agencies are first required to use racially neutral means, such as enhanced recruiting, stepped up advertising on minority radio stations and in minority periodicals to try to reach the five percent goal.

Federal agencies now have the discretion whether or not to use these types of methods first or not. "Prior, it wasn't required," an Administration official said. "It was a thing that depended almost entirely on the energy of the procurement officers."

The guidelines also require that agencies commission so-called "disparity studies" to determine what is the available pool of minority or female contractors who could provide a good or service in a given area. These studies also have to determine how large that applicant pool would be if not for provable discrimination in that particular industry.

Using these figures, agencies then determine a benchmark for the percentage of minority or female contractors it ought to have. That benchmark will determine what kind of affirmative action steps the agency may take. The further away from the benchmark an agency finds itself, the more blatantly preference means in contracting it may employ.

"It has to be a pretty egregious, persistent situation for set-asides to be used," a Justice Department official said today.

Representatives for civil rights groups and organizations that object to affirmative action declined to comment today, saying they had not yet seen the Administration's plans.

THE NEW YORK TIMES,

FRIDAY, MARCH 8, 1996

Bill reversing affirmative action advances

Panel Democrats rip GOP measure

By Ruth Larson
THE WASHINGTON TIMES

Legislation aimed at rolling back 30 years of affirmative-action programs yesterday cleared its first hurdle as a House Judiciary subcommittee passed a measure to bar race- or sex-based preferences in federal programs.

After three hours of sometimes contentious debate, members voted 8-5 along party lines to send the Equal Opportunity Act of 1996 to the full Judiciary Committee.

The Equal Opportunity Act of 1996 would bar race and sex preferences in federal hiring, awarding of federal contracts, and administering federal programs.

During yesterday's session, the definition of "preference" was modified to include "an advantage of any kind," including quotas, set-asides, numerical goals, timetables, or other numerical objectives.

The explosive issue seemed a high priority just after the 1994 elections that swept Republicans into power, but it has all but dropped off the national agenda in recent months.

The California presidential primary on March 26 could rekindle the debate, in part because of the state's controversial civil rights initiative.

"I don't see how it can be avoided," Rep. Charles T. Canady, the bill's chief sponsor, told The Washington Times. "It's an issue on the ballot of the largest state in the country. People will be talking about it."

The Florida Republican argues that affirmative-action policies adopted with the best of intentions in the early 1960s have grown into a discriminatory system of preferences that threatens to Balkanize America.

"We now have a sprawling regime of hundreds of federal programs that treat citizens differently based on skin color and sex. All it takes to qualify is to possess the right skin color or gender," Mr. Canady said.

"This is a system which is based on the belief that in order to overcome discrimination, we must practice discrimination," he told the panel.

Democrats on the panel disagreed vociferously. Rep. Patricia Schroeder, Colorado Democrat, said, "This bill is an attempt to say to the 'angry white males' of the 1994 election, 'You won! We're going back to the 1950s.' "

"This is just a cheap way of getting support by turning one group of people against another," charged Rep. Jose E. Serrano, New York Democrat.

Rep. John Conyers Jr., Michigan Democrat, said the bill appealed to "fear and misunderstanding." "The shadow of [Pat] Buchanan hangs very heavy over this committee today."

Rep. Henry J. Hyde, Illinois Republican and Judiciary Committee chairman, has not yet set a firm date for considering the measure, although it is unlikely to come up before the Easter recess at the end of March, said spokesman Sam Stratman.

Six months ago, House Majority Leader Dick Armey, Texas Republican, said in a memo that the House leadership was committed to bringing the bill to the House floor by spring. Mr. Armey's office now says it expects floor consideration sometime later in the year.

The companion Senate bill, introduced in July, is pending in the Labor and Human Resources Committee.

Rep. Barney Frank, Massachusetts Democrat, contended the bill goes far beyond simply codifying last summer's Supreme Court ruling that federal affirmative-action programs must meet narrowly defined criteria.

For example, he complained that the bill outlaws any use of numerical standards to measure progress.

"This is one of the few examples in human life where you're not allowed to count," he said. "If I need to lose weight, I can't say 'I need to lose 20 pounds,' because that'd be a violation of this law. I can only say, 'I better lose some pounds.' "

The Washington Times
FRIDAY, MARCH 8, 1996

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.

A Statement on Cuba

The estrangement and hostility of the United States and Cuba has added another poignant and tragic chapter: the needless deaths of the four Cuba-American pilots in the shooting down of their civilian aircraft.

The National Council of the Churches of Christ in the U.S.A. as a community of caring faith first, before any assessment of the causes, reaches out to the families of those whose lives have ended and offers its prayers for their comfort and the consoling presence of our Lord to strengthen and sustain them in this time of their sorrow.

In this moment the tears of personal loss are matched by the awful burden of human hurt the people of Cuba may yet be forced to bear. We know and love the people of that land. Our ties through the communities of faith that transcend both borders and ideologies insist that we voice in our country the anguish we feel over the pain, also deeply personal, which may yet be experienced in Cuba. The response in stern measures by our government that political forces are now poised to require portend only an awful future for the Cuban people.

Can there be no way for us to respond except the way of retribution? Is punitive action our only choice? We bear the name of One who counseled, "Love your enemies...Forgive those who despitefully use you...Turn the other cheek...." Is this only foolish Bible talk? Is it possible to be guided by the radical morality of faith because it has the power to create new possibilities where the politics of nations have become exhausted?

Our view is that the way of continued hostility, provocation, exasperation in response is a way with no promise. The hard facts are that shooting down unarmed planes by fighter aircraft is totally unwarranted. Can Cuban leaders confess a mindless error, a hideous mistake? But also can our leaders refuse to exploit such behavior for political advantage, knowing that largely powerless people pay the price of national posturing? Due to our policies toward Cuba, do we not bear some complicity that we must find the honesty to confess?

In the heritage of our faith, we call on the President of Cuba, His Excellency Fidel Castro, to respond to these events with appropriate sensitivity and sincere regret, and to seek openly a way ahead that may spare the Cuban people the burden of USA policies that threaten greater hurt. We call on our President, The Honorable Bill Clinton, to refuse to make common cause in punitive actions toward Cuba with those who enjoy all too much the exercising of our capacity to exact humiliation and achieve only resentful conformity in other nations.

Specifically, we urge

(1) the creation of conditions that will allow appropriate penalties for these unwarranted acts to be exacted and provide redress for the families directly aggrieved;

(2) a fresh address to the conditions that continue to breed hostility and to exacerbate the estrangement of our two neighboring countries for more than three decades;

(3) a refusal to isolate further the Cuban people from the human family and to increase their suffering and therefore rejection of legislation that bears such an intent and potential consequence;

(4) an agreement, where the conditions of human life in Cuba are so directly at stake, to refuse to exploit these tragic events for domestic political purposes;

(5) the President to pursue new policies directed toward finding peace with Cuba with the same urgency and integrity with which he has sought and continues to seek peace in other places of hostility in our world, and we call for all Americans to support the seeking of peace.

While we watch, anxious for fairness and resolution, we affirm our intent as a community of faith to express toward the Cuban people our understanding and compassion. We affirm our intent to continue to provide humanitarian aid for the Cuban people in the form of food and medicine distributed by the Evangelical Council of Churches in Cuba and to continue to provide in our own country assistance to Cubans who seek asylum among us.

We pray that once again the actions of nations meant for hurt and harm , our wise and gracious God may yet use for good, and that through the present pain a new and better way as God intends may be discovered and embraced with spiritual courage.

March 4, 1996

WASHINGTON OFFICE
OF THE EPISCOPAL CHURCH
110 Maryland Avenue, NE, Suite 309, Washington, DC 20002
Telephone: (202) 547-7300 1-800-228-0515

March 7, 1996

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

Dear Mr. President:

As the Director of Government Relations for the Episcopal Church, I urge you to reconsider your support for the Helms-Burton Cuban embargo bill, which would codify the embargo against Cuba and further restrict the U.S. relationship with that country.

I understand your outrage, and that of so many others in Congress and around the country, toward Cuba's downing of two U.S. civilian aircraft on February 24. The Helms-Burton bill, however, would do little to move Cuba to more democratic and peaceful leadership.

I urge you to consider the position of the Episcopal Church, which is enclosed, to encourage greater dialogue and peaceful change in Cuba. Thirty years of an embargo has not produced the kind of change that serves the interests of the United States or the people of Cuba.

The people of the Episcopal Church of Cuba have asked our Church to advocate for lifting the embargo against their country and, specifically, to oppose the Helms-Burton bill. I have enclosed two recent resolutions from that Church. As much as we, as Americans, would like to punish the Castro government for its actions, we, as members of the Episcopal Church, cannot ignore the call of the people of Cuba. The embargo has, in many ways, enabled Castro to tighten his grip on the country.

I appreciate your consideration of the voices of the Episcopal churches in the United States and Cuba.

Sincerely yours,

Fr. Robert V. Brooks
Director of Government Relations

THE PRESIDENT HAS SEEN
3-26-96

Laura
What do you
think about this?
Re

INTRODUCING COMPETITION TO THE GLOBAL CURRENCY MARKETS[1]

by **Hazel Henderson** and **Alan F. Kay**
for the
Global Capital Market Committee of the Global Commission to Fund the UN
March 18, 1996

Abstract

The global capital markets are inefficient and imperfect, i.e., unstable, subject to overshoot, and with excessive transaction costs, unaccounted externalities, and monopolistic characteristics. A social innovation is proposed: a new foreign exchange facility to introduce competition, lower transaction and external costs, make the capital markets fair and more accessible, and produce revenues for further harmonizing currency regulations, reducing criminal behavior, and other legitimate purposes. National governments, finance ministers, and central banks with ad hoc policies to defend their currencies and domestic policy options are offered new tools to regain some of the sovereignty they lost in the 1980's when international capital markets were deregulated. National policy makers can no longer tell their voters that the loss of domestic safety nets and the exposure of their most vulnerable citizens is an inevitable price of maintaining "global competitiveness."

Foreword. Economists, including James Tobin, David Felix, and Rudi Dornbusch, have examined the question of imposing fees or taxes on international transactions while Ruben Mendez proposed the creation of an international currency exchange (FXE). They have based their recommendations on reducing volatility and speculation in such markets and the expected economic effects of such measures, namely whether they are economically the most efficient ways to achieve this goal. They have also commented on the issues of raising revenue and how much should or could be raised and for what purposes. This paper goes into the international capital markets (ICM) more deeply than most other papers. We take a clear look at the various players in these markets and their varying functions, motivations, costs and needs. We examine the nature of serious, headline-making problems on a vast scale that have arisen in these markets recently, such as currency instabilities and illegal or immoral activities, where who wins and who loses becomes very important. The paper then looks at a broad range of measures at six policy levels: (1) national regulation, (2) international agreements on harmonization of regulations, (3) fees from services based on mandatory trade reporting, (4) assesses various proposals for taxation of transactions at levels ranging over three orders of magnitude, (5) a global exchange facility capable of executing transactions, and finally (6) user fees for commercial uses of global common resources (e.g. oceans and the atmosphere) and fines for their abuse.

The six levels involve policies of generally increasing boldness and scale, and offer generally increasing benefits to all, *provided that* certain principals of best practice are accepted. At the first five levels all players of importance to the functioning of the markets have their needs, costs, and motivations recognized and accommodated with reasonable trade-offs as necessary. If this does not happen, not only can key

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[1] forthcoming, FUTURES, May, 1996, Elsevier Scientific Ltd., London, UK

player groups refuse to play under any new regime and resist or rebel against any specific measures adopted, many of them are economically and politically powerful. They can and would de-rail these proposals in key nation-states by political means. None of the five levels can be implemented without the support of some group of nation-states whose currency exchanges with each other constitute a significant portion of the total FX market. Acquiescence of *all* the major currency nations is not necessarily required. The greatest benefits can then go to the central banks, national treasuries, and the people of those cooperating nation-states who form and become members of the FXE. They must not get too greedy, for as stated above these proposals will only work if their design and operating features present the key players in the market with realistic new opportunities for reasonable profit.

The Global Casino. Around the world, at banks and brokers; at insurance, fund management and other financial companies; at multi-nationals and smaller companies of every kind that buy or sell in another country, on security exchange floors -- 24 hours a day -- a giant global network of traders hang on phones, gaze at TV screens, punch computers. They buy and sell currencies and currency-based instruments [2] as part of the ICM: the foreign exchange (FX) market, the world's largest. Over a trillion dollars of currencies are traded each day [3] as of June 1995, up from $800 billion a day, when as a consultant on financial trading systems to Citibank, one of the authors, Alan F. Kay, estimated the size of FX in the mid '80s. The global FX network, along with other international investing and lending arranged privately or over much smaller networks, together constitute the international capital markets (ICM). With FX being over 90% of the whole ICM, the two are often considered synonymous. This unregulated market, perhaps a hundred times larger than any other, has been aptly called by Business Week the *global casino.*[4] Efforts to reduce the new risks are reviewed on p. 7.

Why so large? No matter how you look at it FX is big. Yearly FX volume is ten times the whole world's GNP. A standard size trade is $5 million; a smart trader can make over a million dollars a year in salary and commissions. Why is so much money pouring into the global casino? Lack of regulation and low transaction costs for many certainly play a role. But to understand the reason for the enormity of this market, we have to look at the variety of different functions and purposes that it serves. There are basic needs for foreign exchange to consummate international purchases and sales of commodities, products, and services and for international travel and investment. Without currency exchange, these important economic activities could not take place. Serving these basic needs can be viewed as the most legitimate of all FX trading purposes. Those with basic needs were once the "customers", but now many of them trade in the FX market in the same way as the

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[2] including spot foreign exchange, futures, forwards, options and deposits; international government bond and money markets; OTC currency options; interest rate futures and others.

[3] *The Economist*, Survey: The World Economy, citing BIS and IMF estimates of $1.3 trillion per day, June 1995, Oct. 7, 1995, p. 30.

[4] *Business Week*: "21st Century Capitalism", Special Report (Dec. 1994)

other players. Who is a customer is further confused because many players act as brokers or agents for principals who although they may be banks and acting for their own "customers" are themselves "customers" of the brokers and agents. Many players are sometimes agents, sometimes principals. A remarkable fact is that the world's total basic needs come to less than $5 trillion a year or 2% of total FX trading. All markets improve with liquidity, but as US Undersecretary of the Treasury, Lawrence Summers has pointed out, there are limits [5].

Beyond basic needs, there are many other purposes for trading, all of which can be undertaken by the principal or by the principal's agent and the motivations and patterns of trading of the two can be quite different. For example, the agent may be in a position to make money by "running ahead" of the principal, using its knowledge of the principal's intention to buy X and sell Y (which tends to raise the price of X and lower the price of Y) by doing so ahead of the principal. Those whose deals extend longer than a day or whose capital positions are felt to be unbalanced may want, and have a legitimate need, to protect themselves against adverse currency fluctuations by hedging their positions with futures contracts, options and more elaborate instruments called derivatives. This purpose can at times be extremely important to wealthy individuals or organizations whose bank accounts or other financial assets are large and primarily denominated in their native currency, a group that globally now numbers in the tens of millions. Then there are small price fluctuations that sometimes permit profitable trading from one instrument to another via different routes by arbitraging between multiple quotes. Arbitraging is a factor in the size of FX. Some dealers buy for resale to a wider group performing a distribution function whose affect and risk can be spread from a few dealers to a much larger number of others. The FX market is thus a distribution mechanism. An estimate of all these "legitimate" needs is not more than $50 trillion a year. Still more is happening; at least $200 trillion are not yet accounted for.

There is one catch-all explanation that covers the remainder, but it applies also to much of the trading for purposes already discussed. Traders often see, or think they see, profit potential from market feel, from alternative interpretations and analysis of international news, from knowledge or speculation about actions and intentions of others (agents, we have noted, know something about what their principals are doing), or from computer model predictions that a currency will fall (or rise) beyond current expectations. They may expect a persistent trend, perhaps a generally falling dollar or rising yen lasting for days or months. For the quick-acting, it does not matter, even minutes are enough to turn a profit. All such activity is commonly called speculation.[6] By simple arithmetic, speculation has to be at least 80% of all FX activity and all traders, with minor exceptions, do it.

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[5] V. Summers and L. Summers, *When Financial Markets Work Too Well: a Cautious Case for a Financial Transactions Tax,* Journal of Financial Services, No. 3, 1989.

[6] *speculation* is used here in the sense common in business as purchasing with the intention of selling at a higher price (or selling with the intention of purchasing at a lower price) *without adding value*.

The Unique Role of Central Banks. Regardless of individual or organizational purpose, function, or strategy, every move a trader makes is motivated by profit. Profit maximizing is the ideal. The global casino is like a giant poker game of experts. All of them, banks, insurance companies, multi-nationals, etc., at all times have one priority, winning -- with one exception. There is a numerically small but powerful group who want to make money too but sometimes have a conflicting motive with a higher priority. These are the central bankers whose job it is to protect their own currencies from falling or rising too far or too fast and thus destabilize their domestic economies. At times this means that they must decide to buy when others are selling. They are accountable to governments and citizens playing as they are with their money. How does this unusual mixture affect the global casino? What happens in a giant expert poker game when a few players have other motives besides just winning. They will tend to lose in the long run, everything else being equal. In a sense, this is the current unenviable position of the central banks. Sometimes such scenarios happen dramatically. A large number of well-capitalized, for-profit-only traders, sensing that some country's currency is going to continue to fall, keep up the selling pressure until the currency reaches some previously unexpected low. That's called a bear raid. Although bear raids which were an important factor in the collapse of Wall Street in 1929 were generally the result of collusion among high rollers, no collusion is necessary for successful FX bear raids. Cues signalling a possible bear raid come along with the flood of information available now to everybody in FX. If the world's currency traders have enough risk capital, and in the 1990's they do, no central bank can stand up to them when they decide a currency is going to fall. Because they threaten the stability of the international monetary system in this way, FX traders have been called "vandals" by Gregory J. Millman in "The Vandals' Crown" [7]. Not every bear raid is successful, but when it is, the smart (lucky) raiders buy back into the falling currency near the bottom and wind up with the most profits. The unlucky or not-so-smart can lose. But can the central banks lose through this route, as this analysis implies, forever? The answer surprisingly is yes, they can.

Losers, Winners, and the Nation-States. When a central bank loses, the real losers are the *people* of the country whose economy the central bank has tried to protect. The money in the people's pockets and in their accounts has lost purchasing power and their taxes have been used in the central bank's buying operation. The central bank itself "prints" more money (a metaphor for the central bank process of creating money for bank loans to customers or for buying government debt). The central bankers' salary and compensation plans remain intact; they lose nothing. The game goes on and will do so until there is a political upheaval that fundamentally changes the international monetary system built up around central banks over the last two hundred years. There is little prospect of that any time soon. What do we really know about winners and losers in the ICM? One young trader at Britain's Barings Bank, Nicholas Leeson, virtually unsupervised at Barings' Singapore branch raised his bets every time he lost, putting the venerable bank a

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[7] Gregory J. Millman, *The Vandals Crown,*" Free Press NY 1995. Millman clearly sees the constructive role of the "vandals" in helping to keep nation-states honest, and does not consider the designation vandals an opprobrium.

billion dollars in the hole and into bankruptcy even though the Singapore Stock Exchange is regulated. The story of legendary trader, George Soros, is widely known. In 1992 he bet on the fall of the British pound and walked off two billion dollars richer. Unlike most traders who never talk about their winning strategies, Soros, in an introspective moment, confided that (some of) these strategies and instruments (e.g. "knockout options" [8]) should be regulated or made illegal [9]. Earlier this year the Mexican peso dropped 55% in a mass flight of investors out of the peso because of wide fears that the failing Mexican economy could not support Mexican debt service. At about the same time in a few weeks the dollar dropped 15% with respect to the yen.

These and other big currency price drops were headlines the week of March 6, 1995, when the United Nations World Summit on Social Development began in Copenhagen. By the end of the week when each of the 120 heads-of-state present gave brief speeches, six of them, including the late Francois Mitterand of France and Gro Harlem Brundtland of Norway, said publicly that something had to be done about the volatility of global capital markets, perhaps international regulation or a tax. The G7 meeting two months later in Halifax, Canada, considered such action and dropped it. US Treasury Secretary Robert Rubin and Canadian Prime Minister, Jean Chretian, were not favorable. Later with 13 privately cooperating central banks, Rubin engineered a cleverly orchestrated defense of the dollar, which succeeded in recovering some of the earlier loss. Thus, while the central banks are not helpless, clearly neither are they in control [10]. So far we have seen only the opening battles in the war between the currency traders and the central banks. The important point is this: ordinary people, first of one country, then of another, will continue to be the losers in the struggle between the currency traders and the central banks whenever such open market buying operations fail or central banks try raising interest rates and trigger domestic recessions. In Feb. '96, the Japanese central bank's very low interest rates, supposed to spark the domestic economy, instead became irresistible to bond arbitrageurs -- driving bond prices down. In any case, it is the little people and small businesses that lose.

New Dangers. The global casino is unregulated by any nation-state or international authority. Its huge size leads to problems that would be negligible, even non-existent, in other markets. For example, the US stock market is tiny by comparison -- less than $10 billion a day, including all stock exchange and NASDAQ trading. Size, diversity, geographic spread, and lack of regulation combine to produce a heady brew of irregularities that can go undetected, including the most serious: money laundering. For example, suppose there are small 0.1% errors of one dollar in a thousand, that occur only in one trade in a thousand. Call them "computer"

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[8] *Fortune*, "Soros Sizes Up the Market", Sept 4, 1995, p. 94

[9] George Soros, "Soros on Soros: Staying Ahead of the Curve," John Wiley and Sons, NY, 1995.

[10] "Does Foreign Exchange Intervention Work?", Kathryn Dominguez and Jeffrey Frankel, Institute for International Economics, Washington DC, 1993.

errors. Although these percentages are tiny, with a trillion dollars a day of trading the total effect, a million dollars of errors a day, is not small. If that all wound up evenly divided in the pockets of say a thousand smart traders around the world, each of them would have an additional income of about $250,000 a year, quite enough for comfortable early retirements for the thousand traders. Surely one would think that cheating on this scale would be discovered. But would it?

What would be the effect of these errors on a smallish player in FX who annually has less than a thousand trades with a gross value of $1 billion? With a pro-rated share of these errors, such a victim would lose typically only a $1000 in the course of a year. Would the victim notice it? Not likely. It would be more costly to discover it than it is worth. How does it get so easily buried? In many ways. Remember in a thousand trades, only one is in error, by a tiny percentage amount. The smallish player would on average have one such error in a year. In addition the player probably has accounts in a number of banks around the world and owns bonds and other instruments denominated in different currencies. Their total daily market value fluctuation when converted at market to any single currency [11] is generally far greater than the missing $1000. Can it be traced by comparing daily trades with counterparties? Problems include the fact that a 4:30pm Tuesday trade in NY is a Wednesday trade for a Malaysian bank counterparty. If the victim finds the $1000 needle-in-a-haystack error, the counterparty would credit the victim with the difference and apologize for the "computer" error. Larger players in FX would have even greater problems.

Is all this theoretical? Recently a trader at the Daiwa bank in Japan called the authorities and explained that he had been making errors for ten years that added up to over a billion dollar loss for the bank none of which had ever been discovered. Even though both Japan and the US have national financial market regulations, the Daiwa trader was only caught when he confessed and when a re-assignment made it harder for him to continue changing the back-office paper work that confirmed the fudged trading reports. The Daiwa Bank, in this case, did not fold, but is under enormous regulatory pressure because top executives in the bank covered up the losses for several months. The news accounts did not say where the money went [12]. At least this case caused the US and Japan to cooperate more closely in harmonizing regulatory processes. Consider another possibility: two friendly traders in different cities who deal with each other daily for years and "by mistake" mark-up an occasional trade with each other slightly differently so that errors are *in favor* of each trader's own organization. People, and organizations too, don't tend to worry about mistakes in their favor. But an error that enriches the trader's organization achieves something else. The greater "profits" for his organization produces bigger bonuses for the trader. Think of the difficulty of finding these needles in the haystack.

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[11] This is important because it is the main way to understand the trader's position and performance for supervisors and managers and to determine the organization's capital position necessary for creditors, shareholders, and regulatory authorities.

[12] N.Y. Times, November 3, 1995, pp. A1 and C4.

Early and Recent Developments in Regulation. The world is in a transition period reminiscent of the 1920's, where speculation and the accumulation of wealth by financially manipulative means was prevalent, admired, profitable, and finally led to a major economic collapse and a protracted, world-wide depression in the 30's. Bear market raids and other manipulations in the 1920's led to regulation of banks and security markets in the US and other developed countries, which put both banking and securities on a sound basis for many decades. Unfortunately the economic collapse and depression also nurtured fascism and the rise of totalitarianism which led to World War II and much of the misery of the 20th century, but that is another story. The 1974 collapse of Germany's Herstatt Bank, where FX settlements were delayed due to time zone differences led to a decade-long study by the BIS released in March 1996. The European Monetary Institute is designing a settlement system: Target to reduce Herstatt risk. The International Organization of Securities and Exchange Commissions of nation-states, IOSCO, meets regularly to harmonize their securities regulations. IOSCO's purpose is to give investors confidence that the investment information they receive conforms to uniform global standards of accounting and also to facilitate increased tracking of suspect international securities transactions, to bring to justice traders wanted for illegal use of funds and criminal activity like drug trafficking.

Harmonizing National Currency Market Regulations. IOSCO does not oversee currencies or instruments that involve two or more currencies, but could conceivably be expanded to do so. Even if nations do not consider taxing or regulating currency and derivatives trading, the harmonizing of regulations and cooperating in investigations through an organization like IOSCO (but one empowered to consider transactions in currency and related instruments), will almost surely occur in time. In mid 1995 Mary Schapiro, Chairman of the Commodity Futures Trading Commission, a government agency that regulates the US commodities markets, convened a meeting of regulators from 16 countries at Windsor Castle in England which recommended such an approach.[13] Further cooperation on disclosure of derivative positions among 50 international exchanges and clearing houses was announced in March 1996.[14] Such developments should be encouraged and facilitated and will lead to more stable, effective and efficient markets. Private sector cooperation to reduce Herstatt risk includes the London-based Echo system, the new US MultiNet system, and the plan of 17 of the world's biggest banks to set up a private global clearing bank.[15] Some have suggested that the World Trade Organization (WTO), which has concerned itself only with some 10% of global capital flows which represent actual trade in goods and some services should begin to concern itself with protocols for the rapidly expanding services sectors including financial capital markets, a point raised by co-author Henderson at a high-level meeting with WTO officials in Geneva, December 1995. Harmonized national

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[13] *The Washington Post,* "Regulators Adopt Crisis Measures", May 18, 1995, p. D15.

[14] *Financial Times,* London, "Futures Exchanges to Swap Details on Risk Exposure,", March 15, 1996, p. 1.

[15] *The Economist,* "Foreign Exchange: Ghostbusters?" March 16, 1996, p. 75.

currency market regulations would be an initial step to serve three public purposes: 1. reducing currency fluctuations, 2. uncovering and tracking criminal behavior, and 3. making practical the prohibition of certain instruments. These are described in detail after we look at the desirability of an international trade reporting system.

Reporting Trades. After harmonizing currency transaction regulations for the above purposes, reporting FX trades is the next beneficial step in the evolution of the capital markets, even without considering the possibility of benefits from the use of any fee charged. The value of a good trade reporting system to the international financial community will, in fact, in itself justify a reasonable fee. From another point of view, no fee can be *reliably* collected unless there is a good trade reporting system. FX trade reporting can be far less burdensome and more feasible than the reporting required for the collection of most other proposed international fees. This is due to one near-universal characteristic of the FX market, the proximity to traders of FX quotation and interdealer transaction machines provided by *vendors* like Reuters, Bloomberg, Telerate, and a few others. Since the FX market with its generally thin margins is highly competitive for most players, to minimize losses a trader who would execute an FX transaction without having current relevant quotes would take unnecessary losses. The vendor's box (TV screen and keyboard) with fast access to the vendor's server is thus conveniently at hand for capturing transaction information. Any international authority that is made responsible for coordinating the trade reporting function among nation-states should be authorized to permit vendors to offer a new trade reporting collection service and to charge users a reasonable fee for this service. Little in the way of new bureaucracy would be required, rather a standard setting authority would apply such criteria to a network of existing public agency and private vendor organizations who wished to offer these services. The standards would cover such things as maximum allowed fees, ease of use, reliability, accuracy, and comprehensiveness of vendor's data collection, processing, storing and distributing capabilities. Those vendors who can possibly enhance their service to meet the anticipated need will aggressively seek a large share of this new business, even if allowed fees are minimal. Other vendors, not now offering FX quotes, might be interested in competing for this new business as well. This is the type of business that AutEx was involved in when one of the authors, Alan F. Kay, was its CEO.

A factor that will encourage eagerness is that such a service adds a new dimension of value for customers. All present vendor services are discretionary, but the new service would be mandatory. The difference helps vendors lock-in customers. For example, if one vendor accommodated the authority, and for whatever reasons, others would or could not, the others would lose not only the new trade reporting business, but most of their FX quotation business as well. This will not be allowed to happen. No one will give up market share easily. Access to information about where vendor terminals are installed, particularly if supplemented by some usage activity information, would permit the authority to spot likely trade-reporting cheaters. An authority would only need to be able to compare telephone call records and quotation vendor utilization to determine if anyone in the world was a likely major violator of reporting requirements. Even someone getting quotation data via phone lines without directly having a vendor's service could be discovered.

The Market Value of Universal Trade Reporting Data. To see the potential value of universal FX trade reporting data, we need to consider how trades are reported today and what information could and should be included in an international system. For internal purposes organizations involved in FX require traders to record all relevant data on every trade as basic information for all of its FX activity and accounting records. Usually such a system is automated, even if as a first step traders simply mark-up trade report forms in a tightly coded way. Often all this data is confirmable by a common procedure of complete and automatic voice recording of every FX trade negotiation in order to resolve disputes between counterparties or through an interdealer trade confirmation system. As part of their trade reporting service, vendors would naturally offer to link their quotation networks to any FX organization's internal trade reporting system so as to eliminate or at least minimize duplicate data entry. This would be further profitable business for vendors and mean to each FX player that essentially no additional trader time or clerical work would be required by a proposed system. Even if trade reporting data was entered manually, the reporting organization's name, the time and date, and the terminal number or trader's name could be determined by the system automatically without manual entry. Other information required in a trade report would be the currencies or instruments involved, the price and size of the transaction, the other party's name, the purpose (such as commodity [service] purchase [sale], investment, hedge, arbitrage, distribution, speculation, etc.), and if acting as principal or agent and, if the latter, for whom. All these items can be reduced to very few keystrokes. If the trade was based on a quote in the vendor's computer, trade data entry might even be simpler.

The Added Public Value of Universal Trade Reporting Data. Vendors would be collecting as part of the total trade reporting service the portion of the huge daily data base of world wide international FX trading which in size amounts to about a million trades a day. Each vendor should deliver to each nation-state the part of this data relevant to its interests, which includes trades where one or both parties were operating under its jurisdiction or trades involving its currency. In today's cyberspace world this data should be transmitted directly to a computer operated by, or on behalf, of the nation-state. What this new data base does for each country is to present it with reports of how many and what size ranges and price fluctuations of each kind of trade (e.g. spot, future, option, etc.) are transacted in a given time period in a given money center for players in various categories. In addition, data on trade purposes (e.g. commodity purchase, investment, hedge, arbitrage, distribution, speculation, etc.) could help determine the effects on all of these variables over long periods of time of such activities as market manipulation, changes in domestic and foreign trade and economic policies, natural disasters and wars, and changes in quality-of-life indicators (such as the poverty gap, life expectancy, infant mortality, air and water pollution, etc.), as well as the GNP and other leading financial indicators. This data has enormous financial value and in various ways could be resold to the financial and capital markets world-wide. The purpose of requiring trade reporting is to begin to get some data on this presently unknown, unregulated, but very important market. These data could help determine what standards could help the market work better and to evaluate how adopted regulations are working. All of the three purposes mentioned under

harmonizing national currency market regulations: 1. Reducing Currency Fluctuations; 2. Uncovering and Tracking Money Laundering and Other Criminal Behavior; and 3. Outlawing Certain Instruments, would be enhanced and reinforced by trade report data. Let us consider these in more detail.

1. **Reducing Currency Fluctuations.** It is desirable to help stabilize currency fluctuations and the risks they impose on corporations by allowing and encouraging governments to better manage and protect their currencies from bear raids and speculative attacks. The concept of "marketing" currencies is taboo in economic theory, which still assumes erroneously that markets are perfect; social and environmental costs are internalized in prices and that the suffering of poor and vulnerable people within a country experiencing currency turbulence and "hot money" portfolio flows is of no concern. Yet the reality is now so painful for nations and their leaders that it behooves us to compare the market characteristics of their currencies with that of their sovereign bonds.

Governments have learned to be very careful about marketing their bonds in ways that add both to the bond holder's and bond buyer's confidence (whose interests in price movements happen to be diametrically opposed). A default would be disastrous and unthinkable. Stable, developed countries respect the terms and conditions initially offered when the bond is issued. For example, the US has almost five trillion dollars of debt in domestic and foreign hands, about equal to a year's GNP. The Treasury has a well-established, fair and reasonable process and marketing structure for selling new bond issues so that large sectors of the financial industry smoothly absorb and re-distribute over $20 billion per week of new debt at the same time as the secondary "used bond" market thrives with compatible pricing. The bond markets have confidence that the US will respect its obligations and its creditors' rights, so that new issues sell at the lowest possible interest rates. Interest on the debt is one of the largest federal budget items. Keeping interest low is an important way of reducing both the federal deficit and inflation. That scrupulousness keeps bond market values at reasonable and stable levels even during US budget battles and brinkmanship by irresponsible politicians over the federal debt ceiling in 1995.

But currency holders around the world historically have less rights, since currencies serve as units of exchange as well as a store of value and since the theoretically perfect market is the arbiter. Maintaining a stable currency price in the FX market is one factor that helps keep a country's inflation low and fosters confidence in its reliable convertibility. Interest rates are still a primary tool of central banks to raise the "marketability" of their currencies, but at the heavy price of domestic recession although, as mentioned, this is changing as markets now "discount" such rate-hikes. This contrasts with financially pressed countries who print, revalue or issue currencies by fiat and without warning, which can not only drastically lower their currencies' value compared to hard currencies but *in extremis* destabilize them to the degree that their marketability vanishes *regardless of price.* Great marketing cannot overcome the lack of buyer interest in a poor commercial product. Similarly no amount of marketing can overcome the fact that disastrous monetary policies can destroy the value of a currency. But it has been demonstrated a thousand times

that good marketing can help bring a consistently higher price for a product. This is true of a nation's bonds and why should it not be true of a nation's currency? The thought is still taboo to economists and players in FX prefer not to see inside a nation and the domestic hardships wrought by conventional macro-economic policies and economic stabilization and the structural adjustment requirements of the Bretton Woods institutions. Yet it is for these reasons of domestic hardship (sometimes leading to popular uprisings in recent cases of Mexico and Venezuela) that force financial markets and central banks of politically weak or poor countries to seek new ways to stabilize currency markets and reduce fears of "hot money." For example, Chile has successfully managed its economy while mounting some capital controls on short term flows. Other countries tie their currencies to stronger ones with mixed results.

2. **Uncovering and Tracking Criminal Behavior.** It is desirable to develop better means to uncover fraud, embezzlement, "computer" errors, and other criminality in instruments whose values depend in part on the relative fluctuations of two (or more) currencies. Harmonizing international regulations will make it harder for criminals to find sanctuary in some jurisdictions. This will strengthen justice and generate revenue in the form of fines that will further help to curtail illegal behavior. A complete international system of trade reports will only enhance the ability of authorities to uncover and track criminal behavior by harmonizing international regulations. That effort was advocated with respect to money-laundering and drug cartels by US Treasury Secretary Rubin at a Buenos Aires meeting in December 1995.

3. **Outlawing Certain Instruments.** It is desirable to determine if there are types of instruments which should be made illegal as a public policy matter because they destroy international investor confidence, unnecessarily destabilize markets, and encourage criminal behavior. Some types of *uncovered derivatives* (rights and obligations to deliver or receive various so-called "underlying" securities which, in the case of obligations, are not owned or adequately controlled by the holder) might be an example of a class of instruments which could be restricted or outlawed. Whatever kind of trading is prohibited should be determined by multi-lateral negotiation. National laws should be harmonized among all nations so that potential violators are not encouraged to defy the prohibition by seeking jurisdictions with less strict regulations and enforcement. Prohibition of trading in illegal instruments should be harmonized so as to ease enforcement of such prohibitions. A complete international trade reporting system would make it harder to conceal illegal instrument sales.

4. **Generating Fee Revenue for Public Goals.** This is a fourth purpose of a trade reporting system, one not achieved by harmonization of regulations. There are three independent justifications for various fees charged in connection with a trade reporting system: (a) the direct benefits to the FX market of stabilizing and enhancing the credibility of the market, (b) help to the FX markets that the trade reporting system provides authorities to rationalize, improve and make more efficient trading regulations, and (c) market opportunities for the sale of the system's data to players, users and observers of the market both through the

vendors and directly by the system's nation-state owners. This data is of value for tracking and analyzing the FX markets to both the players and others affected by the market. All of these fees can be reasonable and still produce revenue far above the operating costs borne by the nation states. Thus funds will be generated for other worthy purposes including a near-term replenishment of the IMF's currency stabilization fund depleted since the Mexican bailout of 1995. Beyond the currency stabilization purpose and other fees for services aspects, any further charges can reasonably be considered to be levies or user-fees on commercial uses of the global commons and the international treaties and legal system that maintains law and order and policies, international transportation, communications, and other systems vital to global commerce. Let us look at the basic characteristics of a transaction levy without prejudice as to whether such a levy is desirable and whether it should apply to all cross-border transactions. This is an issue which hinges on how such transactions are defined. The need for careful specifications are illustrated by the assumptions used to calculate the Table on p. 13.

Justification and Effects of a Fee. If a levy is to accrue to, or be for the benefit of, international treaty organizations such as the Bretton Woods institutions, the WTO or the UN, it seems that, like any other international user-fee, it has to be collected by each nation-state which has jurisdiction over the activities of residents and those doing business on its territory. Since the nation-state has to bear much of the costs of collection, surveillance, and oversight, each nation-state has to be allowed to retain a certain portion of the fee, to justify its effort and to cover its expense. However, it cannot expect to retain the whole amount, even if the intention or purpose of the user-fee were solely to support the nation-states' own financial needs and make up the revenue shortfalls experienced after financial deregulation. The reason for this is that such global user-fees have to be imposed harmoniously and cooperatively to avoid creating lower-cost havens or other unfair distortions of the economic effects of differing tax codes and practices that tend to hurt the more cooperative nation-states which deserve to be hurt the least. Thus there has to be some international agreement structure to assist in codifying, promulgating, and enforcing whatever collection rules the nation-states wish to impose to avoid non-cooperative or renegade nations who go their own way or seek to become tax-havens. At the other extreme any international authority that attempted to collect taxes on its own would be usurping one of the two key prerogatives of government (the other is acquiring a legal military force). Nowhere in the world is there much popular support for another layer of government above the nation-state level, although much national sovereignty has been "pooled" voluntarily in treaties.

The Size of User Fees. If the user-fees and levies were substantial, such as 1% or $50,000 on a standard $5 million trade, such information would be very useful for keeping the amount of evasion as low as possible. If the fee were tiny, like .001%, it would be so small that no major players would bother with evasion. Sizing the fee needs to be considered further. Levels of FX fees that have been proposed by different experts vary to an extraordinary degree: over three orders of magnitude as shown in the Table below. This has led to enormous confusion. The largest considered, 1%, sounds small compared to most fees and taxes, but *it is not*. As shown in the last column, ignoring any trading volume drop due to the fee itself,

such a tax would produce the astronomical sum of $3 trillion in annual revenue. All estimates have shown that, of course, either trading volume would drop enormously [16] or more realistically such a fee could not be adopted because of political opposition, primarily coming from private banks in the developed countries.

ESTIMATED ANNUAL REVENUES FROM FX FEES OF VARIOUS SIZES
Originally Prepared by Alan F. Kay, for UNDP Seminar, AUGUST 24, 1994

Fee on trades: / Daily Volume $	.001%, or $50 av.trade or 1 cent per $1000	.01%, or $500, av. trade or 1 cent per $100	.1% $5000,av. trade or 10 cents per $100	1%, or $50,000, av. trade, or $1 per $100 (2)
$ 500 billion	$1.5 billion	$15 billion	$150 billion	$1.5 trillion
$ 1 trillion	$3 billion (1)	$30 billion	$300 billion	$3 trillion
$ 2 trillion	$6 billion	$60 billion	$600 billion	
$ 4 trillion	$12 billion	$120 billion	$1.2 trillion	

Assumptions:
1. Average trade is standard $5 million trade for money center banks.

2. Trading volume is that portion of all trading that pays the fee (net of evasion); net of exemptions (e.g. for goods and services transactions, travel, and capital investment; or for within-nation trading, e.g. agency resales or wholesale to retail, or intrabank between centers in one country). What the fee applies to must be defined: e.g. (a) exclude "don't knows" or errors, (b) futures and forwards at time of agreement not completion; (c) each entity's daily volume should be for the calendar day at local time of agreement, and so forth.

3. 50 weeks of 6 day per week trading, each major market operating 5 business days local time.

4. Fee is split between two sides of each trade, each side paying half of amount shown. If both sides pay full amount, then projected revenue is doubled.

Notes:
(1) Martin Walker in "Global Taxation," *World Policy Journal,* summer 1993, p. 9, considered both a trillion dollar daily volume and .001% fee to pay for all UN peacekeeping and triple this rate (3 cents per $1000 = .003%) to pay the full UN expense bill. These rates are much smaller than those proposed by Tobin, loc. cit.

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[16] Recommendations by a group of economists and experts assembled by UNDP favored a "Tobin" tax in the range .05% to .25% which they estimated would produce revenue at between $55 and $220 billion per year. See UNDP Office of Development Studies, *New and Innovative Financing for Development Cooperation*, October 10, 1995, 1 UN Plaza, NY NY 10017.

(2) James Tobin, in "A Proposal for International Monetary Reform," *Eastern Economic Journal,* vol 4 (1978), suggested this 1% rate to help stabilize and cool the global currency trading market. At rates 2.5 to 3 orders of magnitude larger than Walker's, market resistance could be very high.

The difference in its effect on the market of the .001% (Walker) levy from the 1% (Tobin) tax is the difference between night and day. Both have been opposed politically in major countries by money center banks who, acting as agents for thousands of their customers in FX trades, derive enormous profits from their central roles in the FX system. But, in reality Walker's .001% would be trivial and paid without question, while the original 1% Tobin tax ran into considerable opposition and Tobin has now scaled it back to .25% [16]. The difference between the two cases is like the difference between a tax of 1 cent on a pack of cigarettes and one of $10 on a pack of cigarettes. One would not be noticed, the other would create all-out opposition and evasion. This paper deliberately avoids the question of what size fees are appropriate beyond pointing out above that the huge range of a thousand to one in possible fee size makes it clear that size is the most important independent variable. The size of the fee can be so small that there will be negligible evasion and still yield about three billion a year of revenue. The size of the fee could be higher, yielding even more revenue but then it would begin to run into evasion and avoidance schemes. Such a fee might well dry up liquidity and would present adversely affected players with potentially substantial political clout opportunities and justification for killing the whole idea of currency exchange fees. It is also quite clear that a 1% tax is so large compared to the typical trade profit margin that much of the taxable transaction base would vanish and nowhere near $3 trillion a year could be collected. Nevertheless, we have established one important result that can be taken as a worthy purpose of a trade reporting system. It can also produce a substantial source of revenue for human and sustainable development support.

A Foreign Currency Exchange. (FXE) Prof. Mendez has proposed the creation of a free-market foreign currency exchange that might serve many highly-regarded public purposes [17]. Free-market commercial (i.e., *private sector)* interests and stock and commodity exchanges around the world have been trying to figure out how to do this for profit since the early 1970's when the Transamerica Corporation introduced a data-communication system specifically for foreign exchange trading, which though remarkably advanced for that era, failed to achieve a viable number of active subscribers and collapsed. As the founder and (until 1979) CEO of AutEx, Inc, [18] which developed and operated financial marketplaces in what has

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[17] Ruben Mendez, *Paying for Peace and Development*, "Foreign Policy", Fall 1995, #100, pp. 25-31

[18] Profitable since 1971, AutEx (a contraction for AUTomated Execution) was itself listed on Nasdaq beginning in 1972. It was sold to an NYSE listed company in 1977 for $11 million in stock, then resold twice more since, each time at roughly double its previous sale price.

come to be called cyberspace and in the mid 80's as a consultant helping Citibank explore that cyberspace, co-author Alan F. Kay examined strategic plans for a commercial FXE. Kay concluded then and still believes that an *exclusively* privately-run facility is not commercially feasible. Prof. Mendez's ground-breaking paper and his earlier work led the authors to consider how eroding but considerable clout of the central banks might be utilized to change that dynamic and make FXE viable as a network-based, public-private partnership. Kay explained how such an approach could be viable in an earlier paper [19]. The viability of an FXE has always involved the marketing and political issues of persuading key players to try something new that competes in the current lucrative and monopolistic global FX market. The solution lies in carefully resolving a dilemma. Some degree of mandatory participation can make an FXE market active enough to be successful, provided the market is designed and operated to be -- to the maximum extent possible -- fair, efficient, inexpensive, easy to use, with adequate capacity, speed, accuracy, and reliability, with reasonable rules and fees. Further, such a network-based, public private partnership FXE must not encroach on filling or usurping key roles that the various players in FX now perform *without* providing new compensatory opportunities for profit.

These mandatory requirements may seem onerous or unjustified, yet the political opposition of the major players would otherwise doom such an effort before it could be authorized or created in most nations in the world. If such a proposed FXE is to be viable, it is essential that it be developed, designed, and promoted with the participation and involvement of all the key players. Most of the world is trying to move away from regulation of all kinds, yet in this case, a new market entrant is desirable to create competition in a monopolistic market. Furthermore, all markets *require* regulation to operate -- as even Adam Smith acknowledged: i.e. for markets to be efficient, buyers and sellers must meet each other with equal power and information, and no harm should befall innocent bystanders to market transactions. Today's conceptual difficulty in understanding that markets *need* regulation (as is now evident in Russia, for example) could be offset by one key fact, that the FXE would be a public-private partnership increasing competition in a global market. This puts FXE riding the wave of the future, not the past. By keeping the regulation to an absolute minimum and by offering an FXE with so many advantages to *all* players, particularly the banks and especially the money-center banks, it is possible to produce a win-win situation for everybody who needs or wants to participate in the FX market. Similarly, in other cyberspace network-based markets, such as the Internet, global standard-setting is both cooperative and

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Regardless of ownership after the initial sale, it has always operated as a highly-profitable independent division of larger companies.

[19] Alan F. Kay, *Should Nation States consider a Global Exchange Facility (FXE) for Currency Trading?* Research Report of the *Global Commission to Fund the United Nations,* Washington DC, June 5, 1995, revised.

a win-win proposition for all players. [20]

A good way to see what this minimal-regulation/ maximum-benefit approach entails is to take Mendez's concept and see what is needed to guarantee that the FXE cannot fail because of lack of usage or participation by key players. In the previous sections we explored ways to obtain trade reports and the feasibility of imposing and collecting fees on FX trades. Let us go a step further. In addition to requiring prompt trade reporting via existing or new market data vendors, the reports should be distributed to a newly developed international system in real time, consisting of a network of computers operated either directly by the nation-states or under charters (designations, or licenses) from each nation state to commercial designees, mentioned on p. 9. The only difference being proposed here is that the data must be distributed and be made available in real time. With the advanced state of the art of computer/communications, this is a distinction of little cost and great value in stabilizing markets. The key next step to transform this concept into an exchange is to encourage and facilitate trading -- or order matching, by permitting players to (a) view quotations (entered by others), (b) enter quotations and (c) become market-makers. This distinction leads to three levels of the FXE's quotation service:

(a) An information service available to a broad class of the *general public*, those who only wish to view FXE quotations through vendor services. These will be, more-or-less, the same vendors who collect the trade reports. Such quote viewers see FXE as no different from any exchange's quotation service. They would expect to pay rates similar to what quotation vendors now collect for carrying any exchange's quotations. Such a service is best provided by existing and competing quotation services and other vendors who pay FXE a fee for providing them with the quotation stream, quite conventional in the relationship between exchanges and quotation vendors in all financial sectors.

(b) A service to those we call *direct users* who are given the capability to enter quotations with on-line access. Direct users can be expected to primarily be large banks who are set up to service many accounts of smaller banks and customers of all kinds (for such traditional services as demand-deposits, loans, and others). Direct users would enter quotes for their own accounts and for their customers' accounts. They would receive a volume discount on the charge for entering quotations, and be provided as many independent entry communications lines or channels as they need. For multiple channels they would also receive a volume discount. This pricing structure has been chosen to encourage small users to be indirect, to work through a direct user acting as their agent, who could make a profit and still charge indirect users less than it would cost them to go "direct". Indeed these larger spreads increasing for the smallest retail transactions, i.e. tourists, etc., are significant profit centers. Competition would assure fairness in fee structures direct users charged to handle the business of indirect users. Because of

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[20] Hazel Henderson, "Information, the World's New Currency Isn't Scarce", *World Business Academy Perspectives*, September 1994.

the very large number of both direct and indirect users and retail customers, and the freedom of all to switch from one service to the other whenever desired, economic theory tells us correctly in this case, that the total market would operate at close to optimum efficiency and minimum costs. This pricing scheme would leave to the nation-state members of the FXE the setting of specific charges and discount levels to produce the right mix of direct, indirect and retail users. This arrangement permits large banks to make a reasonable profit in FX by servicing many indirect user accounts. At the same time small users would not need to bother with any more involvement directly with FXE than otherwise needed at a reasonable price. This pricing scheme is employed by the US national system for tracing lost, stolen, counterfeit, and missing securities, authorized by the 1975 Act of Congress, that AutEx to this day still operates as the designee of the SEC. The system is exempt from anti-trust statutes, a *de jure* monopoly that requires the participation of virtually every financial institution in the US.

(c) Market-makers. A key idea is that market-makers, by entering a two-sided executable quote for the instruments they are enfranchised to make markets in, should be expected generally to make the best and tightest markets in the whole FX market. Thus they serve as the engines which, for most trades and most players, make the FXE work better than any other existing market or potential competitor. The first of three possible entities for performing market-making functions is that the central bank itself (or the national treasury itself), or other agents designated by the nation-state be market makers. Since the central bank or the national treasury are the issuers of currency, this role is similar to the role played by the central bank or treasury in distributing its bonds or other debt instruments in a primary or new-issue market. All major countries have considerable experience with this approach. Performing a market maker function asks the central bank to play a role related but different from what it does in its open bond market operations. If central banks do not wish to play such a role, which is understandable, they may franchise such a service out to a market maker or to many market-makers. In this way, yet another source of revenue would occur both for the central bank and for whichever firms chose to take on the risk of market-making. It is also possible to imagine a different market-maker for each currency pair in spot, option, or futures contracts or the principal currency involved in a derivative transaction. Clearly also all direct users in category (b) if they chose to do so and if the practice were permitted by FXE rules, could to some degree make markets -- i.e., enter quotes on both sides. On the one hand central banks should achieve substantial franchise revenue from successful market-makers; and on the other hand (which feeds the first hand) the central banks can help capitalize these market-makers on a fair and equitable basis adequately enough so that they can -- and accordingly should be required to -- make the best markets in the sectors where they have a franchise (whether these be defined by instruments, currency pairs, transaction size, direct user groups served, geography or other considerations).

Additional Benefits of FXE. Let us look at all that the FXE, as proposed, can beneficially accomplish beyond the four achievable by harmonizing standards and regulations and requiring trade reporting which are shown on pp. 10-12. These purposes apply also to the FXE and are incorporated by reference as part of this list which accordingly begins with purpose #5.

5. **Drastically Cut FX Transaction Costs.** An integrated global open-standard FXE market network, based on properly designed modern concepts and technology can greatly reduce the cost of the basic services required to operate this market: data input, processing, transmission, storage and retrieval, for all messages and information handled by FXE. On a per message basis these costs are likely to be drastically less than current FX transaction costs. This benefit may be distributed and spread out to all users on some equitable basis. One important public purpose is to give smaller businesses and average citizens access to a fairer foreign exchange market where the spreads are smaller than today's retail spreads, which could remain competitive even if down substantially from the 5% to 8% customary today. The situation today is that while it costs nothing to get change of a twenty dollar bill in a bank or store, it costs over a dollar to receive the change in yen or francs. Today, the Internet itself is now replete with everything from "E cash" and "virtual bonds" to home-banking services. Thus using cash must remain competitive with such pure information-based transactions. The idea is still unfamiliar that in information societies, money is no longer a "cartel", but only one means of facilitating transactions and trade, and that money must now compete with local, regional, and global information-based systems and countertrade. Thus if currencies and money-supply functions do not operate efficiently to underpin markets, then inefficient money systems will continue to be by-passed by more efficient pure information-based transactions and countertrade [21].

6. **Generate Market-Making Revenue for Further Public Purposes.** As explained on pp. 12-13 in the section, "Justification and Effects of a Fee," revenue from user-fees and levies above direct costs must be shared with the international standards authority that oversees the FXE. Revenue in the range .003 to .01 percent of the transaction value could reasonably be expected per transaction with the higher .01 percent figure fully justified if the FXE achieves its expected goal of handling a substantial portion (i.e. market share) of global FX trading as anticipated in this paper because it will generally offer the fastest and most convenient executions at the best prices.

7. **Circuit-Breakers to Protect Domestic Economies and Vulnerable Populations.** This idea is now in use in some security markets under the rubric of "circuit-breakers", meaning that trading is suspended in an instrument that is under heavy speculative pressure because of some unusual circumstance affecting that instrument which produces a huge imbalance between the buy and sell side interests and thus a major collapse of the pricing mechanism. In the version suggested for FXE, the

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[21] Hazel Henderson, *Building a Win-Win World: Life Beyond Global Economic Warfare,* Berrett-Koehler, San Francisco, 1996.

effect of circuit-breaking is best achieved not by suspending trading which is unnecessarily drastic, but by slowing down the excessive selling (or buying) interest by raising the transaction fee from its very low .003-.01 percent range to something higher depending on how rapidly the price has been changing in a recent time period. The greater the drop (or rise) rate, the higher the fee charged to the trader on the selling (or buying) side, increasing perhaps to as much as the Tobin level of 1%, possibly even higher. The authors are indebted to J. T. Ross Jackson, PhD, for suggesting consideration of the circuit-breaker mechanism as a new, less destructive, national macro-economic management policy tool -- beyond interest rate manipulation and open market buying operations. Much, if not all, of that increased fee, ten to thirty times the normal charge or more, should probably go the nation state whose currency value has been depressed. The theory of dampening, rather than either a complete cessation of trading at one extreme or doing nothing at the other, is that dampening is all that is required to give the seller (or buyer) second thoughts and also allow more time to attract into market participation any latent buying (or selling) interest that may be out there somewhere in the world. The net effect would be to slow down and dampen the effects of speculative pressures on national currencies -- to stop the "vandals" at the gates. The textbook remedy still employed by many central banks is to raise interest rates. Not only do some traders discount such actions, but rate hikes suck in the very "hot money" that countries wish to avoid and can be expensive in today's debt and credit-based economies -- sometimes feeding such additional costs of credit back into consumer price indices (CPI's) as well as depressing business and consumption [22].

8. **Reduce Overshooting that Destabilizes Markets.** An important secondary effect of slowing down unusual buying or selling surges, as described under purpose #7 above, is to reduce overshoot and its reaction, a subsequent return to the price level existing before the surge. This phenomenon of excessive or ephemeral fluctuations in currency exchange ratios, both attracts speculation and rewards some speculators at the expense of others while increasing risks to corporate investment and location decisions. At the same time mitigating or damping out the phenomenon gives confidence to the more legitimate users of the market and is fairer to them.

9. **Avoid Creating Foreign Havens for Illegal Trading.** Since the charges to the users of the FXE are legitimated by providing valuable services to them, there will be no reasons for anyone to try to find or create havens in countries that do not participate in the FXE or remain unregulated. If the charges rise above this level and a portion of them can be legitimately considered a levy on commercial use of the global commons, as argued by Harlan Cleveland [23], then as long as the fee is around or below the .001% level, much smaller than the normal spread even in the most inside (or wholesale) quotation, then incentives to go off-shore will not exist.

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[22] Henderson, ibid

[23] Cleveland, Harlan, *Introduction* as guest editor with Hazel Henderson and Inge Kaul, special issue of FUTURES, March 1995, "The UN at Fifty: Policy and Financing Alternatives." A US edition also available at $12.95 plus postage from: The Global Commission to Fund the UN, 1511 K St. NW, #1120, Washington DC 20005, 1-202-639-9360.

10. **Environmental Benefits.** Governments which are beset by excessive "hot money" flows and currency fluctuation are often in poorer, weaker, or less-developed countries already subject to structural adjustment regimes imposed by the IMF. The FXE will not only provide all the benefits listed above, but by offering a degree of insulation from global market forces will help protect natural resources from over-exploitation, for example, agricultural land for local food converted to export crops to earn foreign exchange, or hardwood forests destroyed to meet interest payments or repay debts.

Conclusions. We have looked at what legitimate functions the global capital markets perform and how the players are positioned and motivated that make these markets work as they do. We have included enough detail to understand the markets' serious shortcomings, their failure to achieve a greater degree of currency stabilization; and the punishment they can inflict on vulnerable populations, on heavily-indebted countries, or anyone with income, debt, or holdings in a falling currency. We have seen how the nation-states are not helpless in protecting their citizens and fulfilling their election promises to voters to maintain domestic social safety nets, and health, education, consumer and environmental protection. National governments are no more obliged to bond and currency traders in global markets than to the voters who elect them. Governments should take such steps as they can to mitigate global financial speculating and other market failures, the effects of globalization forces, as well as to curb money laundering, drug trafficking, and other immoral and criminal behaviors involving unprecedented amounts of money, and to increase investor confidence and sustainable rewards for longer-term international investors using these markets. Many market players surveyed by the authors would be glad to pay for these services if they were available, because, as in all network-based markets, all these improvements are win-win propositions and can be had at lower transaction costs than the fragmented markets now extract from players. We have examined five approaches: harmonization, regulation, user-fees from services based on mandatory trade reporting, levies for the commercial use of the global commons, and finally a global exchange capability for executions (FXE) that could achieve these results.

Summary of Purposes We have concluded that if properly designed and implemented:

A. internationally-harmonized national currency trading standards and regulations would:

1. tend to beneficially insulate a nation's domestic economy and vulnerable populations from "hot money" and currency volatility and other effects of globalization.

2. improve uncovering and tracking criminal behavior,

3. make practical the prohibition of trading in certain destabilizing instruments;

B. a system of trade reporting would strengthen and further improve means for achieving the above three purposes and in addition would:

4. generate user-fee revenue (about $3 billion per year) to pay for all the costs of items **A** and **B**, replenish currency-stabilization funds of the IMF and for other public goals, such as underwriting humanitarian and sustainable development purposes; and

C. operating a foreign exchange facility (FXE) would strengthen and further improve the above four purposes and in addition would:

5. cut FX transaction costs, by standardizing a win-win set of public-private partnerships into a technologically efficient network-market.

6. generate market-making revenue for profit and further public goals and purposes,

7. allow "circuit breakers" to be implemented as new macro-economic policy tools beyond interest rates and open market currency buying, that would further protect domestic economies and vulnerable populations.

8. reduce overshooting in price corrections that destabilize the market unnecessarily,

9. reduce the attraction of current tax-havens and jurisdictions catering to illegal or tax-avoiding trading, and

10. together with sounder resource management policies, further help protect ecological resources from unnecessary exploitation.

Next steps. Following the recent initiatives of the Group of 24 finance ministers which commissioned UNCTAD to explore in this area, [24] nation-states should examine the options presented in this paper. The natural focus for further harmonization of financial services standards, securities and currency trading regulations is the IMF or the World Trade Organization (WTO). So far, the WTO has lacked initiative in the area of financial and other services, and has approached its mandate on trade, as that narrow traditionally-defined trade in goods. Since trade now represents only 10 percent of all global capital markets, this is an anachronism now being addressed by services industries. As standards and protocols for the world's burgeoning information societies and their growing services sectors are promulgated, it is only logical for the IMF or the WTO to lead in promoting standards and harmonization of the ICM.

National leaders may well become satisfied with the reality and robustness of these policy options or alternatives which prove-out when examined with equal scrutiny and may move toward implementation. Many such leaders may wish to regain sovereignty over crucial domestic macro-economic policy and to ease domestic dislocation and job-losses. They can proceed down these paths with all deliberate speed as their voters demand relief from the pain of globalization. In no way is it necessary for governments to operate the trade reporting or FXE facilities themselves. All of the things that the private sector can do better should be subcontracted to the private sector under well-policed public-private partnership agreements with the nation-states via the WTO, IMF, and other Bretton Woods institutions. In times when only one member of the OECD, Norway, is running a budget surplus and even such rich industrial countries have increasingly structural deficits, no government need subject its citizens to economic insecurity and increasing hardships imposed by an unregulated, excessively turbulent global casino. ■

Authors: Hazel Henderson, a development policy analyst, is author of Politics of the Solar Age (1981, 1988), Paradigms in Progress (1991, 1995), and Building A Win-Win World, Berrett-Koehler, San Francisco (1996). Alan F. Kay, President of the Americans Talk Issues Foundation, formerly a scholar, soldier, scientist, engineer, entrepreneur, industrialist, and philanthropist, is a policy analyst and board member of many civil sector organizations. Both are Commissioners of the Global Commission to Fund the United Nations, 1511 K St., NW, Suite #1120, Washington DC, 20005, USA, 202-639-9460, -9459fax.

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[24] Unedited Version, Rudi Dornbusch, "Studies on International Monetary and Financial Issues for the Group of Twenty-Four, **Cross-Border Payments Taxes and Alternative Capital Account Regimes,**" UNCTAD, Geneva, Sept. 1995 (unpublished).

UNIVERSIDAD PARA LA PAZ
UNIVERSITY FOR PEACE
XV ANIVERSARIO
CREATED BY U.N. GENERAL ASSEMBLY, RES. 35/55, DEC. 5, 1980

THE PRESIDENT HAS SEEN
3-26-96

March 19, 1996

TO Don Baer
Fyi - His as
requested near
term goals
BC

President Bill Clinton
The White House
1600 Pennsylvania Ave.
Washington, D. C. 20500

Dear Mr. President,

My wonderful, inspiring, visionary friend of many years, Jean Houston has asked me write a letter and tell you a little about myself and my desire to help you devise new visions for America and the world.

As a first, fundamental step, I would suggest that your great country which has given so much leadership and inspiration to the world, should dream again far above and beyond current worries and pessimism.

Having had to deal with many worries and pessimism at the United Nations, I wrote a few years ago, at the request of Margaret Mead, the attached dream 2000, which has guided me since.

And a few days ago, when submitting my candidacy to the post of Secretary General of the United Nations, I added to my letter to the Ambassadors of the five permanent members of the Security Council a Testimony, Fifty Years Later, in which I outline this agenda for the future:

AN AGENDA FOR THE FUTURE

Our absolute priorities and objectives for the 21st century and the third millennium should be:

1. *To make this planet a paradise*
2. *To eradicate from it all the poverty, miseries and errors engendered by power, greed and egotism*
3. *To make out of all humans one family (e pluribus unum from the great American seal)*
4. *To create a new social, political world order for the centuries to come (the ordo novus saeculorum of the US seal)*

continued

5. *To attain a life of fulfillment and happiness for all humans (the pursuit of happiness in the US Constitution)*
6. *To achieve a human family in harmony with the Earth and the heavens*
7. *To be the ultimate cosmic success of the Universe and God.*

If this text could be useful to you, by any means use it as your own. I changed it from the original in a couple of places.

My first advice to you would be to take advantage of the best, most elevated, inspiring period of your day or night (for me it is early at dawn) and

1. recall your earliest, strongest dream when you were a child,
2. reformulate and formulate your dream(s) of today with all your mind, heart and soul, so as to elevate, move and make dream again all Americans and the entire world.

In my book *The Birth of a Global Civilization* of which I gave a copy to Mikhail Gorbachev who now has as his favorite theme for his speeches, The Birth of the First Global Civilization, I tell the story on page 124, herewith, of how the dream of Robert Schuman when he was a little boy to see the borders between Germany and France and other European countries disappear, became true. He did not see it because he died prematurely. When I crossed for the first time the border in my hometown in Alsace-Lorraine without any controls, I went to his tomb to report it to him.

This is why, dear Mr. President, my advice to you as an elder of the United Nations who has seen many of his dreams come true, is to dream, never cease to dream, even install a bench of dreams on the grounds of the White House (the House of Dreams).

Sit on it as I do on mine on the grounds of the University of Peace. I swear it to you: your dreams will come true. It is the only thing that works.

Once we know what your dreams are, we will certainly want to help you. I even predict you will not need us.

Wishing you splendid spirit, enthusiasm and deep belief in your great historic mission, I am

Yours in peace,

Robert Muller

Robert Muller
Former UN Assistant Secretary General
Chancellor of the University of Peace

P.S. In one of your speeches on Dreams for America and for the world, please propose that the UN General Assembly, this fall, should decide to prepare and celebrate the Year 2000.

My Dream 2000

I Dream
That on 1 January 2000
The whole world will stand still
In prayer, awe and gratitude
For our beautiful, heavenly earth
And for the miracle of human life
I Dream
That young and old, rich and poor,
Black and white,
Peoples from North and South,
From East and West,
From all beliefs and cultures
Will join their hands, minds and hearts
In an unprecedented, universal
Bimillennium Celebration of Life
I Dream
That the year 2000
Will be declared World Year of Thanksgiving
By the United Nations
I Dream
That during the year 2000
Innumerable celebrations and events
Will take place all over the globe
To gauge the long road covered by humanity
To study our mistakes
And to plan the feats
Still to be accomplished
For the full flowering of the human race
In peace, justice and happiness
I Dream
That the few remaining years
To the Bimillennium
Be devoted by all humans, nations and institutions
To unparalled thinking, action,
Inspiration, elevation,
Determination and love
To solve our remaining problems
And to achieve
A peaceful, united human family on earth
I Dream
That the third millennium
Will be declared
And made
Humanity's First Millennium of Peace.

Robert Muller

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: MM DATE: 9/19/19
2019-0774-S

March 7, 1996

CONFIDENTIAL

H. E. Dr. Madeleine Korbel Albright
Ambassador Extraordinary and Plenipotentiary
Permanent Representative to the United Nations
United States Mission to the United Nations
799 United Nations Plaza
New York, NY 10017-3505

Dear Ms. Ambassador,

I do not have the honour of knowing you in person, due to the fact that I left the UN service in 1986. I am therefore a person unknown to you who addresses this letter to you. Its object, after long reflection and promptings by persons who have known me for many years, especially at the United Nations, is to inform you and the other four Permanent Members of the Security Council of my willingness and readiness to be considered as a candidate this year for the high position of Secretary General of the United Nations. You will find herewith ample information about my life history, my UN service of over 38 years and my views for a peaceful, better world. I am also adding 3 of my books which are relevant: *My Testament to the UN, the Birth of a Global Civilization* and *Safe Passage into the 21st Century*, written with the former Ambassador of Canada for Disarmament, Mr. Douglas Roche. There are several other books I have written, intertwining my personal life with world events and international cooperation. You will also have ample information in your State Department.

Since my nationality is that of a Permanent Member of the Security Council, France and the tradition is not to select the Secretary General from one of these countries, I would like to state that I offer my candidacy as that of a global citizen: I was born in Eupen-Malmedy, a territory contested between Belgium and Germany from Alsace-Lorraine parents, a province contested between France and Germany, I married a Chilean diplomat born from Spanish parents, I have four children born in the United States, one of them married to a Spanish wife. I thus had to be fluent in four languages (French, German, English and Spanish) to which I can add Italiana and also lessons taken at the UN in Russian and Chinese. The feelings arising from this global character of my personal life and of my life since the United Nations are reflected in my Testimony Fifty Years later , written during the fiftieth anniversary of the UN. This testimony will be completed with the publication in the weeks to come of the first 500 ideas for a better world, as part of the countdown to the year 2000. I will send you a copy when it is published.

continued

I want to assure you, dear Ms. Ambassador, that my candidacy derives entirely from my sense of duty towards the world after so many years of service in the United Nations, and the experience gained in it. It is a duty which I was made aware of by many people who know me, especially UN delegates and former colleagues of the Secretariat. After long reflection I did conclude that it was an appeal to which I had to respond positively.

May I express to you, dear Ms. Ambassador my feelings of gratitude for the kindness with which you will study, I am sure, this candidacy. Having worked directly with three Secretaries General I pray God that you and your colleagues will select the man or woman most likely to best help the progress of humanity towards peace and justice.

Yours in peace,

Robert Muller

Former Assistant Secretary-general
Chancellor of the University for Peace

1. The European Way Towards A World Community

Perhaps the main lesson of the European Community is to have shown that a dream can come true. It was indeed the dream of a little boy named Robert Schuman which gave birth to it. Schuman, a compatriot from Alsace-Lorraine, had been a German soldier in World War I and a French Cabinet Minister incarcerated by the Germans in World War II. After the war, he wanted to resume his practice as a lawyer in the city of Metz, but a former school-friend of mine, Rene Lejeune, a true mystic who represented the Christian Democratic party in Lorraine impressed upon him to run for elections, underlining his responsibilities towards the reconciliation of France and Germany, the unification of Europe, and his saintly duty as a Christian. Robert Schuman responded to his appeal, was elected and became Foreign Minister of France in the late forties. Then another great dreamer and planner, Jean Monnet, presented him with a plan for a Coal and Steel Community between France, Germany, Luxembourg, and Belgium. France (Lorraine) had the iron ore and Germany (the Ruhr) had the necessary coking coal to make steel. To work on a strong common interest would show the two arch-enemies that they could cooperate. Jean Monnet asked Robert Schuman to lend his name to the plan, for it was his duty as a Lorrainer to reconcile the two countries and to build Europe. Schuman told me that he did not know what to do, because he was neither a coal and steel expert, nor an economist. But one morning he woke up and remembered a dream he had when he was a little boy: he lived in an upper part of Lorraine called the "corner of the three borders", because the frontiers of France, Germany, and Luxembourg converge in that place. Whenever little Schuman was riding his bicycle he hit a border and customs controls. This made him mad and he swore himself to do something to abolish those borders if he ever had a chance as a grown-up. Jean Monnet's plan was the golden opportunity. He went to his office at the Quai d'Orsay and signed the plan without further studying it. It became known as the Schuman Plan which later was expanded into the European Economic Community and finally into the political European Community which will enter into force in 1992. At that time the last remnants of the borders will be abolished.

Thus the dreams of Robert Schuman and Jean Monnet became true, far beyond what they could have expected. Today, East and West Germany are reunited, East Germany is part of the European Community and all Eastern European countries will sooner or later become members too. One of them, the USSR will even bring along a good sized territory of northern Asia! The countries of Africa are waiting in line to be members. Before the year 2000 the Community will drop its adjective "European" and will become the pole of development, the axis around which a true world community will grow. This was indeed the ultimate vision of Jean Monnet as he wrote at the end of his memoirs:

"Have I said clearly enough that the Community we created is not an end in itself? It is a process of change, continuing in that same process which in an earlier period produced our national forms of life. The sovereign nations of the past can no longer solve the problems of the present: they cannot ensure their own progress or control their own future. And the Community itself is only a stage on the way of the organized world of tomorrow."

The world would be well advised to pursue the dream of Jean Monnet and Robert Schuman. The European Community fathered already two important children: President Bush proposed in 1990 an all-American free trade community from Alaska to Tierra del Fuego, and the Central American Republics, long divided and torn by internal strifes and dictatorships are working actively towards a Central American Community endowed with a Central American Parliament, common consulates and passports, presidential meetings every six months and making Central America a demilitarized zone of peace. Out of the depth of their chaos, like a long abandoned field, as was the case of Europe, they found the will, the vision and the enthusiasm to engage into a radically different, promising, hopeful upward path of history.

This is also true of the world which is at the bottom of its political abyss. A great new vision can and must germinate from that abandoned planetary field. One could well see the world endowed with a European Community helping an all-African Community through massive aid to correct the historic lag of the latter continent in science, technology and development; an all-American Community in which the US and Canada would help their Latin American brethren to fill the same gap and to make of the Americas a showcase for the world; and an Asian Community in which Japan, Australia and

New Zealand would help the poorer countries of that region. A Middle-Eastern Community should also be created to reconcile the peoples of that region.

A major drawback is that at the end of such a process each of these regional communities would have adopted legislations and created institutions which would be difficult to reconcile and might potently stand in the way of the global interests of the planet and of humanity, and prevent the creation of a true world community. At best, it might take a long time to mould and bring together these regional communities into a world community. A way out would be for one or several governments to propose the inclusion of a new item on the agenda of the UN General Assembly entitled:

> *"Creation of a true world community; implications of existing and planned regional communities."*

As a result, there would be right from the start debates and consultations to avoid creating a new major split of the world into powerful regional, conflicting and competing continental or regional entities. The creation and development of such communities should go hand in hand with the development of a world community in which the regional communities would be capped by world community legislation, institutions and resources ensuring a world-wide cooperation to meet the needs of *all humanity and the planet.*

The sooner such a move is made, the better. With every year that passes, the regional communities will acquire more rigid structures, rendering a world community more difficult, and retarding dangerously the necessary, unavoidable birth of a new global, political organization of the planet.

Robert Schuman once wrote a Manifesto of principles which was to guide a Constitutional Convention of European States in 1975, 25th anniversary of the Declaration which launched in 1950 the European Common Coal and Steel Community. Replacing the word Europe by humanity or world in these principles, the declaration could be a valuable guide for a process leading to a true world community.

1. Europe (humanity) must be the master of its destiny
2. Europe (the world) must acquire a soul

3. Political integration must complement economic integration
4. The politically integrated countries will take common decisions regarding international (world) matters
5. Political unity does not mean the absorption of the nation
6. Political integration does not mean the relinquishing of all national sovereignty
7. European ties (world ties) will not entail the negation of the fatherland
8. Europe must again become a guide for humanity
9. Europe must be the cradle and guardian of democracy
10. A united Europe must be the forerunner of tomorrow's universal community

2. A Quantum Strengthening of the UN

The United Nations has the enormous advantage to exist, to be universal, to have extensive experience and to be equipped with 32 specialized agencies and world programs covering practically every subject under the sun. After close to half a century it is high time to have an assessment and new look at this unprecedented but still cautious, imperfect, slow, and weak attempt at world organization. The imperatives of our global time call for an audacious reconstruction of the UN. International airports are reconstructed every ten to fifteen years. So are hospitals. The world's main international traffic center and hospital, the UN, has not been reconstructed once in 45 years! I have formulated my proposals after my long experience with the UN in several writings, especially in a peace Plan 2010 in my book *What War Taught Me About Peace*. Revised and expanded proposals can be found in a novel *First Lady of the World*, to be published in 1991. There is no dearth of ideas regarding the reform and strengthening of the UN, ranging from the abolition of the veto right to the creation of UN forces to replace national armies, from a revived role of the Military Staff Committee of the Security Council to the creation of a People's Assembly. For years, delegates and non-governmental organizations have put forward proposals. This was particularly the case during the fortieth anniversary of the UN in 1985.

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XV ANIVERSARIO
CREATED BY U.N. GENERAL ASSEMBLY, RES. 35/55, DEC 5, 1980

Fifty Years Later

A Testimony

by: Dr. Robert Muller
(Candidate for Secretary General of the UN)

I joined the United Nations international service in 1948 as a young man who had been in a German Gestapo prison, a French Resistance fighter and had seen the most horrible atrocities of war and destruction. I came from Alsace-Lorraine, a province of France bordering Germany, where my grandparents knew three wars and changed nationality five times between France and Germany, without leaving their village. I was a very pessimistic young man. If this had happened between two highly civilized countries, how could I expect white and black countries, communists and capitalists, rich and poor nations, thousands of religions and ethnic groups to be able to live together in peace? Surely there would be an incident which would trigger off another world war within twenty years. Well, there was no third world war.

In the empty war factory in Lake Success where the United Nations was first located, a British delegate asked me what I was doing there. I answered: "I came here to work for peace, because I do not want my children and grandchildren to know the horrors I saw in the war." He answered, "I pity you young man because you will lose your job. This organization will not last more than five years." Well. it celebrates this year its fiftieth anniversary.

I was also told in Lake Success that decolonization was the priority item on the agenda of world affairs and that it would take the United Nations from one hundred to one hundred fifty years to solve the problem. Well, the UN did it in forty years. I was told the same about apartheid, women's rights, and indigenous people, the cold war, and I could cite other examples.

I have been involved in the creation of several new UN specialized agencies and world programmes in the economic and social fields, including the world-wide United Nations Development Programmme where I was the lonely first UN official working with Paul Hoffman, the former Administrator of the Marshall Plan. The UN listened to me when I suggested to channel the surplus food of the rich countries which burned them, to children and hungry people in the poor countries, and created the World Food Program. The World Bank listened to my idea to give low-interest loans to infrastructure projects in the poor countries and created the International Development Agency. When I look at the list of 32 UN specialized agencies and the world programmes, I am astonished that I played a role in the creation of eleven of them! *continued*

I have seen the UN system assemble information on practically every aspect of our Earth and of the human family. Who remembers that until 1952 we did not even know what the world population was?

Through the United Nations I have seen the seas and oceans, the moon and outer space become legally the commons of humanity. I have seen the birth of the first concerns for the environment, a word coined in the UN when it convened the first world conference on the environment in Sweden in 1972. And the UN did the same for the world's waters, deserts, oceans, climate, atomic energy, children, women, the aging, the handicapped, etc.

I entered the UN as an intern and was privileged to rise over the years to Assistant Secretary General working directly with three Secretaries General. When I look back, I thank the UN for a truly magical life.

And retirement was not the end. Three days before I retired from the UN in 1986, after 38 years of service, Rodrigo Carazo, the President of Costa Rica, a man whom I greatly admire, proposed that I should become the one-dollar-a year Chancellor of the recently created University of Peace in Costa Rica. I accepted with delight to continue to work for a UN agency in a peaceful, demilitarized country to which I would give the highest mark for its initiatives and successes at the UN: the creation of the post of Commissioner for Human Rights, the NobelPeace Prize to President Oscar Arias, the celebration of the International Day of Peace and the world cease-fire proposed by Costa Rica for the week of the fiftieth anniversary of the UN. And how could I have ever dreamt that I would some day be appointed a member of two world commissions of eminent persons to save our oceans and to prepare a better future for the UN? And that all the borders in western Europe would be suppressed, a European Union created, and that in 1994 I could, for the first time, cross without any controls the border between France and Germany in my hometown of Sarreguemines in Alsace-Lorraine? And that there would exist today in the world 24 schools bearing my name or using a new education which I derived from the United Nations?

In brief: from a very pessimistic young man after World War II, I have been transformed by the UN into an optimist who firmly believes in the success of humanity, given time. I am infinitely grateful to the UN for having taught me that planet Earth is my home, that humanity is my family and that it was worthwhile to devote my life with enthusiasm and faith to the great objectives for which this Organization, a truly unprecedented ominous meta-biological organism of the Earth and of the human species was created. In the face of colossal obstacles and the shortsightedness of many nations, the UN has created many miracles.

continued

After all these years, I asked myself the question: what would be my further expectations and dreams for the future? A host of answers and ideas upwelled in me. On July 11,1994, there were 2000 days left to the year 2000, I began to write 2000 ideas for a better world as a countdown to the bimillennium. Five hundred of them are now ready for publication. My first dream is annexed herewith, the second was that the United Nations should decide to prepare and celebrate the year 2000 world-wide. Another was this:

AN AGENDA FOR THE FUTURE

Our absolute priorities and objectives for the 21st century and the third millennium should be:

1. *To make this planet a paradise*
2. *To eradicate from it all the nonsense and errors engendered by power, greed and egotism*
3. *To make out of all humans one family*
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6. *To achieve a human family in harmony with the Earth and the heavens*
7. *To be the ultimate cosmic success of the Universe and God.*

Robert Muller

My most recent conviction is that the world's survival requires an enormously strengthened second generation United Nations, or a UN transformed progressively into a World Union on the model of the European Union, or a United States of the World on the great precedent of the United States. On the eve of a new century and millennium it is a matter of utmost urgency.

Fifty years later we should remember these lines which Franklin Roosevelt wrote in his own hand on the day of his death for a speech he was to deliver at the opening of the San Francisco Conference convened to give birth to the United Nations from the ashes and blood of the sixty million dead of World War II:

> *"The work, my friends is peace: more than an end of this war-an end to the beginning of all wars. I ask you to keep up your faith. The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with a strong and active faith."*

continued

Therefore, when looking at a reform and strengthening of the UN, we should have in mind these statements by great visionaries:

"With all my heart I believe that the world's present system of sovereign nations can lead only to barbarism, war and inhumanity. There is no salvation for civilization, or even the human race, other than the creation of a world government."

Albert Einstein

"Unless some effective supranational government can be set up and brought quickly into action, the prospects of peace and human progress are dark and doubtful."

Winston Churchill

"The age of nations has passed. Now unless we wish to perish, we must shake off our old prejudices and build the Earth. The more scientifically I regard the world, the less can I see any possible biological future for it except in the active consciousness of its unity."

Teilhard de Chardin

"Have I said clearly enough that the European Community we created is not an end in itself? It is a process of change, continuing in that same process which in an earlier period produced our national forms of life. The sovereign nations of the past can no longer solve the problems of the present: they cannot ensure their own progress or control their own future. And the Community itself is only a stage on the way of the organized world of tomorrow."

Jean Monnet
Conceiver of the European
Community, now the
European Union

continued

IDEA No 1 11 July 1994

My Dream 2000

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That on 1 January 2000
The whole world will stand still
In prayer, awe and gratitude
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And for the miracle of human life
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Be devoted by all humans, nations and institutions
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Robert Muller

American Competitiveness

GAINING AN EDGE THROUGH STRATEGIC STANDARDIZATION



FROM: Dr. Hazel Henderson
Anastasia Island
Box 5190
St. Augustine, FL 32085

TO: BUSINESS WEEK
OCT 16
THE PRESIDENT HAS SEEN
3-26-96 1995

Produced in cooperation with the American National Standards Institute and the U.S. World Standards Day Committee

Competing through Standardization

As global competition intensifies, leading American businesses are increasingly adopting an emerging management discipline as part of their business strategy.



The discipline is called strategic standardization, and the effective management of it can open new markets, increase sales, reduce trade barriers, and ensure a company's competitiveness and profitability. European competitors have used this same discipline to their own advantage for some time, and – to ensure a strong leadership position in the global marketplace – U.S. business leaders need to do the same. Contrary to the view of standardization as only a technical topic, it is in fact a critical business issue with implications for market access, anti-trust, product liability, patent policy and protection, new product development, occupational health and safety, the environment, government acquisition reform, and even our very quality of life. In a period of otherwise shrinking corporate staff, companies as diverse as Ameritech, Ford, and Polaroid have set up offices of strategic standardization.

"American companies must understand that standardization is a strategic business issue that has a direct impact on new product development."

Americans' daily lives depend on standards that we take for granted, which – like air – are everywhere, from the products we use, the food we eat, how we communicate, work, play, travel, and go about our business. This ubiquitous view, however, belies the real impact of standards and conformity assessment – a procedure to verify that products and processes meet a standard – on our economic well being as a nation, as American businesses, and as world traders in a global economy. Increasingly, standards have become the lingua franca of international trade, and the underlying basis for competition among the world's regions, nations, and corporations large and small. The strategic value of standards, and the participation of American businesses in their development through the private sector voluntary standards process, is fundamental to the well being of our way of life today and will be well into the 21st century.

Several forces have combined in recent years to accelerate the trend to standards and to put standards issues front and center in the national and

U.S. Pharmacopeia

Setting official standards of excellence to promote the public health

Founded in 1820, the U.S. Pharmacopeia (USP) is an independent, not-for-profit scientific organization that is responsible for establishing legally recognized product quality standards and authoritative information for the use of medicines and other health care technologies. For more than 175 years, USP's standard-setting activities have contributed to improving the quality of drugs and medical products in the United States.

USP publishes the *U.S. Pharmacopeia* and the *National Formulary* which contain product quality standards for 3,200 drug substances and 250 pharmaceutical ingredients used in making drugs. These standards for medicines are recognized as official by the federal Food, Drug, and Cosmetic Act, and are enforced by the Food and Drug Administration (FDA). The initials "USP" or "NF" on a package label of a drug, dietary supplement, or other article used in medicine indicate that the product inside purports to meet the approved standards of strength, quality, purity, packaging, and labeling.

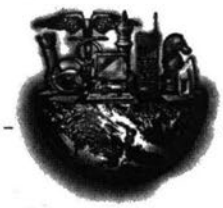
In addition, USP develops authoritative, unbiased therapeutic information about drugs and their usage for health care professionals and patients. This *USP DI®* database is available as a text that is designated as a "standard reference" compendium by federal and state statutes for medical reimbursement purposes.

U.S. Pharmacopeia
12601 Twinbrook Parkway
Rockville, Maryland 20852
800-877-6733

international agenda. Domestically, those forces include the proliferation of technology in every domain of life, deregulation, the dramatic political shift in the Congress away from government solutions to those of the private sector, ever rising exports by American industry, and a heightened concern over product quality and occupational safety and health issues in the workplace.

Forces on the international front include intense global competition, the rise of regional trading blocks such as the European Union, the accelerated development of underindustrialized regions from Central Europe to Asia to South America, worldwide concern with environmental issues, and the increased pace and impact of international trade and treaty agreements from NAFTA to the World Trade Organization. Combined, these developments have propelled the issue of standards to center stage.

"As we look to the future, standards will become even more important," says George M.C. Fisher, former CEO of Motorola and Chairman of the U.S. Council of Competitiveness, and now CEO of Eastman Kodak. "American companies must understand that standardization is a strategic business issue that has a direct impact on new product development. There is a direct relationship between leadership in standards and leadership in technology. American standards bodies must lead the way in international activities."



"There is a direct relationship between leadership in standards and leadership in technology. American standards bodies must lead the way in international activities."

Standards Defined

A simple definition of the word standard is a recognized unit of comparison by which the correctness of others can be determined, a set of characteristics or quantities that describes features of a product, process, or service.

As a consumer, buying products that conform to standards makes it easier to comparison shop – for features, functions, and price. This conformance not only sharpens competition, but provides a basis on which true differentiation can occur – in features and functions that are valued by the customer – and not in those areas that the customer doesn't see, appreciate, or that adds no value to the product's use. More businesses need to focus on customer value analysis. Compatibility standards are especially important, and where they exist – such as for stereo equipment interconnection – consumer confidence increases, which translates into increased revenues.

Reform Efforts

Health care reform is one example where the U.S. is poised for significant government regulatory and procurement changes. There is bipartisan and unanimous support in the area of health care administration, including the need to reduce and simplify paperwork. The development of standards related to computer-based patient records is one key component. Another area undergoing dramatic regulatory reform is telecommunications.

Discussions about the global information infrastructure often lose sight of the fact that we already have a national information infrastructure in the broadcast, cable, and phone systems and in a variety of wired and non-wired networks. These link businesses and people in many applica-

tions. The issue is the lack of standards that can interconnect these infrastructures and help improve their level of service.

Not surprisingly, the U.S. federal government is the largest creator and user of standards – nearly 52,000 of them. The private sector in America has some 43,000 standards. That's a total of 95,000 standards, which don't include the much larger number of de facto industry standards – such as IBM compatible PCs – that are established not through formal procedures but through widespread acceptance in the free market.

Last year, as part of his acquisition reform efforts, Secretary of Defense William Perry ordered the DoD to look towards the private sector for standards wherever possible. This "dual use" strategy reduces cost, increases the number of supply sources, helps the defense industry convert to commercial market needs, and provides for a more flexible defense industrial capacity.

Says Walter B. Bergmann, II, deputy assistant secretary of defense: "Some analyses project if we adopted private sector standards and specifications we could save between 5 and 10% on weapon costs alone." The economic benefits – cost displacement from the DoD's perspective, and a single market from the suppliers' perspective – will be welcome to taxpayers and businesses alike.

Best Practices

American standards have helped promote best practices for much of this century. One recent example: In 1992 Hurricane Andrew ravaged south Florida and Louisiana, damaging or destroying 18,000 mobile homes.

While building codes provide for wind load standards, those standards did not apply to mobile homes, which posed a major public safety issue. As a result, the American Society of Civil Engineers developed a series of standards subsequently adopted by the U.S. Department of Housing and Urban Development – which sets the standards for mobile homes – so that mobile homes built and sold after July 1994 must resist winds of up to 100 miles per hour in 26 counties in hurricane-prone sections of five states and Puerto Rico.



It is the competitive role of standards, however, that has sparked the interest of nations and businesses. Standards broaden the potential market for goods and services while at the same time providing a basis on which to differentiate products, through cost, time-to-market, quality, and performance. The cooperative partnership between government, industry, and the consumer – one of the best strengths of our market economy – provide the U.S. the best chance for promoting our collective economic welfare and for achieving the common good worldwide.

World Trade, Government, and the Private Sector

In voting into law the National Competitiveness Act of 1993, the U.S. Congress stated that "strong and effective U.S. leadership and participation in international standards organizations are key to the long-term competitiveness of U.S. products in global markets," and called on the federal government to "actively participate in treaty standards organizations and assist private-sector U.S. member bodies of non-treaty international standards organizations in both the development and advancement of technical and policy positions."

Last year the U.S. exported approximately $700 billion worth of goods and services worldwide. Twelve million American jobs are directly related to exports, and expanding trade is critical to our economy. The three largest regional markets for U.S. exports are Europe, the Pacific Rim, and Latin America. Together these exports annually total $300 billion, $200 billion of which is with the European Union. Standards are fundamental to that trade.

Health care reform is one example where the U.S. is poised for significant government regulatory and procurement changes.

It is no longer sufficient that a product have a large market, be of good quality, and be reasonably priced. Before anything can be traded, it must have market access. It's been estimated that an additional $20 to $40 billion could be produced by the U.S. if we could overcome all international technical barriers to trade – many of which exist only for the protection of domestic markets – and which have been proliferating. Most of these barriers result from disparities in standards and conformity assessment between the U.S. and its trading partners.

The intellectual basis for worldwide economic cooperation, open markets, and world trade was laid at Bretton Woods in 1944 – the concepts of the International Monetary Fund and

Opening New Markets Worldwide

Hewlett-Packard Company has grown and prospered in recent years – revenues passed $25 billion last year – without the benefit of central coordination of the company's standards activities. But that is changing, as HP has seen the huge cost impact of externally imposed standards that in some cases provide little or no customer benefit. Proposed new European eye safety standards for light emitting diodes (LEDs) used in PCs and TV/VCR remote controls, for example, would have prevented the sale of hundreds of millions of dollars of otherwise safe HP products there. These and similar surprises convinced HP to launch a strategic standards management initiative across the company.

The best standards are those that can generate entirely new markets.

Key to making this happen was building awareness and sponsorship with senior management, business units, and geographies around the world – no mean feat in a decentralized culture of 98,000 people producing 23,000 products in 120 countries. A Standards Strategy Committee was formed last year – staffed from the business and geographic units and chaired by a senior standards person from one of those units – along with a 15 person corporate standards department directly funded by the businesses. They insisted on a contribution to their bottom line. "We have to earn our keep," explains Brian D. Unter, director of corporate external standards. "If we don't deliver value to the HP business units, our department goes away."

HP seeks to gain leverage and benefit the entire company across product lines. The best standards are those that can generate entirely new markets – such as digital audio tape, which HP helped develop. Says chairman, president and CEO Lewis E. Platt, "Our contribution to the development of international standards is critical to our goal of manufacturing and selling products to satisfy customer needs worldwide." HP will continue to participate aggressively in standards activities, which it knows contribute to its impressive bottom line performance.

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HOW CAN WE UNLOCK GLOBAL MARKETS?

Infrastructure: Modern roads, bridges, airports, harbors and water systems are essential to worldwide growth.

Designed and built by civil engineers, infrastructure ignites trade, creates jobs and wealth, and improves public health and safety.

U.S. economic interests are deeply affected by global infrastructure growth. Emerging markets in Asia, South America and the former Soviet Bloc desperately seek modern infrastructure to attract trade and investment. Global infrastructure renewal thus provides a huge market for U.S. builders and civil engineers.

Emerging markets also will import more U.S. goods and services as infrastructure increases their prosperity.

The good news is that developing nations are investing $200 billion annually to develop better infrastructure. But for the U.S., the bad news is that many emerging markets use European Union design and construction standards to build their infrastructure.

Such standards erect formidable technical barriers that shut the U.S. out of burgeoning new infrastructure markets. This contributes heavily to America's steady loss of marketshare in overseas construction. Much is at stake: Civil engineering design and construction comprise America's second largest manufacturing sector, and employ 10 percent of our labor force.

The American Society of Civil Engineers believes the U.S. *and* world economies will benefit from unified design and construction standards that squarely satisfy all interests—including those of the U.S.

European construction standards often dominate because European governments, building, engineering and standards communities closely cooperate in funding, research and flexing political muscle. By contrast, the U.S. remains largely fragmented. Our clout in harmonizing standards will grow only when our own private and public sectors pull together.

Civil engineers are helping forge that partnership, because they design and build the world's infrastructure. World prosperity depends heavily on modern infrastructure, but infrastructure can achieve its vast potential only if *all* nations participate in setting standards.

Founded in 1852, the American Society of Civil Engineers represents more than 116,000 civil engineers worldwide. ASCE is a fully accredited standards-developing organization, and a founding organizational member of the American National Standards Institute.

ASCE

American Society of Civil Engineers, 1015 15th Street, NW, Suite 600, Washington, DC 20005, 202-789-2200 FAX 202-289-6797

he World Bank were developed there - but that spirit is largely gone today. During the years of negotiations for he World Trade Agreement, rampant ationalism and egionalism were obvious. Today we face a more global market where governments and trading blocks can distort the playing field nd – through standards – erect trade arriers that thwart the intent of reaty agreements.

Consider this recent comment by Dr. Hermann Franz, chairman of Siemens' supervisory board: "Europe must set standards worldwide just s it did in the past. We must take are not to allow other countries and egions to set international standards nd thereby preempt the markets or themselves. European standardzation is a tool for creating competive advantage... and should come o dominate the contents of internaional standards."

ANSI – NIST

n the U.S., the American National Standards Institute (ANSI) – a priate, nonprofit membership organizaion – coordinates the U.S. voluntary tandards system bringing together he private and public sectors to levelop standards for a wide array of J.S. industries. Founded in 1918, the nstitute's membership today includes ,300 corporations, 39 government gencies, and 289 other organizations. t is the official representative to the nternational Organization for Standardization (ISO), the International Electrotechnical Commission, and ther regional standards bodies. ANSI does not develop standards tself, but ensures that consensus, due rocess, and openness – along with ther procedures – are followed by undreds of standards developme



There are only two kinds of organizations: those that have embraced the global standards process, and those that will.

organizations as they establish standards for their respective industries. Many of these are subsequently adopted as American National Standards, currently 11,500 of them.

Ensuring the integrity of the U.S. voluntary standards system is the most important aspect of the ANSI mission to enhance U.S. global competitiveness and quality of life. "ANSI's value is as an effective coordinator of American standards policy, the accreditation of standards developers, and as a vital standards information resource," explains Sergio Mazza, ANSI president since 1993 and former president of Memorex U.S.A. "The U.S. voluntary consensus standards community represented by ANSI comprises a unique American system: diverse membership, an open and published process, opportunities for public

Global Advantage & Positioning

With $128.4 billion in revenues and nearly 340,000 employees in 34 countries, few businesses can equal the reach of Ford Motor Company, the world's biggest producer of trucks and the second largest producer of cars and trucks combined. Early this year, Ford U.S. and Ford Europe became Ford Automotive Operations with single, centralized departments and processes. The need to grow drove the decision to transform. More than 80% of the world's population live outside Ford's traditional markets. Ford believes global standards are key to reaching those potential customers.

With one billion people, China represents a vast potential auto market. But what are the customary standards, even those as basic as human body sizes and proportions? What is the voice of the customer in a formerly command economy? Highway infrastructure, fuel quality and availability, and many other factors – taken for granted in the West – have yet to be fully determined.

Ford is committed to using standards to eliminate non-value added differences in its products, and to differentiate itself from the competition. It seeks to eliminate costly redundancy and recertification often required by governments, seeking one standard, one conformance test, one accreditation, and one recognition.

Ford is committed to using standards to eliminate non-value added differences in its products.

By standardizing on less than 20 of some 130 possible coatings on thousands of bolt types, Ford is saving millions of dollars. But it didn't stop there. It developed a now-patented bolt that can't be cross-threaded when inserted by machines – a new performance standard for Ford – eliminating other bolts and dramatically increasing quality and productivity. "Standards development at Ford has become a competitive venture, fast paced, intellectually demanding, results oriented, and global," explains Keith Termaat, strategic standardization manager. "Setting high standards is an essential principle – high standards for ourselves, for our company, and for our customers."

input, due process and a cooperative working relationship with federal, state, and local regulating bodies," adds the Hon. Robert S. Walker (R-PA), Chairman of the Committee on Science in the U.S. House of Representatives. "It is a perfect testament to the genius of our economic and political systems. Its success is mirrored in the high level of acceptance and credibility that voluntary standards have been accorded in our courts, in the international arena, and in certain agencies of government."

Within the federal government, the primary responsibility for coordinating the technological basis for standards that help accomplish this rests with the National Institute of Standards and Technology (NIST) – an agency of the Commerce Department – which promotes economic growth by working with industry to apply technology, measurement, and standards through a focus on the nation's technology infrastructure. The inherent value of infrastructure and measurement is that it is freely and equally available to all. We take it for granted that when we pump a gallon of gas at the gas station, we get a real gallon, and that remains true anywhere in the country. The measurement system for this traces back to NIST.



As a consumer, buying products that conform to standards makes it easier to comparison shop.

NIST works with industry and the rest of the U.S. sector to facilitate the private voluntary standards process. An important step in reinforcing such partnerships occurred in July of this year, when NIST signed a memorandum of understanding with ANSI to enhance and strengthen the national voluntary standards system. "Both NIST and ANSI agree on the need for a national approach to develop the best possible international standards to strengthen U.S. competitiveness," explains Dr. Arati Prabhakar, NIST director. Both organizations saw the need for a national strategy – not just a federal one – at the international standards negotiating table, as well as the need for an appropriate balance between the voluntary, open, consensus-based standards setting process and government regulation, especially in health and safety areas. In fact, NIST supports the federal government's continuing movement away from regulations to reliance on voluntary standards. The intent of the NIST-ANSI agreement is to serve as an anchor for the whole voluntary standards system, to better coordinate that system with the work of the federal government, and to boost the voice of the U.S. private standards system in international negotiations, helping to maximize the benefit back to the U.S.

Advocacy, Innovation & Performance

AMP Inc, is the world leader in electrical/electronic connection devices, found in everything from automobiles to computers to washing machines. More than half of AMP's more than $5 billion in revenue is derived from products that conform to industry standards. But don't equate standards with a lack of product innovation: In patents received, AMP is among the top 25 U.S. corporations. Standards are a market-driven phenomenon that precedé many innovative products that they describe – sometimes creating new markets in the process – and become the baseline upon which real value differentiation can occur.

Few companies have been as articulate or as vocal as AMP in contributing to the national dialogue on the value of standards in competing globally as a nation, whether it be testifying before Congress or advising the U.S. Trade Representative. Educating U.S. business executives on the importance of standards in world trade – and encouraging them to be advocates for American interests in the international arena – may be even more important. Says William J. Hudson, President and CEO: "Companies taking an aggressive approach to standards can derive a critical competitive advantage in shorter time-to-market and a higher 'hit' ratio, while those that adopt a defensive posture of simply creating products that conform to existing standards risk falling behind on the learning curve."

AMP's internal standards training program is recognized as a "best practice" model, and served as a basis for ANSI's own national education and training program. Education begins and ends from the customers' perspective. It is not by accident that AMP's Global Products Standards department reports to the corporate vice president of Global Marketing. Adds Henry Line, who heads the department: "Standards are not an end in themselves. They must be part of the company's global market strategy and the new product development efforts demanded by our customers' requirements."

Standards are a market-driven phenomenon that precede many innovative products.

U.S. Product Data Association Makes It Happen

Future U.S. industrial competitiveness depends on the development and application of new information technology standards that are being required by the international marketplace.

The International Standard for the Exchange of Product Model Data (STEP), currently under development, is the most comprehensive information technology standard developed to date for 21st century manufacturing. Today, the U.S. Product Data Association (US PRO) leads the development of this standard in both the national and international arenas.

STEP will not only change the way we design, produce and support products, it will change the way we do business.

US PRO, through its IGES/PDES Organization, is the ANSI-accredited organization for the development of standards for the exchange and sharing of product information.

When it comes to STEP, industries worldwide can make it happen, watch it happen, or wonder what happened. U.S. industry, through US PRO, is making it happen.

U.S. Product Data Association
2722 Merrilee Drive, Suite 200
Fairfax, VA 22031

Phone: 703-698-9606
FAX: 703-560-2752
E-mail: uspro@uspro.fairfax.va.us

Conformance and Quality

Traders in the world market must be prepared to satisfy two conditions to enter global competition: assurance that the products or services conform to the standards of the receiving market, and proof of a quality management system for products, services, and operations. U.S. standards systems must be recognized by our trading partners in NAFTA, the European Union, the Market of the Americas, and the Asia-Pacific Economic Cooperation if we are to achieve the goal of "one product, tested once, sold worldwide." The U.S. does not want to be on the receiving end of a surprise again – as it was with ISO 9000 – where European forces drove the agenda.

As a matter of national policy, we want to eliminate what U.S. Trade Representative Mickey Kantor calls "sanctuary economies." Says Kantor: "We will insist that the United States have the same access to foreign markets as foreign countries have to our markets. We can't engage in a level playing field, equal trade, open up markets and get rid of trade barriers unless we harmonize standards." Motorola's president and CEO Gary Tooker states: "To a large degree, the success of voluntary industry standards will determine whether American products and services can survive in the intense competition of the global marketplace." Agrees Prabhakar: "The strategic value of standards to the national economy is beyond doubt, and the pace of development of international standards is accelerating. What isn't clear is whether we, or someone else, will get the economic advantage. Active participation by American business in the standards process in a strategic sense is critical to ensuring that we secure that advantage."



"Active participation by American business in the standards process in a strategic sense is critical to ensuring that we secure [the] advantage."

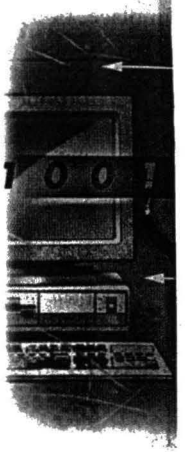
U.S. Voluntary Standards and Conformity Assessment

Voluntary standards – open standards developed by consensus and due process in the private sector – provide an essential framework (some would argue they should provide only a minimal framework), leaving the maximum possible room for innovation by which companies can add value, differentiate themselves, and compete. Standards enable innovation, remove barriers, and facilitate the flow of information, products, and services between customers and suppliers.

While there is no single international or national process for developing standards, those that arise from a formal, coordinated, consensus-based and open process by interested parties – commonly called voluntary consensus standards – are at the heart of the U.S. system. De facto or marketplace standards do not always ensure a level playing field. Proprietary solutions to market needs often do not lead to an optimal economic benefit for the overall economy. Because standardization requires gathering data and making compromises among the needs of diverse stakeholders, cooperation by all parties is required. When this due process is followed, the standards that result provide economic benefit – including compatibility and economy of scale – to the many, rather than the few.

USA Standards Developers

In the U.S., there are more than 400 private standards developers. Standards development organizations (SDOs) are the core of the decentralized voluntary standards development process in the U.S. Most of those that



operate by open process in their matter domains the American N Institute (ANSI).

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Conformity Assessm

Conformity asse used to describe manufacturers a parties to assess dards. A manufa conformity is or this. This is fav companies with well-establishe



operate by open consensus and due process in their respective subject-matter domains are accredited by the American National Standards Institute (ANSI).

One of the largest standards development organizations is ASTM, the American Society for Testing and Materials, with nearly 10,000 standards recognized and used the world over. These cover fields from metals, medical services, and building construction to environmental management, plastics, and petroleum. Another, well recognized SDO is Underwriters Laboratories (UL), which provides product safety certification programs to determine that products meet nationally recognized safety standards. Others include the Society of Automotive Engineers (SAE) – whose best known standards include motor oil viscosity ratings SAE 10W-30 and 10W-40 – and the National Fire Protection Association (NFPA) – whose performance standards for sprinkler systems are used worldwide.

Standards enable innovation, remove barriers, and facilitate the flow of information, products, and services between customers and suppliers.

Conformity Assessment

Conformity assessment is the term used to describe steps taken by both manufacturers and independent third parties to assess conformance to standards. A manufacturer's declaration of conformity is one method of achieving this. This is favored by many larger companies with sophisticated and well-established internal testing and quality assurance systems and for whom an independent third party review seems unnecessary and expensive at best. The other approach is a third party assessment based on a determination that a product conforms to a particular standard. This assessment often functions as a seal of approval that can increase buyers' confidence that the product actually conforms to a claimed standard. Third party assessment can take the form of product testing (by an independent laboratory), certification (against some standard), or registration (e.g., ISO 9000 by a quality systems registrar).

Third party conformity assessment has been growing in the U.S. It is estimated that there are some 5,500 independent, for-profit testing laboratories alone, double the amount from ten years ago. Certification is a form of third party conformity assessment – usually a certification mark – that stipulates a product performs to specified requirements. Underwriters Laboratories (UL) and the American Dental Association are good examples of certifiers, on electrical devices and toothpaste respectively. For many consumers, these "listings" and marks provide reassurance that the product they are buying is either healthy, safe, or both, and conforms to the accepted standard.

The biggest growth in the conformance business has come with the rapid proliferation of registration for quality management systems, which has for some time been promoted by the European Union. The International Organization for Standardization (ISO) 9000 quality system standards are perhaps the best known. In

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the eight years since its introduction, the number of ISO 9000 registered U.S. firms has grown to 3,500. The cost of such registration – which begins with the initial registration and continues with a periodic follow-up audit – is high. The standards require manufacturers to document their production processes and develop means to improve them – but they are no guarantee of quality products. Rather, the focus is on the process of delivering a product of consistent quality – whatever that quality is.

The real problem with quality system registration is its spiraling cost and redundancy. This places a serious burden on U.S. suppliers, who are increasingly required by either the government or other manufacturers or both to have their quality systems registered by third parties. Because multi-national mutual recognition agreements are not yet in place, there are costly, duplicative, and multiple registrations. ANSI is leading U.S. negotiations on both a bi-lateral and multi-lateral basis to achieve a one-time registration that will be accepted on a global basis.



The integrity of the U.S. voluntary standards system is the most important aspect of the ANSI mission.

Companies who successfully propose their technology as the basis for an industry-accepted standard avoid being relegated to an otherwise proprietary and smaller niche market, are ahead on the competitive learning curve for that technology, and may also benefit from royalties from other users. Says ANSI's Mazza: "The message to American industry is to get involved. When you're not at the table, you can't participate effectively, and you'll have little or no chance at proposing your own technology as the basis of a national or international standard. It costs relatively little to contribute to the voluntary standards process, and the rewards can be enormous."

Industry Leadership & Time to Market

With $64 billion in revenues and 219,000 employees worldwide, IBM markets thousands of products from semiconductors to software to mainframe computers in more than 159 countries. "IBM's customers are demanding open, interoperable systems, and the way to achieve that is through standards," according to Lawrence L. Wills, IBM's director of standards. Defining what standards are of interest to the company and being involved in external standards activities is the responsibility of the divisions and geographies, who at any given time collectively field 400 to 800 individuals (part-time). The cost is insignificant as compared to the benefits. "If you're not at the table participating, you don't have a voice in what's happening," says Wills – who is also Chairman of ANSI – "and you are in effect letting your competition define what your products are going to look like in the future."

Active participation in standards activities permits IBM to get its own technologies into the process, better understand where the standards are going, and help facilitate speed to market. An international standard permits IBM to build one product and market it worldwide. Standards and how they are used in products are an integral, increasingly formalized part of the company's general management and strategic planning process.

"If you're not at the table participating, you don't have a voice in what's happening."

In an information technology (IT) industry where historical 4 to 6 year product life cycles have been reduced in some instances to 12 to 18 months, IBM's challenge is to ensure a more responsive process and compress the time it takes to get standards approved. International IT standards are being developed in less than 30 months and approaching 24 months but are still not aligned with the fast product cycles that are the hallmark of today's IT industry. IBM's participation in standards bodies helps ensure that the development and approval procedures put in place are necessary and value-added to both industry and itself.

IBM

Environmental Management

Another major standards development effort with profound consequences for industry worldwide are the proposed ISO 14000 Environmental Management Systems standards. In 1991, the U.N. asked the ISO to develop a management process to help safeguard the environment and to enact global standards for environmental management systems and evaluations tools, from auditing to labeling to life cycle assessment.

The business case was simple: a growing worldwide desire by nations and people for better risk management and improvement in how we manage the environment. A truly

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What Do the Best Companies Say?

They say "we have the best project managers." According to research published in the *Harvard Business Review*, the best companies consistently attribute their success to their project managers. To project managers who know how to manage conflict and how to stay close to the customer. To project managers who get better products to more markets faster. Maybe that's why a leading business publication recently labeled Project Management Career #1.

What Is a Project? A project is a temporary endeavor undertaken to create a unique product or service. Examples of projects include: developing a new product or service, developing a new information system, constructing a building, and implementing a new business process. Projects are undertaken at all levels of the organization and can involve a single person or many thousands. The project manager applies knowledge, skills, tools and techniques in order to meet or exceed stakeholders needs and expectations.

How Can Your Organization Improve Project Performance? One way is to adopt the standards defined by the Project Management Institute (PMI) in its publication *A Guide to the Project Management Body of Knowledge (PMBOK).*

"Our senior management views project management as an essential element in our drive toward technical excellence. Our aerospace sector has adopted the PMBOK Guide as a standard framework for project management."

Chuck Schmidt, Allied Signal, Director, Center for Process Improvement

The *PMBOK Guide* provides a basic reference for anyone interested in the profession of project management. It is also used by PMI to provide a consistent structure for its professional development programs: Certification of Project Management Professionals (PMPs) and accreditation of degree-granting educational programs in project management.

TASC, Inc., a company in the information technology business and a strong advocate of project management standards, states its investments in project management infrastructure, processes, and professional certification training, all pay dividends.

What are Project Management Standards? The *Project Management Body of Knowledge (PMBOK)* is an inclusive term that describes the sum of knowledge within the profession. As with other professions such as law, medicine, and accounting, the body of knowledge rests with the practitioners and academics who apply and advance it.

The *PMBOK* includes knowledge of proven, traditional practices which are widely applied as well as knowledge of innovative and advanced ones which have seen more limited use.

"Project management standards give our employees the knowledge base to build upon and be prepared for the dynamic business environment of the future."

R.L. Eastman, AT&T, Director Government Programs

PMI's *PMBOK Guide* identifies and describes that subset of the *PMBOK* which is *generally accepted.* Generally accepted means that the knowledge and practices described are applicable to most projects most of the time, and that there is widespread consensus about their value and usefulness.

Generally accepted does *not* mean that these practices are, or should be, applied uniformly on all projects; the project management team is always responsible for determining what is appropriate for any given project.

Organizations Using Project Management to Achieve Corporate Objectives A highly competitive global marketplace demands that businesses get new projects and business development completed quickly, on-time and within budget. William R. Duncan, PMP, a partner at Duncan-Nevison in Lexington, MA and PMI's Director of Standards, notes that Camp Dresser & McKee Inc. (CDM) has developed its project management process using the *PMBOK Guide.* CDM uses this process to accelerate the schedule and reduce the budget on its environmental engineering projects without compromising its strict quality standards.

From high-tech to insurance, Fortune 1000 to small business, project management is fueling much of the successful development of exciting new business enterprises.

"A repeatable project management process provides consistent and effective control of projects enabling us to better meet our customer requirements for information technology services."

Tom Block, EDS Project Management Consulting

What Does the Future Hold? Project management leadership has become a highly sought-after skill applicable at every level of an organization. The standards setting activities of volunteers from the profession are making it possible for organizations to prepare for the higher demands of the future.

PMI, a non-profit professional association located in Upper Darby, Pennsylvania, represents members worldwide who are actively advancing the project management profession.

For more information, contact PMI:
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international effort, such as this, would also preempt potentially conflicting and even more costly national or regional regulations and standards, which were already beginning to emerge.

Since 1993 the ISO 14000 technical committee, and dozens of subcommittees and their working groups, have met hundreds of times to discuss and develop a framework to address environmental issues. The U.S., which has 400 people involved, is represented by ANSI. Unlike the development of ISO 9000 – when much of American industry was asleep at the switch – America has been actively involved at the table from day one. Says Joe Cascio, who chairs the U.S. Technical Advisory Group for ISO 14000 and is IBM's program director for environmental health and safety standardization: "Had U.S. industry not been so proactive this time around, we might not have precluded the desire on the part of some Europeans from implementing a performance, vs. a process standard, which would have effectively instituted European regulations – and technologies – for specific levels of emissions and pollution that could have been in conflict with our own national interests. In essence, it would have created an effective trade barrier."



Companies who successfully propose their technology as the basis for an industry-accepted standard...are ahead on the competitive learning curve for that technology.

Like ISO 9000, ISO 14000 is a series of process management standards, not performance or quality standards. Neither are concerned with product quality itself – which is the concern of the manufacturer and its customers – but rather with the consistency of quality. ISO 9000 certification, for example, is a guarantee that manufacturers are consistent in the process that they follow. This means written process procedures, consistently executed, that are both communicated to and understood by employees and customers alike.

Many in American industry – if they are aware of ISO 14000 at all – are concerned about its costs. These include not just the cost of initial compliance and registration, but the ongoing costs of maintaining that certification (or registration by a third party). If the experience of ISO 9000 is any indicator, ISO 14000 will indeed be very expensive, though many experts calculate the cost at only half of the expense of ISO 9000 registration. For large companies, that translates into anywhere from $100,000 to $1 million per plant.

Consider, however, the alternative: trade-restrictive and regionally-unique performance standards vs. prescriptive standards and fragmented, uneven compliance and enforcement mechanisms that – besides being a management headache of the first order – could triple the cost of implementation. When seen against the backdrop of ISO 9000 – when U.S. industry was largely absent from the table, the ISO 14000 process has worked comparatively well for us.

Smart companies will get involved to ensure that this remains the case, and will anticipate the impact of and prepare themselves for these environmental management standards. The Environmental Protection Agency sees ISO 14000 as a vehicle for joint industry-government efforts in finding effective voluntary approaches in achieving compliance. The most innovative among us will also find creative ways to use ISO 14000 compliance to

ISA Standards Impact Your Business Globally

The technologies represented within ISA span nearly every industry and ISA. They are essential to the manufacture of products from cosmetics to cars. Environmental emissions control, quality control, efficient use of energy, reduced waste...all rely on measurement and control technologies; all are vital to global competitiveness. ISA is The International Society of Measurement and Control, with 49,000 members in 80 countries. For 20 years, ISA has been accredited as an ANSI-recognized standards writing body. And for over 10 years, we have held IEC Secretariats, developing international electrical standards.

We do more than write standards however. We offer credentialing for the professionals who work with measurement and control. We provide training from basics to advanced; forums for information sharing; and practical journals to keep our members up-to-speed on the latest applications for technology. ISA, The International Society for Measurement and Control. We bring control to manufacturing.

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Nortel Committed to Voluntary Standards

Nortel is one of the world's most diversified developers of communications products, systems and networks in the enterprise, wireless and carrier network markets. Nortel provides equipment, services and network solutions for information, entertainment and communications networks operated by telephone companies, personal and mobile telecommunications companies, cable TV companies, corporations, governments, universities and other institutions worldwide.

Nortel and its R&D subsidiary, BNR, are committed to the development of timely, open, public, voluntary standards that promote the growth and competitiveness of the worldwide telecommunications and information technology industries.

Accordingly, we actively participate in the key telecommunications and information technology standards committees in ANSI, the ITU and ISO/IEC, with the objective of fostering growth in global markets.

We strongly support partnering between newly formed industry consortia and forums, such as the ATM Forum and the traditional, accredited standards bodies, to assure that a single set of high-quality interoperability specifications is developed to support the rapid deployment of new technologies in the competitive marketplace.

NORTEL
A World of Networks

To discover more about Nortel, reach us at 1-800-4 NORTEL or on the Internet at http://www.nortel.com.

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demonstrate to customers that – when it comes to the environment and safety – they are well managed and good corporate citizens. As we approach the end of the millennium, businesses will find that being "green" is just good business.

Strategic Standardization and Enlightened Self Interest

One of the most successful American exports has been software, and Japan has been a crown jewel for us in that regard – $2.7 billion in 1994 alone. Until last month, there was widespread concern that Japan's Ministry of International Trade and Industry (MITI) would require that foreign-made software be certified by the unique standards of the Japan Accreditation Board (JAB). Because they alone can perform the conformity assessment tests and certify that products meet their standard, the reasoning went, the Japanese are in a position to gain access to our software expertise.

The focus is on the process of delivering a product of consistent quality.

Fortunately, this concern has been allayed. The U.S. – led by the private and public representatives of ANSI – has successfully concluded an agreement on the role of international standards and established a common set of principles and procedures to guide the development of conformity assessment approaches for software sales in Japan.

In wireless digital communications, the Europeans pulled ahead with their Groupe Speciale Mobile (GSM) standard. Until recently, U.S. cellular companies were still quibbling over competing digital standards. While not the only reason Europe is ahead – they don't have the drag of the huge U.S. analog infrastructure – with the geometric growth curve of digital cellular customers in Europe (a 10 to 1 ratio over the U.S.), the GSM standard has dominated the wireless world. Because U.S. industry could not develop a consensus position, European providers were poised for a windfall. Now, however, U.S. manufacturers are playing a leading role in the next level of frequency bands which will help gain a stronger global position for U.S. products.

Examples such as these underscore



the importance that standards can play as technical barriers to trade – by no means unique to Japan and Europe – and serve as a clarion call that the price of free and open world markets requires more than government-negotiated trade agreements. For American business, it requires the commitment and active participation in the U.S. voluntary standards system – the best in the world – business helping business out of enlightened self interest.

The most enlightened corporations have established strategic standardization programs to ensure that a standards policy is an integral part of their corporate and business strategy, and not just among large corporations. "As a medium-size company, we simply had to get involved in the process of trying to influence the writing of standards, and of understanding what the issues really are," explains J. Hans Kluge, chairman of Automatic Switch Co. "If you are not involved in standards or standards-setting, you will be

left outside and the competition will run away with your business." William J. O'Neill, executive vice president and chief financial officer of Polaroid states: "Strategic standardization is a fundamental dimension of our corporate strategy without which we could not grow our global market share." We might add that in the wealth of nations today, there are only two kinds of organizations: those who have embraced the global standards process, and those that will.

Written by Robert L. Howie, Jr., vice president of International Systems Services Corporation (ISS), which partners with clients worldwide to deliver business results through change mobilization and information technology. 1.800.DIAL ISS or rhowie@800.dialiss.com

ISS

Design and art direction by Shostak Studios, Inc., New York.

Defining Product & Service Delivery

Ameritech keeps 13 million customers in touch through telephone, cellular, paging, data, video, and information networks. Some 63,000 employees of this Baby Bell helped generate $12.6 billion in revenues last year. Ameritech chartered senior, cross-functional leadership teams to study four mission areas critical to corporate growth in a rapidly changing technological environment with increased customer expectations. One of those teams examined standardization to better understand the fundamental connection between standards and new product development and service delivery. Their findings: to adopt strategic standardization as a key business policy.

Ameritech wants to reduce customers' uncertainty that a new product or service will interoperate with their existing ones and be compatible with their lifestyle. In voice messaging, business, wireless, and residential customers each employ different codes to perform the same function. A set of common codes would reduce confusion. Determining early the right standards to use can accelerate the adoption of new products sooner. The lack until recently of a commonly accepted signaling standard for screen phones, for example, delayed their successful introduction. Once a standard was agreed upon – the Analog Display Services Interface (ADSI) – manufacturers could be assured enough market volume to produce screen phones that could retail for under $200.00 – a condition for widespread consumer acceptance.

Determining early the right standards to use can accelerate the adoption of new products.

Explains Michael G. Gorman, who oversees standards for the company, "We've moved from viewing standards as a technical concern to seeing them as a basic customer and marketing issue. If we can involve end users in standards development – in the process making the standards more accepted by manufacturers – we can increase American competitive advantage." Ameritech – through its active participation in national standards development policy – is seeking to do just that.

Ameritech

Are Your Competitors Stacking The Deck?



If you are not treating standards as a management tool, you may be giving your competition the opportunity to set the rules at your expense. By not participating in the U.S. voluntary standards system, you allow competitors to influence business issues and gain an edge.

Your option is to become involved by joining other leading U.S. businesses, organizations, and government bodies in the ANSI Federation. As an ANSI member, you can help influence domestic and international policy on standards and trade issues. You can compare how your company manages standardization with some of the "best in class". You can stay informed on future trends that impact your business.

Get involved today and network with leaders in business and industry tomorrow. For more information, contact:

American National Standards Institute
Membership Department
11 West 42nd Street
New York, NY 10036
Tel: 212-642-4948
Fax: 212-398-0023
Email: sbose@ansi.org

ANSI

UNITED NATIONS HABITAT II CONFERENCE
"THE CITY SUMMIT"
ISTANBUL, 3-14 JUNE 1996

The Secretary-General of the Habitat II Conference, Dr. Wally N'Dow, in recognition of the key role business, industry & banking play in urban environments, has commissioned a

WORLD BUSINESS FORUM

on:

ENTERPRISE, THE CITY & SUSTAINABLE DEVELOPMENT

FROM THURSDAY EVENING ***MAY 30***
TO SUNDAY AFTERNOON ***JUNE 2, 1996***

AT A SITE SELECTED BY THE UN, ISTANBUL, TURKEY

ENTERPRISE, THE CITY & SUSTAINABLE DEVELOPMENT

◆ SCOPE

By the turn of the century half the world's population will live in cities whilst the other half will in large part depend upon cities for its economic and social livelihood. Hence, urban environments will be the key success factor for economic growth, quality of life and human development. Enterprise is increasingly the main engine of life occupying - as it does in most countries - a central role in the cities and beyond. Hence, the significance of the UN Habitat II World Business Forum in setting a new agenda for business in the 21st century, one characterized by new growth opportunities and new responsibilities for the public good.

◆ GOAL

The ultimate objective of the Forum is: ***"Helping to create sustainable living environments through enterprise"***.

◆ THEMES

The role of enterprise in urban environments is dealt with from the perspectives of:

I **Enterprise Creation and Employment**
II **Competences, Competitiveness and Quality of Life**
III **Governance, Leadership and Participation**

◆ FOCUS

From themes to focus. Six key areas are the Forum's primary focus:

- **Strategic Business Opportunities**: for market-based ventures rooted in a new "economic contract" among different economic actors, the private, public, non-profit, voluntary sectors and civil society;
- **Corporate Best Practices**: an exhibition of Best Practices of corporations world-wide;
- **World-Class Projects**: presentations of leading creative solutions to address urban problems from around the world;
- **Global Business Standards**: formulation of 'codes of conduct' and world-class standards to guide the advanced capitalism of the 21st Century;
- **Government Policies**: policy recommendations presented by the business community to the Heads of State and matching "Business Plan of Action";
- **Connections**: enable new relationships between leaders of organisations throughout all economic sectors.

◆ KEY INDUSTRIES

To render the Forum outcome as action-oriented as possible, ten industries which have the greatest potential for the sustainable development of cities have been selected and the majority of speakers, presenters and other participants are being invited from these:

1 **Housing**: design, construction, real estate.
2 **Infrastructure**: physical environment, energy, engineering, distribution.
3 **Telecommunications**: Information Highway, cable infrastructure, multi-media.
4 **Transportation**: public transport, new automobile technology.
5 **Environment**: water, paper, packaging, chemicals, recyclying.
6 **Information**: hardware, software, media, advertising.
7 **Finance**: banking & insurance, investment.
8 **Health**: primary health care, pharmaceuticals, hospitals.
9 **Education**: schooling, university, business education, adult learning.
10 **Leisure**: tourism, entertainment, recreation.

◆ STRUCTURE

A series of high-level plenaries, working groups, roundtables and networking events offered either by the Forum organisers or by invited business associations.

◆ WHO IS INVITED ?

Chief and senior executives from the most progressive industrial, commercial, financial and professional corporations are the core group. Top decision-makers from public utilities, international organisations, NGOs, non-profit organisations, national and local authorities, and public administration are being invited to specific events at the Forum to develop cooperative strategies with business and forge new relationships.

◆ Global Business Standards

Under the guidance of Dr. Hazel Henderson, a panel of invited contributors from business associations around the world will present standards and codes of conduct being adopted by corporations to ensure a "global level-playing field" and earn the moral high-ground which the advanced capitalism of the 21st century will need.

◆ Junior World Business Forum

AIESEC, the international Association of Students in Economics and Business will organise a matching Forum for young and would-be entrepreneurs which promises to be a world-first for a UN conference.

◆ Commitments

This is a sample of the business organisations which have committed themselves to the Forum by sending one or more delegates and inviting selected senior executives of member companies:

- **Futures 500**, a joint project of Global Futures and the Rocky Mountain Institute which includes Mitsubishi Electric, American Motors, Amoco, Coors Brewing Company.
- **INEM**, the International Network for Environmental Management, based in Hamburg, with some 7.000 member companies and subscribers.
- **US Coalition for Sustainable Cities**, founded by Theodore Kheel of the Earth Pledge Foundation, with 200 major US corporations being currently invited.
- **World Business Academy**, an international network of over 400 socially committed business leaders around the world.
- **Social Venture Network Europe**, a European network of 120 socially responsible business leaders.
- **Mega-Cities Project**, a group of 18 of the largest cities in the world, working with business in dedicated public-private-partnerships.
- **FIABCI**, the Federation of International Real Estate Businesses.
- **BUSCO Group**, an association of French and international companies founded by Olivier Giscard d'Estaing which attended the UN Social Summit in Copenhagen, 1995.
- **ICC**, International Chamber of Commerce, the world-wide business association.
- **EBBF**, European Baha'i Business Forum, an international organisation of 200 members whose mission is to integrate moral values into everyday business practices.
- **AIESEC**, the International Association of Students in Economics and Business, with 50,000 members in 80 countries and several hundred corporate affiliations.
- **TESK**, Confederation of Turkish Craftsmen and Tradesmen, with 4 million members.
- **UCCET**, Union of Chambers of Commerce, Industry and Commodity Exchanges of Turkey.
- **MÜSIAD**, the Independent Industrialists and Businessmen's Association of Turkey, with 2100 member companies.
- **JUNIOR CHAMBER INTERNATIONAL**, the worldwide chamber of commerce for young (18-40) entrepreneurs.
- **BOPLATS 96**, the Swedish preparatory group for Habitat II.
- **Minnesota Center for Corporate Responsibility**, the American business group which promotes ethical and responsible criteria.

◆ Agenda

Thursday	May 30	• Registration & Opening Evening with invited speakers
Friday	May 31	• 1st Plenary by business leaders - Theme I • Thematic Roundtables by business associations • "Corporate Best Practices" Presentations
Saturday	June 1	• 2nd Plenary by business leaders - Theme II • "Business Plan of Action" Working Groups • Thematic Roundtables by individuals and groups • "Global Standards for Business" Presentation
Sunday	June 2	• 3rd Plenary by business leaders - Theme III • Projects/Products/Services Expo • Meeting with Turkish business leaders • Networking Events with UN & government officials

◆ Corporate Best Practices

Best Practices are policies, projects, strategies and other initiatives corporations have pursued under the themes and in the industries which are covered by the Forum, and in line with the Forum's goal. Corporations around the world are invited to submit their best practices for publication, and presentation at the Forum. Criteria for submission are available on request. All Best Practices received will be published in a publication available to all participants and distributed widely. A selection of the Best Practices will be presented at the Forum and the 10 most outstanding will be awarded a UN Habitat Award. This is the current list of companies whose Best Practices will be submitted and/or presented to the Forum:

- **Good Year Turkey**, Turkey
- **Epsilon**, Turkey
- **Fel-Pro**, USA
- **Dow Europe**, Switzerland
- **Scientific Generics,** UK
- **British Telecom**, UK
- **Levi Strauss & Co.**, USA
- **South Shore Bank**, USA
- **The Innovest Group International,** Canada
- **Volvo**, Sweden
- **Hertie Waren und Kaufhaus GmbH**, Germany
- **BUND**, Germany
- **World Building Systems,** USA
- **Memcor**, UK
- **Eco-Med**, Rome, Italy
- **Gündlach**, Germany
- **Philips**, The Netherlands
- **Groupe Schneider**, France
- **Lehman Brothers**, UK
- **Mitsubishi Electric**, Japan
- **Canon**, Japan
- **The Co-operative Bank**, UK
- **Stride-Rite**, USA
- **Timberland**, USA
- **Ermenegildo Zegna**, Italy
- **Greyston Bakery**, USA
- **Xerox Corporation**, USA
- **Emlak Pazarlama Proje Yönetimi ve Servis**, Turkey
- **Sun Microsystems**, USA
- **The Body Shop International/The Big Issue**, UK
- **Grand Metropolitan**, UK
- **Norsk Hydro**, Norway
- **Accor**, France
- **Pirelli**, Italy
- **Affordable Housing Development Corporation,** USA
- **Grameen Bank,** Bangladesh
- **MG Strategic Planning,** Turkey
- **Iki Nokta,** Turkey
- **Carl-Bro Group**, Denmark
- **Curtis Electronics Zaklad**, Poland
- **Neckelmann A/S**, Denmark
- **Allied Dunbar Assurance**, UK
- **Bronx Community Paper Company**, USA

◆ Projects/Products/Services Expo

On Sunday morning participants and guests are invited to exhibit their offerings at an on-site expo. Literature can be displayed, video presentations made and a number of individual rooms will be available for independent sessions.

ENTERPRISE, THE CITY & SUSTAINABLE DEVELOPMENT

◆ KEY BENEFITS FOR PARTICIPANTS

1 **Business contacts** with up to 2,500 leaders from governments, international agencies, public utilities, banks, NGOs, parlamentarians and academics.
2 **Networking** with up to 300 other invited business leaders.
3 **Relationships building** in the newest member country of the European Customs Union.
4 **Influencing** future government policies affecting the quality of life in cities.
5 **Learning** from the best practices of the most advanced corporations and organisations in different sectors of the economy.
6 **Partnering** opportunities with other organisations whose strategies and objectives address the sustainable development of cities.
7 **Exhibiting** projects, products and services at the Expo.
8 **Entry opportunities** into the Turkish market, the largest, youngest and fastest-growing economy in Europe.
9 **Attending** several other Habitat II events planned for the period 3-14 June, at no extra charge, and meeting up to 25,000 decision-makers.
10 **Visiting** a dynamic city and country, with your partner, and enjoy the after-programme events which are being organized.

◆ ENTERPRISE WILL BE THE KEY ACTOR OF 21ST CENTURY SOCIETY

Corporations, large and small, will be the chief contributor to the economic, social and environmental progress of the next century. ***This Forum aims at creating new strategies, ventures and platforms for business executives to play a leadership role across private, public and non-profit sectors, responsibly to stakeholders and sustainably for future generations***. A new economy - an advanced form of capitalism based on greater cooperation among different sectors of the economy and society - is ready to be born.

◆ A POLITICAL AND SOCIAL RESPONSIBILITY FOR BUSINESS

The City Summit is the first UN Conference which invites the business community to participate, through hearings, in the Conference process and to submit recommendations for the final resolutions and the heads of states, to be performed by the Forum Council and the "Business Plan of Action". The World Business Forum thus has an important responsibility in helping to shape public policy for the 21st century.

◆ THE LAST UN GLOBAL CONFERENCE OF THE 20TH CENTURY

From the UN Conference documentation:
"Some 25,000 decision makers, political and community leaders including heads of state and ministers, experts and professionals are expected to attend a series of events held on May 28 - June 14, 1996, in Istanbul. This will be the last of the continuum of global United Nations conferences of this decade - from Environment and Development in Rio '92, to Human Rights in Vienna '93, to Population in Cairo '94, to Women in Beijng '95, to Human Settlements in Istanbul in '96. The City Summit will help shape a new development agenda for the 21st century and will do so by opening its doors to representatives of the private sector, local authorities and non-governmental organisations. Thus, Habitat II will be a Conference of **partnerships**, **solutions** and **commitments** for sustainable development in a rapidly urbanising world.

- **Partnerships**: between all levels of government, the private sector, the academic and scientific community and community-based organisations to harness and leverage human, technical and financial resources.
- **Solutions**: workable and practical solutions which are economically, socially and environmentally sustainable.
- **Commitments**: a first 5-year commitment by governments and private sector actors to put in place the required strategies and capacities.

The United Nations aim, with this conference, ***to make the world's cities and communities healthy, safe, equitable and sustainable***. The UN *product* of the Conference will be an *"Urban Agenda 21"* in the form of a Global Plan of Action".

◆ WHO IS INVOLVED ?

Herewith is a partial list of people involved in organising and running the Forum.

- ***Management Team*** of individuals who share management responsibilities:
  Chair: **Marcello Palazzi**, Co-founder and Director, Progressio Foundation, Rotterdam, NL
  Co-chairs:
  Larry McCullough, Director, Coopers & Lybrand, Boston, USA
  Paul Kloppenborg, Co-founder, Progressio Foundation, Rotterdam, NL

- ***Board of Advisors*** of world-standing individuals who have offered their expertise:
  Hazel Henderson, Author and Development Policy Advisor, Florida, USA
  Alice Tepper-Marlin, Executive Director, The Council on Economic Priorities, New York, USA
  Wally N' Dow, Secretary General, UN Habitat II Conference, Nairobi, Kenya
  Pjotr Hesseling, Dept. of Organisation, Erasmus University, Rotterdam, NL
  Roberto Savio, Director General, Society for International Development, Rome, Italy
  John O'Neil, Author, San Francisco, USA

- ***Council*** of directors and senior executives of business associations who have been asked to draft and present recommendations to the heads of states:
  Rahmi Koç, President, Koç Holding, Istanbul, Turkey and ICC, Paris, France
  Olivier Giscard d'Estaing, Chair, Business Council for the Social Summit, Paris, France
  George Starcher, Secretary General, European Baha'i Business Forum, Chambery, France
  Troy Davis, Executive Director, INEM International Network for Environmental Management, Hamburg, Germany
  William Shireman, Executive Director, Global Futures, Sacramento, California, USA
  Walter Link, Co-chair, Social Venture Network Europe, Amsterdam, NL
  Ferry Sonneville, World President, FIABCI, Paris, France
  Alan Kay, Chair, Americans Talk Issues Foundation, Florida, USA

- ***Organizers Circle*** of committed individuals who are promoting the Forum:
  Mark Donohue, Principal, Human Development Network, Boston, USA
  David Trickett, President, The Jefferson Circle, Fairfax, Virginia, USA
  Paul Gilding, CEO, Paras Ecos Pty Ltd., Newtown, Australia
  Richard Barrett, Principal, Urban Transport Unit, World Bank, Washington, USA
  Diane Sherwood, Director, The Global Commission to Fund the UN, Washington, USA
  Tom Cummings, Director, Paras BV, The Hague, NL
  Lesley Hoffman, Executive Director, Earth Pledge Foundation, New York, USA
  Davide Canavesio, Chair, Youth for Habitat II, Turin, Italy
  Marianne Knuth, Director, AIESEC International, Brussels, Belgium
  Marcio V. Pinto, President, AIESEC Brasil, Sao Paulo, Brazil
  Danilo Andriani, President, AIESEC Italy, Milan, Italy

- ***Chairpersons*** of roundtables, workshops and other events (invited to date):
  Geff Mulgan, Director, Demos, London, UK
  Sven Atterhed, Director, The Foresight Group, Göteborg, Sweden
  Charles Landry, Director, Comedia, Gloucestershire, UK
  Juan Rada, Director, The Environmental Partnership, Geneva, Switzerland
  Jane Nelson, Advisor, The Prince of Wales Business Leaders Forum, London, UK
  Georg Winter, Chairman, INEM, Hamburg, Germany
  George Starcher, Secretary-General, EBBF, Chambery, France
  Christian Horak, Assistant Professor, Wien Wirtschaftsuniversität, Wien, Austria
  Deborah Jenkins, Director, Common Purpose, Newcastle upon Tyne, UK
  Erik Rasmussen, Director, Mandag Morgen, Copenhagen, Denmark

◆ ORGANISERS

Progressio Foundation of the Netherlands has been requested by the Secretary-General of Habitat II to organize the Forum. The Forum is self-funded and receives no financing from the United Nations. A modest fee to cover the organisational costs is charged for participation. Any surplus generated is to be donated to the Habitat II Secretariat, of which 50% will be allocated for public-private initiatives led by the UN Habitat Agency and Progressio Foundation.

A discounted travel package to include flight, hotel and transportation has been negotiated by Progressio and detailed information is available on the Forum Registration Form.

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E.Mail: 100414,1526@Compuserve.com
Internet: http://www.igc.apc.org/habitat

Progressio Foundation reserves all rights to improve and amend this programme in the interest of organising the highest-quality event possible.

Forum Concept, January 1996

Hazel Henderson

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FAX 826-0325

Jean Houston, Ph.D.
110 Camp Hill Road
Pomono, N.Y. 10970

March 16, 1996

Dearest Jean:

Thank you again for your most generous comment for the jacket of my BUILDING A WIN WIN WORLD. I am honored !

As to my current activities,I am enclosing my forthcoming paper,co-authored with my beloved, Alan F. Kay,Ph.D. " Introducing Competition into Global Capital Markets" to appear in FUTURES , Elsevier Scientific, U.K. in May, 1996. Our friend Ambassador Cardenas of Argentina, who gave us many useful comments, is sending this paper to his friends George Soros, and the heads of Goldman Sachs,Morgan Stanley and others. We are excited that this issue is now "in play".

My other current activity relates to the upcoming summit on the future of cities, HABITAT II, Istanbul ,June 3-14,1996. Its SecretaryGeneral, Wally N'Dow has authorized the World Business Forum ,May 30- June 2, to present the views of the business community to the assembled Heads of State. (see enclosed program, as you see, I am a member of its Board of Advisors and Alan is on its Council of senior executives).

I have steered the issues of corporate social responsibility, Codes of Conduct, Best Practices and Global Standard-Setting " Benchmarking 21st Century Markets " onto the agenda of this World Business Forum (summarized in the speech I sent you which I gave at the Social Venture Network conference in Colorado Springs ,Oct,1996 -- another copy enclosed). I was asked to Chair the Closing Plenary on these issues on June 2nd, with representatives of many such worldwide efforts to bring forth voluntary standards,Codes of Conduct,etc., e.g. The Caux Principles, the CERES Principles,the Calvert Social Investment Fund criteria,together with other mainstream global product standard -setting groups ,e.g. the International Organization for Standardization (IOS), the American National Standards Institute (ANSI),the National Institute of Standards and Technology (NIST), International Network for Environmental Management (INEM),which represents companies in 70 countries harmonizing "eco-labeling " on products.(see enclosed Insert from Business Week,Oct16,1996 "American Competitivenes: Gaining an Edge Through Strategic Standardization ").

As I pointed out in Building A Win-Win World , markets evolved from their early focus on capturing local markets to capturing national markets,and then to capturing local,state and national regulatory processes. Today the game is not only capturing global markets, but also capturing the global regulatory and standard -setting processes . This is often a cooperative and voluntary set of initiatives, such as those described above,which involve partnering with public sector and civil society groups (e.g. relevant government agencies and consumer and user-groups). Cynics can say this is old-time business collusion or more "foxes guarding chicken-coops", and often it is ! However,in the current climate of markets and privatization sweeping the world, we must work to "tune up"this process, so that the best standards win (which they do in the long run,as Michael Porter shows in Harvard Business Review,Oct 1995,also).The good news is that such standards and Codes of Conduct slowly end up in contract law anyway !

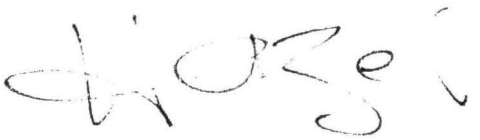
A few days ago I learned that Commerce Secretary Ron Brown might be

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interested and available to speak at this World Business Forum . We would be happy to invite him, and I would happily give up my slot as Chair of the Closing Plenary on "Global Standards for 21st Century Markets" if Ron Brown decides to come. However, it would be counter-productive if Ron Brown did not address the "tuning up so the best standards, practices and codes of conduct win " agenda that we wish to promote. Even worse would be if Mr. Brown simply gave the usual boiler-plate, private-sector-glorifying, Commerce Department type speech,which might de-rail the important ,but fragile global initiatives to make such a new brand of "competition through cooperation" voluntary standard setting and enhancing, the hallmark of the new 21st Century " stakeholder capitalism" I and so many of my associates at Social Venture Network Business for Social Responsibility (BSR) and so many other are promoting.

I'm telling you this because I have zero contacts at the Commerce Dept. and with working on my books and recent papers,I have also lost touch with my friends at the White House, Jack Gibbons, Science Advisor and Skip Johns (both formerly at OTA with me), Katy MacGinty, Al Gore although Alan and I did make lots of well-received inputs into the Re-Inventing Government initiative. If you know anyone there, it would be appreciated. I believe Labor Secretary Robert Reich has read my work,as of course has Al Gore,whom I have known for years. At the same time, the Clinton Administration understands all these issues, and it would be so wonderful if Commerce Secretary Ron Brown could really re-inforce the need for such voluntary private-sector standards and codes. President Clinton has addressed Business for Social Responsibility and other members of his cabinet share his understanding of them, e.g. Secretary of State Warren Christopher and Labor Secretary Reich have made statements about the importance of encouraging the business community to set its own higher standards, and to recognize such businesses that lead in this area. Incentives such as less onerous reporting requirements have also been offered as legislative initiatives by Richard Gephardt and other leaders in Congress.

So this is my "spring update " my dear friend. I will be speaking at the Social Venture Network's Europe meeting in Prague, hosted by President Vaclav Havel in April, then to address Arthur Andersen's European client companies in Geneva and on to Istanbul for the UN Round-table on Global Change . When will we ever get time to do another face-to-face ? You know how much Alan and I would love to have you down here for a visit. Meanwhile, our love and appreciation to you, dear Global Earth Mother! What strange lives we lead, you and I ,with all this global birthing and social midwifery ! So do try to find time to come and see our lovely intimate mini-conference facility and walk"our"five miles of uninhabited beach.



P.S. After five years of living together " in Sin", Alan and I went before a cute young judge with long black hair and in a red suit and GOT MARRIED ! Ourrespective tax accountants insisted, even though our real wedding vows are on the refrigerator ! Guess what else ? Serendipitously,William Irwin Thompson and his wife Beatrice were here from Switzerland, so we had them along to record the event in pictures and the champagne breakfast. Don't spread the word, however, we prefer not to send out notices or make a big deal out of it.

BENCHMARKING 21ST-CENTURY ECONOMIES:
GLOBAL STANDARDS, BEST PRACTICES, AND CODES OF CONDUCT IN COOPERATIVE PARTNERSHIP WITH THE PUBLIC SECTOR AND CIVIL SOCIETY.

Social Venture Network
Cheyenne Mountain,
Colorado
October 6, 1995

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I want to share with you and my fellow panelists, Senator Bill Bradley and Walter Russell Mead, some of the global issues of most concern to me and relate them to SVN members and their commitments to raising the standards for socially responsible business. I know you are swimming upstream with your efforts. Today's global market place is little more than a jungle--sliding toward global economic warfare. I describe these processes and what I think we can all do about them in the years ahead in my forthcoming book, *Building a Win-Win World: Life Beyond Economic Warfare.*

I have been describing for the last 25 years how economic textbooks have over emphasized markets and competition while over looking the equally vital social and *economic* role of cooperation. These textbooks define individual maximization of self interest as rational behavior, while implying that altruism and all the loving, caring, sharing, unpaid work in the world is "irrational." At last, in 1995, the United Nations Development Programme (UNDP) in its Human Development Report estimated that this unpaid work was worth an equivalent $16 trillion that was simply missing and unaccounted for in global Gross Domestic Product (GDP).

Yet we know that all markets involve cooperation, trust, and rules. We all experience these win-win relationships and contracts in our daily lives with our suppliers, subcontractors, shareholders, employees, and customers. Even banking systems cannot operate and money becomes worthless without trust. Thus, markets and social rule-making, like

competition and cooperation, are simply two sides of the same coin, a fact pointed out by Adam Smith in the *Wealth of Nations* (1776). He noted that markets could only function to allocate resources efficiently when buyers and sellers could meet each other in marketplaces with equal power and information, and if no harm was inflicted on innocent bystanders. Furthermore, as is clear again in Russia today, markets *require* rules--indeed, they cannot function without them.

Thus, we are still dealing with the colossal misunderstanding perpetuated in economic theories. All economies today are mixtures of markets and regulations which are always derived from a country's specific cultural DNA code, i.e., its goals, values, and social purposes. While the global playingfield is still operating on these 19th-Century textbooks, we at SVN must continue to build 21st-Century economies to express and promote our highest aspirations.

Yet how can socially responsible businesses compete with companies which are now out-sourcing world wide, using workers at 5 to 10 cents an hour or exploiting children and unprotected ecosystems? In today's largely unregulated global casino, obsolete 19th-Century economics still reigns. Social and environmental costs are still externalized too often. This leads to unfair price competition and today's lowest common denominator playing field, which ends up encouraging the leveling of forests and the homogenizing of all the world's cultures. We are in the midst of a set of economic rules which are creating a global behavioral sink.

The GNP "recipe" for growth still marginalizes too many communities. Its per capita productivity formula is now leading to a new kind of impasse: world-wide jobless economic growth. The GNP still values bombs more highly than children; its per capita averaged income conceals widening poverty gaps; and it sets at zero the value of educated, healthy citizens, the environment, and even a country's infrastructure. It still adds the costs of cleaning up pollution and ameliorating social disruption as more production. Its lack of an asset account means that it encourages liquidations of both natural assets like forests and oil, as well as taking the proceeds of privatizations of taxpayer-owned utilities and using them to "pretty up" annual budgets.

Only Switzerland and New Zealand, so far, have corrected this error and set up an asset side of their national accounts. Until all countries follow suit, debates about "spending" versus "investment" in long-term assets will remain confused. Tax codes still favor waste, subsidize depletion, and lead to irrational capital investments while punishing payrolls, incomes, and

legitimate profits. Thus, there is no shortage of funds to shift our economies to a sustainable path to allow for our children and grandchildren's future. Governments must simply stop funding unsustainability, remove such subsidies to waste depletion and unemployment as well as other tax expenditures to special interests while reducing military budgets further.

Meanwhile, those courageous businesses that have voluntarily set higher standards, codes of conduct, best practices, and global product and service standards are social innovators and pioneers. While today's markets reward *product* and *technological* innovations--however trivial--they punish social innovation. Social innovation is much more difficult because it requires partnerships with public-sector agencies and with the organizations of civil society.

So how can we *continue* the bold efforts of SVN members and so many other ethically and socially concerned investors working to raise the floor under today's global playing field? The best way is to continue the processes of global standard-raising so that eventually the best companies and the most responsible countries can win!

Let's celebrate the signs of progress:

• In 1971, when I published my first article on this subject in the *Harvard Business Review,* there were no courses on business ethics in the nation's business schools. Today such business ethics courses are common and often required.

• Today we have the Social Venture Network, Social Venture Europe, Businesses for Social Responsibility, Social Investment Forum, the World Business Academy, and its new collaboration with employees in its programs with the International Labor Organization (ILO) in many countries.

• The Council on Economic Priorities, the mother of all socially responsible business research, is celebrating its 25th anniversary.

• The World Business Council for Sustainable Development will launch its new book, *Financing the Future* (MIT Press, 1996), which will demonstrate the many ways in which capital markets are inefficient and how capital asset pricing models (CAPMs) do not include social and environmental costs which leads to irrational capital investments in wasteful, unsustainable enterprises.

• Socially responsible investors in the U.S.A. still account for $650 billion of assets, even after South Africa was removed from their social screens as we celebrated the victory over apartheid and the new democracy in that country.

• The 1995 UN World Summit on Social Development in Copenhagen fostered the historic "Money Matters" meetings--sponsored by World Paper, UNDP, State Street Bank, and Fidelity Investments--which brought together high level institutional investors, bankers, finance ministers, and micro-lenders to brainstorm how best to invest private funds in social development. Marshall Carter, CEO of State Street Bank, which manages $3 trillion of pension funds in 70 countries, made the point that these pension funds have beneficiaries who are not capitalists but employees and workers all over the world. I was proud to represent the Calvert Social Investment Funds at this meeting which led to a series of additional ones in 1995 and several more planned for 1996.

• At the UN Summit, HABITAT II, to be held in Istanbul, June, 1996, a private-sector forum has been arranged with the help of Secretary General Wally N'Dow and the Global Commission to Fund the United Nations. Several thousand of the world's top media will attend. Thanks to collaboration with SVN and SVN Europe and with the leadership of Marcello Palazzi of the Progressio Foundation, Amsterdam, Walter Link of SVN Europe, and many other organizations, this forum will expand the global process of standard-setting in the private sector. The forum will focus on codes of corporate conduct, best practices, and global standard-setting across a wide range of products and services ranging from eco-labeling to social and "green" auditing, life-cycle costing, and product analysis. I urge you to get involved.

• Meanwhile, in September, 1995, President Mikhail Gorbachev launched his State of the World Forum and brought together several hundred top business executives to rethink economies of the 21st Century. I was honored to chair these roundtables which produced a forward looking and encouraging consensus on the need for a new kind of ethical capitalism, based on partnerships with government agencies and civil society groups for the future. President Gorbachev also chaired a meeting with high-level world trade experts in Geneva in December, 1995, to explore how trade negotiations can include social and environmental costs and benefits as well as additional criteria of sustainability.

• GNP/GDPs are getting corrected. For example, in September, 1995, the World Bank unveiled its new Wealth Index, at last focusing world-wide attention on the missing asset accounts in most countries. The World Bank identifies four kinds of capital assets: 1) **natural resources** capital (which accounts for roughly 20%); 2) **built capital**, i.e., factories, infrastructure, roads, and railways and financial assets (another 20 %); and the rest (approximately 60%) as 3) **human capital**, i.e., healthy citizens, and 4) **social capital**, i.e., organizations, family and community bonds and associations. This is a major conceptual revolution and is apparently still causing a civil war among economists, since virtually all economic textbooks have been focusing on only 20% of the action, i.e., the built capital category. No wonder economists' recipes for growth and "development" have failed.

• National governments and central banks are coming out of denial regarding the flows of hot money crossing their borders, now amounting to $1.3 trillion daily, as well as the $20 trillion of derivatives outstanding in the global financial markets. Many are facing up to the need for the equivalent of a "global SEC" to make global capital markets orderly, accountable, and to harmonize rules on disclosure, accounting and auditing practices. Not only will this be beneficial to socially responsible companies and investors but will make the market safer for all investors.

• At the G-7 Economic Summit meeting in Halifax, Canada, June, 1995, a concluding official Background Document recognized the new needs of the global economy with remarkable frankness.

• The International Organization of Securities Commissions (IOSCO)--with leadership from the U.S. Commodity Futures Trading Commission's (CFTC), Mary Schapiro--promulgated the Windsor Declaration in March, 1995, calling for harmonization of securities regulations in 16 large OECD member countries, including those of the U.S. and Europe.

• More Codes of Conduct are proliferating following the wide adoption of the CERES Principles, the Caux Principles, the International Chamber of Commerce Business Charter for Sustainable Development, the Minnesota Principles for Corporate Responsibility, and the many investment screens used by socially responsible mutual funds. Our own Social Venture Network Best Practices and the new program for global standards of corporate social responsibility will break new ground and place SVN even more in the forefront of global business leadership.

• We must thank the tireless work of agencies of the United Nations for negotiating the International Convention for the Rights of the Child; the Treaty to End All Forms of Discrimination Against Women; the Law of the Sea; and the International Labor Organization Standards on Forced Labor and Employee Safety; as well as countless other conventions such as those which make air travel safe and of the World Health Organization protocols on consumer and environmental protection. The global standard-setting for sustainable development signed by 172 countries at the Earth Summit at Rio Janeiro in 1992 includes Conventions on Climate, Tropical Forests, and World Fish Stocks.

• The efforts of civil society to develop global standards are proceeding apace and include the Ecumenical Commission for Global Corporate Responsibility. The 1995 *The Principles for Global Corporate Responsibility*, published by the Interfaith Center on Corporate Responsibility of New York, includes Principles for Racial Equality and such Advertising Codes as that of Britain which sorely need emulating here in the U.S. Additionally, we must thank Dr. Oscar Arias Sanchez for his tireless work in helping countries demilitarize and for his crusade to develop a global Code of Conduct for Arms Transfers and the work of countless research groups who have built on the model of the Council on Economic Priorities in developing *Shopping for a Better World* guidebooks in Germany, Japan, the UK, with other editions in the pipeline.

All of these global standard-setting efforts by the private sector, by governments, and by civil society all help the pioneering companies who are members of SVN. Even more encouraging is the fact that leading industry trade associations in the U.S. are actively promoting global standard-setting. Invariably, industry standards are partnered with relevant government agencies and civil and consumer organizations. In *Business Week* (October 16, 1995), these same trade associations sponsored an Advertising Insert entitled "Competing Through Standardization" which pointed out that there were only two kinds of global companies today--those who were developing and promoting global standards and those who will be in the future. The Insert pointed out the advantages of standards and such private sector initiatives as a new form of global competition through cooperation. Some of the industry trade associations which sponsored this promotion of global standard-setting included the U.S. Pharmaceutical Association (USP); the American Standards for Technology and Materials (ASTM); the Underwriters Laboratory (UL); the National Institute for Standards and Technology (NIST); the Projects Management Institute (PMI); all with similar goals as

the International Accounting Standards Board and the International Standards Organization (ISO).

This kind of global, cooperative standard-setting is, I believe, the wave of the future. Such high environmental and social standards, as Michael Porter confirms in *The Harvard Business Review* (October, 1995), provide the most innovative companies with a competitive edge in marketing to socially and environmentally conscious consumers and investors. Capitalism in the 21st Century, will need to overhaul its 19th - Century image, practices, and textbooks so as to recognize the role of ethics, trust, and cooperation as well as regulation in markets. Cooperation is vital to creating the necessary partnerships involving government agencies at all levels and all kinds of civil organizations. Until governments reach more agreements to create a solid framework of international law governing corporate and financial actors in today's global casino, the voluntary standard-setting of socially responsible companies and investors is vital. Such voluntary codes of conduct, best practices and standards, when promulgated publicly, are precursors which eventually end up being ratified in contract law. They can add to the existing girder work of international conventions and treaties which are raising a higher ethical floor under the global playing field.

I am happy to see SVN leading again in developing "deep audits," life-cycle analyses, and generally helping to "Make Trouble for Business as Usual." As SVN members lead, not only in developing new consensus on standards for socially responsible business, they are also promoting the vital auditing process with the help of member company GreenAudit and its founder, Rena Shulsky. Accountability to such codes, standards, and performance are the ultimate bottom line. SVN can spearhead this standard-setting process and become a world-wide arbiter providing new benchmarks for companies' social and environments performance. This will provide powerful leverage to "pull up" the laggards.

My own efforts in 1995 have focused on editing the first report of the Global Commission to Fund the UN, now going into its second edition--*The United Nations: Policy and Financing Alternatives*--which also focuses on global corporate codes of conduct and standard-setting. I wish to thank fellow SVNers who are also Commissioners and Advisors of the Global Commission to Fund the UN, including Don Collat, Mark Donohue, Alan F. Kay, Walter Link, Marcello Palazzi, Robert Schwartz, Rena Shulsky, and Lynn Twist. I would like to add my thanks to Steve Viederman and Woody Tasch for the assistance of the Jessie Smith Noyes Foundation in helping

the Commission get this report out to the world's journalists and break open the international debate about how to tame today's global casino.

The Global Commission's charter calls for securing funds for a restructured United Nations to compensate its many agencies for the host of useful services they are uniquely able to perform for the world. The Commission takes seriously the UN Charter and the agenda of "We the Peoples" of the United Nations and seeks to promote international agreements for the wise and sustainable management of global common heritage resources, oceans, air, Antarctica, space, the electromagnetic spectrum, and the newest commons--the global information highways and financial cyberspace. The Commission seeks to promote user fees, royalties, and reasonable levies for all commercial uses of these global commons and fines or taxes for their abuse.

We hope to see you all at the Private Sector Forum at the 1996 UN Summit, HABITAT II, in Istanbul, Turkey. SVN Europe's Spring, 1996 meeting in Prague will help sharpen our focus and, we hope, will make this Private-Sector Forum on global standard-setting and codes of conduct the largest gathering of its kind so far in the world. The United Nations is still the world's preeminent networker, broker, convenor and global norm-setter and standard-fostering body. In spite of the current short-sighted UN bashing, few of the new agreements now helping raise the ethical level of the global playing field would have been possible without the UN. I hope that together the public, private, and civil sectors of the world can continue partnering and building the new markets of the 21st Century and help all companies and financial players to move beyond global economic warfare toward building a win-win world.

Hazel Henderson is author of *Paradigms In Progress* and Country Futures Indicators © (CFI), and a long-time advisor on alternative indicators projects. She is an advisor to the Calvert Social Investment Funds of Washington, D.C. with whom she is partnering the Calvert-Henderson Quality-of-Life Indicators, a "double bottom line" for the U.S.A. She is a member of the Social Venture Network and limited partner of the Global Environment Fund. Her forth-coming book, *Building a Win-Win World: Beyond Global Economic Warfare* (Berrett-Koehler, San Francisco), explores win-win strategies for managing risks in global markets.