

4/23/96

sale in which more than 4,000 tracts in deep water areas will be available for lease under the recently passed Deepwater Royalty Relief Act.

Handwritten: Knowles, Wheat, 4/23/96

Alaska Lease Sale: In June the MMS has scheduled Oil and Gas Lease Sale 149 in the Cook Inlet of Alaska, an area which has been producing oil and gas offshore in state waters for 30 years. Governor Knowles sent the Secretary a letter opposing the sale as "not right for this area." The Governor also stated that he felt the Department was "contradictory" to support this offshore sale while opposing development in the Arctic National Wildlife Refuge. However, the State has not made an explicit inconsistency finding under the Coastal Zone Management Act. Since he also questioned the amount of industry interest in the sale, the Department has requested industry to define their interest in all three scheduled Alaska offshore sales by April 25. The Department will decide how to proceed based in part on the interest expressed in the proposed sale area.

- **Grazing Update:** The House Resources Committee is expected to mark-up the "Public Rangelands Management Act" on April 25. The bill is expected to be reported from Committee, although Democratic members will offer amendments in order to begin framing the debate for future House floor action. Some western Democrats may offer a substitute similar to the "Bingaman substitute" in the Senate, but there is no chance for passage of these amendments by the Committee. Floor action may not occur until June.
- **60 Minutes:** Ed Bradley of *60 Minutes* is doing a story in the Northwest about the Administration's Forest Plan. Tom Tuchman of the Bureau of Land Management, who worked to draft the Forest Plan, is expected to interview with Bradley. No information yet on what the show's pitch will be.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Food Rescue Program:** On April 19, Secretary Glickman was in Minneapolis-St. Paul to address the Foodchain annual conference, a network of 131 perishable and prepared food rescue programs in 35 states. At the conference, the Secretary announced a USDA initiative to promote gleaning and food rescue. Under this effort, USDA rural development projects in 10 states have been selected for AmeriCorps gleaning efforts this summer.
- **Wheat Disease Issue:** On April 18, Secretary Glickman met with state agriculture commissioners/secretaries in Minnesota regarding USDA work to combat the Karnal bunt virus in wheat. Representatives from 14 states attended the meeting. On April 15, USDA negotiators reached an agreement with Algeria and South Africa indicating that the countries agree to accept shipments of U.S. wheat.
- **Farm Bill Update:** The passage of the Farm Bill changes the way USDA conducts business with its customers. The one-time signup period for producers wishing to

4/23/96

- **Secretary's Schedule:** On April 25, Secretary Cisneros will deliver the "State of America's Communities" Address at the National Press Club. On April 26, Secretary Cisneros will host a press briefing to announce that the Federal Housing Administration (FHA) to launch their new, proactive efforts to help millions more Americans become homeowners.

Press Interviews: Secretary Cisneros is participating in a range of editorial board interviews in the next two weeks to discuss the Administration's public housing accomplishments and the state of America's communities. The Secretary has interviews scheduled with *USA Today*, *Wall Street Journal*, *New York Times* and the *Dallas Morning News*

Summer Jobs for D.C. Youth: On April 22, Mayor Barry will announce a Summer Youth Jobs Initiative to provide paid employment for 1,000 District high school students. HUD will hire 50 of those students for six weeks during the summer.

FY '97 Budget: On May 1, Secretary Cisneros will testify before the House Appropriations Subcommittee on the Department's FY '97 budget request. On May 8, he will testify before the Senate Appropriations Subcommittee.

OFFICE OF NATIONAL DRUG CONTROL POLICY

Visit to Miami: On April 25-26, Director McCaffrey will travel to Miami to visit a Drug Court, a women's treatment facility, and its accompanying day care center. In addition, the Director will participate in a town meeting, a drug policy presentation, and several press opportunities.

- **Methamphetamine Strategy:** The Methamphetamine Strategy is in final interagency clearance with coordination being managed by DOJ and OMB. The coordination process should be completed by April 24 and ready for release.
- **\$250 Million DOD Supplemental/Resission:** This package has been forwarded to Congress as part of the omnibus FY '96 continuing resolution on April 12. DoD Legislative Affairs and the House Defense Appropriations Subcommittee staff report that the package is in trouble due to lateness of submission in the CR negotiating process, difficulties with offsets, and requests in an \$835 million cap Republicans have placed on the CR. Director McCaffrey has sent letters to key House and Senate appropriators and authorizers and is seeking meetings with House and Senate Defense appropriations chairmen. Director McCaffrey is scheduled to appear before the Senate Appropriations Subcommittee on April 24.

SMALL BUSINESS ADMINISTRATION

- **Disaster Assistance:** SBA disaster teams joined FEMA teams in Connecticut on April 18 as a result of flooding earlier in the week. Surveys began on April 17 in NC in

FRIDAY, APRIL 19, 1996

THE PRESIDENT HAS SEEN

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"At the industry level, we're not communicating," Mr. Zhu said. "The governments will have to solve the problem."

The new decision to allow Dr. al-Masari to stay in Britain came after an immigration appeals tribunal ruled that Home Secretary Michael Howard was wrong in dismissing the dissident's request for asylum. The tribunal also warned that the safety of Dr. al-Masari, who most likely would have been sent to the Caribbean island of Dominica, couldn't be guaranteed.

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ARKANSAS SOIL AND WATER
CONSERVATION COMMISSION
101 East Capitol, Suite 350
Little Rock, Arkansas 72201
(501) 682-1611
(501) 682-3991 FAX

OKLAHOMA WATER RESOURCES BOARD
P. O. Box 150
Oklahoma City, Oklahoma 73101-0150
(405) 530-8800
(405) 530-8900 FAX

Staff Sec.

96 APR 23 49:09

April 17, 1996

The Honorable Bill Clinton
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20500-2000

Dear Mr. President:

The Arkansas-Oklahoma Arkansas River Compact Commission, at a recent special telephonic meeting, adopted Resolution 96-02. The resolution expresses support for the funding of Montgomery Point Lock and Dam. On behalf of the Commission, I am forwarding the resolution and respectfully request your support of the project so that the financial and operational integrity of the navigation system can be preserved.

Sincerely,

Emon A. Mahony, Jr.

Emon A. Mahony, Jr.
Federal Commissioner and Chairman

EAM:pris
Enclosure

cc: Members of the Arkansas Congressional Delegation
Governor Jim Guy Tucker, Arkansas
Paul Revis, Arkansas Waterways Commission

4/23/96
Received in interoffice mail
Send to Dorskind Original
Yes ☒ to Dorskind
No ☐ 4/23/96
SPA

Coordinate w/ CMB?
✓

Card

**BEFORE THE
ARKANSAS-OKLAHOMA ARKANSAS RIVER COMPACT COMMISSION**

RESOLUTION NO. 96-02

***A RESOLUTION EXPRESSING SUPPORT FOR THE
FUNDING OF MONTGOMERY POINT LOCK AND DAM***

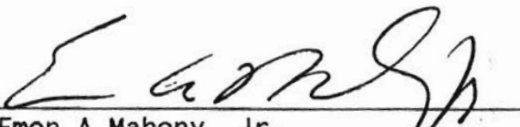
WHEREAS, the efficient functioning of the McClellan-Kerr Arkansas River Navigation System is intertwined with the goals and objectives of the Commission; and

WHEREAS, adequate funding of the Montgomery Point Lock and Dam, on a timely basis, is essential to the efficient functioning of the river system; and

WHEREAS, there appears to be a need for both Congressional and Executive Branch commitment to expeditious funding of the project.

NOW THEREFORE BE IT RESOLVED, BY THE ARKANSAS-OKLAHOMA ARKANSAS RIVER COMPACT COMMISSION, meeting in teleconference on the 29th day of February, 1996, that the Compact Commission encourages the President of the United States, through his Office of Management and Budget, to support further funding of the Montgomery Point Lock and Dam, on a timely basis, so that the financial and operational integrity of the system is preserved.

FURTHER, the Congressional delegations of the states of both Oklahoma and Arkansas are also encouraged to be fully supportive of timely, adequate appropriations for Montgomery Point Lock and Dam.


Emon A Mahony, Jr.
Federal Commissioner and Chairman

86 APR 19
11 1 88

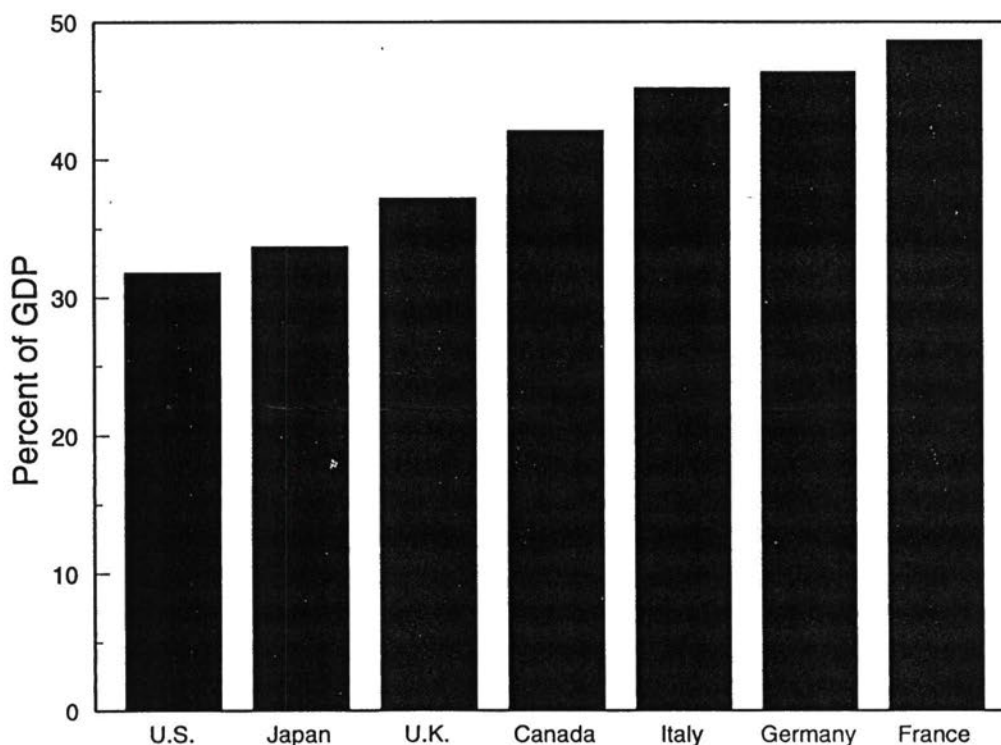
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

April 19, 1996

CHART OF THE WEEK

Government Receipts as a Share of GDP, 1995



Despite continual complaints over the level of taxation in the United States, government receipts (Federal, state, and local) are a smaller share of GDP than in any other G-7 economy. Estimates for 1995 show government receipts at 32 percent of GDP for the United States, a shade below Japan and significantly below the rest of the G-7. France, at nearly 50 percent, has the highest share of government receipts in GDP.

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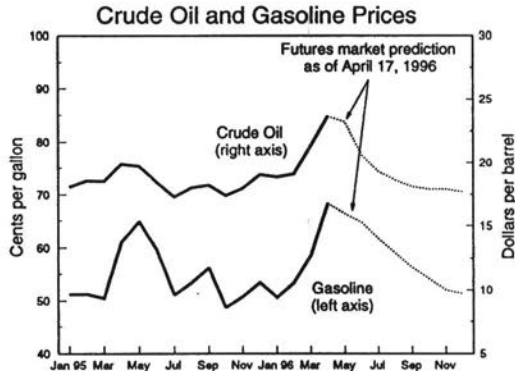
"I think I should warn you that the flip side of our generous bonus-incentive program is capital punishment."

CURRENT DEVELOPMENT

Markets See Rise in Energy Prices as Temporary

Prices for gasoline and home heating oil have risen sharply over the past month, fostering concerns about higher overall price inflation. Energy futures markets, however, strongly suggest that the rise is temporary and that prices will decline later this year.

Analysis. Gasoline and heating oil prices have closely followed a spike in the price of crude oil, which surged from \$18 per barrel in February to nearly \$25 this week. One possible explanation for the oil price spike is that producers may have restrained production in anticipation that Iraq would satisfy the United Nations' terms for selling oil. But no Iraqi oil has yet been forthcoming, and the production restraints would have therefore forced oil prices upward. The exceptionally cold winter has also contributed to the rise in energy prices, both by increasing the demand for heating oil and by reducing the supply of gasoline (as refiners shifted capacity from gasoline to heating oil).



Futures markets are anticipating steady declines in crude oil and gasoline prices over the rest of this year (see chart). These declines reflect the possibility not only of Iraqi oil sales later this year, but also of higher production from OPEC, which has excess capacity. From current levels, the market is predicting a decline by November of around 14 cents per gallon in the

wholesale price of gasoline, bringing the price back down to about its level at the beginning of this year. By itself, such a decline—if translated one-for-one into retail prices—would lower consumer price inflation over this period by roughly 0.6 percentage point at an annual rate. But it would have little effect on core inflation, which excludes energy (and food) prices precisely because of volatile periods such as the current one.

MACROECONOMIC UPDATE

Economy Hitting Its Stride

Economic activity seems to have picked up toward the end of the first quarter, and early indications point to a somewhat faster pace in the second quarter. For example, relatively low initial claims for unemployment insurance during the first half of April suggest a solid second-quarter growth rate.

Consumer spending up in the first quarter. Consumer spending gathered momentum through the first quarter, with strong purchases in February and March after a weak January. Higher consumer spending was supported by strong gains in jobs—and therefore incomes—in February and March. Since consumption is two-thirds of GDP, the positive consumer spending news raises our estimate of overall growth during the first quarter. Although the data are still incomplete (foreign trade is the most important piece of missing data), it now appears that real GDP grew at almost a two percent annual rate in the first quarter.

The GM strike. First-quarter growth might have been even higher had it not been for the strike at General Motors, which held down real GDP growth by about 0.6 percentage point. But there are silver linings to the strike. With sales firm, motor vehicle inventories (which had been excessive) fell back to normal levels by the end of March. And the production lost in the first quarter is scheduled to be recouped in the second quarter.

Long rates rise. Financial markets reacted to recent evidence of a stronger economy by driving up interest rates. Almost all of the increase took place between February and March; rates have moved little since then. And the increase has been sharper for long-term rates than short-term rates: Over the past 2 months, long-term rates have increased about 0.5 percentage point on the long end (where the Federal Reserve has little control), while short-term rates have increased less than 0.2 percentage point. The rise in long rates may stifle continued strength in housing.

Inflation remains subdued. In the midst of this somewhat stronger growth outlook, inflation remains under control. Recent increases in energy prices are expected to reverse themselves (see previous article) and recent increases in grain prices should not significantly affect overall inflation (see Weekly Briefing, April 12, 1996). And the core inflation rate—excluding food and energy—remains relatively low: The CPI excluding food and energy increased 2.8 percent in the 12 months ending in March, close to its 3 percent annual rate over the past 3 years. Inflation for producer goods at the early stages of processing has been negative; the PPI for intermediate goods (excluding food and energy) has fallen in each of the past 6 months.

SPECIAL ANALYSIS

Labor Practices and Productivity

*we need
to get back on the
publicly*
JBC

The Administration has challenged employers to act responsibly toward their workers. This effort includes adopting innovative work practices, such as profit-sharing plans and increased employee participation in the decisionmaking process. The evidence suggests that these practices could perhaps also raise productivity, by motivating workers to work harder and smarter.

Profit sharing. Numerous studies find that profit-sharing plans raise productivity, with typical estimates suggesting increases of roughly 3-5 percent after adoption of such plans. But these studies differ widely in quality and are subject to a variety of criticisms, especially with regard to causality: more productive firms may be more likely to adopt profit-sharing plans than less productive firms. A cautious conclusion is that well-designed profit-sharing packages could raise productivity. At the very least, there is no hard evidence that they reduce productivity.

Worker participation. Employee participation in the workplace also appears to boost productivity. Sixty percent of Fortune 1000 companies with worker participation programs reported that the programs raised productivity. According to a review of worker participation programs (including quality circles, work teams, labor-management consultation, and employee representation on corporate boards), expanded participation usually leads to small, temporary improvements in performance and sometimes leads to significant, permanent improvements. The precise results depend on the form and scope of participation. Once again, a cautious conclusion seems to be that worker participation could raise productivity—but by how much, and for how long, is less clear.

Combinations have bigger payoffs. The evidence also suggests that good labor practices work much better when they are implemented together. For example, a recent study analyzing the steel industry finds that policies such as profit sharing, worker participation in problem-solving, and the provision of training all have much larger effects when they are implemented together than when they are implemented by themselves. Significant productivity increases are observed on steel finishing lines if progressive labor practices are adopted as a system, even with exactly the same equipment and same workers.

Analysis. Both economic theory and common sense suggest that performance-linked pay (such as profit sharing) should elicit more effort than straight wages, and that worker involvement in the decisionmaking process can raise productivity by creating a sense of shared responsibility for the firm's performance. Theory can also help us to understand why a concerted set of policies performs better than any one individual policy. Since the efforts of any one individual are difficult to observe, pay linked to group (rather than individual) performance creates an

incentive to shirk. But developing a norm of high effort among employees through complementary good labor practices (such as increased participation in the decisionmaking process) can reduce the tendency of workers to shirk. For this reason, profit-sharing and worker participation work better together than either does by itself.

A caveat. Our focus here has been on productivity, not profits. And even if good labor practices raise productivity, they could reduce profitability if they are excessively costly to implement. Evidence on this question is rather thin, but indications are that high-performance work practices are associated with stronger, not weaker, financial performance.

Conclusion. If good labor practices raise productivity and profits, why don't more firms adopt such policies? One answer is that the costs of adopting good labor practices may differ across firms, and that the available results only apply to firms which find it relatively easy to adopt the policies. Another answer may be that firms lack the requisite information, which is precisely the problem the Administration hopes to address by publicizing good practices.

ARTICLE

CEO Pay: Rewarding Performance?

In 1995, the median CEO in a sample of 352 of the largest 500 firms earned about \$2 million, and some top CEOs received more than \$10 million. These figures have been criticized by some as excessive, but top investment bankers, lawyers and entertainers also earn multimillion dollar incomes. This article examines how CEO compensation packages are structured and determined.

Performance-based pay. A firm's board of directors should structure pay to encourage CEOs to maximize the firm's stock market value. Managers must be willing to work hard and assume the risks and responsibilities that raise shareholder wealth. (This does not preclude concern with issues such as worker morale, since such considerations affect a company's long-run performance.) Linking CEO pay to the firm's share price, so the CEO is rewarded when the shareholders are rewarded, can help to provide the proper incentives to CEOs.

Tying CEO pay to every fluctuation in company performance, however, can lead to excessively conservative decisions. CEOs might prefer to ensure high incomes for themselves, whereas shareholders would prefer CEOs to undertake innovative and bold investments. Compensation packages should therefore provide some fixed salary (a safe floor under CEO income) plus bonuses that pay off for successful, innovative decisionmaking.

Arguments for current CEO compensation packages. Defenders say that current packages, with their moderate base pay and extensive use of stock options, encourage CEOs to act in the shareholders' interests, and do not "over-compensate" CEOs. They support this view with several arguments:

- Bonuses in the form of stock options encourage CEOs to undertake proper investments by providing large rewards for good long-run performance while limiting the CEO's maximum loss from short-run downturns.
- Stock options can be designed so that their value will be substantial only if the stock price rises a lot. Such a progressive reward structure may encourage a CEO to go beyond the relatively easy and obvious steps to improve company performance.
- CEO compensation pales in comparison to the value of the corporations CEOs control and the consequences of their decisions. In 1992, total CEO compensation for the 1,000 largest corporations was \$2.2 billion—about half a percent of total production costs.

Critiques of CEO compensation. Critics argue that boards of directors are not acting as adequate watchdogs for shareholders. Board members may be

Why didn't the same argument pay to worker get attached to the same argument?

nominated by, and have close ties to, CEOs. The result, it is argued, is excessive CEO compensation, with new incentive bonuses simply added to existing pay provisions. And while the largest components of CEO pay are called "performance-based," it is unclear in practice how much compensation actually is of this form. The critics cite several supporting arguments:

- CEO compensation packages may be structured so as to hide their true value from shareholders. For example, shareholders may not realize the dilution of their own share prices caused by exotic options. Packages sometimes include non-transparent options with significant tax disadvantages, rather than lower-cost but more transparent options.
- CEOs are often rewarded for share price increases attributable to outside forces such as market-wide price gains due to interest rate cuts, rather than the results of their own actions. Their performance should be measured relative to a baseline, such as the overall stock market or other firms in the industry, but often is not.
- Large pay sometimes may ultimately fail to maximize firm value, because of its adverse effects on worker morale. For example, in a firm facing difficulties, employees need to feel that everyone is facing adversity together.

Policy responses. OBRA93 attempted to address concerns over CEO pay levels by limiting (to \$1 million) tax deductions for pay not based on performance, but left "performance" only loosely defined. The principal effect of this provision thus may have been that firms now *categorize* more of compensation as "performance-based." In addition the Financial Accounting Standards Board recently released new rules requiring firms to disclose additional information about the estimated value of options, potentially improving their transparency.

Conclusion. It is difficult to judge the outcomes of CEO pay schemes—whether or not CEO pay is too high. It may be more useful to study the process through which compensation is set. Policy should try to make the pay-setting process more open and transparent, and more effectively controlled by shareholders, rather than trying to limit pay per se.

Does Treasury have any monitoring with respect to this?

Ratio of CEO to other execs has increased
Can we justify this?

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Guns Second Leading Cause of Death Among Young. In a report recently released by the Children's Defense Fund, gun-fire was found to be the second leading cause of death in 1993 for Americans aged 10 to 19. Nearly 6,000 Americans under the age of 19 were killed by gun-fire in 1993 (more than 3 times the total number of gun homicides in Australia, Belgium, Canada, the U.K., France, Germany, Holland, Norway, Spain, Switzerland, and Finland combined). About 64 percent of those deaths were homicides, 25 percent suicides, and 9 percent accidents. Racial disparities were large: while the death rate from guns among black men ages 15 to 19 was 153.1 per 100,000 population, it was only 28.8 for their white peers. Gunfire was the leading cause of death among black men ages 15 to 19.

Increasing Earnings Equality Among Male and Female Physicians. A study published in last week's issue of the New England Journal of Medicine provides evidence of a dramatic narrowing in male-female wage differentials among physicians. The researchers confirmed that a substantial gap (7 percent) existed in 1986 between the earnings of male and female physicians, even after adjusting for differences in the number of hours worked, specialty, practice setting, and other characteristics. By 1990, however, the male-female earnings gap had disappeared, after adjusting for the same characteristics. Although the apparent decline in male-female earnings inequality is good news, the author notes that earnings differences persist within some specialties, and among older physicians. Moreover, the study does not address the process by which male and female physicians chose their specialties and practice settings.

AAAS Criticizes R&D Spending Levels. On Wednesday, the American Association for the Advancement of Science (AAAS) released its analysis of the Administration's proposed R&D budget. AAAS estimates that adoption of the proposed budget would lead to an 18 percent real cut in non-defense R&D by FY 2000, and slight increases in the following 2 years, leaving a 12 percent real cut by FY 2002 relative to FY 1995. The report shows that these spending levels are far more favorable to R&D than last year's Congressional Budget Resolution, but nevertheless warns of potentially dire situations for universities, Federal labs, and industry. Other analysts have argued that predicting out-years with accuracy is nearly impossible. The debate is now focusing on the FY 1997 budget. The Administration has requested an increase in non-defense R&D spending while Congress seems likely to push for draconian cuts.

Handwritten note:
AAAS, Education
Funding
Waste

INTERNATIONAL ROUNDUP

Venezuela Announces Economic Reform Measures. President Caldera recently announced a set of economic reforms aimed at reducing Venezuela's significant fiscal imbalance. The most important measures include a more than fivefold increase in the price of gasoline (which will still cost less than 80 cents per gallon), and a lifting of exchange and interest rate controls. New transport subsidies will shelter users of public transport from the hike in gas prices, which became effective immediately. The subsidies are intended to avert the type of violence associated with the introduction of economic austerity measures in 1989. The controls on the highly overvalued *bolivar* may be lifted later this month, although the precise timing remains uncertain. Venezuela's economy resumed growth at a rate of 2.2 percent last year, after contracting by 2.8 percent in 1994. However, inflation is still a major problem (nearly 60 percent per year), and the budget deficit is estimated at 11 percent of GDP. In 1995, Venezuela was the largest supplier of petroleum for the United States, and the U.S. is Venezuela's most important trade partner for both imports and exports.

World's Poorest Countries Experience Stronger Economic Growth in 1995.

The United Nations reports that after several years of stagnation and decline, the world's poorest countries grew by more than 3 percent in 1994 and 1995. In 1995, growth in African LDCs averaged 2.2 percent, while Asian LDCs recorded growth of 4.6 percent. Last year's strong economic performance is attributed to higher commodity prices and economic policy reforms. While maintaining a tone of cautious optimism for similar growth in 1996, the UN warns that globalization and liberalization of the world economy may pose significant short-run challenges to the LDCs. For example, the Uruguay Round Agreements may impose transitional costs on LDCs' economies through the erosion of tariff preferences in their export markets and through higher food import prices. In the long run, however, poor nations would benefit from wider export markets and greater demand for non-traditional exports.

Looser Link Announced for Non-EMU European Currencies. At a meeting of European finance ministers and central bankers held in Verona last weekend, ministers discussed the future of the European Monetary Union (EMU). Under current plans, countries embarking on the EMU will move to a common currency (the Euro) in 1999. Discussions last weekend focused on what the relationship will be between European countries that proceed with EMU in 1999, and those that do not. The European Monetary Institute (EMI), the forerunner to a European central bank, has suggested that any new exchange rate mechanism should be flexible, with relatively wide bands in which the non-EMU currencies would move. It is unclear at this point how many EU members will actually join EMU. Some countries may not wish to do so (notably the UK), while others appear unlikely to meet the relevant criteria. Participation will initially be decided in early 1998.

RELEASES THIS WEEK

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production declined 0.5 percent in March, following an increase of 1.3 percent in February. Capacity utilization decreased 0.7 percentage point, to 82.5 percent.

Housing Starts

Housing starts declined 4 percent in March to 1.45 million units at an annual rate. For the first three months of 1996, starts are up 12 percent over the same period a year ago.

MAJOR RELEASES NEXT WEEK

U.S. International Trade in Goods and Services (Tuesday)
Advance Durable Shipments and Orders (Wednesday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1995	1995:2	1995:3	1995:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	0.5	3.6	0.5
GDP chain-type price index	5.3	2.6	2.5	2.2	2.2
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.7	3.0	1.7	-1.0
Real compensation per hour:					
Using CPI	0.6	1.3	2.0	2.2	0.4
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	10.2
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	12.4
Personal saving	5.1	3.3	2.9	3.2	3.6
Federal surplus	-2.7	-2.2	-2.2	-2.2	-2.1

	1970- 1993	1995	Jan. 1996	Feb. 1996	March 1996
Unemployment Rate					
	6.7**	5.6**	5.8	5.5	5.6
Payroll employment (thousands)					
increase per month			-146	624	140
increase since Jan. 1993					8498
Inflation (percent per period)					
CPI	5.8	2.5	0.4	0.2	0.4
PPI-Finished goods	5.0	2.2	0.3	-0.2	0.5

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

FINANCIAL STATISTICS

	1994	1995	Feb. 1996	March 1996	April 18, 1996
Dow-Jones Industrial Average	3794	4494	5519	5612	5552
Interest Rates					
3-month T-bill	4.25	5.49	4.83	4.96	4.85
10-year T-bond	7.09	6.57	5.81	6.27	6.58
Mortgage rate, 30-year fixed	8.35	7.95	7.08	7.62	7.95
Prime rate	7.15	8.83	8.25	8.25	8.25

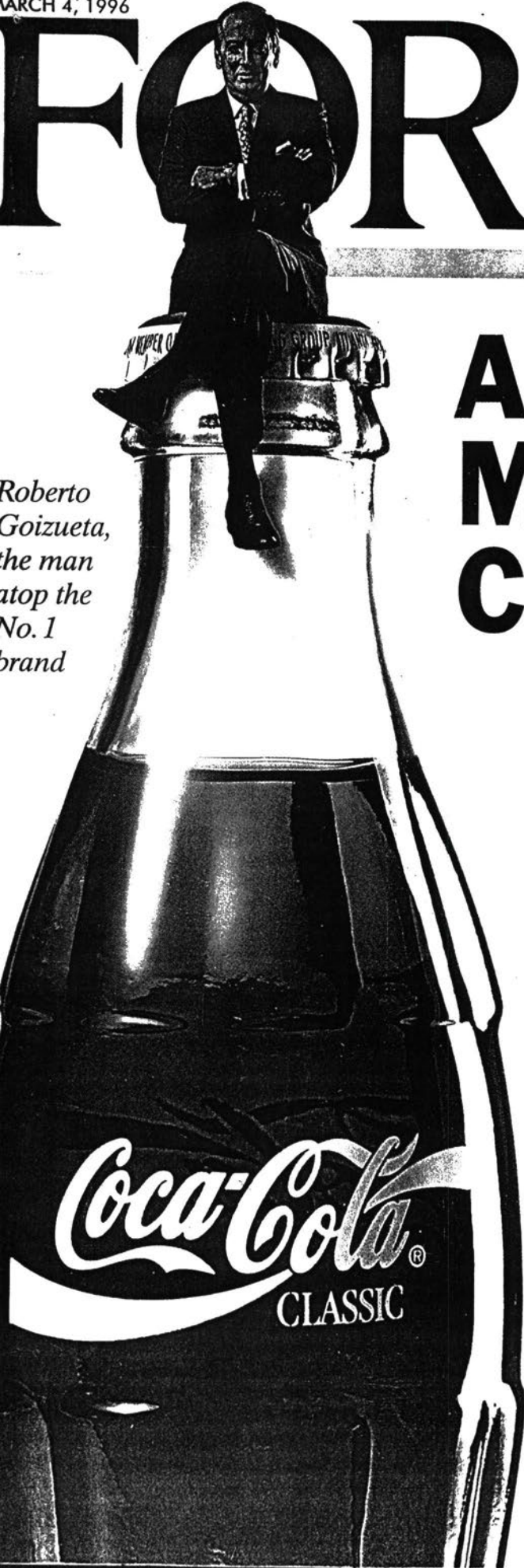
INTERNATIONAL STATISTICS

Exchange Rates	Current level April 18, 1996	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.508	+0.3	+10.5
Yen-Dollar	107.1	-1.3	+31.6
Multilateral \$ (Mar. 1973=100)	87.65	+0.1	+8.3

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	1.3 (Q4)	5.6 (Mar)	2.8 (Mar)
Canada	0.6 (Q4)	9.6 (Feb)	1.3 (Feb)
Japan	2.2 (Q4)	3.3 (Feb)	-0.2 (Feb)
France	0.7 (Q4)	12.5 (Jan)	2.0 (Feb)
Germany	0.8 (Q4)	7.0 (Feb)	1.5 (Feb)
Italy	2.3 (Q4)	12.0 (Jan)	5.1 (Feb)
United Kingdom	1.9 (Q4)	8.4 (Feb)	2.7 (Feb)

FORTUNE

Roberto Goizueta, the man atop the No. 1 brand



THE PRESIDENT HAS SEEN
4123196

AMERICA'S MOST ADMIRED COMPANIES

The 'A' List

1. Coca-Cola
2. Procter & Gamble
3. Rubbermaid
4. Johnson & Johnson
5. Intel
6. Merck
7. Microsoft
8. Mirage Resorts
9. Hewlett-Packard
10. Motorola

423-96
Ret's
Laurie
Sohn was
called for corp.
city planning
RC

The Verdict: Brands Rule

##BXBCBHG*****FIRM 20500
##20500GRE00000V94##3 Y5 DC00R*** SMP
VICE PRESIDENT GORE 0032#
EXEC OFC BLDG RM 272 #04396
WHITE HOUSE P00332
WASHINGTON DC 20500-0005



Corporate Reputations

Comebacks and comeuppances

by Anne B. Fisher

Each year we hear of more companies that have made an explicit corporate goal of improving their performance in FORTUNE's annual survey of corporate reputations. We even know of people whose bonuses depend on how well their companies perform. Why such intense focus on reputation?

Of course, it's nice to be liked, but these companies' motives aren't just warm and fuzzy. Far from it. One reason companies fret over their reputations is financial. Good name is to strong financial performance as chicken is to egg. It's not always clear which begets which, but it's awfully hard to have one without the other.

In an attempt to measure exactly how closely reputation and performance are linked, the research firm Clark Martire & Bartolomeo studied the assets, profits, and ten-year annual return to shareholders of the FORTUNE 1,000 and correlated these and other financial indicators with companies' standings on the most admired list. Bigness alone, the study found, won't help: There was virtually no relationship between the size of a company's assets and

THE MOST ADMIRABLE

Rank	LAST YEAR	Company	Score
1	3	Coca-Cola Beverages	8.70
2	7	Procter & Gamble Soaps, cosmetics	8.55
3	1	Rubbermaid Rubber & plastic products	8.35
4	17	Johnson & Johnson Pharmaceuticals	8.32
5	6	Intel Electronics, electrical equipment	8.30
6	24	Merck Pharmaceuticals	8.26
7	2	Microsoft Computer & data services	8.23
7	•	Mirage Resorts Hotels, casinos, resorts	8.23
9	10	Hewlett-Packard Computers, office equipment	8.19
9	4	Motorola Electronics, electrical equipment	8.19



the sheen on its reputation. But financial performance, including measures like total return and earnings growth, correlates strongly with reputation.

If you really want to see stock price and reputation dancing cheek to cheek, look at Coca-Cola, which is Numero Uno this year for the first time. Coke's shares, now at about \$76, rose 44% over the past year. (For more on how Coca-Cola polishes its reputation, see the preceding story.) Rubbermaid, on the other hand, had a rocky year, dropping from the No. 1 spot to No. 3. Both its reputation and its stock price were dented by a truckload of troubles that all came along at once, including a feud with megacustomer Wal-Mart over pricing.

But reputation entails much more than just minting money. As measured in the survey, half of it comes from intangibles like the way a company treats its employees, how much it spends on research and development, and the strength of its management team. These abstractions count more than you might think.

Consider what can happen when your corporate image gets tarnished. A rather extreme case: Morrison Knudsen. The construction company, which in its prime built the Hoover Dam, took a huge free fall this year in the quality-of-management score and a dive to the lowest overall score of anyone but the perpetually be-

leaguered TWA. Morrison Knudsen's erstwhile CEO, William Agee, had plunged into the railcar and locomotive business, which ended up a train wreck. Now the Boise company's besmirched reputation is taking its toll. In construction, where clients expect contractors like Morrison Knudsen to be stable enough to take on big jobs that could last years, credibility is everything.

"Morrison Knudsen's reputation is just shot, and the few customers they have left are very nervous,"

says Tobias Levkovich, an analyst at Smith Barney. The

firm officially stopped covering Morrison Knudsen in late January. "The company's viability is really questionable. We don't see any value in the stock. We don't see any way for them to recover."

EVEN for companies with stellar reputations, this was a tumultuous year. Among the setbacks, surges, and surprises in 1995: Microsoft, rated tops in its industry at attracting and developing talented new blood, nevertheless slid from No. 2 on the Big List to No. 7. Perhaps the Justice Department's ongoing antitrust investigation suggests that the software maker isn't invincible. UPS, bedeviled by a long drivers' strike, still held the highest score in the package delivery business, even though it fell out of the top ten overall to the No. 25 spot. And how about

newcomer Mirage Resorts, which popped up in the No. 7 slot (because it was ranked so high by its own industry)? Doesn't it run gambling casinos? Yup, and rivals say that nobody does it better.

Johnson & Johnson (No. 4) and Merck rejoined the ten most

THE LEAST ADMIRER

Rank	LAST YEAR	Company	Score
417	395	TWA Airlines	3.05
416	326	Morrison Knudsen Engineering, construction	3.12
415	392	Kmart General merchandise	3.36
414	393	USAir Group Airlines	3.77
413	380	A&P Food & drug stores	4.25
412	389	Continental Airlines Airlines	4.27
411	•	Amerco Trucking	4.29
410	•	Salomon Brokerage	4.34
409	384	Woolworth Specialist retailers	4.40
408	335	Standard Commercial Tobacco	4.44

BIGGEST GAINS OVER LAST YEAR

Company	Point change	% change	Score
Digital Equipment	1.25	28.7%	5.61
UAL	1.12	20.3%	6.64
Northwest Airlines	0.90	16.9%	6.24
Champion International	0.89	18.5%	5.71
Coca-Cola Enterprises	0.81	13.4%	6.87
Citicorp	0.77	12.1%	7.15
Oryx Energy	0.74	16.5%	5.23
Merck	0.67	8.8%	8.26
Boise Cascade	0.65	14.8%	5.04
Intl. Business Machines	0.64	10.8%	6.58

BIGGEST LOSSES OVER LAST YEAR

Company	Point change	% change	Score
Morrison Knudsen	-2.48	-44.3%	3.12
PacificCare Health Systems	-1.87	-26.1%	5.30
Archer Daniels Midland	-1.36	-20.6%	5.25
Universal	-1.23	-18.4%	5.47
CBS	-1.22	-21.0%	4.58
Bankers Trust New York	-1.10	-15.8%	5.87
Standard Commercial	-1.08	-19.6%	4.44
Dibrell Brothers	-1.02	-16.4%	5.21
UST	-0.87	-12.5%	6.11
Yellow	-0.84	-14.7%	4.87

BIGGEST GAINERS AND LOSERS

admired after a conspicuous absence last year. Merck (No. 6) scored first among pharmaceutical makers in product quality. In 1994, when would-be health care reformers in Washington accused drug companies of getting obscenely rich at the expense of sick people, drug companies' reputations took a beating. In 1995 they bounced back. A fast-growing managed-care business and promising new treatments for osteoporosis and high cholesterol helped Merck regain its top-ten ranking. J&J's U.S. sales jumped 32% during last year's fourth quarter, thanks partly to Risperdal, a new antipsychotic drug, and Propulsid, a heartburn remedy. Neither product, though, is likely to match the popularity of Eli Lilly's \$2 billion baby, Prozac, whose overnight ce-

REPORTER ASSOCIATE Ani Hadjian

lebrity nudged Lilly up to 72nd place from 169th.

And now take a look at this year's least admired. Three airlines—Continental (No. 412), USAir (No. 414), and TWA (No. 417)—are becoming fixtures at the bottom of the list, to nobody's great surprise. Despite its last-place fin-

ranks a ho-hum No. 337 out of 417 companies. But the computer maker no longer resides in the bottom-ten barrel and seems likely to keep on rising. Archer Daniels Midland, tarnished by allegations of price fixing and a curious and well-publicized hostility toward its customers; tumbled from No. 150 to No. 368. CBS, rated No. 301 a year ago, saw its score drop by about 20%, to 402nd place, reflecting industry insiders' view of new parent Westinghouse and its unglamorous boss, Michael Jordan.

Derivatives, which doubtless seemed like a clever idea at the time, sideswiped Bankers Trust (No. 312). The bank has paid out tens of millions

ish, there may be hope for TWA. The company saw its stock take off last year, though from a base well below sea level. The airline's 1,176.9% total return for 1995 reflects a share price that went from 81 cents to a bit over \$10. Some Wall Streeters believe the airline has finally got its costs in line, and a turnaround may be on the horizon. New faces in the reputation doghouse include Wall Street trading powerhouse Salomon, where Chief Executive Deryck Maughan has presided over a pay-for-performance scheme that's sent disgruntled talent fleeing to competing firms.

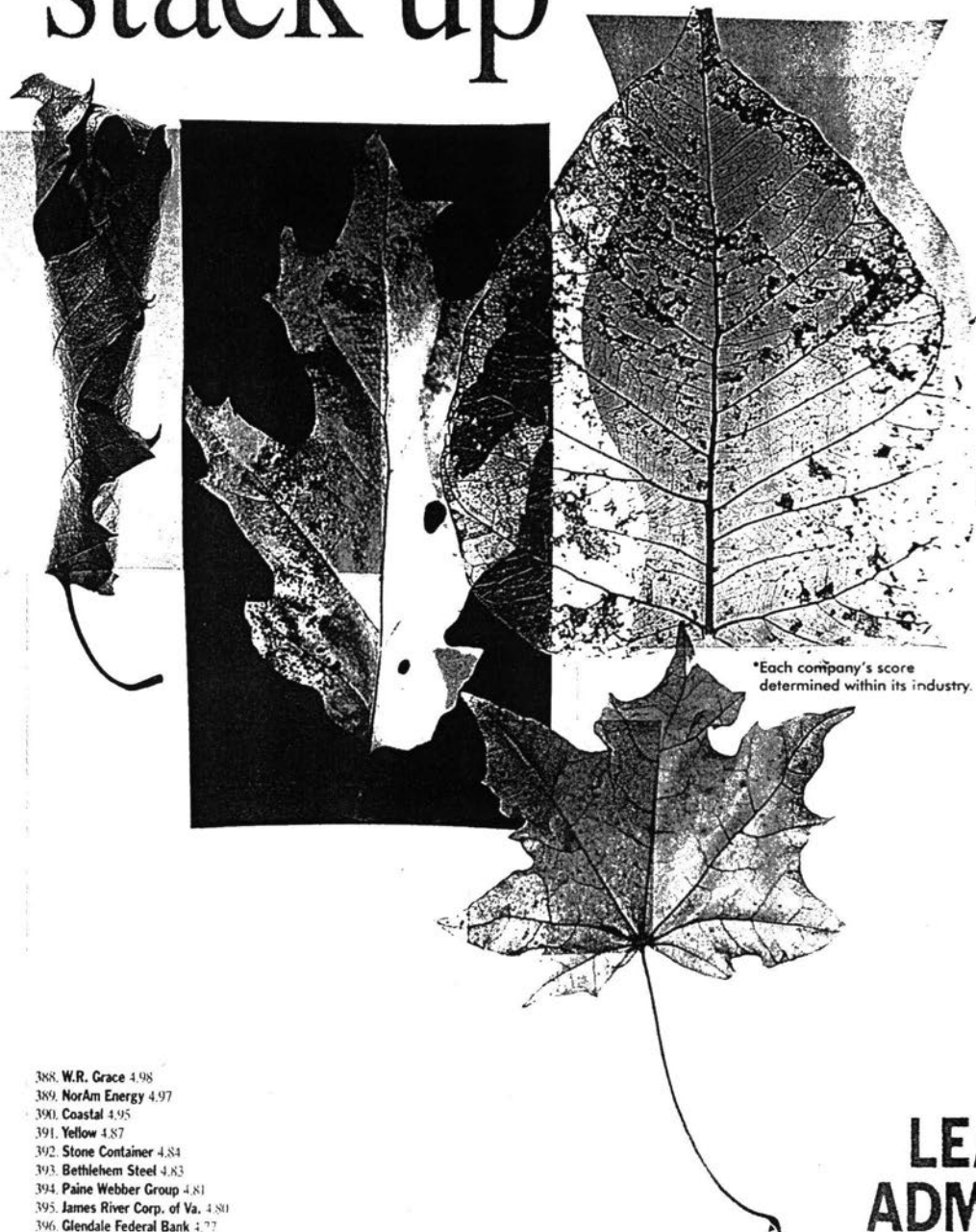
Much of the year's drama played out in the ranking's middle regions. Digital Equipment Corp., struggling along the comeback trail after a few truly dismal years, still

HOW IT WAS DONE

The 417 corporations included in the 14th annual Corporate Reputations survey are drawn from the new universe of companies that was created when the FORTUNE 500 industrial and service directories were merged last year. Seventy new names and five new industry groups make this the most comprehensive survey yet. To determine the rankings, FORTUNE asked more than 11,000 executives, outside directors, and financial analysts to rate the ten largest companies by revenues (if there were that many—our minimum was five) in their industry by the eight criteria shown on page 96. Companies got assigned to an industry group according to the business that contributed the most to their revenues. An index appears at the end of the listings.

HOW 417 companies stack up*

What makes a reputation? Is it financial performance, strong management, innovation? Curiously, one thread running through the best companies on our list: Twelve of the top 15 have great brands. Are companies like Coke and Intel onto something?



*Each company's score determined within its industry.

LE
ADM

290. Burlington Industries 5.98
290. Rhône-Poulenc Rorer 5.98
290. US West 5.98
293. Aramark 5.97
293. Zeigler Coal Holding 5.97
295. Chase Manhattan 5.96
295. HealthTrust 5.96
297. Great Western Financial 5.95
297. J.B. Hunt Transport 5.95
297. USG 5.95
300. Baxter International 5.94
301. Polaroid 5.93
302. Air Express International 5.92
302. Bausch & Lomb 5.92
304. Alaska Air Group 5.90
305. Dial 5.89
305. Entergy 5.89
305. Kimball International 5.89
305. Morrison Restaurants 5.89
309. H.F. Ahmanson 5.88
309. Raychem 5.88
309. Warner-Lambert 5.88
312. Bankers Trust N.Y. 5.87
312. MascoTech 5.87
314. Fieldcrest Cannon 5.86
314. Pitney Bowes 5.86
314. Standard Federal Bank 5.86
314. TNT Freightways 5.86
318. Apple Computer 5.85
319. Public Service Enterprise Group 5.84
320. Dresser Industries 5.83
321. GenCorp 5.81
321. Nationwide Ins. Enterprise 5.81
323. Louisiana Land & Exploration 5.79
323. PriceCostco 5.79
325. Collins & Aikman 5.75
325. Turner Corp. 5.75
327. Metropolitan Life 5.72
328. Champion International 5.71
328. ITT 5.71
330. Safety-Kleen 5.67
330. Times Mirror 5.67
332. Mohawk Industries 5.66
332. Enserch 5.65
334. Alberto-Culver 5.64
335. Comdisco 5.63
336. Nynex 5.62
337. Digital Equipment 5.61
338. Gillett Holdings 5.59
339. Interco 5.58
340. Helene Curtis Industries 5.56
341. Consolidated Edison of N.Y. 5.53
342. Brown-Forman 5.51
342. FHP International 5.51
342. Occidental Petroleum 5.51

345. Pittston 5.48
346. Emcor Group 5.47
346. Universal 5.47
348. Asarco 5.46
348. USX 5.46
350. Arkansas Best 5.45
350. R.R. Nabisco Holdings 5.45
352. Dun & Bradstreet 5.44
353. Airborne Freight 5.42
353. Ryland Group 5.42
355. J.E. Seagram 5.40
356. Inland Steel Industries 5.39
356. Scott Paper 5.39
358. Merisel 5.37
359. Cigna 5.35
360. Unicom 5.33
361. Food Lion 5.32
362. America West Airlines 5.31
363. LTV 5.30
363. PacificCare Health Systems 5.30
365. Kansas City So. Industries 5.29
366. Bally Entertainment 5.28
367. Kellwood 5.27
368. Archer Daniels Midland 5.25
368. Navistar International 5.25
370. Fruit of the Loom 5.24
371. FoxMeyer Health 5.23
371. Oryx Energy 5.23
373. Dibrell Brothers 5.21
374. Aetna Life & Casualty 5.17
374. Lehman Brothers Holdings 5.17
376. Chicago & NW Transportation 5.13
377. Triarc 5.12
378. Caremark International 5.11
378. Maxxam 5.11
380. Prudential Ins. of America 5.09
381. Melville 5.08
382. Whitman 5.07
383. Foamex 5.06
384. Shoney's 5.05
385. Boise Cascade 5.04
385. Transco Energy 5.04
387. National Steel 5.02

388. W.R. Grace 4.98
389. NorAm Energy 4.97
390. Coastal 4.95
391. Yellow 4.87
392. Stone Container 4.84
393. Bethlehem Steel 4.83
394. Paine Webber Group 4.81
395. James River Corp. of Va. 4.80
396. Glendale Federal Bank 4.77
396. Unisys 4.77
396. Westinghouse Electric 4.77
399. Beverly Enterprises 4.66
399. Southland 4.66
401. Flagstar 4.62
402. CBS 4.58
403. Family Restaurants 4.57
403. Southern Pacific Rail 4.57
405. Foodmaker 4.52
406. JPS Textile Group 4.50

407. California Federal Bank 4.45
408. Standard Commercial 4.44
409. Woolworth 4.40
410. Salomon 4.34
411. Amerco 4.29
412. Continental Airlines 4.27
413. A&P 4.25

414. USAir Group 3.77

415. Knart 3.50
416. Morrison Knudt
417. TWA 3.05

5.5

5

4.5

4

3.5

QUALITY OF MANAGEMENT

MOST ADMIRIED	Score
Coca-Cola	9.28
Procter & Gamble	9.03
Berkshire Hathaway	8.86
LEAST ADMIRIED	Score
Morrison Knudsen	3.09
Kmart	3.67
TWA	3.75

VALUE AS A LONG-TERM INVESTMENT

MOST ADMIRIED	Score
Coca-Cola	9.07
Berkshire Hathaway	8.90
Procter & Gamble	8.72
LEAST ADMIRIED	Score
TWA	2.04
Morrison Knudsen	2.44
Kmart	2.78

INNOVATIVENESS

MOST ADMIRIED	Score
Enron	9.16
Rubbermaid	9.06
Intel	9.04
LEAST ADMIRIED	Score
Kmart	3.28
CBS	3.43
TWA	3.91

QUALITY OF PRODUCTS OR SERVICES

MOST ADMIRIED	Score
Mirage Resorts	9.15
Rubbermaid	9.14
Coca-Cola	9.01
LEAST ADMIRIED	Score
TWA	3.74
Kmart	4.06
Southern Pacific Rail	4.32

USE OF CORPORATE ASSETS

MOST ADMIRIED	Score
Berkshire Hathaway	8.86
Coca-Cola	8.74
Johnson & Johnson	8.35
LEAST ADMIRIED	Score
Morrison Knudsen	1.98
TWA	2.90
Kmart	3.11

COMMUNITY AND ENVIRONMENTAL RESPONSIBILITY

MOST ADMIRIED	Score
Levi Strauss Associates	8.13
Johnson & Johnson	8.06
3M	7.99
LEAST ADMIRIED	Score
Morrison Knudsen	3.78
Salomon	3.82
Kmart	4.09

ABILITY TO ATTRACT, DEVELOP, AND KEEP TALENTED PEOPLE

MOST ADMIRIED	Score
Microsoft	9.00
Procter & Gamble	8.73
Intel	8.51
LEAST ADMIRIED	Score
TWA	2.52
Morrison Knudsen	3.04
Kmart	3.15

FINANCIAL SOUNDNESS

MOST ADMIRIED	Score
Microsoft	9.37
Coca-Cola	9.27
Berkshire Hathaway	9.17
LEAST ADMIRIED	Score
TWA	1.42
Morrison Knudsen	2.02
USAir Group	2.26

of dollars in settlements to clients whose derivative deals went kerflooey, and has yet to resolve a vituperative lawsuit brought by Procter & Gamble. Voted No. 3 in its industry last year, Bankers Trust has since fallen to No. 10 (out of ten). The executives surveyed did give the bank high scores for innovativeness, raising the question of how many such innovations any company can withstand.

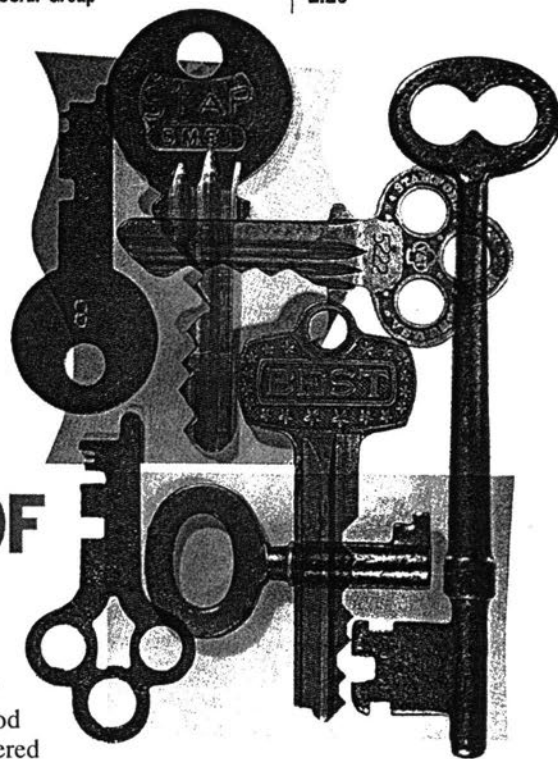
WHEN it comes to high finance, Berkshire Hathaway, Warren Buffett's Omaha-based conglomerate, fared much better. This year it tops the diversified-financial industry ranking in six out of eight categories. One of these is "value as a long-term investment," and no wonder. A share of Berkshire Hathaway stock went for about \$70 in 1973. Its price today: \$31,700.

EIGHT KEY ATTRIBUTES OF REPUTATION

If you've spotted some new names on the roster, there's a good reason. Altogether, the survey covered 70 new companies. That's because, beginning this year, the FORTUNE 1,000, from which the ten largest companies by revenues within each industry are drawn as candidates for most admired, merged service companies with industrials. This meant that a number of advertising and marketing companies, for example, became eligible for the first time, as did hotel and resort operators—hence Mirage Resorts' leap from nowhere into the top ten. Another significant addition: the food service industry. McDonald's appears here for the first time—and fittingly, since 1995 was a record year for

profits *chez* Ronald. The burgermeister did well in almost every category except product quality, where it came in fourth, well behind No. 1-ranked Wendy's. Reflecting the growth of a world economy that increasingly ignores national boundaries, 15 of the biggest U.S. subsidiaries of overseas companies have joined the list as well.

What specifically makes or breaks a company's reputation? Asked to rate the eight attributes on FORTUNE's survey (see table above) in order of their importance, the 11,000 executives,



Company	Total return to investors		
	Compound annual rate	1985-95	1995
Coca-Cola		29.3%	46.1%
Procter & Gamble		20.0%	36.7%
Rubbermaid		13.0%	-9.8%
Johnson & Johnson		23.1%	59.1%
Intel		27.9%	78.2%
Merck		27.1%	76.8%
Microsoft		N.A.	43.6%
Mirage Resorts		22.2%	68.3%
Hewlett-Packard		17.4%	69.4%
Motorola		20.7%	-1.1%
S&P 500		14.9%	37.5%

fifth straight profitable quarter. "We want to keep this up," Palmer says, "and we will. Nothing flashy—just get a little bit better, every quarter, at what we do."

Now, let's talk flashy. Quality of service, another sine qua non of a company's good name, helped boost Mirage Resorts into the exclusive top-ten club. In this category, it's got the competition beat by a wide margin. The Mirage, Golden Nugget, and Treasure Island resorts in Las Vegas and a Golden Nugget in Laughlin, Nevada, rake in \$1.4 billion a year; sales are growing 23% annually. Two new Las Vegas hotels are

under construction. Stephen Wynn, Mirage's voluble CEO, hangs out with show-biz types and appears, tousle-haired and grinning, in TV commercials.

Wind Wynn up and he'll talk for hours about why people have such a good time at his hotels. "Look, let's be honest, a slot machine is a slot machine. It's a commodity. The only difference between ours and one in Atlantic City and one in London is that you keep coming back to our slots because you have buddies, you have a little warm

spot there," he says. Wynn's strategy is simple: Is everybody happy? If not, fix it. He explains, "We tell our people, 'If you see a hotel guest with the tiniest frown on her face, don't ask a supervisor, take care of it. Erase the charge, send the dinner back, don't charge for the room.'"

Mirage spends major bucks on employee education programs—workers, many of whom are recent immigrants, can earn high school-equivalency degrees on the premises—and elaborate parties to honor staffers who've kept the most customers smiling. Last year George and Barbara Bush showed up to kiss and congratulate the employee of the year, a 27-year-old Vietnamese woman. "This kind of stuff is expensive," Wynn says, "but it's an investment." Apparently so. Average employee turnover in the Nevada hotel-casino game is about 43% a year. Mirage's turnover, at just 12%, is the envy of the industry. Of such stuff are sterling reputations made. **E**

THE LEAST ADMIRED

Company	Total return to investors		
	Compound annual rate	1985-95	1995
TWA		N.A.	1,176.9%
Morrison Knudsen		-12.5%	-64.2%
Kmart		-0.8%	-42.3%
USAir Group		-8.9%	211.8%
A&P		2.4%	28.0%
Continental Airlines		N.A.	370.3%
Amerco		N.A.	20.9%
Salomon		-0.1%	-4.0%
Woolworth		1.8%	-12.5%
Standard Commercial		1.2%	-14.4%
S&P 500		14.9%	37.5%

WHAT THEY DID FOR SHAREHOLDERS

directors, and analysts polled put "quality of management" first, with "quality of products or services" a close second. ("Responsibility to the community and/or the environment" came in dead last. Oddly, "innovativeness" scored almost as low.)

So it figures that attracting topnotch executive talent is one way to shine up your image. Just ask Digital, whose quality-of-management score has improved the most among all 417 companies. When CEO Robert Palmer took on the top job in 1992, the computer maker had just lost \$3.9 billion and was still bleeding. Its reputation, not surprisingly, was in the tank. "We were slow to adapt to changes in the industry, and our cost structure was way out of hand," Palmer says. He sold off some businesses and streamlined others, and he cleaned house in a big way, replacing almost all of Digital's top 200 managers. Some have been promoted from within, but many were stellar new hires wooed away from the same competitors who responded to our survey—and who thus have reason to know just how good Digital's management team really is.

Because about half of Digital's sales are

international, Palmer looked around for a smart foreigner to run the PC division. He found his man in Enrico Pesatori, former head of North American operations for Italian electronics giant Olivetti. Pesatori doubled Digital's worldwide PC sales in just three years, then took the company's money-losing core systems group into the black.

None of this was lost on Wall Street analysts, who put the word out to investors that Digital was getting back on its feet. The company's stock has nearly quadrupled in the past 18 months, from about \$19 in mid-1994 to \$72 now. In January, Digital reported its

April 23, 1996

96 APR 23 P6:22

TO: TODD
FROM: JESSICA

Per your request, I spoke with people close to Secretary Aspin. Sharon Sarton, Aspin's significant other for the last eight years of his life, is very supportive of this effort and has been working closely with Marquette. She says this is the main way they plan to memorialize him. His brother, Jim Aspin, is also behind it. Both will be on a board to ensure that the center stays in line with Aspin's vision of government.

Ev -
My guess is Pat would
want to do this in
Asp's home.
red

4/23/96
Todd - I just found
out they're waiting
to go to print. Can
you make a decision
ASAP & send to EL? Thanks.
Jessica

RB's out
to Evelyn

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 4, 1996

96 APR 5 P3:12

Date of Request: 3/14/96

Request for: POTUS

Type of Request: Honorary Chair

Requestor Name: Father Albert J. DiUlio, S.J.

Title: President

Organization: Marquette University
Office of the President
Milwaukee, Wisconsin 53233

Contact Tel. #: 414/288-7223

Event Date: 6/11/96

Event Description: Les Aspin Center Benefit Gala

Notes: The gala will be held to pay tribute to Les Aspin, a Marquette alum, and to celebrate the opening of the Les Aspin Center for Government in Washington, D.C. The Center has been established to prepare Marquette students for government service, advance public policy debates, and promote understanding between countries. The event will be co-chaired by Melvin Laird and William Perry. John Deutch will be the Master of Ceremonies.

Recommendations:

TS OK EL _____

Please return to Room 457

March 14, 1996

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

My Dear Mr. President:

It would be an honor to have you join us as Marquette University pays tribute to Les Aspin's career in public service and as we celebrate the full-time presence of the Les Aspin Center for Government in Washington, D.C.

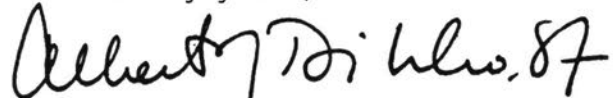
Since we spoke last June at the Washington memorial service for Les, Marquette has secured property on East Capitol Street in Washington and we are prepared to begin our full-time programming in May. Our mission is clear: to prepare young men and women to serve the public effectively and ethically through our internship program; to provide opportunities to advance public policy debates; and to promote mutual understanding between the United States and other countries through international exchanges.

As a kick-off for what we are confident will be a distinctive academic program in Washington, we have planned a benefit gala for Tuesday, June 11, 1996 at the National Building Museum. The event will be co-chaired by Melvin Laird and William Perry. John Deutch has agreed to be our Master of Ceremonies.

To ensure that this occasion is a fitting tribute to Les and his career in public service, as well as an evening for all of our constituents to remember him fondly, we hope you will agree to serve as Honorary Chair for our Les Aspin Center gala. While we understand that you may not be able to confirm your attendance at this time, we would appreciate knowing if you would be willing to be Honorary Chair. A decision now would enable us to include your name in printed announcements.

We hope you will honor us, and especially Les Aspin, in this way and we look forward to hearing from you. I send our best wishes with our appreciation for your consideration.

Sincerely yours,



Albert J. DiIulio, S.J.

AJD:ts

cc: Hon. William Perry
Hon. John Deutch
Hon. Melvin Laird

MARQUETTE
UNIVERSITY
Milwaukee, Wisconsin
53233
414-288-7223

Harder hearts on abortion

'Partial birth" abortions are unsettling even to read about—the only version of abortion in which fetuses, either viable or near viability, are partly visible outside the body while alive and inches away from birth before being dispatched.

They are typically performed at 20 to 24 weeks, but sometimes later. The fetus is manipulated so that its feet and sometimes part of its body are outside the mother. The head is left in the uterus. Then the skull is pierced and the brain is suctioned out, causing skull collapse and death.

Why is the head of the fetus left inside the uterus when the removal of the brain takes place? "Avoiding trauma to the cervix" is usually cited as the reason, but the bottom line is really legal. Stopping the head just short of birth is a legal fig leaf for a procedure that doesn't look like abortion at all. It looks like infanticide.

Brenda Shafer, a registered nurse who supports abortion rights, says she witnessed three of these operations during a brief assignment to assist Dr. Martin Haskell at an Ohio abortion clinic in 1993. She says the three fetuses, two normal and one with Down's syndrome, all three 25 or more weeks along, were alive when Dr. Haskell inserted scissors into their skulls. "I still have nightmares about what I saw," she said in a letter to an antiabortion congressman in urging passage of the Partial Birth Abortion Ban Act.

Abortion-rights supporters have greeted the partial birth issue as the beginning of a new crusade to undermine *Roe v. Wade*. For some abortion opponents, it obviously is. But it also is true that a great many Americans, on both sides and in the middle, are deeply troubled by the brutality and questionable morality of this particular procedure. It deserves to be judged on its own.

"Costly vote." In the House vote, a dozen pro-choice congressmen, including Ted Kennedy's son Patrick, joined the lopsided majority and voted to ban partial birth procedures. They did this knowing they face some aggressive retribution from the abortion-rights lobby without gaining any support from the antiabortion side. "It was a costly vote," said Rep. Jim Moran of Virginia, an abortion-rights backer. "I'm not going to vote in such a way that I have to put my conscience on the shelf."

It should be noted that the abortion lobby is having trouble getting its facts straight. After Brenda Shafer made her statement, Dr. Haskell said he didn't recall any such person working at his clinic. An employment card was produced. Then Rep. Patricia Schroeder and others extracted a nondenial denial from Dr. Haskell's head

nurse, saying that Brenda Shafer "would not" have been present at the three abortions she said she saw.

Kate Michelman and other abortion-rights lobbyists insisted that partial birth abortion is "confined to extraordinary medical circumstances" and that anesthesia "causes fetal demise . . . prior to the procedure." Not true. A 1993 interview with Dr. Haskell in an American Medical Association newspaper quotes him as saying that 80 percent of these procedures are elective and two thirds occur while the fetus is alive. Dr. Haskell wrote a letter strongly implying he was misquoted. But an audiotape was produced showing that he wasn't.

And Michelman said, "It's not only a myth, it's a lie" that partial birth abortions are used to eliminate fetuses for minor defects such as cleft palates. But abortion practitioner Dr. James McMahon already had told Congress he had personally performed nine of these procedures solely because of cleft palates. Compared with the abortion-rights lobby, the O. J. defense looks obsessively ethical and tightly focused on verifiable truth.

In an article last month in the *New Republic*, feminist Naomi Wolf, an abortion-rights advocate, wrote that "with the pro-choice rhetoric we use now, we incur three destructive consequences . . . hardness of heart, lying and political failure." She wrote:

"By refusing to look at abortion within a moral framework, we lose the millions of Americans who want to support

abortion as a legal right but still need to condemn it as a moral iniquity."

The partial birth issue is a good time for abortion-rights supporters to reclaim the moral framework that Wolf says they have relinquished. This repellent procedure goes way too far. No other Western nation, to my knowledge, allows it. It was unanimously condemned by the American Medical Association's council on legislation. (The full association later decided to duck the issue and take no position.)

Those who defend it reflexively because it may lead to other legislation are in the exact position of gun lobbyists who shoot down bans on assault weapons because those bans may one day lead to a roundup of everybody's handguns. They refuse, on tactical grounds, to confront the moral issue involved. More of the abstract hardness that Wolf writes about.

Killing a five-month or six-month fetus that's halfway down the birth canal raises a moral issue way beyond that of ordinary abortion. It's perfectly possible to support a woman's right to abort and still think that the anything-goes ethic of this horrific procedure has no place in a culture with any reverence left for life.



ILLUSTRATION BY HAL MAYES

U.S. NEWS & WORLD REPORT, NOVEMBER 20, 1995

4-23-96
CC: E. L. L. L.
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4-23-96
DATE: 4-23

TO: VICKI

FROM: Staff Secretary

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THE WHITE HOUSE
WASHINGTON

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April 17, 1996

MEMORANDUM TO THE PRESIDENT

FROM: TODD STERN *TS*
SUBJECT: Partial Birth Abortion

Following a meeting yesterday chaired by Don Baer, I drafted the attached letter on partial birth abortion, and Elena Kagan drafted the attached talking points, summarizing your position. (As noted in the accompanying memo from Don and Alexis, there is some ongoing discussion about how best to get the letter out -- e.g., as a response to the Cardinals, or as an open letter.)

I wanted to call one point to your attention. Elena and I do not make the argument -- suggested in your note to Don and Alexis -- that the women who came to the White House last week underwent a procedure not described in the bill, or that Congress could or should have exempted the procedure they underwent from the bill's prohibition.

The reason is that this argument isn't accurate. The women who visited with you *did* undergo a dilation and evacuation procedure and that is precisely the procedure targeted by the bill. The bill uses a layman's term, "partial birth abortion", so it is conceivable that more than one procedure might be covered. But there is no question that the bill's principal target is dilation and evacuation, which is what these women underwent.

Of course the procedure itself, as these women experienced it, might have been far less gory than the bill's supporters have claimed. But then the argument becomes that the procedure isn't as bad as people say, rather than that these women underwent a different procedure altogether, which shouldn't have been covered by the bill. And trying to argue that the procedure isn't as bad as people say is a losing ground for you. You need to keep the focus on saving women from serious health risks, not saying that dilation and evacuation isn't so bad. Indeed you have said in the past that it is very troubling.

This view is widely shared by your advisors (Melanne, George, Vicki, Elena, etc.).

*This is an excellent letter
Nancy's B.C.*

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Partial Birth Letter
(4/17[2]/96)

A great deal has been written in recent days and weeks about legislation banning a certain abortion procedure, commonly referred to in the press as partial birth abortion. In late March, Congress passed that legislation, H.R. 1833, and on April 10, I vetoed it because of its failure, in certain rare and compelling cases, to prevent serious threats to women's health.

My position on this bill has been widely misrepresented and misunderstood. Some, including those more interested in creating a political issue than in putting real, meaningful limits on the use of this procedure, have deliberately distorted my views. But I know that a great many people of good faith -- and of all faiths -- are sincerely perplexed about the veto. It is to these people that I address these comments -- not because I believe that you will necessarily come to share my view, but so that you will understand the genuine basis of my position.

Let me begin with a word of background. I am against late-term abortions and have long opposed them, except, as the Supreme Court requires, where necessary to protect the life or health of the mother. As Governor of Arkansas, I signed into law a bill that barred third trimester abortions, with an appropriate exception for life or health, and I would sign a bill to do the same thing at the federal level if it were presented to me.

The particular procedure aimed at in H.R. 1833 -- generally referred to by doctors as dilation and evacuation -- poses a most difficult and disturbing issue, one which I studied and prayed about for many months. Indeed, when I first heard a description of this procedure, I anticipated that I would support the bill. But after I studied the matter and learned more about it, I came to believe that this rarely used procedure is justifiable as a last resort when doctors judge it necessary to save a woman's life or to avert serious consequences to her health.

Last week, I was joined in the White House by five women who desperately wanted to have their babies and were devastated to learn that their babies had fatal conditions and would not live. These women wanted anything other than an abortion, but were advised by their doctors that this procedure was their best chance to avert the risk of death or grave harm which, in some cases, would have included an inability to bear children. These women gave moving, powerful testimony. For them, this was not about choice. This was not about choosing against having a child. Their babies were certain to perish before, during or shortly after birth. The only question was how much grave damage they were going to suffer. Here is what one of them had to say:

"Our little boy had...hydrocephaly. All the doctors told us there was no hope. We asked about in utero surgery, about shunts to remove the fluid, but there was absolutely nothing

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we could do. I cannot express the pain we still feel. This was our precious little baby, and he was being taken from us before we even had him. This was not our choice, for not only was our son going to die, but the complications of the pregnancy put my health in danger, as well. If I carried to term, he might die in utero, and the resulting toxins could cause a hemorrhage and possibly a hysterectomy. The hydrocephaly also meant that a natural labor risked rupturing my cervix and my uterus."

Some have raised the question whether, as a matter of medical practice, this procedure is ever the safest for a woman. I can only say that there are many doctors -- some of whom testified before Congress -- who believe that this procedure is, in certain rare cases, the safest one to use. In those rare cases, where a woman's serious health interests are at stake, I believe her doctors, in the best exercise of their medical judgment, should have the option to use the procedure.

The problem with H.R. 1833 is that it provides an exception to the ban on this procedure only when a doctor can be certain that a woman's life is at risk, but not when the doctor is sure that she faces real, grave risks to her health.

Let me be clear. I do not contend that this procedure, today, is always used in circumstances that meet my standard -- namely, that the procedure must be necessary to prevent death or serious adverse health consequences. The procedure may well be used in situations where a woman's serious health interests are not at issue. But I do not support such uses, I do not defend them, and I would sign appropriate legislation banning them.

At the same time, I cannot and will not countenance a ban on this procedure in those cases where it represents the best hope for a woman to avoid serious risks to her health. I recognize that there are those who believe it appropriate to force a woman to endure real, serious risks to her health -- including, sometimes, the loss of her ability to bear children -- in order to deliver a baby who is already dead or about to die. But I am not among them.

I also understand that many who support this bill believe that any health exception is untenable. In a letter sent to me on April 16 by our leading Catholic Cardinals, they contend that a "health" exception for the use of this procedure could be used to cover most anything -- for example, youth, emotional stress, financial hardship or inconvenience.

That is not the kind of exception I support. I support an exception that takes effect only where a woman faces real, serious adverse health consequences. Those who oppose this procedure may wish to cite cases where fraudulent health reasons are relied upon as an excuse -- excuses I could never condone. But people of good faith must recognize that there are also cases

where the health risks facing a woman are deadly serious and real. It is in those cases that I believe an exception to the general ban on the procedure must be allowed.

Further, I flatly reject the view of those who suggest that it is impossible to draft a bill imposing real, stringent limits on the use of this procedure -- a bill making absolutely clear that the procedure may be used only in cases where a woman risks death or serious damage to her health, and in no other case. I know that it is not beyond the ingenuity of Congress, working together with this Administration, to fashion such a bill.

Indeed, that is why I implored Congress, by letter dated February 28, to add a limited exemption for the small number of compelling cases where use of the procedure is necessary to avoid serious health consequences. Congress ignored my proposal and did so, I am afraid, because there are too many there who prefer creating a political issue to solving a human problem. But I reiterate my offer now: if Congress will work with me to produce a bill that meets the concerns outlined in this letter, I will sign it the moment it reaches my desk.

As I said at the outset of this letter, I know that many people will continue to disagree with me about this issue. But they should all know the truth about where I stand: I do not support the use of this procedure on demand. I do not support the use of this procedure on the strength of mild or fraudulent health complaints. But I do believe that we cannot abandon women, like the women I spoke with, whose doctors advise them that they need the procedure to avoid serious injury. That, in my judgment, would be the true inhumanity.

I continue to hope that a solution can be reached on this painful issue. I hope as well that the deep dialogue between my Administration and people of faith can continue with regard to the broad array of issues on which we have worked and are working together.

Sincerely,

TALKING POINTS ON H.R. 1833

- The President vetoed H.R. 1833 because the bill, which prohibits a certain kind of abortion procedure, fails to protect women from serious threats to their health, as both the Constitution and humane public policy require.
- The procedure described in the bill troubles the President deeply. He does not support use of that procedure on an elective basis. He would allow it only where necessary to save the life of the mother or prevent serious injury to her health.
- This bill went too far because it would ban use of the procedure even when it is the only or best hope of saving the woman's life or averting a serious threat to her health, including her ability to have children in the future.
- Before vetoing this bill, the President heard from women who desperately wanted babies, who were devastated to learn that their babies had fatal conditions, who wanted anything other than an abortion, but who were advised by their doctors that this procedure was their best hope of preventing death or grave harm, including the loss of reproductive ability. For these women and others, this was not about choice. These babies were certain to perish before, during, or shortly after birth, and the only question was how much grave harm was going to be done to the woman.
- Criminalizing use of the procedure in such cases, where women and their families must make a tragic choice, poses a danger of grave harm to women. A ban of this kind, aside from violating the Constitution, would be the true inhumanity.
- That is why the President, by letter dated February 28, implored Congress to add an exemption for the small number of compelling cases where selection of the procedure, in the medical judgment of the physician, is necessary to preserve the life of the woman or avert serious adverse consequences to her health. A bill amended in this way would have struck a proper balance, remedying the constitutional and human defect of H.R. 1833.
- The charge that the President's proposed exemption would create a huge loophole, allowing the widespread use of this procedure, is simply not true. The President's exemption would apply only when there is serious harm to health. Surely Congress, working with this Administration, can write legislation making clear that serious harm to health means just that -- that it doesn't include, as some have suggested, youth, low income, or inconvenience. Attacks such as this trivialize profoundly tragic situations. All one needs to do is to listen to some of the women who have had this procedure to understand what kind of harm the President is talking about.
- The President will not sign a bill showing, as this one does, total indifference to the health of women. He will sign a bill amended to protect women from serious harm by allowing this procedure in rare cases. He regrets that Congress, more interested in creating a political issue than solving a problem, has so far rejected this approach.

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MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN AND DON BAER

SUBJECT: SUMMARY OF CONTINUING FOLLOW-UP ON H.R. 1833

CC: LEON PANETTA, HAROLD ICKES AND EVELYN LIEBERMAN

Following up on your discussions with us, we have held a meeting with relevant members of the White House staff concerning the necessary next steps on the veto of H.R. 1833 and the April 16th letter from the Catholic Cardinals. The following summarizes our proposed strategy to put forward your position to both the Catholic community and more general audience.

I. COMMUNICATIONS

A. A strong letter from you on this subject is being forwarded under separate cover. We view this letter as a key vehicle for clearly setting forth your position on the issue; the Administration's efforts during Congress' passage of the legislation; and, most important, your reasons for the veto, as articulated at last week's event.

*Could
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One open issue is to whom your letter should be directed. Some of the staff (including George Stephanopoulos and Vicki Radd) recommend that the letter be sent to the Cardinals as a response to their letter. This alternative would get the most press coverage, but at the possible risk of further engaging the Cardinals (as Melanne Verveer and John Hart fear). Other options (which would get the full letter published) include submitting the letter to a national newspaper as a letter to the editor or as an op-ed carrying your byline. Finally, we could simply release it as an open letter. (Religious leaders like Joan Campbell prefer this approach.) Ultimately, we will ensure that this letter is distributed as widely as possible — to both general and religious (including Catholic) media outlets, as well as through Public Liaison.

B. Father Robert F. Drinan has agreed to write an op-ed supporting your position. We will be working with him on its content, and will help with its placement this week. (Melanne Verveer also has a call in to Mary McGrory to discuss her column.)

C. A briefing is being organized for targeted Cabinet members and other high-level Administration officials (including Secretaries Cisneros, Shalala and Pena, EPA

Important

Administrator Browner and Peace Corps Director Gearan) who can serve as key surrogates -- both publicly and behind the scenes -- to defend the Administration's position on this issue. This briefing will include a discussion of the most effective ways to deploy these surrogates.

D. To educate all Administration spokesmen and all surrogates, as well as the general public, we have in draft form the following materials: (1) a one-pager of talking points explaining your position and record on this issue (attached); (2) the legislative history of H.R. 1833, including the Administration's efforts; and (3) a review of your record (as both President and Governor) on abortion. Staff is now working on preparing "Q's and A's" on the issues, including questions that allow correction of some of the misstatements of fact now in circulation.

E. Additional policy and communications options are under discussion by relevant staff. We hope to have staff recommendations soon about such related areas as your position against assisted suicide (also mentioned in the Cardinals' letter) and the Administration's continuing efforts to facilitate adoption and prevent teen pregnancy.

II. OUTREACH

A. The Office of Public Liaison will develop a comprehensive list of Administration and external surrogates to assist in the weeks ahead to explain your position and response on the issue. This list will include elected officials, physicians and women.

B. Public Liaison will continue to broaden its outreach activities:

1. To convey your position and rationale to the Catholic lay community by sending the new materials to our Catholic surrogates nationwide.

2. To follow-up on our 200-person mailing last week to the heads of the major non-Catholic denominations.

3. To broaden support from the physician and health provider community and widen the distribution of supportive statements from the American College of Obstetricians and Gynecologists, the American Medical Women's Association, the American Nurses Association and individual physicians who have written letters to editors across the country.

4. To develop a longer-term strategy within the women's and choice groups to ensure their ongoing grassroots education initiatives.

Should send to all Catholic surrogates.

U.S.-JAPAN RELATIONS IN TRANSITION: THE NEED FOR A POST-COLD WAR VISION

Glen S. Fukushima

Vice President, American Chamber of Commerce in Japan

Former Deputy Assistant United States Trade Representative for Japan and China

The Southern California Japan Seminar

UCLA

Tuesday, December 19, 1995

This presentation to the Southern California Japan Seminar allows me to reflect on the events of this past year, assess the current state of U.S.-Japan relations, indicate three major contradictions in policy that need to be addressed, and propose seven concrete steps the United States government can take to reconstruct this vitally important but increasingly fragile relationship. Given the nature of this audience, my talk tonight will focus primarily on public policy issues. Those interested more narrowly in the business dimensions of the relationship are referred to a paper I will present at lunch tomorrow at the California Club to the Japan America Society of Southern California entitled "Business Challenges in the U.S.-Japan Relationship."

I. REFLECTIONS ON 1995

This past year--the 50th anniversary of the end of World War II--was to mark the conclusion of the "postwar era" and the beginning of the "post Cold War era" in which the U.S. and Japan could enter into a truly equal partnership befitting the 21st century. Yet, a series of incidents has brought to the surface the underlying concerns, complexities, and contradictions in the relationship between the two most powerful economies in the world:

1. The Japanese government's negative response to offers of assistance from abroad--including the U.S.--in the aftermath of the Great Hanshin Earthquake of January 17 reinforced the foreign image of the Japanese government's fundamental narrow-mindedness, insularity, and distrust of the outside world.
2. On January 23, the Japanese government announced that a controversial 12.3 billion yen war museum will not touch on Japan's war responsibility but will focus instead on the lives of bereaved families of the war dead.
3. Aum Shinrikyo, the religious cult charged with the March 20 sarin gas attack in the Tokyo subway system, was scrutinized for, among other things, its anti-American teachings, its extensive international activities, and its plans to assassinate world leaders including the President of the United States.

4. On April 19, the yen reached a postwar record high of 79.75 yen to the dollar, leading many in Japan to denounce the U.S. for manipulating the currency markets in an attempt to destroy the Japanese economy.
5. May and June were replete with news accounts of a U.S.-Japan "trade war" over automobiles and automobile parts, with the U.S. being vilified in Japan for threatening to impose tariffs of \$5.9 billion on 13 models of Japanese luxury cars.
6. On June 9, the Lower House of the Diet after heated debate passed a resolution expressing remorse for Japan's wartime behavior but notable for its vagueness, euphemistic phraseology, and failure to include a proposed passage expressing Japan's determination not to repeat acts of aggression and the colonizing of other Asian countries.
7. The September 4 rape of a 12-year-old Okinawan girl, allegedly by three U.S. servicemen, created such a public furor in Japan that it brought into question the viability of the U.S.-Japan Security Treaty. A *Nihon Keizai Shimbun* nationwide public opinion poll conducted in mid-October revealed that only 43.5 percent of the respondents supported the treaty (down from 59.8 percent in the previous poll in August) and that 40.2 percent advocated abolishing the treaty (up from 28.7 percent in the previous poll).
8. The October 15 *New York Times* report of alleged CIA wiretapping of Japanese trade negotiators received wide publicity in Japan and was seen by many as proof of heightened distrust between the two countries and of U.S. targeting of Japan as an adversary, replacing the role played by the Soviet Union during the Cold War.
9. On November 2, U.S. authorities announced a 24-count criminal indictment against Daiwa Bank Ltd. that could lead to fines of more than \$1 billion and ordered the bank to terminate its operations in the U.S. The U.S. expressed anger that Japanese regulators did not notify U.S. banking authorities of Daiwa's irregularities for nearly two months.
10. On November 13, Takami Eto was forced to resign his Cabinet post as head of the Management and Coordination Agency after telling a group of Japanese journalists that Japan "did some good things" during its colonial rule of Korea from 1910 to 1945. This followed a string of comments by senior Japanese politicians justifying Japan's conduct in the 1930s and 1940s that Asian countries found offensive.
11. Finally, the cancellation of President Clinton's trip to Japan to attend the APEC heads of state meeting in Osaka on November 19 and subsequent state visit to

Tokyo elicited Japanese criticism for the perceived low priority the Administration has given to APEC, Japan, and Asia.

II. ASSESSMENT OF STATUS QUO

As the above list indicates, 1995 witnessed a deterioration in the U.S.-Japan relationship that went far beyond the trade tensions that have been at the center of bilateral disputes over the past two decades. Until the summer of 1995, it could be said that there were three "pillars" of the relationship--security, political, and economic --and that only the economic ties needed repair because the other two were in fine shape. Events of the past few months have proven otherwise.

Why this gap between the perception--until a few months ago--that "things are fine" and the reality that "things are unraveling"? Fundamentally, it is the inability or unwillingness of policymakers in both countries to face up to the fact that the end of the Cold War requires new ideas, approaches, and institutions. The framework that had served both countries so well during the first 40 years following World War II had become outmoded by the mid-1980s, but the two governments have, in a policy sense, been on "automatic pilot," assuming that minor refinements would be enough to maintain the relationship.

In fact, the recent strains demonstrate the necessity of coming to terms with the new realities of the post Cold War world. The new realities include the following:

(a) The relative wealth and power of the two countries have seen tremendous change. In 1955, the U.S. economy was 26 times the size of the Japanese economy; by 1994, it was 1.4 times. At the height of yen appreciation in April 1995, the U.S. economy was only 1.2 times the size of the Japanese economy.

(b) With wealth and power comes confidence. Japan is no longer willing to submit to every request put forth by the U.S. Not that Japan was in fact ever fully doing what the U.S. wanted. It was, however, remarkably skillful in creating the illusion in the minds of Americans that it was. Japan's new confidence obviates this charade; thus the "Japan that can say 'No!'"--seen as so unusual a few years ago--has by now become a fact of life.

(c) With wealth and power comes independence. Japan feels it can now diversify its interests to Asia and Europe and not rely solely on the U.S. for economic and political benefits; this independence may eventually assert itself in the security realm as well.

(d) With wealth and power comes influence. Japan's desire to become a permanent member of the United Nations Security Council, for instance, is based partly on national pride, partly on a desire to contribute, and partly on a desire to

shape and influence world events in a multilateral setting. Japan's ability to influence bilateral relations can already be seen by its lobbying activities in such capitals as Jakarta, Bangkok, and Washington, D.C.

(e) These developments are bolstered by a generational change in Japan. Many younger Japanese, with little historical memory of the 1940s and 1950s, are in some sense more "international"--widely traveled, fluent in foreign languages, etc.--than their elders, but also more "nationalistic" in their confidence about Japan and assertion of Japanese superiority toward others including the U.S.

The growing gap in consciousness between the two publics is indicated in the results of a Gallup/Yomiuri Shimbun poll conducted in the U.S. and Japan in October and November and published in the *Yomiuri Shimbun* of December 7, 1995:

When Americans were asked, "What do you think Japan should do to improve its relationship with the U.S. in the 21st century?," the top two responses were "Japan should make its trade practices more fair" (56.5%) and "Japan should import more foreign products, including U.S. products" (43.8%).

When Japanese were asked, "What do you think the U.S. should do to improve its relationship with Japan in the 21st century?," the two top responses were "The U.S. should change its hard-line stance in the trade talks" (39.4%) and "The U.S. should deepen its understanding of Japanese culture, economics, and social customs" (38.8%).

The same poll asked both publics, "Over the last several years, Japan and the U.S. have had disputes centering on economic relations. Do you think the main responsibility lies with Japan or with the U.S.? Or do you think both countries are equally responsible?" The "Both share equal responsibility" response was given by 65.9% of the Japanese respondents and 52.8% of the American respondents.

However, among Japanese only 9.2% thought Japan was mainly responsible and 19.6% thought the U.S. was mainly responsible, whereas among Americans only 4.8% thought the U.S. was mainly responsible and 32.2% thought Japan was mainly responsible. That is, the percent of American respondents who attributed the problems to Japan (32.2%) was nearly four times the percent of Japanese respondents who attributed the problems to Japan (9.2%), a similar but inverse ratio to the Americans (4.8%) and Japanese (19.6%) who attributed the problems to the U.S.

III. COLD WAR CONTRADICTIONS

The end of the Cold War--symbolized by the collapse of the Berlin Wall on November 9, 1989--has fundamentally recast the environment surrounding the United States and Japan. Yet U.S. policymakers have not adjusted to the new realities.

They continue to adhere to ideas, approaches, and institutions that may have served the two countries well for four decades following the Second World War but have since become obsolete. Three legacies of the Cold War are in particular need of reassessment.

1. The Security Relationship

Despite the Clinton Administration's efforts to justify continued U.S. "deep engagement" in the security of East Asia--as evidenced by *United States Security Strategy for the East Asia-Pacific Region*, issued by the Department of Defense in February of this year--the contradictions of this policy are all too evident in the case of Japan. Here we have a relationship between the two most powerful economies in the world, one continuing to suffer both egregious asymmetries in market access and a massive bilateral trade deficit--\$66 billion at last count--in which the deficit nation is providing the military security of the surplus nation.

Of course, the surplus nation can afford to pay the mercenary fees of "host nation support." But notice the disdainful Japanese term for this support--"*omoiyari yosan*," literally, "sympathy budget," implying that Japan is magnanimously propping up the U.S. with funding since the erstwhile Big Brother is too poor on its own to finance its 47,000 armed forces in Japan. This is surely not a stable condition.

Curiously, many Americans and Japanese agree that the current security arrangement is based on an "unequal treaty"--but from totally different perspectives. For Americans, the treaty is unequal in favor of Japan because it obligates the U.S. to come to the defense of Japan if it is attacked but does not reciprocally obligate Japan.

In addition, last year, security specialists seriously considered the following scenario: North Korea attacks South Korea. The U.S., under the U.S.-ROK security pact, comes to the aid of the South. Japan is under no treaty obligation to provide military personnel, so it does not. In addition, with the Socialists as part of the coalition government, Japan is even reluctant to allow U.S. military bases in Japan to be used by the U.S. to support operations on the Korean Peninsula. Meanwhile, U.S. body bags mount while Japan looks the other way. As one U.S. senator commented during a trip to Japan at the time, "This could create the worst crisis in U.S.-Japan relations since the Second World War. It would make our differences over the Persian Gulf War look like peanuts."

Many Japanese, on the other hand, believe the "unequal treaty" favors the U.S. They see the presence of U.S. forces in Japan as unwanted, anachronistic, and imperialistic arrogance on the part of Americans still suffering victor mentality from both the Second World War and the Cold War.

Headlines from the October 14 edition of a popular Japanese magazine aptly

reflect this view: "Handling of Rape of an Okinawan Girl by U.S. Servicemen Proves Japan Still an American Colony! In the Face of Such Humiliation, Why Should We Submit to U.S. Demands to Increase 'Sympathy Budget' by 3 Billion Yen?" The article resentfully goes on to list the "unequal" and "extraterritorial" benefits accorded U.S. military personnel on Okinawa--ranging from exemption from paying the monthly NHK viewers fee to not being required to obtain a local license to drive vehicles. This astounding bilateral gap over notions of an "unequal treaty" cries out for redress.

2. The Political Relationship

Many Americans believe that the U.S. should encourage Japan to play a more active role in international affairs. The assumption is that Japan's interests are identical to, or at least compatible with, those of the U.S. Thus the Administration supports Japan becoming a permanent member of the United Nations Security Council.

While this may have merits, it should be realized that one of the main arguments being used by Japanese seeking a permanent seat is that by attaining it Japan can use its Council vote as a bargaining chip--i.e., as leverage--in bilateral, especially trade, negotiations with the U.S. It should be noted that few Japanese remember that it was with U.S. support that Japan joined the GATT, IMF, World Bank, and OECD--institutions now often used by Japan to counter the U.S.

3. Separating the Security/Political from the Economic Relationship

During the Cold War, it was convenient to separate the security/political relationship, which was basically cooperative, from the economic relationship, which grew increasingly competitive and sometimes confrontational. However, such a separation makes little sense now.

First, the U.S. can no longer afford to treat Japan as two countries, one a close political/security ally, the other a formidable economic rival. Both aspects of the relationship need to be forged into a coherent, coordinated, and comprehensive policy toward Japan, not the piecemeal patchwork we have at present where the right hand rarely knows what the left hand is doing.

Second, Japan has no illusions about separating the two sides of the relationship. To the contrary, Japan has consciously and consistently exploited the U.S. bifurcation and played the "security card" against the U.S. by encouraging its "pol/mil" lobby in the U.S. to weigh in against those pursuing U.S. economic interests. It is a curious irony of postwar U.S.-Japan relations that the protector has been at the mercy of the protected.

These are only three of the numerous contradictions in the U.S.-Japan

relationship surfacing in the aftermath of the Cold War. The sooner U.S. policymakers wake up to the new realities and act on them, the sooner the bilateral relationship will be put on a constructive course for the 21st century.

IV. SOME MODEST PROPOSALS

What is to be done? The following are seven concrete steps the U.S. can take to repair, recast, and reconstruct the relationship:

1. Formulate a Japan policy

Japan is too important to forget each time the U.S. trade deficit drops or a Bosnia erupts. As the second largest economy in the world and as a growing political force in international affairs, Japan deserves the constant attention of policymakers at the highest levels of the U.S. government. What is needed is a clear, coherent, consistent, comprehensive, and realistic policy toward Japan based on long-term U.S. strategic interests and priorities.

2. Integrate security, politics, and economics

In the post Cold War world, the U.S. can no longer afford to bifurcate Japan into two countries--one a trusted security/political ally, the other an economic rival competing fiercely for world markets. Japan needs to be dealt with holistically as the powerful nation that it is, one that routinely and skillfully plays off American policymakers managing the security and political relationship against those overseeing the economic relationship.

3. Consider the regional and global framework

Japan's economic power is too great and its political power too ascendant to be considered in isolation from the rest of Asia and a broader international context. The U.S. needs a sophisticated, realistic, and strategic analysis of Japan's growing role in the world and what it means for American interests. For instance, the U.S. security presence in Asia cannot be considered apart from the economic benefits Japan reaps from it.

4. Plan and shape the future

The U.S. should establish alternative scenarios of how the relationship may evolve over the next five, 10, or 20 years, focusing on what is desirable, feasible, and attainable. While trying to shape the future in light of American interests, the U.S. should forecast areas where the two countries can cooperate, where they will compete, and where they are likely to conflict. The aim should be to maximize areas of cooperation, ensure benefits from competition, and minimize areas of conflict.

5. Cool the rhetoric while solving problems

An unfortunate side-effect of the U.S. lacking a coherent Japan policy is that contentious bilateral issues often take on a life of their own with no context of where they fit into the overall relationship. In the past, when the U.S. pursued these issues in a publicly adversarial manner, the Japanese reacted with resentment, defensiveness, and a sense of victimization.

Recently, however, the Japanese stance has turned to outrage, defiance, and the threat of counterretaliation coupled with an adroit cultivation of allies in Asia and Europe in an attempt to isolate the U.S. The U.S. needs to cool the public saber-rattling, build allies in Japan and abroad, and focus on practical, results-oriented problem-solving based on a credible set of positive and negative inducements for Japan to change.

6. Use expertise on Japan

The U.S. needs policymakers who understand Japan--its language, history, psychology, politics, economy, and business practices. The U.S. government's Japan expertise, especially on economic issues, is far from adequate. Only by having such expertise is it possible for the U.S. to formulate and implement a coherent Japan policy that maximizes U.S. interests while minimizing Japanese resentment. Japan must be taken seriously enough to be dealt with by Americans who know that country, just as Japan has the good sense to use government officials and business people knowledgeable about the U.S.

7. Establish a White House Office of Japan Policy

An institution is needed to centralize U.S. policy toward Japan. An Office of Japan Policy, staffed by Americans with extensive knowledge of and experience in Japanese affairs, should be established to ensure that Japan commands the constant and coordinated high-level attention in the U.S. government that it deserves. Only an office in the White House can play the role of an honest broker that will balance competing interests among the numerous and diverse U.S. government agencies dealing with Japan. Such an office would provide the expertise, continuity, and institutional memory that are prerequisites for the formulation and implementation of a comprehensive Japan policy.

V. CONCLUSIONS

With the U.S. and Japan comprising 40 percent of the world's GNP, how these two nations identify problems, resolve differences, and work together has profound implications for the international system. The events of 1995 are a warning to all of us that a fundamental reassessment and reconstruction of the U.S.-Japan relationship in

line with the new realities is imperative if we are to realize a truly equal, meaningful, and mutually beneficial partnership.

It should not be taken for granted that the U.S. and Japan will naturally be able to sustain in the future the close and cooperative relationship enjoyed over the past 50 years. The vast domestic changes in the two countries, coupled with the transformation of the international environment, require that the U.S. consciously formulate a future vision that will help guide the two countries into the 21st century. As Proverbs 29:18 reminds us, "Where there is no vision, the people perish."

[3445 words]

[file: ucla]

MOST REVEREND
METROPOLITAN PHILIP
PRIMATE
RIGHT REVEREND BISHOP ANTOUN
AUXILIARY
RIGHT REVEREND BISHOP BASIL
AUXILIARY



Antiochian Orthodox Christian Archdiocese
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96 APR
TOLEDO CHANCERY
656 PEMBERTON DRIVE
TOLEDO, OH 44005

4/23/96

April 17, 1996

President William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

On behalf of the Antiochian Orthodox Christian Archdiocese of North America, and the Standing Conference of Middle Eastern Christian & Muslim Religious Leaders, I must tell you how much we are grieving over the most recent events that are taking place in the Middle East, especially in Lebanon.

In 1978, Israel invaded South Lebanon. The United Nations Security Council unanimously adopted Resolution 425, which called for immediate and unconditional Israeli withdrawal from Lebanese territories. Israel refused to implement this resolution, defying the will of the international community. In 1982, Israel invaded Lebanon again, totally disregarding Resolution 425, and they made thousands of Lebanese people homeless. In 1993, Israel again invaded Lebanon and continued its defiance of the international community.

A few days ago, Prime Minister Shimon Peres, who is running for election, and for political reasons, ordered the Israeli Armed Forces to invade Lebanon. Israel is using its most sophisticated war machine to terrorize the Lebanese people and to destroy the infrastructure of this poor and small country. The Lebanese resistance, with its light weaponry, is in no position to stop the Israeli Forces.

Unfortunately our media are not telling the American people the real story about this tragic war. As long as Israel continues to occupy south Lebanon and refuses to abide by the will of the international community, disregarding Resolution 425, this cycle of violence will not stop. To occupy someone's land is against international law, the basic charter of the United Nations, and the sense of morality of civilized peoples. Israel must be compelled to withdraw from its occupation of south Lebanon. Only you, Mr President, representing the only super-power left in this world, can convince Israel to do so.

Todd -
Come to us in
interoffice mail
Send to NSC?

Yes ☒
No ☐

The present Lebanese government has made it quite clear that if Israel withdraws from south Lebanon, the Lebanese government will be responsible for maintaining peace and security within its borders. We need to give them the opportunity and power to fulfill that mandate. In order to be a sovereign and democratic nation, the dignity of the Lebanese people must be restored. Israel must remove its Armed Forces from Lebanon. We depend on all the influence of your office, Mr. President, to convince the Israelis of this important fact.

The Standing Conference of Middle Eastern Christian and Muslim Religious Leaders represents three million Arab Americans who have contributed to the well being of this nation, culturally, politically, spiritually, economically and otherwise. We deserve to be heard, Mr. President!

You have been working for the cause of peace in Haiti, Bosnia, Africa and the Far East. You have our utmost admiration. We also applaud your efforts to bring peace to the Middle East. But unless this peace is based on fairness and justice for all, it will not stand. Therefore, we, as American citizens, request an audience with you as soon as possible, because Mr. President, we deserve to be heard!

Praying that you will respond positively to this request, I remain

Sincerely yours,

A handwritten signature in black ink, appearing to read "Philip Saliba", with a small cross symbol to the left.

Metropolitan PHILIP (Saliba)

Primate

Antiochian Orthodox Christian Archdiocese
of North America

Chairman

Standing Conference of Middle Eastern Christian
and Muslim Religious Leaders

Editorial/Opinion

Myth of Asia as the rising great power

Global Viewpoint

By Paul Kennedy
New Perspectives Quarterly

Paul Kennedy is author of the best-selling book "The Rise and Fall of Great Powers." He wrote these reflections for Global Viewpoint during a visit to India.

NEW DELHI—The French are euphoric over Chinese Premier Li Peng's visit to Paris last week, where he signed more than a billion dollars' worth of contracts with Airbus, the European aircraft consortium. This week U.S. President Bill Clinton is touring Asia, a region where, he has said, "our generation's progress will fit large part be measured."

Because of the immense economic potential of Asia, there has been much excitement generated in the past few years about "the rise of Asia" and the coming "Asian century," as the West eagerly seeks out markets. From a historical perspective, however, one must be skeptical about such slogans. Let me offer a few caveats.

The first caution comes precisely from the historical analogies that are used to support the theory in the first place, especially the comparison with the rise of Europe from the 15th century onward. The Japanese are particularly fond of this analogy. The centers of world power, which had previously lain in Asia, moved first to the Mediterranean and Iberian regions; then they moved to Northern Europe; then via Britain, into the Atlantic world; then, because of the westward thrust of U.S. power, they moved to the Pacific rim; and now, 500 years later, relative global power is returning to Asia.

But if the "rise of Asia" is to be anything like the "rise of Europe" four or five centuries ago, there are a couple of important historical points that need to be made: First, it was not the case that all of Europe rose uniformly. In fact, many regions fell behind and the gaps between rich cities like Amsterdam and London and poverty-stricken lands like western Ireland or the Balkans, intensified. In parts of Asia today, those same gaps occur, with all the promise of social disharmony.

The most important point, however, is that the "rise of Europe" consisted of 400 years of dynastic and then national wars to establish who was "top dog"—or rather, to prevent anyone from becoming top dog. There was no United States of Europe, akin to the United States of America, with a single polity and a single economy. Instead, there were four or five rivaling, egotistical big powers, plus some medium-sized powers, who repeatedly fell into wars with each other involving great loss of life and material. The front-runners, like Spain, were overtaken by latecomers.

To be sure, in the early stages this competitiveness stimulated improvements in firepower, military organization and communications which, incidentally, made it easier for Europeans to conquer the non-Western world. But by the time of the two great wars of this century, that process had become too destructive, counter-productive and self-defeating. Europe "rose" at an appalling cost.

Poised to enter the 21st century,

Asia consists of great powers or putative great powers—like China, India, Japan, Indonesia, Pakistan—and various medium-sized powers, such as Korea and Vietnam. All are increasing their arms spending. And when we bear in mind the existence and development of weapons of mass destruction, can we be certain these governments will always be wise enough to avoid conflicts that could set back much of Asia a very long way?

The second caveat comes in response to that crowd of economic gurus and management consultants, chiefly American, some Japanese, who gain enormous fees by going on the international lecture-circuit to preach the coming of the "borderless world" of ever-greater economic integration, of the free flow of capital and goods and services and tourism, of the disappearance of national borders and the marginalization of nation-states.

This viewpoint is unrealistic and naive. Even if it were true it would indeed be a vision in which "Asia" rose in the 21st century, but that Asia would consist not of India, Vietnam, Malaysia or Japan but of Goldstan, General Motors, the Marlboro Man, Microsoft and Marriott Hotels.

and governments, of the prospects of everyone becoming richer if they only follow free-market principles. Here is "Megatrends Asia" at its simplest.

These Western gurus usually do not know Asian languages, religions or cultures. They usually have not studied the historical rivalries that divide China from Vietnam, and Korea from Japan. What they see, when they fly into Seoul, Bangalore, Jakarta and Bangkok are bustling profit-seeking hives of activity, the spirit of Adam Smith triumphant! The world of armies, border clashes and weapons proliferation is not in view.

This viewpoint is unrealistic and naive. Even if it were true it would indeed be a vision in which "Asia" rose in the 21st century, but that Asia would consist not of India, Vietnam, Malaysia or Japan but of Goldstan, General Motors, the Marlboro Man, Microsoft and Marriott Hotels.

To ask the proponents of the "borderless world" how India will do in the coming century would be to ask the wrong question—because their vision has deconstructed India, or, to use Wall Street terms, has "unbundled" India. From their perspective, the question to ask is "Which economic sectors, which particular companies, which emerging-market opportunities that happen to be located in India, will do well? And if not much does well, you can always

move your money out, to investment opportunities in Hungary or Chile or Indonesia instead."

The third reservation comes from the environmental perspective. Industrially and economically, much of Asia may well be booming and per capita output surging. But if that involves great increases in per capita consumption that destroys entire environments, wipes out millions of species and their ecosystems, destroys the atmosphere, accelerates global warming, depletes water supplies and drives hundreds of millions of peasants into vast shanty-cities, will not the long-term costs undermine the hoped-for benefits of economic growth?

Russia, Romania and the Ukraine today offer us horrible examples of societies that pursued industrial growth without regard for the environmental damages. Is an Asia of a billion people going to follow the

same route? Finally, the military-technological measurement of power cautions against any straightforward assumption that Asia's economic and political influence will increase hand-in-hand. A military-technological "gap" may be opening up between the No. 1 power, the United States, and all of the other powers that is larger than any other in world history since the British and French conquered Africa with Gatling guns.

I'm not thinking here of the United States' power-projection capabilities that permit it to send vast carrier task forces to any coastline of the globe; nor of its unique capacity to airlift heavy armed forces thousands of kilometers. I'm thinking of something more comprehensive: the use of modern communications, super-computer and software technologies unequalled by anyone else.

The advantages of the U.S. are staggering. The U.S. has a technological edge that is unmatched by anyone else. The U.S. has a military-technological edge that is unmatched by anyone else.

superiority in the event of conflict are overwhelming. Consider the continuous system of U.S. satellite monitoring of our planet, which not only allows for detailed photographic reconnaissance but enables the U.S. to pick up everybody else's signals traffic. How many American satellites were redirected over the Taiwan Straits and Beijing during that crisis last month?

Consider, too, the way that such satellite intelligence can be fed to U.S. aerial and naval forces about to launch precision assault. Consider the "smart" weapons themselves, guided by a microchip to the exact target. Consider the many ways the United States has of interfering electronically with enemy communications, making them "blind" to what is going on while obscuring the United States' own intentions. Consider the enormous effort the United States is making to ensure that its own computer software networks will be immune from viruses while planning to paralyze other systems with viruses.

This reality poses "catch-up" states like China, India and a restored Russia with an enormous dilemma. For the more they will strive in the next decade to create a modern military-communications network, the greater the risk of exposing that network to neurological paralysis by the United States. Starting out with the advantage, the United States will always be one step ahead. A China with a larger gross national product and a greater number of military personnel than that of the United States in no way means a China more powerful militarily than the United States.

All of this suggests we should be very cautious about assuming that the 21st century will inevitably, and necessarily, be Asia's century. The prospect ahead is mixed, murky and uncertain. It may be true that the United States and Europe are no longer the sole formative influences on world affairs. But Asia has a longer way to go than any boosters today would have us believe.

Los Angeles Times Syndicate



China's Li: A huge economy and military don't make China a bigger military power than the U.S.

Turkish military reshapes regional balance

By Jonathan Lyons

Reuter

influential analyst Mehmet Ali Birand in the daily Sabah.

"The atmosphere in Ankara is as

revered as the caliphs of Sunni Islam, and the Jewish state.

Whatever the diplomatic "target"

"I said I didn't know if they were here or not. Now look, this agreement is an agreement between the

THE PRESIDENT HAS SEEN

4/23/96

EMBASSY OF THE
UNITED STATES OF AMERICA

Vienna, Austria



Office of
The Ambassador

Jy
Bury
What about Blair?
RZ

April 12, 1996

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

Via Fax: 202-456-6703

Dear Mr. President,

I have three items to call to your attention, related to Bosnia:

- First, I think Bill Perry is exactly right in firming up the IFOR role in enforcing Dayton. I understand the fear of mission creep, but it's also true that many of our military leaders were dragged unwillingly into this intervention, and their reluctance to act assertively has contributed to the problems we've had in numerous situations.

- Second, and related, we must come up with a more solid approach to the war criminals living within a few miles of the troops. Until the perpetrators of the war's atrocities are brought to trial, an inner rage will continue to burn out of control among the victims' families -- a serious distraction from the hard work of restoration, and the even greater challenge of reconciliation.

- Third, we need a strongly targeted effort now to strengthen the role of women in Bosnia. I've made eight trips to meet with hundreds of women in the Balkans. Although under communism there was proclaimed gender equality, and women were educated as highly as men, now, regrettably, they are completely absent from the power structure. I'm convinced it's in our national interest to strengthen their voice.

Generally speaking, women's perspective in the Balkans is much more cooperative, and less warlike and nationalistic. And they are organized. Currently, in Bosnia alone there are over 50 women's associations, many united in a coalition known as "The Union." So the structure is there, the talent is there, and our long-term interest is there.

But, given the crush of political and logistical pressures, and the orientation of our State Department, U.S. diplomatic efforts are not hooked into this resource. Our current outreach to women in the Balkans is through one small grant from AID called the Star project -- doing good work, but a tiny drop in the bucket compared to the possibility.

Some words from you the next time you speak on Bosnia could make a huge difference. I'm happy to draft the language, and to strategize an approach for raising the profile of the potential women leaders of Bosnia. Please let me know if this is a priority for you.

Meanwhile, my friend, you have served as a pastor to the nation during this past week. I mourn with you for Ron, and the dear commercial officer from my embassy who was accompanying him. Steve Kaminsky was single parenting in Vienna, while his wife was awaiting a liver in Baltimore.

Hard times -- and ones that require your strong leadership. You're doing a terrific job. Keep it up.

My very best to Hillary as well,

Sincerely,



Swance Hunt

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: Apr 123

TO: Lara
Lara

FROM: Staff Secretary

Any view on this?

Red

CC: Harold
Evelyn



UNITED STATES DEPARTMENT OF COMMERCE
Economics and Statistics Administration
Washington, D.C. 20230

06 APR 23 11:05

April 23, 1996

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

Dear Mr. President:

Re: A President's Council on Growth Potential

You asked me to think about how you could continue Felix Rohatyn's involvement in the growth debate without getting bogged down in a discussion of tax measures. I agree that it would be useful to have a forum that would give business groups that share Rohatyn's view on growth more visibility and legitimacy, and that a structure is needed that minimizes problems. One possibility would be an executive order establishing a "President's Council on Growth Potential" modeled after the President's Export Council (PEC) and guided by Mickey Kantor on your behalf. (The PEC has business, Senate, House, and eight (8) agency representatives on it.)

- Expanding the Growth Debate

You framed the growth issue in New York when you said that tighter job markets would be the "free market" way to reduce the insecurity of those being "downsized", draw marginal workers into the work force, and raise wages of those whose incomes have been growing too slowly. You also have said that even a small increase in growth over several years would largely "solve" the deficit problem.

Members of the CEA, the Fed, and economists like Paul Krugman, do not agree with Rohatyn and other business leaders, who believe that 3 or 3.5 percent growth is possible over the longer term. However, Krugman has said that it might be possible to have faster growth temporarily, which would act as a test to determine the level of labor market tightness that creates inflationary pressures. I have heard members of the CEA say essentially the same thing because they see that the NAIRU may be lower than 6.0 or even 5.5 percent. "Testing lower levels unemployment" is a logical next step.

(The debate is complicated, as you recognize, by the fact that the economy may be growing at more than 2-2.5 percent already and inflation probably is lower than it appears because it is so difficult to measure productivity and quality improvements, especially in services.)

- The President's Council on Growth

It would be useful to involve Mickey Kantor and the Commerce Department more fully in the debate about the NAIRU and "growth potential" but there is likely to be opposition from the CEA, Treasury, and others. Commerce, however, brings closer ties to non-financial businesses and a micro-economic perspective to the debate that these other agencies lack. Indeed, Ron always favored faster growth, wanted to argue that Administration programs like technology, trade and deregulation were limiting inflation (not just the Fed), and was starting to talk about faster growth in speeches just before he died.

Two years ago with Ron's support I set up an interagency Working Group on the Pricing Outlook, which would help a new Presidential Council on Growth Potential get off to a fast start. The WG draws on over 100 industry experts at the DOC, and has been able to enlist others from USDA and DOE. Late in 1994 and early in 1995, when the prices of primary and intermediate goods were rising, the industry experts almost all believed that price pressures would not last, and they were right. This micro-economic perspective is useful input to the CEA, Treasury, and the Fed, which have primarily a macro focus. And it is useful, while focusing on growth potential, to have an "inflation watchdog" that looks at specific industries and services and can be pointed to by the Administration.

Giving Mickey this assignment would be a way to involve Rohatyn and business groups like NAM and the Chamber, so that policies for fuller employment are not seen as a "liberal labor issue". And such a Council under Mickey could stay clear of tax issues which are in Treasury's bailiwick. (Under the aegis of Commerce it would make sense for the Advisory Council to focus on the role of technology, exports and trade, and competition and industry structure in making lower unemployment and faster growth possible.) Other agency heads could participate as they do on the PEC, and the group could work closely with CEA, Treasury, Labor and the Congress.

Turf problems are inevitable, but I believe they would be worth the risk to get Mickey involved and to tie in business leaders, who give faster growth and lower unemployment a more centrist or even conservative appeal.

Sincerely,



Paul A. London
Deputy Under Secretary for
Economic Affairs

Lalla

THE PRESIDENT HAS SEEN
4/25/96

Is this right

GDP per cap up 36% '73-95
avg hourly pay down 14%



Apocalypse now

THE FUTURE OF CAPITALISM: HOW TODAY'S ECONOMIC FORCES SHAPE TOMORROW'S WORLD. By Lester Thurow. William Morrow; 385 pages; \$25

ALONG with John Kenneth Galbraith of Harvard, Lester Thurow of the Massachusetts Institute of Technology is probably the most widely read establishment economist of the left in America. And, like Mr Galbraith's, his books are nothing if not ambitious in aim and broad in scope. In his latest he interests himself in everything from ecology to theology, from technology to ethnography. Indeed, so wide is Mr Thurow's range in "The Future of Capitalism" that his readers will sometimes empathise with the yokels listening to Oliver Goldsmith's parson: "And still they gazed, and still the wonder grew/ That one small head could carry all he knew."

But, ignoring the many diversions and distractions, his book has a central message. The economy of the world is going through such dramatic changes that the only metaphor that will do is a concept borrowed from evolutionary biology: punctuated equilibrium. During such periods, the environment changes so radically that the dominant species rapidly dies out and is replaced by some other species. The best-known instance is the extinction of the dinosaurs. They dominated the earth for 130m years, then suddenly became extinct (or perhaps became birds).

Punctuated equilibrium in economics, Mr Thurow argues, is being caused by the simultaneous movement of five tectonic plates: the end of communism, with one-third of humanity and one-quarter of the world's land surface joining the capitalist world; a technological shift to an era dominated by man-made brain-power industries; a demography never before seen, with a population boom in the world's poorest countries and a very large group of relatively-affluent old people in the rich world dependent upon social-welfare payments for much of their income; a global economy where countries splinter and regional trading blocks grow at the same time as big businesses become ever more inter-connected; and a world entering into a new century where there will be no dominant economic, political or military power.

Such a broad canvas presents a temptingly large target. Each of his assertions is open to attack—or, at least, major revision. Is not the United States, the world's only super-

power, as dominant now as imperial Britain was during the 19th century or imperial Rome was under the early emperors? Are not genuinely global companies rare? Examine the membership of their boards, their shareholders, their suppliers and all but a few "global" companies turn out in fact to be national or regional companies. But assume that Mr Thurow is right about the general thrust, if not all the particulars, of his upheavals. The really interesting question then becomes: "So what?"

Mr Thurow's answer is that with capitalism triumphant after the rout of communism and socialism, the world's three great pillars of capitalism—the United States, Ja-

white high-school-educated males. On immigrants. Some of the resentful have been born again as religious extremists. Or turned to crime with the result that walled, gated and guarded communities are once again on the rise. If this goes on, every American will be the loser.

In Japan, Mr Thurow's impending crisis arises from the fact that the prosperity of all of East Asia (including Japan) is founded on the region running a perpetual trade surplus with the United States. As he sees it, no country, not even the United States, can run a trade deficit forever. It can borrow a lot and sell a lot before it goes broke, but at some point the world's financial markets will clamp down on the United States just as they clamped down on Mexico. "The question is not whether an earthquake will occur. It will. The only question is when."

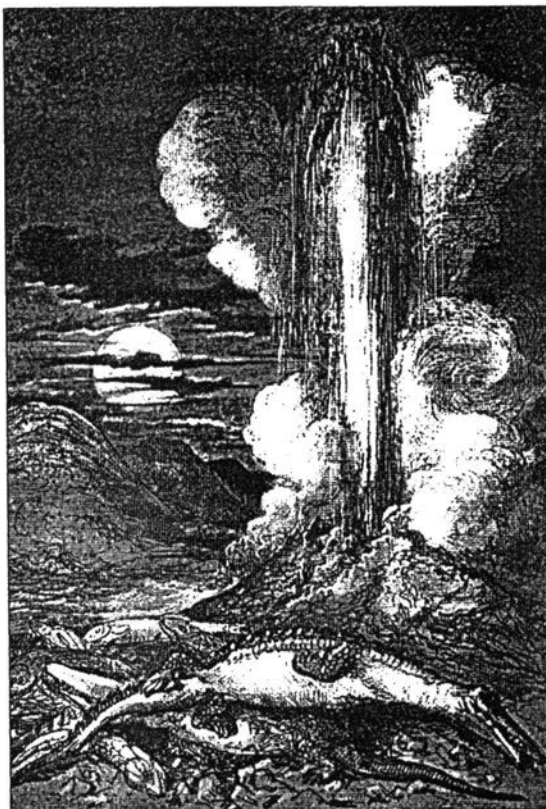
Americans need, just as the Japanese need, a Japan that has a domestically-pulled, rather than an exports-to-America-led, economy. Yet Japan seems petrified. It sits in an ever-lengthening recession. The upshot is profitless capitalism. In 1994 the 149 Japanese firms in the *Fortune* list of the world's 500 largest companies earned a 0.7% rate of return on revenues; a 0.2% rate of return on assets.

Western Europe's crisis of capitalism is different. The whole region failed to create a single net new job from 1973 to 1994 (when the United States generated 38m net new jobs). Labour market rigidities are to blame. So is Europe's failure to do as well in tomorrow's growth industries (micro-electronics, biotechnology) as it does in yesterday's (chemicals, cars, machine tools).

Excuse his apocalyptic forecasts, and his failure often to establish a link between claimed causes and alleged effects, and much of what Mr Thurow has to say is familiar, even relatively uncontroversial. The widening gap

between the haves and have nots in America is indeed worrying. So is Western Europe's high unemployment. So is a static or declining population in the rich countries and a rapidly rising population in poor ones.

If "The Future of Capitalism" sounds unbalanced it is because Mr Thurow is disinclined to acknowledge that much has also changed for the better over the past two or three decades, starting with an end to famine in much of Asia and the collapse of repressive regimes in southern Africa and in eastern and southern Europe. Mr Thurow is not much interested in silver linings. He cannot see a cloud without imagining a flood; cannot feel a breeze without preparing for a hurricane; cannot encounter economic upsets without predicting a return to the Dark Ages.



Profitosauruses?

pan and Western Europe—each now have structural weaknesses that threaten their and the world's political and economic stability.

In the United States, the world's great open economy, real GDP per head rose by 36% from 1973 to mid-1995 yet the real hourly wages of non-supervisory workers (those who do not boss anyone else about—the vast majority) declined by 14%. In the decade of the 1980s, all of the earnings gains went to the top 20% of the workforce and an astounding 64% accrued to the top 1%.

The I'm-as-mad-as-hell voters have so far taken out their consequent resentment on scapegoats. On unwed mothers, because nobody likes to be the sucker who pays for somebody else's children. On the blacks and females who, allegedly, have gained unfair advantages through affirmative action over

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

4/23/90

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

ANTHONY LAKE *ML*

SUBJECT:

Wall Street Journal Article on Industrial Offsets

The GAO report on the growth in offset demands by purchasers of U.S. weapons systems and other defense articles is on the mark. Recipients have become bolder in their demands for sweeping offset packages.

Although the GAO is also correct in pointing out the economic inefficiency of these offset arrangements, they do not put enough stress on the advantages they confer on us as a supplier. We are often in better shape than our competitors to assemble offset packages that clinch large sales. The Wall Street Journal article appears to downplay the universality of the demand for offsets, which make it impossible, in any case, for U.S. firms to refuse to play the game. Nor does the article point to job gains for crucial industries that result from sales won in part through offsets. The purchase of frigates and fighter aircraft by the UAE, a \$10 billion deal, will keep lines open and people employed in our aerospace industry and shipyards for years.

Nevertheless, we would be better off if suppliers could agree to a common position limiting offsets and the economic distortions they can cause. These issues are now under review by the Presidential Advisory Board on Arms Proliferation Policy, which you appointed under Janne Nolan's leadership and is about to finalize its report to you, as well as the Commerce-chaired Trade Policy Coordinating Committee, which will report its conclusions to you in early July.

Attachment

Tab A Wall Street Journal article, "Buyers of U.S. Arms Toughen Demands."

cc: Vice President
Chief of Staff

AM ON

wishes
re true
lustrous
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& gold
to R
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ECONOMY

Buyers of U.S. Arms Toughen Demands

Survey Finds More Trade and Technology Concessions

By JEFF COLE
And HELENE COOPER

Staff Reporters of THE WALL STREET JOURNAL

Foreign buyers of U.S. weapons and military planes are demanding more trade concessions and technology transfers in exchange, and the demands are more closely tied to industrial policies, according to a General Accounting Office investigation.

The report, released late last week to congressional officials, examined \$12 billion in so-called offset transactions arranged by U.S. defense contractors in the last 10 years.

Offsets are trade demanded by a foreign buyer, which for decades mostly wanted to help the U.S. seller build the planes, missiles or other weapons being sold. Since the mid-1980s, buyers increasingly have wanted commercial and military technology to broaden the purchaser's economy.

The increasing export of U.S. subcontracting work and technology has worried smaller U.S. suppliers and union leaders. Defense companies say that without the offset agreements, they would lose the

Foreign Trade-Offs

Many foreign countries, in exchange for arms purchases, want more work as defense subcontractors and more U.S. commercial and military technology.

COUNTRY	POLICY GOAL
Singapore	Acquire defense technology, subcontracts
Taiwan	Secure new technologies for aerospace, semiconductors, materials, automation
South Korea	Acquire technology for defense, commercial lines, aircraft maintenance
Kuwait	Attract joint ventures, stimulate local economy
Saudi Arabia	Broaden economic base, increase exports, attract investment
United Arab Emirates	Attract nondefense partnerships for local entrepreneurs
Canada	Build up regional, small businesses
United Kingdom	Boost defense industrial base

Source: General Accounting Office

sales to providers in Europe, Russia or elsewhere. They also say the deals lower the cost to U.S. taxpayers of acquiring weapons for the Pentagon.

The GAO report, ordered by members of the Senate Armed Services Committee and the House Small Business Committee, cites stringent policy measures emerging

in buyer countries that impose tougher rules. Many demand ever-higher percentages, often 100% or more, of the value of the contract to be returned to the purchasing nation through offsets. Other countries insist that the contracts and technologies be delivered into new businesses, rather

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Cereal Prices Are Cut by Philip Morris's Post

By RICHARD GIBSON

Staff Reporter of THE WALL STREET JOURNAL

The nation's third-largest cereal maker, Post, is cutting its list prices significantly, but it's unclear how much of that will make it to the breakfast table.

Post, a unit of Philip Morris Cos.' Kraft Foods business, said it will reduce prices it charges retailers by 20%, on average, and cut back on what it called "increasingly inefficient" coupons and similar promotions. Post, based in White Plains, N.Y., plans to offer a single, all-purpose coupon good on any of its 22 cereals, which include five Nabisco products.

"Consumers are dissatisfied with ready-to-eat cereal prices," said Mark Leckie, Post's executive vice president. He said the move could reduce retail prices as much as \$1 a box.

Share of U.S. Cereal Bowl

COMPANY	RECENT MARKET SHARE ¹	FIRST QTR. 1995 MARKET SHARE
Kellogg	34.9%	35.7
General Mills	25.9	26.4
Post/Nabisco	15.5	16.8
Quaker	7.2	8.1
Private label ²	6.6	6.2
Ralcorp	5.8	3.9

¹12 weeks ended Jan. 28, 1996

²Includes some sales by Ralcorp

Sources: Information Resources Inc.; Goldman, Sachs & Co.

15.6% from 16.8% in early 1995. And its marketing costs are believed to be higher than competitors.

Yesterday, spokesmen for both Kellogg and General Mills Inc., the nation's No. 2 cereal maker, applauded Post's moves to reduce marketing costs. Both companies took similar steps more than a year ago—significantly lowering their use of cents-off coupons—and have been able to hold prices steady as a result.

"We think this move is directionally right," said a spokesman for Minneapolis-based General Mills. Post has "for some time been the industry leader in what they spend on marketing."

A spokesman for Kellogg noted that it began "reducing inefficient spending on cereal promotion more than two years ago."

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Congress Sets Antiterror Bill In Compromise

By JOE DAVIDSON

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Congressional leaders reached a compromise on antiterrorism legislation that they plan to send to President Clinton by Friday, the first anniversary of the Oklahoma City bombing.

Although Mr. Clinton didn't get all he wanted in the legislation, he is likely to sign it; the compromise doesn't include any provisions he strongly opposes. "The bill is moving in the right direction, but it's not there yet," said Andrew Fois, an assistant attorney general.

Both the House and the Senate are expected to clear the compromise measure before Friday, the first anniversary of the Oklahoma federal-building bombing that killed 168 people and increased fears about terrorism, both domestic and foreign.

Just after the explosion, Mr. Clinton and congressional leaders promised quick action on legislation to combat terrorism. But the measure became bogged down in a series of legislative battles.

In addition to antiterrorism measures, the bill includes items Republicans once planned for their anticrime legislation. In particular, the bill would restrict appeals by death row inmates by setting a one-year limitation on the time allotted for such "habeas corpus" applications. While some Democrats strongly oppose this provision, their objections probably won't stop Mr. Clinton from signing the legislation.

Senate Judiciary Committee Chairman Orrin Hatch (R., Utah) said the legislation "adds important tools to the government's fight against terrorism and does so in a temperate manner that is protective of civil rights."

But John Conyers of Michigan, the ranking Democrat on the House Judiciary Committee, called the bill "a failure," because it is loaded "with unrelated language that will not address terrorism but will strip away rights belonging to Americans."

During the course of the debate on the bill, liberal Democrats and conservative Republicans, backed by diverse groups such as the American Civil Liberties Union and the National Rifle Association, joined forces to fight some provisions the White House favored. The provisions, they argued, gave the government too much power.

The contested provisions included increasing law-enforcement wiretapping au-

Buyers of U.S. Arms Get Tougher

Continued From Page A2

than existing ones.

The GAO report is expected to be buttressed by findings in a separate Commerce Department report scheduled to be released by the end of this month. Administration officials say that study shows that during 1993, the value of offset contracts was 34% of the value of contracts overall. In 1994, that number rose to almost 42%.

In the GAO study, investigators examined exports by nine U.S. defense and aerospace contractors that are not named in the report, to protect proprietary information. However, the study is widely believed to have included transactions arranged by McDonnell Douglas Corp. and Lockheed Martin Corp., the big U.S. exporters of military aircraft such as the F-15 and F-16 fighter jets, along with Boeing Co., Raytheon Co. and others.

'A Key Tool'

The GAO report notes that while the volume of offsets demanded is increasing, foreign buyers also increasingly are using offsets in a sophisticated way, to attract important U.S. technologies and skills for economic expansion. Karen Zuckerstein, a GAO assistant director overseeing the investigation, said that while the buyer countries once wanted only to help make the weapons, "it's gone beyond that. Now, it's a key tool in promoting industrial policy goals."

The GAO examined offset agreements between the U.S. producers and 10 buyer countries in the Middle East, Asia and Europe. Buyers included some of the world's most active, among them Taiwan, South Korea, Saudi Arabia, Kuwait and the United Kingdom. The U.S. controls about half of the world's arms exports and dominates sales in most regions.

Ms. Zuckerstein also noted that in transactions involving Persian Gulf buyers such as the United Arab Emirates, buyers "have kind of broken new ground" in recent years, by demanding investment and help with big projects "that can take these companies pretty far afield from their main lines of business."

For instance, the UAE now requires that 60% of the value of the arms purchase be returned through investment in commercially viable ventures, and the seller company is deemed to have satisfied its obligation "based only on the profits generated by these ventures," the GAO report says.

The report also cites an instance in which McDonnell Douglas has satisfied

tain particles that would make it easier to trace.

The fund-raising prohibition and the swift deportation provisions are in the compromise version, as is authority for a \$1 billion program to boost antiterrorist efforts at the federal and state levels. But

offset agreements with the UAE, relating to a sale of AH-64 Apache helicopters by helping to form companies that make products for cleaning up oil spills or for recycling used photocopier and laser-printer cartridges. The GAO, citing trade news reports so that agency wouldn't compromise its confidentiality agreements with the aerospace companies, said McDonnell also is paying for "a U.S. law firm to draft the country's environmental laws."

No Choice

A spokesman for McDonnell Douglas, based in St. Louis, said that the big plane maker has no choice but to offer offsets if the company wants to win foreign sales. The only other alternative is to let the sale, and all of the related jobs, go to another manufacturer that is willing to provide offsets, he added.

The GAO noted that the government has not followed through on a 1990 presidential policy statement ordering studies of ways to limit the adverse economic impact of offset agreements in the U.S. The GAO is the investigative arm of Congress.

However, some senior administration officials seem attentive to offsets. William Reinsh, Commerce's Undersecretary for Export Administration, said in an interview that foreign buyers "are figuring out how to play the seller to get the best deal they can." Mr. Reinsh added that he sees a hazard for the American economy. "It has the consequence of shifting production jobs overseas, and the long-term effect of creating competitors," he says.

The Commerce report is expected to document a case where a new company was actually created in Europe — as a new competitor to American companies — as a result of an American offset transaction.

FCC Finishes Auction For Radio Licenses; \$204.3 Million Is Bid

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Federal Communications Commission ended its auction of mobile-radio licenses yesterday with bids totaling \$204.3 million.

Winning bidders can use the licenses to offer radio-dispatch and other mobile-data and voice services known as specialized mobile radio service, or SMR.

The top bidder was a unit of Paging Network Inc. of Plano, Texas, that offered \$45.5 million for 126 licenses. Next was Geotek Communications Inc., based in Montvale, N.J., with bids totaling \$30.1 million for 181 licenses. A license in the Miami market drew the highest single bi-

CLINTON V. DOLE: A TALE OF TWO EULOGIES

In the vaulted grandeur of the National Cathedral, before a throng of mourners from the corridors of power as well as from the streets, President Clinton was sublime. He eulogized Ronald H. Brown, the Commerce Secretary who was killed on a mission in Croatia, with a sly eloquence and a personal touch. "As I look around, I see that all of us are dressed almost as well as he would be today," Clinton said, to laughter.

Clinton had been every bit as impressive a week before, when he had hurried to a Commerce Department auditorium on April 3 to console the agency's employees on the day that Brown's plane crashed, quoting from Isaiah by heart. He was moving and uncharacteristically succinct. "Ron Brown walked and ran and flew through life," Clinton said. "And he was a magnificent life force."

A President who once talked about his underwear on television has acquired a presidential dignity. On ceremonial occasions, "it's so easy to fall into clichés," Theodore O. Windt, an expert in presidential rhetoric at the University of Pittsburgh, said. He observed that Clinton, though, strikes "just the right note for the occasion."

"He's better than Reagan at the ceremonial stuff—I don't think there's any question," said Carol Gelderman, a University of New Orleans professor who's writing a book on presidential speech writing. "He's lucky to have the Olympics coming up. This is how he's going to gain another term."

The White House is treating this summer's Olympic Games with due political seriousness. The Atlanta games, which will end just before the political conventions begin, have drawn attention from the top. Albert Gore Jr., an uncommonly influential Vice President, chairs the government's sprawling Olympics task force. Presidential counselor Thomas F. (Mack) McLarty III, the former chief of staff, has been put in charge of the White House's efforts. He's acknowledged that Clinton's team may be even more active than President Reagan's staff in 1984, when U.S. dominance of the Los Angeles Olympics offered a backdrop to morning in America. Hillary Rodham Clinton watched the Olympic flame being lit last month on Mount Olympus in Greece and will see it again when the torch crosses the South Lawn of the White House in June. The President will ceremonially open the



Olympics and will keep his presence felt as what McLarty has dubbed "the First Fan."

This will leave Senate Majority Leader Robert Dole, R-Kan., Clinton's prospective November foe, watching on the tube. Even if Dole could play a role, there's no reason to think that he'd shine. Legislative leaders have no need to speak like angels. Dole surely doesn't. With the public inarticulateness of a deeply private man and the flat speech patterns of his native Kansas, he has never shown much of a ceremonial presence.

Dole's natural flaws have perhaps been aggravated by his political circumstances during the current campaign. Windt, a former Republican speechwriter, attributed the Majority Leader's droning, disastrous response to Clinton's State of the Union address to his effort to be simultaneously partisan and presidential. Dole has delivered "mush" on the stump, Windt said, because he's sought to straddle the GOP's competing strains of conservatives to keep the party united.

He and his advisers have tried to turn a weakness into a strength (or at least just a foible) by defining Dole as a doer, not a talker. They could succeed. There's a rough candor about him. His most memorable effort at oratory was the eulogy he gave two years ago for former President Nixon. It wasn't any sense of rhetorical command that was affecting. Instead, it was the honest anguish he showed as he finished, sobbing as he remembered a mentor.

"Dole has [an] emotional vulnerability

that is very winning," Fred I. Greenstein, a presidential scholar at Princeton University, said. "Real men cry now," unlike in 1972, when Edmund S. Muskie was driven from presidential politics for tearfully defending his wife.

Dole will have a chance to turn things around when he accepts the Republican nomination in San Diego in August. George Bush, another stammering Republican, did so in New Orleans in 1988. Dole's problem—of style more than of substance—is the reverse of Bush's. But he could fare just as well. For one thing, expectations will be low. He'll be measured by his State of the Union response—"which is great for him," said Windt, who figures that a single good speech "could start to put aside the charges that he has no ideas and no vision."

A President doesn't need a silver tongue to succeed in office. Harry S. Truman and Dwight D. Eisenhower were lousy speakers who are considered to have been good Presidents. But it helps. If presidential power is the power to persuade, a way with words can serve a President as an instrument of power.

It can matter even more while running for President. To sell themselves to voters, candidates need to lay out who they are and what they believe. Eulogies are especially good for that. Inspired by a personal connection, they tend to be as much about the people who give them as about the deceased.

Consider Dole's tribute to Nixon. "Why was he the most durable public figure of our time? Not because he gave the most eloquent speeches," Dole said. A man who'd had a hard upbringing stood in praise of another, who'd refused to be discouraged by failure and "who got ahead by working harder and longer than everyone else."

In a more complicated way, Clinton's eulogy for Brown was perhaps just as revealing—maybe more than the President intended. Clinton portrayed a man with passions for basketball, McDonald's, "golf even when it was bad" and "the difference he was making in the world." He described someone who liked to build bridges but also craved the limelight, who "was very clever"—even slick.

But neither candidate wants to look like a consummate Washington insider to an electorate that frowns on politics as usual. Neither Brown nor Nixon offers Clinton or Dole an ideal role model. ■

THE PRESIDENT HAS SEEN
4/23/96

Private Groups Lead Charge in War on Far Right

By MICHAEL JANOFSKY

WASHINGTON

In the year since the worst terrorist act on American soil, the bombing of a Federal building in Oklahoma City that killed 168 people, the number of right-wing groups harboring anti-government sentiments has been estimated at more than 800, by some counts, and they now operate in every state.

These are organized groups of militias, white supremacists, neo-Nazis, skinheads, survivalists and constitutionalists who are connected to each other with increasing frequency by the Internet, fax machines and a shared belief in Christian Identity, a renegade religious concept that proclaims whites to be God's chosen people, Jews to be descendants of Satan and blacks to be subhuman.

At the same time, however, as Federal agencies proceed with traditional means of intelligence gathering (as in the Unabomber case), and Congress ponders a new anti-terrorism bill (stalled by the gun lobby and civil libertarians), efforts to fight domestic terrorism are being supplemented more than ever by pri-

vate human rights organizations that track the fringe right with their own networks. They willingly share information with law enforcement agencies, branches of the military and reporters.

Federal law enforcement agencies, which were heavily criticized for their actions in fatal confrontations in Ruby Ridge, Idaho, and Waco, Tex., appear to be trying a new, more patient approach in waiting for a peaceful solution to the current standoff with the anti-government group called the Freemen in eastern Montana. They have been criticized this time, largely by neighbors of the Freemen and local officials, for waiting so long to get involved, and for waiting at all.

Undercover Work

Most of the human rights organizations were actively campaigning against racism and anti-Semitism long before the Oklahoma City bombing on April 19, 1995 and the arrest of two suspects with links to militia groups. And with many of the right-wing groups now hiding racist views beyond a more acceptable veneer of anti-government oratory, the

human rights groups say the need to collect information has become that much more critical.

At least two of them — the Southern Poverty Law Center in Montgomery, Ala., and the Simon Wiesenthal Center in Los Angeles — use undercover operatives. Both organizations had spies attend a conven-

A year after Oklahoma City, the Government is standoffish.

tion last weekend in Lake Tahoe that attracted hundreds of Christian Identity followers to hear a speech by Randy Weaver, the white separatist whose wife and son were killed three years ago in a siege by Federal agents in Ruby Ridge.

The Southern Poverty Law Center has computer files of more than 12,000 people identified as members of a far-right group. The Wiesenthal

Center operates an extensive electronic tracking station, where researchers monitor television, cable and radio shows all over the world for racist and anti-Semitic content.

When the Army recently conducted an internal investigation to learn how many soldiers were involved with skinhead groups, senior officers at the Pentagon twice conferred with Wiesenthal Center officials, and when Patrick J. Buchanan was running for the Republican Presidential nomination, they produced names of Buchanan supporters who once worked for David Duke, a former Ku Klux Klan member, or had affiliation with the National Association for the Advancement of White People.

Law enforcement agencies have credited the human rights groups with helping the public become more aware of the beliefs, factions and heroes of the far-right fringe. The human rights groups see their efforts as a necessary antidote to the sympathetic treatment of far-right groups on conservative talk radio programs, and to the reluctance of some conservative politicians to criticize the extremists. But the work may have also produced some



Agence France-Presse

F.B.I. agents check a car at a roadblock near the standoff in Montana.

unintended consequences.

Writing in The Jubilee, a publication of the Christian Identity movement, a former militia leader from Alabama, Jeff Randall, said the drumbeat of concern over domestic terrorism has served as a welcome recruiting device for militias and

other right-wing groups.

"Throughout all this," he wrote, "the militias became stronger and better organized."

"Many people are wondering if the militia movement is still alive and well," he added. "The answer to that question is a resounding 'yes.'"

Activists lauded for Earth-saving work

By Anita Manning
USA TODAY

Edwin Bustillos knows environmental activism can be harmful to the health.

In 1989, after arousing the ire of drug lords and timber barons in the Sierra Madre region of Northern Mexico, where he works to protect the land and the culture of native people, Bustillos was run off the road by a large truck. His car tumbled down a 300-foot ravine, and he suffered severe injuries to his spine.

It was the third time an attempt had been made on his life, says the 31-year-old agricultural engineer, who has devoted his life to "helping Indian people (secure) their human rights and preserving all this beautiful area," he says.

He never considered finding safer work. "I improved my security system," he says. "We never think to quit something as important as this."

Today, on Earth Day 1996, Bustillos and five other environmental activists accept awards of \$75,000 each from the Goldman Environmental Foundation of San Francisco.

Each year, a grass-roots environmentalist on each inhabited continent is picked by a secret panel of eco-experts from more than 30 countries.

Like Bustillos, many have faced personal danger. Among previous Goldman Award winners was Ken Saro-Wiwa, a Nigerian activist who had organized members of his Ogoni people to protest environmental damage caused by international oil companies. He was imprisoned and executed Nov. 10, 1995, with eight other Ogoni activists in connection with the

deaths of four people. Human rights groups called the charges unfounded and condemned the executions.

The Goldman Foundation was established in 1969 by insurance executive Richard Goldman with his wife, Rhoda H. Goldman. She died in Feb-

ruary this year. In addition to Bustillos, the winner for North America, others being honored today are:

► **Africa:** Amooti Ndyakira, 39, of Kampala, Uganda, is a journalist whose work has spotlighted illegal mining, tree-cutting and other threats to the up-

land forests that are home to highly endangered mountain gorillas. As a result of his work, the Ugandan Parliament has moved to provide greater protection for the gorillas.

► **Asia:** Mahesh Chander Mehta, 49, a crusading public interest attorney in New Delhi,

India, has won dozens of landmark environmental cases in his war against water and air pollution. Based on these cases, the Indian Supreme Court has directed thousands of factories to install pollution control devices or be closed down. Hundreds of towns in the Ganges Basin have been ordered to set up sewage treatment plants.

► **Europe:** Albena Simeonova, 31, of Botevgrad, Bulgaria, has campaigned against nuclear power plant construction, raising public awareness of this and other environmental issues. A science teacher, she established the Foundation for Ecological Education and Training in 1991, and two years later she brought together a collection of nongovernmental environmental groups into an association called the Green Parliament.

► **Island Nations:** Bill Ballantine, 59, a marine biologist at the University of Auckland, New Zealand, promotes "no-take" marine reserves, protected areas where all killing and extraction of resources is prohibited. Today, there are 13 such reserves in New Zealand, and 25 more are under consideration.

► **South/Central America:** Sen. Marina Silva, 38, was born in the Brazilian Amazon and spent her childhood hunting, fishing and making rubber. She worked with environmentalist and union leader Chico Mendes to organize peaceful demonstrations by rubber tappers against deforestation and the destruction of communities of forest dwellers. In 1994, she became the first rubber-tapper elected to Brazil's federal senate, where she continues to work for forest protection.

Goldman Award winners



Simeonova: Founded Green Parliament in Bulgaria



Ndyakira: Fights to protect gorilla habitats in Uganda



Bustillos: Defends native lands and cultures in Mexico



Mehta: Crusades against air and water pollution in India



Ballantine: Promotes marine reserves in New Zealand



Silva: Fights deforestation from seat in Brazilian senate

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Border closures help Hamas

By SHIBLEY TELHAMI
Los Angeles Times

Secretary of State Warren Christopher recently announced "the development of an emergency plan" to improve the economic situation in Gaza and the West Bank. But it was hard to find the United States anywhere in the proposal, other than in the citizenship of the announcer: The plan was developed by a U.N. coordinator, the primary donor was Norway and no specific U.S. role was laid out. Unless the Clinton administration asserts leadership in delivering urgent relief to the Palestinians, the plan's "development" could outlast the emergency, with unhappy consequences for peace in the Middle East.

The administration swiftly responded to the terrorism that swept Israel recently, expressing its solidarity with grieving Israelis, providing the government with technical support and moving to shore up the peace process. That these actions were moral and tactically wise is evident in the recovering mood in Israel. But administration officials have not similarly responded, morally or tactically, to the harsh consequences of the closure of the borders between Israel and the fragmented Palestinian territories. They may even have accepted the view that continued Palestinian hardship could reduce the violence.

Such thinking goes something like this: Facing elections in May, the Israeli government needs the closures for both security and political reasons. The Palestinians would be better served by a Labor Party victory, so they should be patient. In any case, the U.S. Congress is in no mood to be generous toward the Palestinians; the hardships brought on by the closures may even focus Palestinian anger against the terrorists.

The results of this approach are beginning to filter in. Polls indicate that the early Palestinian condemnations of the terrorists are quickly turning into resentment of Israel. In the two days following the last of the suicide bombings, Hamas' support was measured at 14 percent. One week after the borders were sealed, backing for Hamas rose to 30 percent.

Emboldened by this trend, Hamas leaders have threatened to unleash their suicide bombers again, in the name of avenging the border closures and underscoring Yasser Arafat's apparent inability to reopen them.

Whatever Israel has to do to ensure its security, trying to persuade miserable

Palestinians that their suffering is the right medicine for eventual relief is as reasonable as telling grieving Israelis that the terrorist horror they endured is a definite sign that peace is just around the corner. That is why perfectly rational leaders cannot do the right thing in the face of public rage: That is why they desperately need help.

To be sure, the fight against terrorism requires tough measures. But it also requires denying terrorists any semblance of legitimacy. Punishing a whole population that rejected terrorism at the ballot box is simply the wrong way to achieve the goal. Instead, immediate economic aid and some signals of empathy are what's needed.

Indeed, the administration's approach

In the two days following the last of the suicide bombings, Hamas' support was measured at 14 percent. One week after the borders were sealed, backing for Hamas rose to 30 percent.

to the peace process stands on this: Punish its opponents and reward its supporters. But to Palestinians, the boundary between supporters and opponents of peace looks confusingly blurred; their economic conditions, which have significantly deteriorated since the Palestinian-Israeli peace accords, are getting even worse. In Israel and the United States, the perception spawned by the Oslo accords — that Palestinian and Israeli majorities are partners for peace fighting against a common enemy — is reverting to the days when interests seemed hopelessly in conflict.

Perhaps more important, Palestinian morale is daily fading, at a time when greater Palestinian boldness will be called for: To maintain Israeli public support for the peace process in the weeks leading up to the elections, the Palestinian Authority is expected to continue its aggressive crackdown on militants and their institutions — including those that have been providing public services the authorities themselves cannot duplicate. Palestinians will also need

to speak out louder against terrorism and in favor of peace.

In this desperate environment, Hamas called last week on the Palestinian security forces to stop obeying the Palestinian authorities. Although there is no indication that their appeal will attract any takers, the mere fact that they try is a reflection of the mood on the ground.

While Palestinian supporters of peace constitute a faint voice when the public mood is so charged, opponents of peace will intensify their efforts to derail the process and affect the outcome of the Israeli elections. Although one can hope that tough security measures will minimize the chances of another terrorist attack, there is simply no way to prevent suicide bombings in the short term. Should horror strike again in such a psychological environment, the kind of Palestinian and Israeli responses needed to salvage what remains of the peace process will be difficult to summon. Israeli elections, the key focus of current policy, will be its first victim.

The Clinton administration has found it useful to blame its limited relief efforts on congressional opposition to potential — and already approved — aid to the Palestinian territories. Although Congress will probably stay skeptical, the administration, if it chooses to make the issue a priority, can make a compelling strategic case for emergency assistance, especially given the costs of the alternative. It would also be the moral thing to do. Palestinian unemployment is nearing 70 percent. Members of the same family cannot, in some instances, visit each other. Food shortages have occurred. Movement from one Palestinian area to another has been highly restricted. Many Palestinian Christians were unable to reach churches in Jerusalem to celebrate Easter.

What is forgotten in all this is that Palestinians possess neither the capabilities nor the right to become self-sufficient. Lacking statehood in their ambiguous "autonomy," they cannot simply seek alternatives to Israel on the outside. Until agreement is reached on their final status, Israel and the international community remain responsible for their welfare. If Israel's own tragic predicament absolves it of some of that responsibility, someone else must step into the moral void.

Shibley Telhami, director of Cornell University's Near Eastern studies, is currently a guest scholar at the Woodrow Wilson Center.

Party Line

GOP Chairman Moves To Drum Up Cash, Set Themes for November

Races for President, Congress Will Provide True Test Of Barbour's Acumen

A Split on Minimum Wage

By GERALD F. SEIB
And JOHN HARWOOD
Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON — Haley Barbour has a dream.

The Republican Party's national chairman wants this to be the year the GOP runs truly synchronized national campaigns for Congress and the White House, with themes, advertising and financing intertwined as never before.

"Ultimately," says the folksy Mississippi, "it boils down to the fact that politics is a team sport."

But this week, Coach Barbour is finding how tough it will be to keep the players working from the same play-book.

While Sen. Robert Dole, his party's presidential candidate, struggled to beat back Democratic efforts to raise the minimum wage, Republican unity on the issue cracked. More than 20 House Republicans defied Sen. Dole by backing a boost in the minimum wage — and even proposed an increase 10 cents an hour higher than the one President Clinton wants. Mr. Dole now is scrambling for a fallback strategy on an emotional issue he had hoped to avoid.

This is life in 1996 for Mr. Barbour as he tries to finance and coordinate two giant enterprises simultaneously. One is the presidential effort of Sen. Dole, who has secured the GOP nomination but is nearly out of cash and unusually dependent on the national party for help. The other is a nationwide congressional campaign that may well determine whether Republicans truly have seized control of the legislative branch.

Both efforts will be big and complex. They also will cost unprecedented amounts of money, which will present the ultimate challenge for Mr. Barbour, who stands behind the GOP cash register trying to take in enough dollars to pay for victory. "We're going to spend more money than we've ever spent before," says the 45-year-old party chairman, who has been floundering around presidential campaigns since he was a college student moonlighting on Richard Nixon's 1968 campaign.

Mr. Barbour figures his Republican National Committee needs to raise nearly \$120 million, so that, after fund-raising costs and overhead, it can disburse almost \$80 million to help elect Republicans this year. That would almost double its fund raising of four years ago. On top of that, separate committees that specifically help House and Senate candidates will raise and spend tens of millions more.

"He has a huge fund-raising challenge ahead of him," says Roger Stone, a veteran GOP operative who ran Pennsylvania Sen. Arlen Specter's brief and unsuccessful presidential campaign.

Primary 'Distraction'

To meet that challenge, Mr. Barbour has to quickly overcome a recent lag in big-donor contributions, apparently caused by what he calls the "distraction" of a divisive primary campaign. Now he has a new worry as well. He has to hope

the Republican split on the minimum wage doesn't anger business donors, some of whom count on the GOP to stand in the way of such moves.

And in the long run, his task will be to prevent splits between his party's congressional wing and its presidential candidate in deciding how and where to spend the funds that are raised.

In the face of such financial challenges, Mr. Barbour is nothing if not aggressive. Consider his reaction time a few weeks ago, when former Tennessee Gov. Lamar Alexander quit the presidential race, his quest buried in a string of fourth-place finishes. For Alexander supporters, it was a time to mourn. But within two days, Mr. Barbour was on the phone with two of Mr. Alexander's top fund-raisers, Ted Welch and Mel Sembler. He offered condolences — then promptly recruited them to raise money for the national party and other Republican candidates.

"I was pleased to see him playing heads-up ball and being aggressive," Mr. Welch says with a chuckle. Sure enough, both of the Alexander money men now are raising funds that ultimately will help the Dole presidential campaign.

If Mr. Barbour succeeds in meeting his financial challenge, it will be in part because of the way he mines the more than 600,000 mostly small donors he has added to the party's rolls during his three-year tenure as chairman. But it also will be because he successfully taps into the big-business donors that provide the bulk of the GOP's "soft money" — the large, unregulated donations that fund party-building activities.

Tobacco Support

Last year, according to a study by the Center for Responsive Politics, business interests gave 62% of the GOP's soft-money donations. In Mr. Barbour's time as chair-

Continued From First Page

man, tobacco interests have emerged as a particularly potent segment of this support. Last year alone, the industry gave the GOP almost \$2.4 million in soft money, more than any other sector, the study shows. One tobacco firm, Philip Morris Cos., was the single-largest soft-money donor, with the firm or individuals associated with it giving almost \$1 million.

Campaign watchdog groups routinely contend that this flow of soft money has become a primary avenue for those hoping to influence legislation.

Mr. Barbour argues that the flow of tobacco money to the GOP is a natural reaction to the Clinton administration's aggressive tax and regulatory campaign against tobacco. "That doesn't strike me as rocket science," he says. "And I'll tell you, we appreciate their support."

Of course, such money will be spent battling a Democratic Party that isn't exactly impoverished and has its own special interests. Since President Clinton didn't have to spend any money fighting off a primary challenge, he has a war chest stuffed with more than \$20 million that he is free to spend during the next few months.

Slide-Show Presentation

On top of that, the national Democratic Party is raising record amounts of soft money, with notably large sums coming from trial lawyers and entertainment firms and executives.

Democrats also are being aided by a new AFL-CIO offensive to spend \$35 million trying to unseat 76 targeted Republican members of Congress this year. At every opportunity, Mr. Barbour voices "outrage" that the dues of union workers — many of whom vote Republican — are being used in such an overtly partisan way. But he also uses the labor initiative to prod his own well-heeled party members to ante up. Late last month, the labor campaign was a featured element in a closed-door slide-show presentation Mr. Barbour gave to some big Texas donors, participants say.

All in all, the national political battle is heading into a period in which bucks become more important than ballots — and one in which Mr. Barbour is in some ways as important a figure as Sen. Dole or House Speaker Newt Gingrich.

For him, this year's challenge represents the logical culmination of a career spent as a Republican Party stalwart. Mr. Barbour hails from — and technically remains a resident of — Yazoo City, Miss. An outstanding high-school football and baseball player, the stocky Mr. Barbour entered the tininess of Mississippi on a basketball scholarship.

He cheerfully admits that at Ole Miss his interest in baseball eventually lagged behind his interest in college social life — and eventually in politics. He worked on both the 1965 and 1972 Nixon presidential campaigns, earning a law degree along the way. In 1973, he became the executive director of the Mississippi Republican Party at the tender age of 28.

Running for Senate

Those days, Republicans were a distinct minority in the Deep South, but Mr. Barbour showed a knack for fund raising. In 1982, he decided to run for the U.S. Senate seat held by six-term Democrat John Stennis, shedding by his own count 35 pounds to make himself a more presentable candidate. Mr. Barbour lost the election but outraised the senator \$1.1 million to \$60,000. "In a state like Mississippi, that's a lot of money," says former Mississippi Republican Chairman Clarke Reed. "He can raise a ton."

Mr. Barbour became a practicing lobbyist and lawyer in Washington and Mississippi, taking time out to direct political affairs for a time in the Reagan White House. Immediately after the Republicans' dispiriting loss of the White House to Mr. Clinton in 1992, Mr. Barbour decided to take a chance: He ran for chairman of the Republican National Committee at a time when the GOP had no control of either branch of government and seemingly little prospect of gaining it soon.

He won. Since then, he has collected generally glowing reviews from party leaders for his part in the rapid rebound in Republican fortunes that culminated in the 1994 takeover of Congress. Even Democrats credit him with building a strikingly smooth communications operation that consistently pushes GOP arguments.

But the money challenge for a party chairman in 1996 is serious business. Because so many primaries occurred so early this year, the GOP nomination was decided extraordinarily early. And the television-ad wars in the primaries were costlier than ever largely because of the spending by millionaire candidate Steve Forbes. As a result, Sen. Dole has little cash to sustain him between now and the Republican nominating convention in August. After that, both he and President Clinton receive \$61 million from the Treasury for the publicly financed general-election campaign.

'Unprecedented Burden'

Until then, the Dole campaign will rely on the national party to help keep up GOP visibility and vitality. "Forecasting that would be the case, we've planned since last summer that the party would have to take the lead in getting out the Republican Party message in the period from April to August," Mr. Barbour says. That is why, despite criticism from some in the GOP, he refused to spend more than a few million dollars on ads this past fall to counter Democratic attacks on Republican plans to balance the budget and curb Medicare-spending increases.

Federal election laws limit what the party can do for a presidential nominee. Most important, the party can raise and turn over to a presidential candidate a \$12 million donation.

The party can't spend money directly for a presidential candidate's campaign activities. But the RNC can consult with the presidential campaign on advertising efforts to get out a coordinated Republican message and to begin working on voter registration and turnout operations. It also can pay Sen. Dole's travel expenses, but only if he is strictly raising money for the national party and not advancing his own candidacy. And the national party has taken onto its payroll some Dole campaign workers — including its finance director — who aren't needed now that the primary season is over.

THE PRESIDENT HAS SEEN

At the same time, Mr. Barbour has to worry about another demanding constituency: The Republicans running in 435 House and 33 Senate races this year. They want to make sure that national party spending fits their needs, not just those of the presidential candidate. That means one of Mr. Barbour's top challenges is to try to arrange a coordinated national campaign, in which both Sen. Dole and the party's hundreds of congressional candidates are advancing similar themes and pursuing similar goals. Toward that end, Mr. Barbour consults heavily with House Speaker Gingrich, who insists that his troops have every intention of walking arm-in-arm toward November with Sen. Dole. But Mr. Gingrich was unable to stop the GOP House move toward a minimum-wage vote, though he now is working to slow down the drive to enable Mr. Dole to better handle it.

'Strategic Plan'

The speaker has distributed a "strategic plan" to his troops that stresses a "team political strategy" in which House members ensure a GOP hold on strong states and enable the presidential campaign to focus on the more competitive "battleground states." The document also instructs House Republicans to raise \$66 million for the national party and the party's related congressional-campaign committee in addition to money they raise for personal campaigns.

Among Mr. Barbour's other concerns: An increasingly likely third-party presidential run by Ross Perot that Republicans say would present a substantial strategic problem. The GOP chairman also must worry about a recently filed lawsuit charging the party's finance operation with sexist and racist behavior. The committee has denied the charges and says the suit is the product of a disgruntled former employee.

As he juggles these demands, Mr. Barbour has to pay especially close attention to the needs of Mr. Dole. In theory, a presidential nominee gets a chance to switch party chairman right after his party's nominating convention.

The Kansas senator says he hasn't given any thought to whether he will keep Mr. Barbour as chairman through the year. "I may want him doing something else," he says. But he also says the chairman has "done a great job" and has "a pretty good antenna." And Mr. Barbour has one powerful link to the Dole camp: His former top aide at the national committee, Scott Reed, manages the Dole campaign.

THE WALL STREET JOURNAL
FRIDAY, APRIL 19, 1996

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THE WALL STREET JOURNAL

FRIDAY, APRIL 19, 1996

A Year After Oklahoma City, Ways Are Still Being Sought to Stop Bombings

By ANIRAZ GERLIN
And KAREN BLUMENTHAL

Staff Reporters of THE WALL STREET JOURNAL

A year after a bomb ripped through the Alfred P. Murrah federal building in Oklahoma City, the federal government and some in private industry are still trying to find ways to keep such destruction from happening again.

Government buildings are being constructed with more attention to nonshattering glass and other protections. Fertilizer-trade groups are trying to teach dealers how to identify purchasers' intentions. Ryder System Inc. says it has tightened some procedures, such as checking for fake drivers' licenses from renters — though it insists it would have taken the measures even if one of its trucks hadn't been used in the bombing.

In addition, the federal government has beefed up security nationwide, hiring security officers, adding barriers, closing streets and parking spaces and installing closed-circuit television and metal detectors. It has spent a total of \$32.4 million so far and plans another \$250 million in security upgrades over the next 20 months. The General Services Administration also has agreed to avoid putting high-risk agencies, such as the Bureau of Alcohol, Tobacco and Firearms, in the same building as low-risk agencies.

Allaying Fears

While such measures can't prevent random terrorist acts, officials say they hope that the moves will at least allay fears and reduce potential damage from attacks. The fertilizer and fuel-oil bomb that hit the Oklahoma City building killed 168 people, wounded hundreds more and caused a total of \$652 million in damage.

Among those killed or injured were dozens of children in a federal day-care center in the building and at a YMCA center across the street. For the centers, the best response has been to regroup and go forward. The federal government, for instance, now has 102 child-care centers serving 6,500 children nationwide, up from 96 centers with 6,400 children a year ago. While it continues to look into issues like coating glass windows or upgrading security, it hasn't relocated or refashioned any centers.

"We believe what happened was an isolated incident," says Paith Wohl, the GSA's director of office-workplace initiatives. "On balance, we continue to believe children are safer in the arrangement we have." In addition, she says, parents continue to want their small children nearby.

Yesterday, the YMCA of Greater Oklahoma City dedicated the site for its new downtown day-care center, about two

blocks from the old one. While the original center was part of the YMCA building, the new center, which should open in the summer of 1997, will be freestanding. Construction will take safety issues into consideration, but "I'm not sure anything could have withstood the bombing at the Murrah building," says spokeswoman Cara Langer.

Creating Safe Buildings

Still, Robert Smlowitz, a structural engineer at Weidinger Associates in New York, says some engineers are trying to create such buildings. His firm is involved in the design of two buildings in Washington for the federal government and "one of their requirements is that these buildings be designed to withstand a blast threat," he says.

But private clients tend to be "more concerned about the safe exiting of executives outside of the building than they are of the building being bombed," says structural engineer Leslie E. Robertson of Leslie E. Robertson Associates in New York. Few companies view themselves as bombing targets, and most aren't willing to assume the \$400,000 in additional costs to keep glass from splintering or the \$300,000 to \$400,000 cost of configuring ground-floor columns so the building's floors won't collapse.

The Laminated Glass Information Center said it surveyed 300 architects last month and concluded that two-thirds of those surveyed hadn't changed their attitudes toward security and safety at all because of the bombing.

Fertilizer Industry's Steps

The fertilizer industry, which has been criticized for making a bomb ingredient too widely available, has responded with more formal steps. George Latimer, a feed and fertilizer chemist for the state of Texas, says that many farm-supply dealers now only sell ammonium-nitrate fertilizer in bulk quantities such as a minimum of one ton, rather than in 60-pound bags, perhaps hoping to reduce their potential liability should a terrorist try to stockpile it.

Bob Mosley of the Bureau of Alcohol, Tobacco and Firearms in Washington says the agency and the Fertilizer Institute, an industry group, have mounted a joint education campaign aimed at fertilizer dealers, encouraging them to know their customers and be attentive to potential misuse. The ATF and the Fertilizer Institute say they are also cooperating to find ways to reduce or eliminate the methods by which ammonium-nitrate fertilizer can be altered for explosives purposes.

"A quick fix is probably not there," says Mr. Mosley.

4/23/94

THE NEW YORK TIMES

SATURDAY, APRIL 20, 1996

More Budget Pain for the City

Mayor Rudolph Giuliani's budget plans, as announced at the beginning of the year, contained a cluster of unrealistic assumptions. Now the New York City Mayor acknowledges that his earlier hopes for windfalls from the state and Federal governments will not be fulfilled soon and that his own spending reductions are falling short of expectations. He warns that he will have to cut thousands more jobs and related city services in the next year. Mr. Giuliani's tough new approach is commendable, but his own delays in dealing with pressing problems will make their solution all the more difficult.

The next fiscal deadline for the city is in three weeks, when the budget is to be submitted to the City Council. It now appears possible that the budgetary impasse in Albany between Gov. George Pataki and the Legislature will not be resolved by then, raising doubt about how much state aid will be available to close a city budget gap estimated in January at about \$2 billion. The Albany stalemate is, in turn, a reflection of hopes that savings to be enacted by Congress will plug a state budget gap of \$4 billion. With all this waiting and squabbling going on, Mr. Giuliani's decision to start coping with reality now is refreshing.

In his first year in office the Mayor focused ably on budget issues, cutting personnel sharply and pushing for privatization and contracting out of city services. But in the last year there has been a slackening in the pace of personnel reductions, and Mr. Giuliani negotiated pacts with the municipal labor unions that did not go far enough in getting changes in work rules and other impediments to

improved productivity by a smaller work force. This spring the city has had to resort to a fire sale of its assets, from WNYC-TV to middle-income housing mortgages to liens on unpaid property, to make sure that it ends up in the black.

Mr. Giuliani says that a projected 12,000 additional personnel reductions in the coming year can be carried out by normal attrition and buyouts not requiring layoffs. That may be. But accelerating the schedule of shrinking the labor force will inevitably lead to disruption in services if it has to be carried out quickly. Mr. Giuliani has already reduced the work force by 19,000, down to a level of 200,000 employees. But he has also boxed himself in by pledging to the unions that there will be no layoffs in the future in return for their agreement to a two-year wage freeze and pay hikes in the subsequent three years.

The hard truth is that there is no alternative to still more cuts in the budget. The Mayor must level with New Yorkers and explain that the city's work force will have to be scaled back to what it was in the early 1980's, if not the crisis-ridden years before that. But he must also redouble efforts to wring more concessions from employees in benefits and work rules and reconsider some of the tax cuts he has proposed for next year. Though the state budget deficit is large, Governor Pataki and the Legislature should set as their priority the saving of those programs that help the city, its schools and its health-care system.

But the time for relying on others to help the city has passed. It will need to rescue itself for now.

America's Cold-War Secrets

It has been six months since President Clinton instructed the Federal Government to move more swiftly to declassify millions of secret documents. Three years have passed since James Woolsey, as Director of Central Intelligence, promised that his agency would review and release files on covert intelligence operations of the cold war.

Yet Americans are still forbidden access to documents about the unsuccessful Bay of Pigs invasion of Cuba 35 years ago and even more distant events. These include the American-engineered coup in Iran that restored the Shah to the throne in 1953, and the 1954 C.I.A. plot in Guatemala that deposed an elected leftist Government.

The delay in declassification work is shameful. In all but a handful of cases there is no reason to withhold information from the American people about the workings of their Government during the cold war. There is something terribly wrong in Washington when American scholars have greater access to secret Soviet archives than they do to classified American files.

At particular issue in the 1961 Cuban invasion is an internal report on the operation by former C.I.A. Inspector General Lyman Kirkpatrick. Four years ago Jack Pfeiffer, a retired C.I.A. historian, sued his old employer to obtain this report, but lost. A month ago the National Security Archives, a non-govern-

ment research group, took up the same cause, citing Mr. Clinton's executive order and the promise of more openness by the agency's present Director, John Deutch.

Part of the problem is that less than \$2 million of the agency's \$3 billion budget is allocated to reviewing old files that would stack higher than 50 Washington monuments. But the bigger obstacle is the bunker mentality of keepers of the secrets. For example, Mr. Deutch has doubled the size and given a more important role to an advisory panel of leading historians. But its members say that despite promises, they still cannot get direct access to documents and must settle for agency summaries.

The advisory panel urges the transfer of C.I.A. documents to the National Archives, so that historians not affiliated with the agency can finally work directly with its records. However, the panel ducks the pivotal question of who should decide what should be declassified, and what criteria are needed to protect genuinely sensitive information.

The slow pace of declassification at the C.I.A. contrasts with progress in other agencies. The Energy Department, for instance, has opened numerous files on the Government's radiation experiments on human subjects. The cold war is over, and Americans ought finally to be able to learn what was done in their name so fatefully years ago.

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James K. Glassman

Grow Up, Fannie Mae

President Clinton has picked the number-three official of Fannie Mae to be the number-one official for the United States budget. That certainly puts the power of Fannie Mae in proper perspective.

Despite its candy-cute name, Fannie Mae (or, the Federal National Mortgage Association) is now the largest corporation in America. Fannie earned \$2.1 billion in profits last year—more than enough to pay Franklin D. Raines, the company's vice chairman and Clinton's nominee as budget director, \$2.2 million in salary, bonus and stock.

The company's chairman, James Johnson, former top aide to Walter Mondale, earned \$4.4 million. At Fannie Mae, even the marketing guy makes \$1.4 million.

But who am I, a champion of private enterprise, to grouse?

Well, Fannie Mae isn't exactly private, and that's the problem. In an egregious example of corporate welfare, Fannie—whose publicly traded stock has returned an incredible 32 percent annually since 1986—gets valuable support from the federal government.

"Without this government backing," said an article last year in *Institutional Investor* magazine, "Fannie would be a radically different company: smaller, less profitable, less important."

Investors lend Fannie money confident that the U.S. Treasury will stand behind the debt. But, at the same time, concerns have been raised about whether Fannie (along with similar, smaller Freddie Mac) has enough capital for safety.

The House Banking Committee had already scheduled hearings (beginning tomorrow) to examine these questions, and four separate studies on whether to privatize Fannie and Freddie are due May 15 from oversight agencies.

Now the Raines nomination offers a chance to look even more closely at this big, rich and influential institution that provides funds for millions of residential mortgages.

Unfortunately, if the past is a guide, nothing much will happen to change Fannie's special status. With a brilliant lobbying and PR machine and solid political connections in both parties, Fannie has been untouchable.

Yes, Fannie has done good works. The company has made it easier for middle-class Americans to buy houses by streamlining the borrowing process and allowing banks and thrifts to stay liquid (that is, maintain their cash for more loans).

But a lot has changed since Fannie was chartered in 1938. Private firms like G.E. Credit and Citicorp are now adept at what Fannie does, providing what are called secondary markets for all sorts of debt. It's time for Fannie to stand on its own.

Fannie, of course, disagrees. And its case for keeping its remarkable deal impresses legislators, who stand almost in awe of the company.

For example, at a hearing last month, Sen. Lauch Faircloth (R-N.C.), who's a tiger on matters like Whitewater, purred like a pussycat. His first question to Raines was, please, to explain his company's adorable name.

Rep. Jim Leach (R-Iowa), chairman of the House Banking Committee, has been more skeptical. He has noted, quite accurately, that Fannie and Freddie "skew the financial landscape for the benefit of their shareholders, to the detriment of competitors who lack similar advantages and the taxpayer who is liable for potential losses."

The big reason Fannie Mae earns so much is that it borrows at low rates. That's because its debt has what Standard & Poor's, the rating agency, calls "the implicit support of the U.S. government."

If Fannie gets into trouble, lenders can depend on the Treasury to bail it out. Thus, these lenders don't demand rates as high as they would demand of, say, BankAmerica.

Fannie uses these cut-rate loans to buy home mortgages from local banks and thrifts. Last year, such mortgages (including, perhaps, your own) paid an average of 7.9 percent interest, while Fannie borrowed at just 6.8 percent interest. The difference between those two figures doesn't sound like much, but when you own a couple hundred billion dollars' worth of mortgages, it adds up.

Fannie also puts bundles of mortgages together and sells them to investors, along with its guarantee—which, of course, is backed, in turn, by that implicit government guarantee.

Fannie and Freddie now guarantee more than \$1 trillion worth of these bundles, called "mortgage-backed securities" (MBS), in addition to the \$360 billion in mortgages they own outright—even though the companies have a combined net worth of only \$17 billion.

Last year, some members of Congress suggested charging Fannie and Freddie a small fee for the use of a valuable government asset—namely, that implicit Treasury backing.

Barbara L. Miles of the Congressional Research Service did calculations, assuming a fee of 0.1 percent on debt and 0.02 percent for MBS guarantees. Total revenue from these charges in 1995 would have been \$500 million.

Fannie squeaked the idea, claiming that the user fees would boost mortgage rates and serve as a "tax on home ownership." Miles rejects the assertion, and she's right.

The user fee is, in fact, perfectly reasonable. Coupled with an end to Fannie's exemption from state and local taxes, it would set the company on the path to true privatization, which, you would think, would be the aim of both Republicans who believe in free markets and Democrats who oppose corporate welfare.

The user fee could also help balance the federal budget—a sensible aim for Franklin Raines, wearing his new hat. But he might not see it that way. Bloomberg Business News reported, "Having Raines as the president's budget director can only help [Fannie Mae] protect itself from fees being imposed."

So it was no surprise that, with Raines's nomination last Friday, Fannie's stock jumped more than a point, increasing the wealth of its shareholders by another billion dollars. All in a day's work.

THE WASHINGTON POST
TUESDAY, APRIL 16, 1996

Abroad at Home

ANTHONY LEWIS

THE PRESIDENT HAS SEEN

4/23/96

Slamming the Door

A cruel, punitive
'terrorism' bill.

BOSTON
The case of 19-year-old Faustiya Kasinga, who says she fled her native Togo to avoid the rite of female genital mutilation, has aroused much sympathy. She arrived at Newark Airport in 1984, told officials she was using someone else's passport, sought asylum, was turned down and has been held in prison ever since. The Board of Immigration Appeals will hear her appeal on May 2.

But in future we are not likely to know about desperate people like Ms. Kasinga. If their pleas for asylum are turned down by a low-level U.S. immigration officer, they will not be allowed to appeal — and review by the courts will be barred. They will be sent back at once to the land where they face persecution.

This extraordinary change in our law is part of the counter-terrorism bill awaiting President Clinton's signature. It is not directed at terrorists. It applies to anyone seeking asylum who arrives here with false documents or none — the situation of many people fleeing persecution.

The issue raised in Faustiya Kasinga's case, female genital mutilation, is an important one: Does that cruel practice come within the grounds for

asylum? But the new summary process of exclusion will affect many more people seeking asylum for traditional reasons: the man fleeing a Nigerian Government that executed his political colleagues, for example, or the Vietnamese who escaped from a re-education camp.

The asylum provisions effectively impose the absurd presumption that anyone who flees a country without proper papers is not a genuine refugee. By that test Fidel Castro's daughter was not a true refugee because she fled Cuba with a false passport. Nor were Jews who fled the Nazis without papers.

Political refugees are not the only losers. The bill trashes the American tradition of courts as the arbiters of law and guarantors of freedom. I have seen a good deal of nastiness in the work of Congress over the years, but I do not remember such detailed and gratuitous cruelty.

The bill gives virtually final authority to immigration officers at 300 ports of entry to this country. Each is directed to interview people seeking asylum and exclude them if he finds that they do not have "a credible fear of persecution." That phrase is unknown to international law.

The officer's summary decision is subject only to "immediate review by a supervisory office at the port." The bill prohibits further administrative review, and it says, "no court shall have jurisdiction" to review summary denials of asylum or to hear any challenge to the new process. (Our present system for handling asylum applications works efficiently, so there is no administrative need for change.)

Stripping away the protection of the courts may be the most alarming feature of the legislation. It is reminiscent of the period after the Civil War, when a Congress bent on punishing the South took away the jurisdiction of the Supreme Court to consider cases that radical Republicans thought the Court would decide against their desires.

Political asylum is one saving grace in a world of too much political

brutality. Why should Americans want to undermine the asylum concept? And why should a bill supposedly aimed at terrorists be used as a vehicle to keep the victims of official terrorism from finding refuge?

Why should senators as decent as Orrin Hatch, chairman of the Judiciary Committee, stand still for such harshness? The asylum restrictions originated in the House and were kept in the bill by conference, so the Senate was presented with a fait accompli. A motion by Senator Patrick Leahy to send the terrorism bill back to conference on that issue failed, 81 to 34.

President Clinton has been so eager for an anti-terrorism bill that he is not likely to veto this one, over the asylum sections any more than over the gutting of habeas corpus. But he could call on Congress to reconsider the attack on political asylum.

The Senate will in fact have another chance to consider the issue when it takes up the immigration bill, which has in it a similar provision for summary exclusion of asylum-seekers. On reflection, Senator Hatch and others should see the threat to victims of persecution and to our tradition of law. □

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4/23/96

Health Legislation: Gradualism Wins the Day, for Now, but Doubts Persist

By ROBERT PEAR

WASHINGTON, April 19 — As a relatively modest piece of health insurance legislation moves through Congress, it seems to be producing an unexpected turnout among people who lived through the agonizing debate over the same issue in the first two years of the Clinton Administration.

In 1993 and 1994, people who supported President Clinton's ambitious plan to guarantee health insurance for every American said anything less than a complete overhaul of the health care system might cause more problems than it solved.

Now, many of them see merit in modest, gradual steps to improve coverage. The current measure, which would make health insurance more accessible to people who change jobs or lose their jobs, is a good start, they say.

But many of those who championed an incremental approach in 1994, when the Clinton plan foundered, are apprehensive today. Some say they are unsure whether an incremental approach will work.

The changing opinions are not likely to affect the bill's chances. Mr. Clinton and many Democrats have endorsed it, and Republicans support it as well. Even those who want to revise the bill fear the election-year consequences of doing anything to derail the measure, the first attempt to make health insurance more accessible since the collapse of the Clinton plan.

Supporters of the Clinton plan say this legislation would never have been possible without the lessons learned from the earlier experience. "We are building on the disasters that befell us then," said James P. Manley, a spokesman for Senator Edward M. Kennedy, Democrat of Massachusetts, a longtime advocate of universal health insurance.

Ronald F. Pollack, executive director of Families USA, a consumer group that had steadfastly supported Mr. Clinton's plan, said, "Many of us are chastened by the experience of 1993 and 1994, when we worked hard for health care reform and nothing was achieved."

Like many liberal Democrats, Mr. Pollack said he was supporting the bipartisan health insurance bill sponsored by Senator Nancy Kassebaum, Republican of Kansas, and Mr. Kennedy. The Senate finished

work on the bill on Thursday, but put off a final vote until Tuesday. Passage is virtually assured. The House approved a similar bill on March 28, but it includes some provisions unacceptable to the President.

Mrs. Kassebaum and Mr. Kennedy sat together through 68 hearings on health care in 1993 and 1994, forging bonds and developing expertise that enabled them to identify the elements of a bill that would be broadly acceptable to Republicans and Democrats alike.

Walter A. Zelma, an architect of the Clinton plan who worked at the White House in 1993-94, said he supported the Kassebaum-Kennedy bill, but would probably have viewed it as too modest a few years ago.

"If you had asked me about such a bill in 1992, I might have said that it was positive, but that I didn't want it to be passed because it could be used to undermine efforts to get larger reforms," Mr. Zelma explained. "Many of us thought that the greatest threat to major health care reform was minor reform. With major reform highly unlikely, incremental reform has to be viewed as progress and should be pursued."

Such pragmatism was rarely heard from the Administration in 1994. In his State of the Union Message that year, Mr. Clinton threatened to veto any legislation that did not guarantee health insurance for

every American. But he never had a chance to sign or veto legislation because neither house passed a health care bill.

This year Mrs. Kassebaum and Mr. Kennedy emphasize how modest their bill is. Mrs. Kassebaum even boasts, "It does not strike out in a bold, new direction." Over and over this week, senators recalled the lessons of 1993-94. "You try and do too much, and you end up getting nothing," said Senator John H. Chafee, the Rhode Island Republican.

John J. Motley Jr., who organized a business coalition against the Clinton plan, said he felt vindicated in one sense. Congress, Mr. Motley noted, is supporting "the incremental approach to health care reform" that he always favored.

"This vindicates the strategy, but I don't know whether the strategy will work," said Mr. Motley, senior vice president of the National Retail Federation, who worked at the National Federation of Independent Business from 1971 to 1985.

No critics of the Clinton plan were more effective than Harry and Louise, the couple who attacked it in television commercials by the Health

Supporters of a complete overhaul now see merit in small changes.

Insurance Association of America. Bill Gradison, the president of the association, said the Senate bill had some desirable features. But Mr. Gradison added, "It doesn't deal with the fundamental problems that were being discussed in 1993 and 1994: the unacceptably high and rising number of uninsured, the decline in the number of Americans who obtain health insurance on the job, and the high cost of health care."

Ira C. Magaziner, the chief architect of the Clinton plan, said he supported the Kassebaum-Kennedy bill, but doubted whether it would solve "the thornier problems" he tried to address in 1993 and 1994.

"We had 20 years of incremental changes after passage of Medicare

and Medicaid" in 1965, Mr. Magaziner said. "The problems kept getting deeper."

But he said passage of the Kassebaum-Kennedy bill could restore lawmakers' confidence in their ability to deal with health care issues, after failures dating back to the expansion of Medicare to cover catastrophic illnesses in 1988 and 1993.

One aspect of the Senate debate illustrates what Congress learned in 1993 and 1994. In a surprise move on Thursday night, the Senate amended the Kassebaum-Kennedy bill to require that insurers and health plans provide coverage for mental illnesses equivalent to that provided "for other conditions." By a lopsided vote of 65 to 33, the Senate rejected efforts to kill that amendment.

When Tipper Gore, the wife of Vice President Al Gore, pushed for such a requirement in 1993, it seemed politically inconceivable that Congress would accept it. But since then lawmakers have heard many firsthand accounts of the effectiveness of mental health services and the hardship caused by insurance policies that deny coverage.

THE NEW YORK TIMES

SATURDAY, APRIL 20, 1996

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Let's discuss
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As Piracy Grows in Mexico, U.S. Companies Shout Foul

By JULIA PRESTON

MEXICO CITY — Luis is proud of his work, and he backs it up with a personal guarantee. From his stall in a teeming Mexico City market, Luis peddles the latest in pirated videotapes of American movies. Recently his prize item was Walt Disney's "Toy Story," which is not even out on video yet in the United States. "I taped it myself," Luis assured a hesitant customer. "If there's any problem, bring it back and I'll make you a better one."

After losing an estimated \$485 million annually to Mexican pirates in recent years, American music, film and software industries have set off alarm bells about the rapidly growing business of illegal entrepreneurs like Luis, who, like other vendors, would not identify himself further. Industry leaders complain that Mexico has grossly failed to enforce its own laws protecting intellectual property, violating the tough copyright standards of the 1994 North American Free Trade Agreement.

Piracy in Mexico is a major trade issue in the making that the Clinton Administration is not eager to confront right now. Since the free trade agreement remains a prickly subject for many Americans, President Clinton's advisers hope to keep Mexico out of the public debate during the campaign. In contrast to its high-profile clash with China over piracy, the Administration discusses the problem with Mexico in low-key closed-door meetings.

Mexican officials acknowledge that President Ernesto Zedillo is not keen to come down hard on a trade, even an illicit one, that is sustaining thousands of poor Mexicans through an economic depression.

"Mexico has become one of the biggest pirate markets in the world," the International Intellectual Property Alliance said in a recent report to the United States trade representative, Mickey Kantor. The Washington-based Alliance, which includes American film, music and business software companies, called Mexico's enforcement record "abysmal" and sent a 10-point emergency reform plan to President Zedillo, threatening to file a formal trade complaint if there was no change over the summer.

William H. Gates, the chairman and chief executive of the Microsoft Corporation, told President Zedillo of his worries about piracy in a pri-

The heart of the problem is in Tepito, a tough Mexico City neighborhood that is home to one of the world's biggest bazaars for pirated videos, music cassettes and software. The crowded labyrinth where hundreds of yelling vendors hawk their wares is just a few blocks away from the offices of the top Mexican prosecutor in charge of stopping the pirates and right around the corner from the national headquarters of the police who are supposed to hunt them down.

In the alleyways of Tepito there is no sign of a crackdown. In dozens of open-air stalls, commerce is thriving.

Music cassettes are a favorite product of Tepito vendors because they are easy and cheap to copy. Tapes of the Beatles are selling strongly, especially a collection of their classics labeled "Golden Memories," apparently by a pirate with less than perfect English. On a tape of Madonna's "Something to Remember," in the spot where the Warner Music label should be, a service-minded counterfeiter stamped a message in Spanish: "Thank you for your patronage." The tapes sold for 5 pesos, or 87 cents each.

In his booth with a sheet of pink plastic for a roof, another youthful merchant named Alfonso offered his own catalogue of cassettes that can be made to order in an hour, among them a Gloria Estefan medley.

Gabriel Abaroa, a Mexican executive who is president of the Recording Industry Federation of Latin America, said a recent census showed that pirates sold about 68 million cassettes, for a total of more than \$80 million, in the Tepito market last year. By comparison, the entire legal music industry in all of Mexico sold only 20 million cassettes.

A whole section of Tepito's sprawl is occupied by video copiers. The Oscar-winning film "Braveheart," which has been out on video for only a month in the United States (mainly for rental, since it sells for about \$100), is available for purchase here for 20 pesos, or \$2.70. But let the buyer beware, because quality is uneven. One tape of "Toy Story," the computer-animated children's film, was sloppily recorded over the action movie "Mortal Kombat." Bloody scenes emerged suddenly from the happy Disney cartoons.

"We felt that NAFTA signaled a level of maturity in Mexico that meant that business conditions would improve," said Tim Kulk, anti-piracy director of the Motion Picture Association of America Inc., by telephone from Los Angeles. "Instead, the level of legitimate distribution was greatly reduced. We began to lose terrain we had already gained."

The problem for the Clinton Administration is different in Mexico from what it is in China, where the Government encourages and protects huge pirate industries that cost American companies \$1.8 billion last year. (These losses are calculated partly from wholesale prices, partly from actual pirate prices.)

THE NEW YORK TIMES

SATURDAY, APRIL 20, 1996

THE PRESIDENT HAS SEEN

4123196

In Mexico, the Government has tolerated the explosion of a business that trade officials say supports a handful of large pirates and thousands of small sellers making subsistence livings.

The criminal fight against piracy is in the hands of an energetic but novice 28-year-old prosecutor, Ernesto Soriano Valdéz, who has a staff of just 18 agents to cover the whole country. When Mr. Soriano took over the post in October 1993 he conducted an aggressive series of raids, but this year the raids have fallen off. Out of hundreds of cases brought before the anti-piracy prosecutor's office since 1994, only six pirates have been convicted, and none have served substantial jail terms.

Mr. Soriano said he was hampered by Mexican laws. "Our legislation is very benevolent with this type of crime," he said. Pirates are immediately released on bail as low as a few dollars and face fines of less than \$150.

And that is when the pirates are actually caught. Mireille Gotsis, a Microsoft corporate counsel who heads the Latin America committee for the software group, said that in four separate cases, evidence seized in police raids — computers, diskettes, office records — vanished from police warehouses before the cases reached court. In several other cases word of impending raids

leaked out of the prosecutor's office, giving pirates time to pack up and flee.

So after several years of frustration, the Business Software Alliance decided to settle directly with pirates for damages where it could. Ms. Gotsis said.

The settlements infuriated Mr. Soriano, who accused the companies of "obtaining juicy profits through economic deals." His office, he said, has different goals.

"We are not that interested in helping them recover their losses," Mr. Soriano said. "Our interest is in punishing criminals, not correcting economic damage."

Industry executives argue that Mr. Soriano's operation needs to grow and change its tactics to signal that piracy is no longer tolerated. "There will never be a frightened pirate until one of them goes to jail," Mr. Abaroa, the music executive, said. But Mr. Soriano said the Government had decided to catch pirates in highway roadblocks and clandestine factory raids, but not to go after Tepito.

"There will be no more frontal attacks in these street markets," Mr. Soriano said. "There is a risk of generating a social conflict."

Continued From Page 1

ate meeting in Mexico City earlier this year. According to the Business Software Alliance, the industry association based in Washington, four-fifths of all business software programs now used in Mexico are unlicensed copies.

Mr. Zedillo responded to the pressure by reviving a high-level committee on piracy that went dormant after meeting once in 1993. Also, Mexican and American trade officials agreed to meet monthly to monitor the issue. An American trade official familiar with the meetings said the Mexicans pledged to put new controls in place, and the American official described them as "very cooperative."

Laurena
What are
we doing
about this?
BC

4/23/96

THE NEW YORK TIMES

SATURDAY, APRIL 20, 1996

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FROM:

TO: 37501

PAGE: 10

Behind the Drive for Free TV Time for Candidates

By FRANCIS X. CLINES

CAPITOL
SKETCHBOOK

WASHINGTON,
April 19 — After 25
years as a newspa-
per reporter, Paul

Taylor approaches his latest news
conferences from the far side, step-
ping gingerly into the television
lights as a person trying to create
news, not report it.

"I decided to take a leap," he said
this week of his impulse to end a 25-
year career as a political reporter
and foreign correspondent and be-
come one of this city's more quibotic
lobbyists. He is now a busy advocate
of a proposal that commercial net-
works open nightly slots of free tele-
vision time for unhindered use by the
Presidential candidates.

On the airwaves, they could say
whatever they pleased, whether risk-
ing a high-level meeting of the minds
with voters or using a boilerplate
stump message, and, Mr. Taylor
hopes, maybe even repair some of
the damages of attack commercials
and voter cynicism.

His simple idea, which has quickly
rallied a swath of support from the
capital's good-government institu-
tions and some television celebrity
reporters, is to provide two to five
minutes a night in the final month of
the 1996 campaign of electronic

stump time totally free of editorial
comment.

The proposal, which Mr. Taylor ex-
pects to be the subject of hearings by
the Federal Communications Com-
mission, is an idea that first came to
him as a therapeutic fantasy when
he was covering the bump and grind
of the 1988 Presidential election for
The Washington Post. He termed it
the "five-minute fix" and included it
in a book on the campaign, which he
thought had gotten the idea thor-
oughly out of his system.

"Working the trail, I got frustrated
with some of the ways the conversa-
tion is held," Mr. Taylor said of cam-
paigning.

"I felt that in some ways as a re-
porter I was part of a process that I
couldn't change and that I didn't par-
ticularly enjoy," he said, "which was
a great sadness to me because I
grew up reading Teddy White and
thinking that having a chance to
watch this particular circus would be
the greatest thing in the world."

More than one reporter has waxed
bittersweet on the treadmill as cam-
paigns increasingly become high-
priced, low-blow television war
games. But Mr. Taylor, at the age of
47, quit his job with no thought of
ever returning.

With some foundation support, he
turned his idea into a non-partisan

cause he calls the Free TV for
Straight Talk Coalition.

What struck him about America
when he returned last year from a
three-year assignment covering Afri-
ca was the vastly shifting telecom-
munications technology and legal re-
straints on the industry. He mar-
veled even more at the nature of pub-
lic debate.

"The way we seem to do business
in this country now is not to pass
laws," he said. "We all get up on soap
boxes and wag our fingers at each
other and try to shame each other
into doing things. And I said, hmmm,
maybe I can do that. It seemed like
the moon and stars were lined up
right this year to try to persuade the
networks to do it."

The four-month-old effort, which
Mr. Taylor began with private lobby-
ing of network executives, which so
far has been fruitless, entered a
more public phase on Thursday. He
opened a news conference here with
a polite "Good morning" and intro-
duced an array of politicians and
would-be government reformers
who offered their endorsements and
sought to put public pressure on the
networks for free time.

They argued that plummeting vot-
er turnout was directly related to the
shrinking amount of time that Presi-
dential candidates were allowed to

be heard freely speaking on the
evening news. In 1960, the average
sound bite extended 43 seconds,
while now it is 3 seconds, said coal-
ition supporters.

They agree that limited free televi-
sion time is not a panacea, but con-
tend it will provide some respite
from hit-and-run television commer-
cials and might even encourage civic
sensibility in the contest.

"The hope is that over time, good
talk might drive out bad talk," said
Mr. Taylor, who, it turned out, man-
aged a smooth-running news confer-
ence. He called the effort a "crusa-
de" to transform "the language of
politics and the habits of journal-
ists."

He envisioned the candidates al-
ternating each night in the few min-
utes of free time in a modest exer-
cise that would be apart from both
any television debating format of the
candidates and whatever television
advertisements they choose to buy.

Reading from his own press re-
lease, the former reporter carefully
stated his conviction: "Surely we
can find a way out of a vicious cycle
in which all of the great actors in the
pageant of democracy — the citi-
zens, the candidates, the journalists
— bring out the least in one another."
After the news conference, Mr.
Taylor smiled and accepted "lobby-



Paul Taylor, shown yesterday in Washington, is behind a major effort to
get free network television time for the Presidential candidates.

ist" as a fair description of his new
career.

"Yeah, I think that's right," he
said. "There's a moment in phone
conversations lately when people
ask, 'Who are you with? Who are
you?' I guess I'm happy with 'lobby-
ist, public-interest lobbyist,' though it
sounds highfalutin."

Off on his own single-minded cam-

paign trail now, Mr. Taylor works
out of his home. "I sort of invent ev-
ery day anew and it's kind of fun," he
said.

He prescribes much the same lais-
sez-faire spirit for running a free
television format for the politicians.
"Let the candidates figure that out
it," he said. "It's their conversa-
tion."

*McCarthy / Davis
should under
win a vote
BG*

4123/46

In America
BOB HERBERT

G.O.P. Hit Men

You couldn't make these guys up — the exterminator, the undertaker and the big-game hunter who are leading the charge by House Republicans to trample the nation's environmental laws.

Free-associate on these fellows and "life-affirming" is the last term that comes to mind.

The exterminator is Tom DeLay, the majority whip from Sugar Land, Tex. A profile of him in *The Wall Street Journal* began, "Rep. Tom DeLay once made his living killing roaches. Now he kills regulations."

Mr. DeLay is the enforcer and chief fund-raiser in the G.O.P.'s legislative assault on environmental and other safeguards. He has never met a regulation he could abide. To him, the Environmental Protection Agency is the "Gestapo of the Government."

Mr. DeLay sold his extermination business, but his hypersensitivity to certain issues, shaped by his immersion in the peculiarities of pest control, has remained intact. He is driven to a near-frenzy by government bans on pesticides and other dangerous chemicals. The return of DDT, banned since the early '70s, would be A-O.K. with Tom DeLay. He doesn't think DDT is harmful. Chlorofluorocarbons? No problem. If you're worried about the ozone layer, slap on a little more sunscreen.

Mr. DeLay is pushing a proposal to repeal all of the ozone protection in the Clean Air Act. When the Nobel Prize in Chemistry was awarded to the discoverers of the link between chlorofluorocarbons and ozone depletion, Mr. DeLay mocked the award as the "Nobel Appeasement Prize."

The undertaker is Thomas J. Bliley Jr. of Richmond, Va. Mr. Bliley, chairman of the Commerce Committee, ran his family's funeral home business until he was elected to the House in 1980.

A close ally of Mr. DeLay, Mr. Bliley has drafted legislation that would weaken both the Food, Drug and Cosmetic Act and the Insecticide, Fungicide and Rodenticide Act. Philip Clapp, executive director of the Environmental Information Center in Washington, described the legislation as "a wish list for the entire pesticide industry."

The bill would replace the existing health-based standard for pesticides in food with a cost-benefit standard. Among other things, it would make it much easier to bring pesticides to market, and much more difficult for the E.P.A. to challenge a pesticide as dangerous.

Mr. Bliley, who is nothing if not brazen, has titled his legislation the "Food Quality Protection Act."

Now, with your food you sometimes want a little water. Mr. Bliley is taking care of that, too. He is hard at work on legislation that would

The hunter and his pals take aim at the environment.

undermine the Safe Drinking Water Act by easing the pollution monitoring requirements on water systems that serve 60 percent of the nation's population.

The legislation would make it much more difficult to get at every kind of filth that is contaminating the water supply. Mr. Bliley and his powerful corporate backers (he has been the number one House recipient of contributions from the pesticide industry for the past three years) think that is terrific. Fecal matter and disease-carrying microbes? Cancer-causing chemicals? Arsenic? Lead? Don't worry about it. If the water supply becomes too foul, consumers can always buy bottled water.

The trophy-collecting big-game hunter (and former trapper) is Representative Don Young of Fort Yukon, Alaska, chairman of the Committee on Resources. With the heads of past kills mounted proudly on his office walls, Mr. Young set about crafting legislation that ultimately would cripple the Endangered Species Act. The result was the Young-Pombo bill, written with Richard Pombo, Republican of California.

The bill would abandon the fundamental objective of the act, which is to help endangered species recover to the point where they no longer need protection. But under Young-Pombo, some species would be allowed to go extinct in the wild (grizzly bears, gray wolves and certain species of salmon, for example) if a few of them were kept alive in zoos or on fish farms.

And many species would certainly become extinct because Young-Pombo would no longer require the protection of critical habitats. Example: It would not be considered harmful to the bald eagle if you cut down its nesting tree while the eagle was in flight.

The exterminator, the undertaker, the big-game hunter. Scary, isn't it? □

On My Mind

A. M. ROSENTHAL

Relaying Warning To Libya

WASHINGTON
Deep inside a mountain, Libya is building the world's largest underground poison gas plant. Short of a bombing raid, which the United States is preparing for if it comes to that, the Clinton Administration is doing everything it can to deliver a message to Col. Muammar el-Qaddafi: Stop while you have the chance.

These are some of the realities that make Libya and its chemical weapons program a major security issue and a critical military and diplomatic planning operation for the U.S. And these are four others:

1. Any debate inside the Government about whether the U.S. should use military power if needed to prevent the plan from going into operation is over. The conclusion is that Libya wants the plant as a shortcut to Middle East power. The colonel would become the quartermaster of poison gas and mustard gas weapons for terrorist groups and such countries as Iran and North Korea. Then the spread of chemical weapons would make them, like land mines, a military plague beyond effective containment — but with mass loss of life.

2. Using European products, Asian go-betweens and Iranian money, Libya built the plant so deep into the mountain that the U.S. does not now have acceptable military weapons to destroy it. Unhappily, the U.S. did not fully comprehend what was going on

So far, in two tests at White Sands, N.M., the fuse of the second bomb did not work. Research and testing go on. Meanwhile Washington is trying to stop Colonel Qaddafi from completing the plant. At Tarhunah, without the U.S. having to take military action. By the time Washington discovered the full extent of the plant in 1982, a couple of years after work began, it was three underground stories high, thousands of square feet large, a network of caverns connected by two-way truck-wide lanes.

For about three years the counter-operation was secret — an effort to break Libyan foreign supply lines. Huge earthmovers and drills were sold by Europeans to middlemen in Asian countries, bomb-shelter blueprints may have come from Russia, and "dual-use" chemicals arrived from around the world — "peaceful" in themselves but part of the first stage of making poison gases.

Washington believes it broke enough supply-line connections to slow the Libyans down, but not enough to stop them.

Now the U.S. has gone public with warnings it will not allow the plant to go into operation. Defense Secretary William Perry, Intelligence Chief John Douthett and Gen. John Shalikashvili Chairman of the Joint Chiefs of Staff, have delivered them. The U.S. is trying to build a coalition of Arab and European leaders to persuade Libya to stop, or at least support America politically if military action is needed. (There's some talk of economic "inducements," but a Marshall plan for Libya would not make Americans cheer.)

That's the American double truck — avoid attack on the plant if possible, but prepare for it unless construction ends. Washington wants the colonel to know all that.

I think that's why I was able to gather much of the material for this column, after I wrote my first on the danger of the plant on Feb. 27. If so, I am glad to be part of the warning to Libya.

I also think I was encouraged to believe next year is the cutoff point of U.S. patience. But the U.S. officials I dealt with are extremely sophisticated. Could it be, colonel, that an attack might come earlier so you better stop now? No guarantees on American timing go with this column's conveyed message. □

Qaddafi: Read the no-guarantees clause.

until it became impossible to knock the plant out with acceptable weapons already in the arsenal.

3. Bombing by large nuclear weapons is not acceptable. The danger of drifting radioactive fallout is so terrifying that it has been ruled out.

But as a last resort, the use of a "small" nuclear weapon that could penetrate the mountain and destroy the plant without exterior fallout has not been dismissed. The U.S. expects to have such a weapon by 1997 — a year before the plant might go into operation.

4. More likely would be a non-nuclear bomb that after penetration of the mountain would detonate another, spreading fire. The twin bomb would not destroy the plant. But it would put it out of operation long enough to give the colonel a choice: Shut the place down or invite more raids.

THE NEW YORK TIMES

FRIDAY, APRIL 19, 1996

Handwritten notes:
Cats
claw
A

• MELANNE VERVEER •

THE PRESIDENT HAS SEEN

^{4/23/96}
This was in the
European edition,
not us!

Tony Felt
Pol

4/23/96

REVIEW & OUTLOOK

No Quick Fix in Bosnia

Delegations from 55 countries attended a Bosnian aid conference in Brussels last week that raised \$1.23 billion toward the \$5.1 billion that the World Bank estimates Bosnia needs if peace is to take root over the next three to four years. But this money won't do much good if Bosnia falls back into chaos after American troops, the backbone of the NATO force, withdraw in December. The fragile order in Bosnia, as in Haiti and Cambodia, shows that it takes more than short-term military interventions to construct lasting peace. A longer-term commitment to establishing the institutions of democracy is needed.

"If the civilian side goes belly-up, the possibility of peace here diminishes dramatically," Adm. Leighton W. Smith Jr., the American commander of the NATO force in Bosnia, recently told reporters. To rebuild the infrastructure, resettle tens of thousands of refugees, and employ up to 300,000 demobilized soldiers would give peace a chance. But the development of the institutions of civil society, such as a functioning judiciary, police force, and electoral system, is critical as well.

The Clinton Administration knows this work will take years, but as election day nears the President wants to be able to tell American voters that the troops will be home for Christmas. Some polls report that more than half of Americans are opposed to having U.S. troops in Bosnia.

Mr. Clinton also has learned that extended troop deployments invite disaster. When he expanded the humanitarian mission in Somalia and an American GI got dragged naked behind a pickup truck, exit strategy replaced nation-building in the President's lexicon. Today, the Somali warlords continue wreaking havoc.

After the Somali debacle, the concept of peacekeeping got a boost from the nearly \$3 billion United Nations Cambodian intervention that brought elections and was hailed as a success. But three years later, the former head of the Vietnamese-installed government, Hun Sen, is once again in charge. After losing the election, Hun Sen "negotiated" the position of Second Prime Minister. For fear of rocking the boat, the U.N. never made him release control of the police force or army. With the elected officials becoming a shadow government and with increasing political violence and corruption, there are serious questions about what the U.N. really accomplished.

sent troops to stop the refugee flow. The U.S. applied the Somalian lesson, avoiding mission creep for the military and departing quickly, in just over one year. Mr. Clinton claimed credit for restoring the Haitian democracy. They had an election and wrote a fine constitution, but the democracy exists mostly on paper. The rule of law is not functioning; an ill-trained police force is showing signs of corruption, and the judiciary is not independent. The Clinton Administration did not move to disarm the thugs for fear of casualties. Thousands of automatic weapons are hidden should those who once dominated wish to rise up when the U.N. departs at the end of June.

It can be argued that Bosnians, Haitians and Cambodians are at least better off than they were before the interventions. But the issue is whether these quick-fix deployments are worth the costs and risks if they do not restore effective civilian government. The job of the troops is to enforce the peace while the civilians rebuild. The forces must avoid mission creep, but if they cannot be relied upon as a longer-term backup for civilians trying to gain control of their civil institutions, backsliding is inevitable.

Bosnia cannot backslide much from where it is now come the December pull-out because it will not have progressed far. Some money has reached Bosnia but the reconstruction has not started in earnest. It is doubtful whether a civilian police force will be fully functioning in seven months. The elections, if they occur in September, will have produced a government whose first crisis will be the departure of the backbone of IFOR. And this is all complicated by the fact that Radovan Karadzic and Gen. Ratko Mladic, Bosnian-Serb leaders and indicted war criminals, are opposing parts of the process.

If the American President is really serious about Bosnian reconstruction all this argues for an extension of the American presence past the December pull-out deadline. Otherwise, the operation will not have conferred a genuine opportunity for peace and will appear to have been a cynical effort to silence those demanding action and to claim credit for a foreign policy success in an election year.

The unpleasant truth is that the establishment of democratic institutions takes years or decades, depending upon whether there is a firm base to build on. Nation-building is an admirable endeavor, but, as with Rome, no democracy has

By CARLOS A. BALL

Thursday night, Lady Thatcher delivered the keynote speech at the 50th anniversary celebration of the Foundation for Economic Education, at New York's Waldorf-Astoria Hotel. Practically all the world's key supporters of free markets, property rights, and individual freedom have been at least indirectly influenced by the pioneering work of Leonard Read (1898-1983) and of FEE, the institution he established in 1946 to promote freedom, increase public understanding of market economics, and recognize the evils of government intervention.

Read, born on a Michigan farm, claimed that his economic training started when he



Leonard Read

was eight years old: "My father started me milking cows when I was still a small boy. I learned the relationship between hard work and a quart of milk. All else in economics is but an embellishment of this primary lesson."

When Read was general manager of the largest Chamber of Commerce in the country, in Los Angeles, he invited Prof. Ludwig von Mises to give lectures there in 1944. Mises believed that what "really matters is the outcome of the intellectual combat between the supporters of socialism and those of capitalism." In October 1946, Mises became a staff member of FEE, giving annual lectures to teachers, journalists, and students at its Irvington-on-Hudson, New York, headquarters.

Freedom is always a casualty of war. "Reconstruction" was then being centrally planned by the new international bureaucrats; the wisdom of welfarism, the Marshall Plan, price and wage controls was being passionately debated. My first trip to the U.S. took place in 1945; besides the Empire State Building, what surprised me most was that my mother could not buy shoes without a government voucher and that my father's coffee was served with only a minute bag of sugar. I was too young to realize that shortages are the inevitable outcome of strict government controls on the economy.

The year before, Friedrich von Hayek had published "The Road to Serfdom," showing that barbarism is the unintended consequence of fascism, communism and so-

By SHELLEY L. DAVIS

April 15 was a red letter day for reasons beyond its instant recognition as tax day. A scarlet letter "A" of Hester Prynne fame should be affixed to the U.S. Internal Revenue Service itself. The IRS's scarlet letter stands for Accountability (a lack of), Arrogance (deeply ingrained) and Abuse (of the vast

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4/23/96

*Bony - I can see
so much on this?*

day, April 11, 1996

Refugees pleading to go home

The Serbs issue veiled threats to keep 'ethnic cleansing' of strategic corridor a reality, putting the Dayton accord in jeopardy

Angry Muslim women symbolize failures in Bosnia

Tom Hundley
TRIBUNE STAFF WRITER

McGOVERN BASE, Bosnia-Herzegovina—U.S. Army Lt. Col. Tony Cucolo calls them the AWOBs—the Angry Women of Brcko—and he understands better than most that until they are mollified, the Dayton peace agreement is meaningless.

The AWOBs simply want to go home.

They tried last weekend. They organized several thousand refugees and set off for Brcko. But they were turned back at a Serb checkpoint, which according to the terms of Dayton shouldn't have been there in the first place.

They have vowed to keep trying.

The AWOBs are Muslim women whose families were expelled by Serbs from the predominantly Muslim city of Brcko during the early months of "ethnic cleansing" in Bosnia.

Brcko, with a pre-war population of 43,000, is the key city in the four-mile wide neck of territory known as the Posavina corridor. The corridor is critical because it is the only link between the two large chunks of Bosnian Serb territory that constitute the Republika Srpska. The Serbs want the corridor widened; the Muslim-dominated Bosnian



Chicago Tribune

fled Sarajevo when the city was reunited under Bosnian government control last month.

Serb officials claim that up to 20,000 displaced Serbs soon will be resettled in Brcko. NATO officials believe the figure is closer to 3,000 or 5,000.

Either way, news of the Serb influx has stirred the former Muslim residents, who fear that the Serbs will be moving into their vacant apartments.

Caught in the middle is Lt. Col. Cucolo, commander of the 3rd Battalion of the 5th Cavalry, 1st Armored Division, which controls the Brcko sector.

In March, refugees from Brcko and their leaders began pressing Cucolo, wanting to know when they would be able to return home.

"They came to me and said they were going to march to Brcko. They said they were prepared to go home no matter what the cost," said Cucolo.

In theory, nothing is stopping them. According to the Dayton agreement, "All of Bosnia's people will have the right to move freely throughout the country without harassment or discrimination. Refugees and displaced persons will have the right to return home."

In reality, it has become increasingly clear that the Bos-

nian Serbs have no intention of living up to what was signed in their name at Dayton. The Serbs intend to keep Republika Srpska "ethnically clean."

When Cucolo informed Bosnian Serb officials in Brcko that many Muslims wished to return, the Serbs gave him the excuse that had always worked with United Nations peacekeepers: "We can't guarantee their safety."

Cucolo considered his dilemma.

"If they [the Muslims] want to go back, I can't stop them. Dayton guarantees freedom of movement. But if someone goes in and gets hurt, then I'll have to shut it off, and that's exactly what the Serbs want," he said.

The success of the U.S. mission in Bosnia can be measured in several ways.

The fact that the fighting has been stopped cold is, without question, a major success that could not have been realized without the presence of U.S. troops.

The Pentagon measures success in each week that passes without an American casualty. Thus far, there have been only two U.S. ground troops killed in Bosnia, neither of them in combat.

But most analysts agree that Dayton cannot be termed a success until the 2.3 million refugees created by the war feel safe enough to return to their homes.

Or as Cucolo put it, "Until my AWOBs are happy."

Senior American military officials in Bosnia are beginning to grasp the full dimensions of the problem, and mobilizing to make sure the military doesn't get stuck with the blame.

"We're banging the drums for the civilian side to pick up the pace," said Col. Mark Brzozowski, a spokesman at the U.S. command headquarters in Tuzla.

But Carl Bildt, the designated civilian "high representative" for Bosnia, is woefully short of money and manpower. His skimpy International Police Task Force isn't up to the task of guaranteeing the safety of civilians in places like Brcko.

On his own, Cucolo has tried to bridge the gap.

Earlier this month, he arranged for the Muslim former residents of Brcko to visit their cemetery on the Serb side of the line.

The idea, he explained, is to build peace in small, local increments. It is an idea that is steadfastly resisted by the Bosnian Serb leadership in Pale, which has imposed a ban on all civilian contacts with the Muslim side.

The cemetery visit produced mixed results. A crowd of Serbs turned out to jeer the Muslims, but Serb police did prevent the situation from turning violent.

REVIEW & OUTLOOK

Minority Leader Gingrich?

A few weeks back a leading House Republican told us that the current Congress reminded him of the War of 1812: It began with the goal of conquering Canada but ended with: Not one inch of territory surrendered. That fellow is beginning to look like an optimist.

Republicans in Congress have been understandably shell-shocked since losing their winter budget showdown with President Clinton. But this week they've revealed signs of a deeper malady that could cost them dearly in November—intellectual retreat.

From the economy to the minimum wage to health care, the once bold revolutionaries are beginning to cede



Newt Gingrich

control of the public debate back even to today's intellectually exhausted Democrats. Throw in the stasis of the Dole campaign and the demoralization of Newt Gingrich, and Republicans may want to wake themselves up by contemplating the prospect of Speaker Gephardt. Sure, the GOP has an advantage this year in money, and in retirements that create winnable open seats. But to win, they need to do battle on the issues.

The most remarkable retreat is the looming GOP rout on that oldest of liberal chestnuts, the minimum wage. Republicans could also have pointed out that most economists believe a higher minimum prices out of the job market the very young and poor it is supposed to help. Even Bill Clinton opposed this in 1992 as an Old Democrat idea. His own chief White House economist, Joseph Stiglitz, eviscerated it in a 1993 economics textbook. We'd have thought Republicans might have made something of the fact that both men have since flip-flopped for transparently political motives, but no such luck. Yet having failed to argue their case, Republicans are now astonished to wake up and discover they've lost the argument!

The wage fiasco is especially troubling because it reflects a GOP failure to articulate an agenda for economic growth. At least Democrats understand they need a policy, even if it's a bad one. But as we've pointed out too many times on these pages, Republicans have become mesmerized, going back to their Contract with America, with the balanced budget. It became their Holy Grail, and everything else had to be bent to accommodate it, even a pro-growth tax policy.

But once Mr. Clinton signed onto his own balanced budget, Republicans were left without a justification for their other, far more important, reforms. And if Republicans aren't careful, Democrats might even wise up and steal the post-Reagan GOP claim to be the party of economic growth. We're told the House Democratic Caucus is meeting today with Felix Ro-

hatyn, the Democrat and Wall Street financier who wrote recently on these pages that tax policy should focus more on growth than income redistribution. We wouldn't be stunned if Mr. Clinton does another of his famous switcheroos and suddenly endorses a capital-gains tax cut and a version of the flat tax, à la JFK.

It's possible Republicans are waiting for the Dole campaign to act, but we wouldn't hold our breath. Some of Mr. Dole's advisers are the ones pushing a minimum wage surrender. And while the Kansas here and there brings up the economy, we don't hear anything about a coherent, specific tax-cutting proposal like Kemp-Roth of 1980, or Christie Whitman's in New Jersey in 1993. We hope Mr. Dole doesn't wait around, like George Bush did in 1992, unveiling his economic proposals at the Detroit Economic Club only after Labor Day. By then he'll get the same result Mr. Bush did.

We sympathize with Republicans who complain that media bias is a part of their problem. Press coverage of such recent Congressional successes as the line-item veto and partial-birth abortion ban, among others, has been among the most dismissive we've ever seen. But as Newt Gingrich once broadcast to everyone, Republicans have to understand that press bias is as much a part of the modern Beltway as the Potomac. If they can't find a way to govern despite media hostility, they might as well go home.

In any event, the press doesn't explain GOP confusion over, say, whether to include medical savings accounts as part of health care reform. Speaker Gingrich first announced, inexplicably, that the House would pass this free-market innovation but then strike it if Mr. Clinton objected; later he reversed himself and said the idea was critical to the bill. Meanwhile, Mr. Dole's fellow Senators seem intent on embarrassing him by barring such accounts, creating a nice opportunity for the press to play up GOP disarray.

Nor is the media to blame for Pennsylvania Republican Bud Shuster's efforts to roll his own leadership by putting the highway trust fund off budget. This is something even Democrats didn't have the nerve to do when they ran Congress. But now Mr. Shuster is boasting that he'll get 280 votes to override any Presidential veto. Leave it to Republicans to give Hill Clinton a fat opportunity to pose as a budget cutter.

Too many Republicans have bought the party line that they're fated to control Congress for a generation. That prospect remains real enough, but is not the sort of thing that happens by itself. The history of politics, as recently as 1994, shows that what really wins elections is dominating the battle of ideas. If Republicans don't want their first majority in 40 years to go down as a blip in history, they'd better find a way to regain the intellectual offensive.

Competitive Bribing

Corrupt people may exist everywhere, but Western democracies have at least prided themselves on laws that exact a high price for venal behavior. Last week, the OECD took an important step toward correcting a glaring exception to this rule.

It may come as some surprise that in about half of OECD countries—the world's leading industrialized nations—bribery of foreign officials is explicitly allowed, and in many it is tax-deductible. Thus, until recently, a German official bidding for a construction contract in Africa or Asia is not only free to grease as many palms as it takes, but he can actually deduct this expense from his tax bill. Last week OECD nations agreed to eliminate this amazing perquisite.

Getting rid of a tax deduction is a long way from criminalizing bribery—and the Paris talkshop isn't exactly armed with enforcement powers—but the move is important nonetheless because it reflects the first multilateral agreement of this sort. Previous efforts to harmonize how countries treat corruption have fallen far short of agreement, both in the OECD and in the U.N., where attempts at a convention on illicit payments was abandoned in the 1970s. Outside the U.S., bribery is mostly seen as just part of the cost of doing business abroad. Given that lucrative contracts also pay for jobs, European officials have insisted that economically their policy made sense.

Only it doesn't. In our global economy, corruption in developing countries cannot be separated from corruption at home. Corruption distorts decision-making, which hurts competition, market efficiency and economic development. For any who've watched as sleaze corrodes a country's economic engine—say, in China, Vietnam or Russia—this is obvious. Less obvious, but equally important, is the fact that the corrosion makes its way around the globe. Slush funds set up to pay for palm-greasing in Timbuktu can as easily be dipped into for pur-

poses closer to home. Italy has been grappling with this fact for some time; France and Germany have only more recently awakened.

From the tax troubles of tennis star Steffi Graf's father to allegations involving a number of officials at Adam Opel AG, Mannesmann and other corporate biggies, Germans have been shocked by recent reports suggesting a spread of corruption in their own country. Justice Minister Edzard Schmidt-Jortitz recently said that 3,000 public servants were found guilty of corruption every year. Last July, prosecutors in Germany revealed that some 200 people at 40 companies were under investigation.

All of this has prompted the government to put forward tougher prison sentences, including five years for bribery. Police have been given broader investigatory powers and the tax-deductibility of bribes for firms trying to secure foreign contracts has been revoked.

While most U.S. firms have found other ways to sweeten the pot (offering trips abroad, for example), the aggressive prosecution of those breaching the Foreign Corrupt Practices Act has no doubt cost U.S. businessmen. Yet clearly the U.S. has set an example for the 21st century's economy by promoting free trade and open competition. Meanwhile, the European Commission has curiously regarded the issue as one to be handled by the member states. On the contrary, it is very much the commission's business: As the anticorruption group Transparency International rightly notes, corruption "clearly distorts fair trade and competition with the single market and in third country markets."

We hope the OECD's move will cause a deeper rethink of policies undertaken in the name of "competitiveness." Until governments realize that in allowing bribery they are underwriting a lose-lose game, the venal will continue to have the law on their side.

Handwritten notes and signatures at the bottom of the page, including "B", "u. 3", "R", and "S".

UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

Ap 8

To: The President

Fr: RBR

Re: Attached.

Yesterday's "60 Minutes" on
CEO salaries. See esp. p 4
of transcript on the
administration's response.

WORKING FOR AMERICA'S WORKFORCE

~~Laurel~~
A local
we couldn't
a foreigner
Cory Lee
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eg. Wal-Mart
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RTV

RADIO TV REPORTS

Transcript

TRANSCRIPT

FOR DEPARTMENT OF LABOR

STATION WUSA TV
CBS Network

PROGRAM 60 Minutes

CITY Washington, DC

DATE April 7, 1995 7:00 PM

SUBJECT CEO Salaries

BROADCAST EXCERPT

LESLEY STAHL (ANCHOR): Four years ago the subject of a 60 MINUTES story called "Easy Money In Hard Times", about the multi-million dollar salaries paid to CEOs became an issue in the '92 presidential campaign. Now it's an issue again in the '96 campaign.

MAJORITY LEADER, NEWT GINGRICH: The President of the United States.

STAHL: President Clinton brought it up in his State of the Union, calling on executives to share the wealth with workers. Bob Dole hits the same theme in his stump speech, condemning what he calls corporate greed.

And there's reason the candidates have seized on CEO salaries again.

BUD CRYSTAL (FORMER COMPENSATION CONSULTANT): They're fatter than ever.

STAHL: They're fatter than ever?

CRYSTAL: Oh, yes, much bigger.

STAHL: Bud Crystal used to be what's called a compensation consultant, making up to \$500 an hour telling America's top companies, including CBS, how much to pay their executives. Then he turned whistle-blower and now analyzes and criticizes CEO pay.

CRYSTAL: I did a study recently of about 300 major companies, and I found that in 1992 the CEOs were earning about 145 times the pay of an American worker on the average. In '93, the same CEOs went to 170 times. In '94, they went to 187 times. And

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CMR

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some, just some early analysis of maybe 35 major companies for '95, we've now gone to 203 times.

STAHL: Wow!

CRYSTAL: And so, I am assuming that if we can extrapolate this to about the Year 2010, the ratio will then approximate that which existed in 1789, when Louis XVI was King of France. And you know what happened to Louis XVI. And by the way, they got his wife, too.

STAHL: A lot of people think that that let-'em-eat-cake mentality is exactly what prevails in corporate America these days. Pat Buchanan, the self-styled leader of a peasant revolution, has talked about it more than anyone.

PAT BUCHANAN (CANDIDATE FOR REPUBLICAN PRESIDENTIAL NOMINATION): You know, we are criticizing corporations. AT&T, I said, did a terrible thing, choppin' off 40,000 workers. Your stock goes up, and a guy gets a huge bonus.

STAHL: The guy with the bonus Buchanan was talking about is AT&T chairman Robert Allen. He's become everyone's favorite example of CEOs downsizing their companies, while upsizing their pay.

Last year, AT&T announced massive lay-offs. But at the same time, Allen's compensation jumped to nearly \$20 million for 1995 alone.

CRYSTAL: My theory is that the first people they let go was the entire public relations department because I can't imagine how if they were still on board that they would have advised them to almost triple his pay...

STAHL: Triple his pay?

CRYSTAL: ...in the face of this tremendous debacle, which he engineered.

STAHL: So he fires 40,000 people, and he triples his own pay.

CRYSTAL: Yes, basically.

STAHL: Mr. Allen! Mr. Allen! Hi, Lesley Stahl.

CHARLES E. ALLEN (CEO, AT&T): Oh, hi, Lesley, how are you?

STAHL: Can I ask you a question?

ALLEN: We caught up with Allen at a recent conference on business and education.

3

STAHL: I'm wondering if you would respond to the charges that it isn't fair that you've gotten a big pay increase, a big pay package for millions and millions of dollars, when you're laying off thousands and thousands of people.

ALLEN: Look, I came here for the educational summit. I didn't come here to talk about these issues.

STAHL: I know, I know., but could you answer?

ALLEN: We've had a very successful summit.

STAHL: Could you answer the question?

ALLEN: Well, first of all, I haven't gotten a big pay package worth millions and millions of dollars.

STAHL: His pay package is worth millions and millions. For the record, his 1995 salary was 1.15 million, cash. His bonus was 1.5 million, cash. AT&T lists another 581,000 as miscellaneous compensation. Allen got free AT&T stock worth 1.8 million. And he got stock options that AT&T says are worth another 11 million.

Bud Crystal says it's more like 15 million.

ALLEN: In fact, I took a basic salary decrease this year.

STAHL: But it's still more than a million dollars...

ALLEN: Well, look, look, look...

STAHL: ...when these people are still being layed off.

ALLEN: Look, I'm not trying to see whether it's a million dollars or five dollars. This is -- I get paid by my work just the way every other CEO at any company gets paid by determining what the marketplace values are, and they evaluate my performance, and so forth.

STAHL: Allen's performance has included the disastrous decision of two years back to have AT&T buy computer maker NCR, a move for which AT&T just took a \$6 billion write-off.

STAHL [Still off-mike talking to Allen] But you got a bonus.

CRYSTAL: You would have thought, with this sort of performance, that not only would -- that he would get no bonus at all, that they wouldn't give him the monster stock option they did, that, you know, he would be lucky to escape with his life, with this sort of performance. But he has been a relentlessly average performer during his tenure.

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STAHL: And he's getting massive bonuses every year -- by anybody's measure.

CRYSTAL: He does well. Yes.

STAHL: Doesn't it take a lot of nerve to ask for a package worth \$20 million, when your company isn't performing that well?

CRYSTAL: You would think so.

STAHL: Chutzpah.

CRYSTAL: You would think so. But the point is, if, however, the CEO comes to that chutzpah, if he, if he really pushes, the board will give way. They'll say, you know -- after he leaves the room -- and I've been through many, many board meetings -- they'll say, you know, what are you gonna do with Bill, you know? I mean, you know, some people it's women, some people it's gambling, you know, Bill's it's money. [Laughter]

STAHL: And they just say, you know, okay?

CRYSTAL: They say, you know, boys will be boys, and they give it to them.

STAHL: Let's give it to him.

CRYSTAL: Give it to him.

STAHL: Bud Crystal just finished a study of 75 of the biggest companies in America and found that on average CEO compensation jumped by more than 30% just last year, while the average worker's pay was up only 3%. This, despite the fact that Bill Clinton signed a law in 1993 that was supposed to take away corporations tax deductions for any executive pay over a million dollars a year.

If they're paying someone more than a million dollars, do they lose their tax benefits?

CRYSTAL: Well, but then, you know, the President sort of lost his nerve in this. I mean, it looks as though that's what happened. But first of all, they, they exempted private companies. Then they exempted anybody but the top 5 on the proxy statement of public companies. And so with clever lawyers and clever management consultants, now, within five minutes you could think up 10 ways around the law and make everything deductible.

STAHL: It's a totally meaningless law.

CRYSTAL: Yes. Totally meaningless.

STAHL: Obviously, by your study, it hasn't had any effect.

CRYSTAL: Oh, it's created some jobs, high-pay jobs for consultants, lawyers, accountants.

STAHL: If you have any doubt that the law is meaningless, just look at Bud Crystal's list of the kings of corporate pay for 1995.

Sanford Weill (sp?), chairman of The Travelers, 1995 total: 49 million.

Robert Goizueta of Coca-Cola, 23 million.

Jack Welch of GE, 22 million.

And, of course, AT&T's Robert Allen, at nearly 20 million.

STAHL: The question is, is it fair given the downsizing?

ALLEN: Lesley, I don't know whether it's fair. I don't make the rules in this country. I'm trying to do what's right for the long-term best interests of this company. If I get paid for doing the right thing, then I can't say it's unfair.

STAHL: But what about the discrepancies between -- and it's not just you, it's all these CEOs, for getting these massive salaries at a time when people...

ALLEN: Lesley, I came here to a summit conference on education. I didn't come here to talk about this subject.

STAHL: I know. I know. And I appreciate it.

ALLEN: And I will not debate with anybody the difference between what a frontline worker gets and what a CEO of a company gets. I mean, I...

STAHL: Is it hurting the country? I guess that's what I'm getting at.

ALLEN: I don't think it's hurting the country. I don't see how it's hurting the country.

STAHL: Robert Allen's on the hot seat because his pay has gone up while ATT is in trouble. But even at companies that are doing well, the gap between the work room and the board room has become an issue.

Of Louis Gerstner's \$15 million pay package, the New York Times said "Head of IBM Has Better Year Than IBM".

CRYSTAL: Not too long ago he cut the pay of all the executive secretaries at IBM, and he cited as the text of his justification

a survey that showed that these executive secretaries lamentably had somehow become overpaid compared to other executive secretaries. And I don't know, probably in the same pile of papers was a survey that I do that showed that he was very much overpaid. But I don't know if he's worked his way down the pile to that one yet.

STAHL: Louis Gerstner has downsized IBM back to economic health. Robert Allen hopes he can do the same for AT&T. And investors apparently approve. Both companies' stock prices have gone up in recent months.

These CEOs are valued because they're cutting costs. Right? They're trimming these companies down. They're making them sleeker. How does that fit with these massive salaries? They're not sleek and trimmed down? They're just ballooning. How do those two reside in the same bowl together?

CRYSTAL: You know, it's funny. The company will sit there and they'll say very soberly that we're sorry we have to close this plant in Iowa, or wherever, and throw 10,000 workers out in the snow, and we're sorry that we have to move the business to Mexico or Thailand. But you know, it's the doctrine of comparative advantage, you go where the labor costs are cheaper. But then, for example, I did a study recently in -- where I took 16 CEOs out of England, and I matched them with their evil twins in the U.S. And I found on the average the Americans were earning 3.2 times more than their British counterpart.

But you know, you saw, well, pardon me, you know, if that doctrine of comparative advantage was the rationale for throwing the 10,000 workers out in the snow and sending the work to Thailand, why don't we bring all the Brits over to run American companies, because we can get them for a third the price, and they speak better English than we do?

(END)

4/23/96
From David Lambert

Chen / Sosnick
Fig — Br

Highlights from AEI session with Carlyn Bowman, Norm Ornstein, Bill Schneider and Ben Wattenberg -- Thursday, April 18, 1996

BOWMAN

- Gender gap in Clinton's favor is the largest ever seen in a presidential contest
- Clinton's numbers are now looking like Reagan's in 1984, particularly his strength on issues related to the economy and taxes
- Clinton's disapproval remains at a stubborn 40%
- Huge majority support for increasing the minimum wage -- 84%, but not much intensity on it

WATTENBERG

- For the GOP to run on the "character" issue is a big mistake; people know Clinton and have made their peace one way or the other and they are now looking for content

ORNSTEIN

- Daschle has gotten very little of the attention he deserves for pulling his party together and becoming a significant ally for Bill Clinton
- Gingrich has the highest negative rating of anyone in political history, and has just passed Nixon at the time of the House Judiciary proceedings on Watergate (haven't seen the Kacynski figures yet)
- Newt is planning to be the presiding officer at San Diego -- big headache for Dole

SCHNEIDER

- Clinton has expropriated the GOP's best issues: deficit, taxes, welfare and values; the reason -- the GOP has moved so far to the right that Clinton can afford to take the center
- Democrats more unified than anytime in last 50 years

- Nader will not be a problem in California
- A sampling of Clinton's lead over Dole in different states (and by the number of points): California by 16; Connecticut by 19; Ohio by 15; Louisiana by 4; Tennessee by 4; Dole ahead of Clinton by 15 in Texas

MEMORANDUM

To: President Clinton

Re: Communications Performance Review

18 January 1996

Ph Back Full
new speech BC

I've reviewed several of your recent speeches including those to Parliament, the Tennessee Truck factory, and the troops in Bosnia. I also reviewed your interview with Dan Rather and Oval Office address on Bosnia.

Regarding your speeches and formal addresses, you continue to perform well. However, I have noted two increasingly common patterns which are detracting from your effective delivery.

- (1) Vocal Choppiness - Particularly in speeches given at a more moderate pace, you're breaking up the phrases in awkward places. This is most noticeable when you try to draw a phrase out for emphasis: you're breaking it up too arbitrarily and stepping on the meaning (examples: "they saved...the world" --- "should bind...all democracies" --- "we have ... prevailed"). Either you're running out of breath which necessitates the halt, or your timing has gotten off. You'll notice that you don't do this in more lively speeches where you more effectively draw out the cadence without chopping it up.
- (2) Transitions - You're backsliding on the effective pause for transitions in your speeches. Remember the "chapters" idea in any speech and the need for a corresponding change in tone. This not only revives the listeners' interest, it makes a longer speech seem shorter. This can be aided in teleprompter speeches by the scripted glance downwards with the eyes.

My comments on the Rather interview and the Oval Office address are best made by our watching the tape together.

4/23/96

Did you know? 100% N/A

43

Stephen Meyers, 53, a Founder Of a Mass-Market Law Firm

By ROBERT MCG. THOMAS Jr.

Stephen Z. Meyers, the visionary legal practitioner who helped revolutionize the practice of law as a founder of Jacoby & Meyers, the nation's first mass market law firm, was killed Friday night when the car he was driving collided with a delivery truck on a winding country road in New Fairfield, Conn. He was 53.

Mr. Meyers was driving his 27-year-old stepdaughter, Brooke Harmon Berryman, from New York to his weekend home in West Cornwall, Conn., when the accident occurred shortly before 7 P.M. on Route 37 near the Sherman town line. Mrs. Berryman, who lives in Middletown, Conn., suffered a broken leg and other injuries.

The death of Mr. Meyers caused shock and consternation on two coasts — in Los Angeles, where he and his U.C.L.A. law school classmate, Leonard G. Jacoby, created their innovative storefront firm in 1972, and in New York, where Mr. Meyers and his second wife, Millie Harmon Meyers, have been social leaders since they moved to the city in 1984.

The penthouse apartment in the Flatiron district of Manhattan, where the couple had entertained often and well, was transformed into a center of mourning for the prominent and the powerful yesterday as well-known friends, like Jeff Greenfield and Cokie Roberts, the television newscasters, and Mickey Kantor, the United States trade repre-

An accident on a winding country road continues to be investigated.

sentative, came to console Mrs. Meyers, the former volunteer coordinator for the Clinton-Gore Presidential campaign. She is now a protocol officer for Madeline K. Albright, the chief United States representative to the United Nations.

In Los Angeles, Mr. Jacoby, who had recently reached what he described as an amicable resolution of a well-publicized business dispute with Mr. Meyers, recalled the days when they were two young lawyers who shook the legal profession to its genteel foundations.

Realizing that both the very rich and the very poor had ample access to the legal profession, the two lawyers set their sights on the vast middle ground of America. The storefront legal clinic they established in Van Nuys, Calif., in 1972 created an immediate local sensation, and five years later, when their innovative, high-profile practice helped lead to a Supreme Court ruling that lawyers and other professionals had the right to advertise, they became the first to make their pitch on television.

The firm eventually grew to some



David Strick, 1979

Stephen Z. Meyers

300 lawyers in 150 offices in 6 states, but their very success, which spawned a vast array of low-cost imitators, forced a significant retrenchment in recent years as the firm took a new direction specializing in personal injury cases.

Both Mr. Jacoby and Gail Koff, the firm's low-profile New York partner, said the firm was now thriving again and would continue.

In addition to his wife and stepdaughter, Mr. Meyers is survived by a daughter from his first marriage, Jessica Slack of Marin County, Calif.; two other stepdaughters, Victoria Harmon of Washington and Elise Harmon of San Francisco; his father, Frederick Harmon of Hilton Head, Calif., and a sister, Sarah Allen of North Hanover, Vt.

Ken Doherty, 90, Longtime Penn Relays Director

By FRANK LITSKY

Ken Doherty, a track and field athlete, coach and author and the longtime director of the Penn Relays, died Friday in Lancaster, Pa. He was 90.

Doherty was tall, slim and scholarly looking. From 1956 to 1969, he served as meet director of the Penn Relays, a three-day, almost nonstop logistical marvel of running, jumping and throwing events that became the world's largest track and field rival.

He would sit on a wooden platform northwest corner of the University of Pennsylvania's Franklin Field, with telephones in front of him, listening with calls

first such assignment came in the 1935 Big Ten championships at Columbus, Ohio, where, in a 45-minute span, Jesse Owens of Ohio State broke five world records and equaled a sixth. From 1959 to 1967, he was the meet director of The Philadelphia Inquirer Games, a major indoor competition. In 1959 in Philadelphia, he was the meet director of the first dual meet between the United States and the Soviet Union.

Ed Fabricus, an associate with the Penn Relays, recalled him as "a very thorough man with a stubborn streak." "When Bruce Dern, the actor, was a Penn half-miler," Fabricus said, "Ken kicked him off the team because he wouldn't cut his

both from the University of Michigan.

In 1928 and 1929, when the 10 events that make up the decathlon were contested in one day instead of the present two, he won the national championship. In the 1928 Amsterdam Olympics, he won the bronze medal in the decathlon.

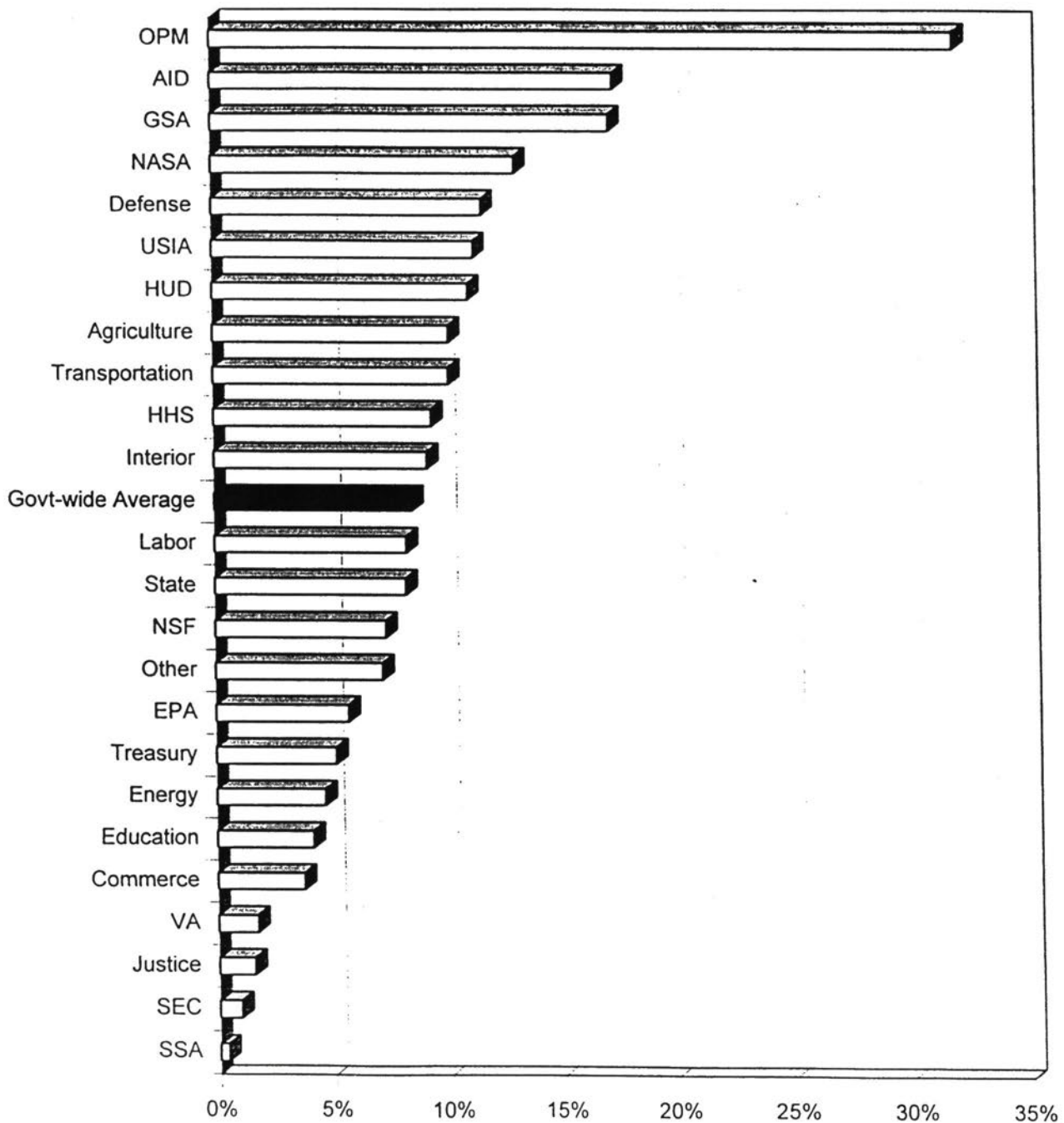
He was an assistant track coach at Princeton (1929-30) and Michigan (1930-39) and head coach at Michigan (1939-48) and Pennsylvania (1948-58). His books included "Track and Field Omnibook" and "Modern Track and Field," highly regarded instructional manuals.

He conducted track clinics in the Soviet Union, Finland, Canada and

Figure 3: FTE Reductions by Agency on a Percentage Basis

(January 1993 - September 1995)

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THE PRESIDENT HAS SEEN

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MEMORANDUM

TO: President Bill Clinton

FROM: Arthur Schechter

RE: Editorial

DATE: April 15, 1996

I thought you might enjoy reading this editorial.

*Editorial supporting
your Partial birth abortion
vote*

THE PRESIDENT HAS SEEN
4/23/96

Melanne

Houston Chronicle

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VETO RIGHT

Compassion wins out over cynical politics

President Clinton showed political courage in an election year by vetoing a misguided bill that unconstitutionally would have made it a crime for doctors to perform so-called "partial birth" late-term abortions.

Despite all the heated rhetoric that will come as a result — and has come for years on the abortion issue ad nauseam — it is still a medical decision that could save some women's lives. And Congress has no business meddling in medical decisions.

And, no, arguing that preserving a woman's right of access to a procedure that could save her life is not at all the same thing as arguing for such abortions to be performed casually.

As Dr. Warren Hern, author of a textbook

on abortion procedures, correctly told the Philadelphia Inquirer, such methods are "almost always performed for the most tragic reasons of severe fetal anomaly, genetic disorder or immediate risk to the woman's life. They are not performed for frivolous reasons."

Equally correct was Kate Michelman, president of the National Abortion and Reproductive Rights Action League, who said Clinton chose, "compassion and concern for families facing medical tragedies over the cynical, election-year ploy of the politicians advancing this legislation."

Those statements are all that need be said, though no doubt much more will be heard.

THE PRESIDENT HAS SEEN
41 23/96

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Russia Struggles in Long Race To Prevent an Atomic Theft

By MICHAEL R. GORDON

MOSCOW, April 19 — When scientists from the Kurchatov Institute go to work at Building 116, getting in the door is no simple matter.

First, they slide computerized identification cards into a cage-like booth at the entranceway. Then they punch in a secret code, while a computer determines their weight to verify their identity.

If everything checks out, the rear of the booth opens up, admitting them into the building.

The need for security is clear. Situated within the city limits of Russia's bustling capital, Building 116 contains enough highly enriched uranium for several nuclear bombs.

Two years after the first reports that nuclear material had been smuggled out of the former Soviet Union, Washington and Moscow are already collaborating on an ambitious program — unthinkable during the cold war — to safeguard Russia's nuclear materials. The result has been to help Russia, as well as other former Soviet republics, to make steady, if slow, progress toward protecting nuclear bomb ingredients.

Still, security systems like those at Building 116 — part of a premier nuclear institute named after the father of the Russian bomb — re-

main the exception, not the rule. Of 28 areas at the Kurchatov Institute where bomb-grade materials are stored, only two have the most up-to-date and stringent security procedures. Officials say it will take another year or two to include them all.

NUCLEAR INSECURITY

A special report.

Russian specialists predict that it will take as long as a decade to protect and account for the vast store of nuclear materials scattered at sites across the former Soviet Union. The current shaky system of controls is one of the main reasons why leaders of the industrialized nations have come to Moscow for a summit meeting this weekend.

"That is the scale of the task," said Aleksandr N. Roumiantsev, a senior official at the institute. "All of these must be provided with physical security and each case is very specific."

During the cold war, the Soviet Union produced a monumental 1,300 tons of highly enriched uranium and nearly 220 tons of plutonium, much of it still widely spread throughout former Soviet republics at poorly guarded sites, including plants alarmingly close to war zones and aspiring nuclear states.

And while important headway is being made, the push to secure nuclear materials has been constrained by a lack of money, a growing nationalist feeling spurred on by

Continued From Page 1

Russia's election-year politics and lingering doubts within the Russian and American militaries.

The Russians have backed away from a 1994 agreement to share data as well as a deal to shut down three plutonium-producing reactors by 2000. American suspicions have also posed problems, with the Navy reluctant to allow Russian officials to visit its nuclear storage sites.

New Dangers

Threat of Theft Is Main Worry Now

The breakup of the Soviet Union cost Moscow its most reliable safeguards of nuclear materials: the iron grip of its police state.

Relaxed borders, relaxed Government controls, the growth of criminal gangs and the declining prestige and wages of nuclear scientists in Russia have all combined to create a new danger: theft of the essential ingredients of a nuclear bomb.

"The chilling reality is that nuclear materials and technologies are more accessible now than at any other time in history — due primarily to the dissolution of the former Soviet Union and the region's worsening economic conditions," John Deutch, the director of the Central Intelligence Agency told Congress last month.

Nuclear materials are also widely scattered throughout the former Soviet Union at 40 to 50 locations. Within these, there are 1,500 to 2,000 specific areas where nuclear materials are handled, according to Russian officials.

Complicating the task is the Soviet system of accounting for nuclear materials, which relied largely on records of the production of nuclear materials instead of sophisticated scientific measurements.

The system is so lax that Russia still does not know the precise quantity and disposition of nuclear material at many of its sites. A new, more scientific system has been mandated, but Russia is only in the early stages of developing it.

The problem is not Russia's alone. Situated on the shores of the Caspian Sea, not far from Iran, the Kazakhstan reactor at Aktau has emerged as a special worry for American specialists.

Fueled with uranium with a 30 percent level of enrichment, the reactor produces "ivory grade" plutonium, which is even better for bombs than the weapons-grade plutonium generally use.

The plutonium is contained in the spent reactor fuel that is kept in a cooling pond near the reactor. To be used for military purposes, the plutonium would have to be chemically separated, a procedure that does not require advanced technology if the fuel has been in the pond long enough for its radioactivity to cool.

But now that Kazakhstan is an independent country, the Russians have refused to transport the spent fuel to

Russia.

Concerned that Iran might try to acquire either fuel from the reactor or the spent fuel from the cooling ponds, the United States Department of Energy has already begun an effort to improve security, but the work is not yet completed.

Officials from the C.I.A. say that Iranian agents tried to acquire nuclear materials from the Uzbek Metallurgical Plant in Kazakhstan in 1992 and have been involved in other smuggling efforts.

American officials are also worried about a small cache of enriched uranium at a laboratory near Tbilisi, Georgia, in the volatile Caucasus region. They fear the supply, less than a bomb's worth, might somehow find its way to Chechen rebels.

Russian plants have already been targeted by thieves. In 1994 almost six pounds of highly enriched uranium believed to have originated in the former Soviet Union was seized by the Czech police, the largest recorded seizure, but less nuclear material than would be needed for a bomb.

Depots for nuclear fuel for Russian submarines and icebreakers, some of which has also been targeted by thieves, are also a concern.

Mr. Deutch told Congress last month that a comprehensive review by American intelligence officials concludes that as yet "none of these facilities in Russia or other newly independent states has adequate safeguards or security measures by international standards for weapons-usable materials."

Slow Progress

Improving Security Could Take Years

There are some significant signs of progress.

The United States and Russia, for example, have already agreed to improve security at over 30 locations, which account for more than 70 percent of the places where Russia stores significant quantities of bomb-grade materials.

The Institute of Physics and Power Engineering, a civilian plant with large quantities of highly enriched uranium and plutonium, is a case in point. It is situated at Obninsk, an area only recently opened to foreigners and Russians without special security clearance.

But under the most optimistic American Government estimates it will take six years to carry out the planned security improvements in Russia at the current level of funding. Russians say it will probably take longer.

American officials also hope that the Russians will use their experience in working with the United States and apply new security and accounting procedures to the most secret domains of their nuclear empire, including the nuclear weapons production and dismantlement facilities that remain off limits.

Pavel V. Oleynikov, a specialist from Chelyabinsk-70, said that six American nuclear laboratories were helping to develop security systems for several research reactors at the

complex. Situated in a closed area in the Ural Mountains, Chelyabinsk-70 is one of Russia's primary nuclear design centers.

Mr. Oleynikov said Russian scientists hoped to expand the security improvements to far more sensitive parts of the complex and other similar plants in the Urals region and Siberia, which American specialists are not now allowed to visit.

Russian and American officials are taking the same approach at Arzamas-16, another main nuclear weapons design center.

THE NEW YORK TIMES

SATURDAY, APRIL 20, 1996

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One development that has speeded progress is the effort by American nuclear laboratories to work directly with Russian nuclear institutes and complexes, using American money to underwrite the development of Russian security systems. Earlier efforts were hampered by red tape by both Governments and the requirement that most American money be funneled to American contractors.

Still, difficult problems remain.

While the two sides are discussing the problem of protecting nuclear fuel for submarines and icebreakers, American experts have not yet been to these storage centers. That issue

has been complicated by the American Navy's reluctance to allow Russian officials to visit its storage sites.

And other efforts are moving even slower, if at all.

To enable specialists to better understand the scope of the nuclear security problem, President Boris N. Yeltsin of Russia and President Clinton agreed in 1994 to exchange information on how many warheads and how much fissile material each country has.

The two sides also agreed to use special radiation-detecting devices to measure the stockpile of nuclear material from dismantled warheads as an indirect way to confirm the number of warheads taken apart.

Sharing such data is not as simple as it seems. Under both country's laws, such steps cannot be carried out until there is a special accord authorizing the exchange. But to the Americans' surprise, the Russians called off talks in November to develop such a legal framework.

Officially, Russia says there are technical problems. But Valery Bogdan, the business manager of Russia's Ministry for Atomic Energy, acknowledged politics was also a consideration.

Specifically, the Yeltsin Government has been worried about nationalist charges that it is disclosing Russian secrets. Some American officials also say Washington has not treated the accord as a top priority.

A separate case of backpeddling arose in connection with Russia's much belittled 1994 agreement to shut down three reactors at Tomsk and Krasnoyarsk that produce weapons-grade plutonium.

The reactors also supply heat and energy to the surrounding Siberian communities, and the Russians eventually concluded that they could not afford to replace them with conventional power plants.

"We failed with replacing the military reactors," observed Alexei Yablokov, an environmental adviser to President Yeltsin and a critic of Russia's nuclear establishment.

As a fallback, the United States and Russian are now developing a plan that will allow the reactors to continue operating, while converting them so that they no longer produce weapons-grade plutonium.

Uncertain Future

Effort and Costs Grow With Risks

While the political purpose of this weekend's summit meeting is to boost President Yeltsin's election prospects, Western officials also want to use the carefully scripted session to cement a new agreement to coordinate efforts against nuclear smuggling.

The summit is also expected to establish an international meeting to develop long-term ways to dispose of plutonium.

American officials want the Russians to commit themselves to a total nuclear test ban, international safety standards for nuclear reactors, and to the safe disposal of nuclear waste, among other measures.

Some specialists, however, say that for all the summit fanfare the United States is not moving fast enough.

Clinton Administration officials said they could move quickly by, for example, installing security checks at Russian nuclear installations, if the Congress would provide additional funds.

And John P. Holdren, a nuclear scientist who helped prepared a classified report on nuclear smuggling for the White House, recently urged a doubling of American assistance for the protection and accounting of nuclear materials, an increase that would raise the level of money in 1995 to \$150 million. He also urged more money to combat nuclear smuggling and to buy highly enriched uranium from Russia.

In a letter to Senator Nunn, Mr. Holdren acknowledged that his proposal might appear expensive.

But he added: "The costs and risk of inaction — in both lower security and higher defense expenditures should weapons-usable nuclear material fall into hands unfriendly to the United States — would be far higher than the cost of timely preventative action today."

THE NEW YORK TIMES
SATURDAY, APRIL 20, 1996

2/2

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: Apr. 1 23

TO:  Lee

FROM: Staff Secretary

fyi. Not sure where
we are with this right
now. Does President
want any action taken?



cc: Evelyn
Melanne
George 

THE PRESIDENT HAS SEEN
4/20/96

THE WHITE HOUSE
WASHINGTON

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April 17, 1996

MEMORANDUM TO THE PRESIDENT

FROM: TODD STERN *DS*
SUBJECT: Partial Birth Abortion

Following a meeting yesterday chaired by Don Baer, I drafted the attached letter on partial birth abortion, and Elena Kagan drafted the attached talking points, summarizing your position. (As noted in the accompanying memo from Don and Alexis, there is some ongoing discussion about how best to get the letter out -- e.g., as a response to the Cardinals, or as an open letter.)

I wanted to call one point to your attention. Elena and I do not make the argument -- suggested in your note to Don and Alexis -- that the women who came to the White House last week underwent a procedure not described in the bill, or that Congress could or should have exempted the procedure they underwent from the bill's prohibition.

The reason is that this argument isn't accurate. The women who visited with you *did* undergo a dilation and evacuation procedure, and that is precisely the procedure targeted by the bill. The bill uses a layman's term, "partial birth abortion", so it is conceivable that more than one procedure might be covered. But there is no question that the bill's principal target is dilation and evacuation, which is what these women underwent.

Of course the procedure itself, as these women experienced it, might have been far less gory than the bill's supporters have claimed. But then the argument becomes that the procedure isn't as bad as people say, rather than that these women underwent a different procedure altogether, which shouldn't have been covered by the bill. And trying to argue that the procedure isn't as bad as people say is a losing ground for you. You need to keep the focus on saving women from serious health risks, not saying that dilation and evacuation isn't so bad. Indeed you have said in the past that it is very troubling.

This view is widely shared by your advisors (Melanne, George, Vicki, Elena, etc.).

*This is an excellent letter
Nancy's BC*

*Agree
an I meant
to say was
they say the
didn't want
proceed with
it was clearly
covered by the
bill*

Agree

Partial Birth Letter
(4/17[2]/96)

A great deal has been written in recent days and weeks about legislation banning a certain abortion procedure, commonly referred to in the press as partial birth abortion. In late March, Congress passed that legislation, H.R. 1833, and on April 10, I vetoed it because of its failure, in certain rare and compelling cases, to prevent serious threats to women's health.

My position on this bill has been widely misrepresented and misunderstood. Some, including those more interested in creating a political issue than in putting real, meaningful limits on the use of this procedure, have deliberately distorted my views. But I know that a great many people of good faith -- and of all faiths -- are sincerely perplexed about the veto. It is to these people that I address these comments -- not because I believe that you will necessarily come to share my view, but so that you will understand the genuine basis of my position.

Let me begin with a word of background. I am against late-term abortions and have long opposed them, except, as the Supreme Court requires, where necessary to protect the life or health of the mother. As Governor of Arkansas, I signed into law a bill that barred third trimester abortions, with an appropriate exception for life or health, and I would sign a bill to do the same thing at the federal level if it were presented to me.

The particular procedure aimed at in H.R. 1833 -- generally referred to by doctors as dilation and evacuation -- poses a most difficult and disturbing issue, one which I studied and prayed about for many months. Indeed, when I first heard a description of this procedure, I anticipated that I would support the bill. But after I studied the matter and learned more about it, I came to believe that this rarely used procedure is justifiable as a last resort when doctors judge it necessary to save a woman's life or to avert serious consequences to her health.

Last week, I was joined in the White House by five women who desperately wanted to have their babies and were devastated to learn that their babies had fatal conditions and would not live. These women wanted anything other than an abortion, but were advised by their doctors that this procedure was their best chance to avert the risk of death or grave harm which, in some cases, would have included an inability to bear children. These women gave moving, powerful testimony. For them, this was not about choice. This was not about choosing against having a child. Their babies were certain to perish before, during or shortly after birth. The only question was how much grave damage they were going to suffer. Here is what one of them had to say:

"Our little boy had...hydrocephaly. All the doctors told us there was no hope. We asked about in utero surgery, about shunts to remove the fluid, but there was absolutely nothing

we could do. I cannot express the pain we still feel. This was our precious little baby, and he was being taken from us before we even had him. This was not our choice, for not only was our son going to die, but the complications of the pregnancy put my health in danger, as well. If I carried to term, he might die in utero, and the resulting toxins could cause a hemorrhage and possibly a hysterectomy. The hydrocephaly also meant that a natural labor risked rupturing my cervix and my uterus."

Some have raised the question whether, as a matter of medical practice, this procedure is ever the safest for a woman. I can only say that there are many doctors -- some of whom testified before Congress -- who believe that this procedure is, in certain rare cases, the safest one to use. In those rare cases, where a woman's serious health interests are at stake, I believe her doctors, in the best exercise of their medical judgment, should have the option to use the procedure.

The problem with H.R. 1833 is that it provides an exception to the ban on this procedure only when a doctor can be certain that a woman's life is at risk, but not when the doctor is sure that she faces real, grave risks to her health.

Let me be clear. I do not contend that this procedure, today, is always used in circumstances that meet my standard -- namely, that the procedure must be necessary to prevent death or serious adverse health consequences. The procedure may well be used in situations where a woman's serious health interests are not at issue. But I do not support such uses, I do not defend them, and I would sign appropriate legislation banning them.

At the same time, I cannot and will not countenance a ban on this procedure in those cases where it represents the best hope for a woman to avoid serious risks to her health. I recognize that there are those who believe it appropriate to force a woman to endure real, serious risks to her health -- including, sometimes, the loss of her ability to bear children -- in order to deliver a baby who is already dead or about to die. But I am not among them.

I also understand that many who support this bill believe that any health exception is untenable. In a letter sent to me on April 16 by our leading Catholic Cardinals, they contend that a "health" exception for the use of this procedure could be used to cover most anything -- for example, youth, emotional stress, financial hardship or inconvenience.

That is not the kind of exception I support. I support an exception that takes effect only where a woman faces real, serious adverse health consequences. Those who oppose this procedure may wish to cite cases where fraudulent health reasons are relied upon as an excuse -- excuses I could never condone. But people of good faith must recognize that there are also cases

where the health risks facing a woman are deadly serious and real. It is in those cases that I believe an exception to the general ban on the procedure must be allowed.

Further, I flatly reject the view of those who suggest that it is impossible to draft a bill imposing real, stringent limits on the use of this procedure -- a bill making absolutely clear that the procedure may be used only in cases where a woman risks death or serious damage to her health, and in no other case. I know that it is not beyond the ingenuity of Congress, working together with this Administration, to fashion such a bill.

Indeed, that is why I implored Congress, by letter dated February 28, to add a limited exemption for the small number of compelling cases where use of the procedure is necessary to avoid serious health consequences. Congress ignored my proposal and did so, I am afraid, because there are too many there who prefer creating a political issue to solving a human problem. But I reiterate my offer now: if Congress will work with me to produce a bill that meets the concerns outlined in this letter, I will sign it the moment it reaches my desk.

As I said at the outset of this letter, I know that many people will continue to disagree with me about this issue. But they should all know the truth about where I stand: I do not support the use of this procedure on demand. I do not support the use of this procedure on the strength of mild or fraudulent health complaints. But I do believe that we cannot abandon women, like the women I spoke with, whose doctors advise them that they need the procedure to avoid serious injury. That, in my judgment, would be the true inhumanity.

I continue to hope that a solution can be reached on this painful issue. I hope as well that the deep dialogue between my Administration and people of faith can continue with regard to the broad array of issues on which we have worked and are working together.

Sincerely,

- The President vetoed H.R. 1833 because the bill, which prohibits a certain kind of abortion procedure, fails to protect women from serious threats to their health, as both the Constitution and humane public policy require.
- The procedure described in the bill troubles the President deeply. He does not support use of that procedure on an elective basis. He would allow it only where necessary to save the life of the mother or prevent serious injury to her health.
- This bill went too far because it would ban use of the procedure even when it is the only or best hope of saving the woman's life or averting a serious threat to her health, including her ability to have children in the future.
- Before vetoing this bill, the President heard from women who desperately wanted babies, who were devastated to learn that their babies had fatal conditions, who wanted anything other than an abortion, but who were advised by their doctors that this procedure was their best hope of preventing death or grave harm, including the loss of reproductive ability. For these women and others, this was not about choice. These babies were certain to perish before, during, or shortly after birth, and the only question was how much grave harm was going to be done to the woman.
- Criminalizing use of the procedure in such cases, where women and their families must make a tragic choice, poses a danger of grave harm to women. A ban of this kind, aside from violating the Constitution, would be the true inhumanity.
- That is why the President, by letter dated February 28, implored Congress to add an exemption for the small number of compelling cases where selection of the procedure, in the medical judgment of the physician, is necessary to preserve the life of the woman or avert serious adverse consequences to her health. A bill amended in this way would have struck a proper balance, remedying the constitutional and human defect of H.R. 1833.
- The charge that the President's proposed exemption would create a huge loophole, allowing the widespread use of this procedure, is simply not true. The President's exemption would apply only when there is serious harm to health. Surely Congress, working with this Administration, can write legislation making clear that serious harm to health means just that -- that it doesn't include, as some have suggested, youth, low income, or inconvenience. Attacks such as this trivialize profoundly tragic situations. All one needs to do is to listen to some of the women who have had this procedure to understand what kind of harm the President is talking about.
- The President will not sign a bill showing, as this one does, total indifference to the health of women. He will sign a bill amended to protect women from serious harm by allowing this procedure in rare cases. He regrets that Congress, more interested in creating a political issue than solving a problem, has so far rejected this approach.

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MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN AND DON BAER

SUBJECT: SUMMARY OF CONTINUING FOLLOW-UP ON H.R. 1833

CC: LEON PANETTA, HAROLD ICKES AND EVELYN LIEBERMAN

Following up on your discussions with us, we have held a meeting with relevant members of the White House staff concerning the necessary next steps on the veto of H.R. 1833 and the April 16th letter from the Catholic Cardinals. The following summarizes our proposed strategy to put forward your position to both the Catholic community and more general audience.

I. COMMUNICATIONS

A. A strong letter from you on this subject is being forwarded under separate cover. We view this letter as a key vehicle for clearly setting forth your position on the issue; the Administration's efforts during Congress' passage of the legislation; and, most important, your reasons for the veto, as articulated at last week's event.

*Could
A letter
be sent to
Cardinals
via letter
etc.*

One open issue is to whom your letter should be directed. Some of the staff (including George Stephanopoulos and Vicki Radd) recommend that the letter be sent to the Cardinals as a response to their letter. This alternative would get the most press coverage, but at the possible risk of further engaging the Cardinals (as Melanne Verveer and John Hart fear). Other options (which would get the full letter published) include submitting the letter to a national newspaper as a letter to the editor or as an op-ed carrying your byline. Finally, we could simply release it as an open letter. (Religious leaders like Joan Campbell prefer this approach.) Ultimately, we will ensure that this letter is distributed as widely as possible — to both general and religious (including Catholic) media outlets, as well as through Public Liaison.

B. Father Robert F. Drinan has agreed to write an op-ed supporting your position. We will be working with him on its content, and will help with its placement this week. (Melanne Verveer also has a call in to Mary McGrory to discuss her column.)

C. A briefing is being organized for targeted Cabinet members and other high-level Administration officials (including Secretaries Cisneros, Shalala and Pena, EPA

Supervisor

Administrator Browner and Peace Corps Director Gearan) who can serve as key surrogates -- both publicly and behind the scenes -- to defend the Administration's position on this issue. This briefing will include a discussion of the most effective ways to deploy these surrogates.

D. To educate all Administration spokesmen and all surrogates, as well as the general public, we have in draft form the following materials: (1) a one-pager of talking points explaining your position and record on this issue (attached); (2) the legislative history of H.R. 1833, including the Administration's efforts; and (3) a review of your record (as both President and Governor) on abortion. Staff is now working on preparing "Q's and A's" on the issues, including questions that allow correction of some of the misstatements of fact now in circulation.

E. Additional policy and communications options are under discussion by relevant staff. We hope to have staff recommendations soon about such related areas as your position against assisted suicide (also mentioned in the Cardinals' letter) and the Administration's continuing efforts to facilitate adoption and prevent teen pregnancy.

II. OUTREACH

A. The Office of Public Liaison will develop a comprehensive list of Administration and external surrogates to assist in the weeks ahead to explain your position and response on the issue. This list will include elected officials, physicians and women.

B. Public Liaison will continue to broaden its outreach activities:

1. To convey your position and rationale to the Catholic lay community by sending the new materials to our Catholic surrogates nationwide.

2. To follow-up on our 200-person mailing last week to the heads of the major non-Catholic denominations.

3. To broaden support from the physician and health provider community and widen the distribution of supportive statements from the American College of Obstetricians and Gynecologists, the American Medical Women's Association, the American Nurses Association and individual physicians who have written letters to editors across the country.

4. To develop a longer-term strategy within the women's and choice groups to ensure their ongoing grassroots education initiatives.

*How would you
to all Catholic
surrogates?*

LP
JO
T. Lake
Gerry
McNary

THE PRESIDENT HAS SEEN

4/23/96

Mr. President,

THE WHITE HOUSE
WASHINGTON

For your review
and approval.

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK QUINN

SUBJECT:

Executive Privilege and the IOB Report

Purpose

To identify considerations in determining whether (1) to accede, at this time, to Congressional demands that we turn over the IOB's report on shipments of Iranian arms to Bosnia, or (2) instead, to seek alternative ways to meet Congress's informational needs consistent with the Executive Branch's interest in confidentiality in these circumstances.

Background

In responding to Senator Specter's claim that the IOB and Administration are "stonewalling" the Senate Intelligence Committee's investigation, it is important to keep in mind that we have provided the substance of the report orally to Specter. Tony Harrington has briefed the SSCI and talked with members of the Committee individually. (In fact, he offered to brief the intelligence committees as soon as we were aware of the story on March 28.) PFIAB member Warren Rudman has read the report and briefed Senator Dole and others on it. Additionally, we are now actively responding to document requests. And, various officials, such as Peter Tarnoff, either have briefed or will soon testify on the Hill.

✓ Former Senator Rudman, who has gone on record stating that "no covert action has occurred," recommends that we not release the report. And, it is not at all clear that Specter has the support of his committee on seeking disclosure of the report. Senator Kerrey stated today that "the IOB is wholly within the Executive Office of the President, so there may be legitimate Executive Privilege here." (He went on to say, however, that "if the report is off limits to Congress" we should stop citing it as vindication of our actions.) In addition, Dole's marching orders to his committee chairmen yesterday, while stating that the IOB and White House had not cooperated, did not pick up Specter's specific theme of seeking access to the report. (Dole has, however, asked the Foreign Relations Committee to look at Administration policy and

cc: Vice President
Chief of Staff

the SSCI to look at whether Administration officials engaged in covert action.)

In his hill briefings, Tony Harrington discussed fully the IOB's review of whether U.S. officials went beyond a policy of "no instructions" and became actively involved in arms shipments to Bosnia. He went line-by-line through his report, describing the specific events that caused concern in the first instance, as well as other events of which the Board became aware. He stated the Board's view that our policy as implemented created a sense of ambiguity, but he also made clear that, in his view and that of the White House Counsel, the officials involved did not cross the line into covert action.

What Tony did not do was share with the Members of Congress the words, tone and manner in which these opinions were conveyed to you in the Board's six-page report (or orally to the Secretary of State, the DCI, Anthony Lake and the White House Counsel). And, with the exception of the principal players, Tony declined to identify persons interviewed by the Board, including, for example, a junior officer whose statements in the report contradicted those of a superior. On my instruction, Harrington informed Specter, as he had previously done in writing, that he declines to turn over to the Committee the IOB's report because it is a confidential communication to the President and provision of the report would hamper the effectiveness of the Board as one of the mechanisms by which you oversee intelligence activities.

a. Executive Privilege

The doctrine of executive privilege is an essential adjunct of the constitutional separation of powers. It protects confidential Executive Branch communications and your ability to receive candid advice and accurate information from your senior advisers. It also protects from disclosure your private conversations with other world leaders. It can be invoked before Congress or in judicial proceedings.

All Presidents have considered executive privilege important to protect. Thus, even in the context of the politically charged Army-McCarthy hearings, President Eisenhower barred employees from disclosing confidential communications. (He is reported to have said that anyone who testified to Congress about advice given to him "would not have a job" any longer.)

However, the doctrine of executive privilege is not absolute (except as to state secrets). Rather, it requires that the Executive Branch's interest in confidentiality be balanced against

cc: Vice President
Chief of Staff

Congress' legitimate need for information for legislative purposes.

It is not uncommon for this office to object to disclosure of sensitive communications to the Congress. Indeed, it has happened several times in the six months since I became your Counsel. But, in almost all instances, after interposing such an objection, we are able to reach an accommodation which respects the interests of both Congress and the Executive Branch.

The IOB report presents a case of core executive privilege -- an internal White House communication from senior White House advisers to you. In the past, we have successfully justified withholding such IOB materials from the Congress on these grounds (as set forth in the attached letter from Judge Mikva to Senator Specter in October, 1995 concerning an interim Guatemala report):

[Just] "as Congress relies on the confidential input of its staff, the President relies on the IOB to advise him of intelligence oversight issues of which he should be aware and to address any questions he or his senior advisers might ask. The President needs the most candid views, advice and recommendations that the Board can give him. This candor might be jeopardized if Board members had to worry that their views would be evaluated by other parties. In other words, it is fundamental to the operation of the Board that its communications to the President be held in confidence and that those who report to the Board understand this to be the case."

Put another way, you need to be sure that your senior advisers always give you their best advice, not the advice they think will look best to a congressional committee. And, if the candor of IOB reports is diminished, then eventually you will find the IOB a less useful tool than it has been. That result is not in the public interest.

b. The IOB Report and the Broader Context

The advantage of giving up the IOB report is straightforward and immediate. It would address the allegation of a cover-up. It should also help end the debate over whether there was any illegal activity. It will not, however, put a complete end to the inquiry into the issue of legality, nor will it end congressional inquiries into the policy decision.

The disadvantage of turning over the report is the deleterious impact disclosure will have on Presidential prerogatives. Admittedly, this is a long-term consideration that is difficult to quantify, but it is not an academic point. Please bear carefully in mind that if Congress sees that we are unwilling to invoke the privilege in appropriate cases that involve providing advice to you -- as in this case -- then it surely will be encouraged to

accelerate its requests for all manner of materials that should be protected.

At another level, the damage may be more immediate. We are currently facing several congressional requests that cover documents at the core of executive privilege -- your communications with Yeltsin over Russian chicken imports; NSC deliberations on Haiti human rights violations; the advice you received from Bob Rubin on the debt ceiling. How this report is handled also will directly affect the disposition of the IOB's pending Guatemala report. Again, our ability to achieve accommodations with Congress on these requests by providing information in a way that also protects core Presidential communications will certainly be affected by how we handle this request.

I do not seek to exaggerate the consequences of disclosing the IOB report. Nor do I suggest we can never compromise in significant measure on these issues. We went very far, for example, in responding to congressional requests for Mexico peso documents -- including allowing Members to read memos to you from senior advisers. I do want, however, to emphasize that, to the extent we treat exceptional cases such as Mexico peso (where Congress actually passed, and you signed, a law requiring the documents) as our standard, we will seriously erode the privilege.

Options

1. Hold firm on not providing the document, but be willing to provide a summary in relatively short order if that becomes helpful.

Pro:

- Protects your internal deliberative process. Helps draw line at time when Congress is seeking to encroach further into your internal deliberations on such other matters as Mexico, Haiti, and Russian poultry.
- Preserves efficacy of Executive Branch oversight mechanism. While prior IOB's have been largely dormant, your IOB has proven an important mechanism to review matters of concern.
- Providing a summary is supported by precedent. A summary was the basis of accommodation regarding IOB's interim Guatemala report, which the SSCI accepted.
- Is a serious effort at accommodation, particularly given the fact that no request has yet been made for a summary.
- Allows Members a basis on which to cross-check their own review in an area replete with hearsay, innuendo and rumor.

- A line must be drawn. If the IOB's review is provided, we anticipate the Congress will ask for interview notes and internal work product. The report offers a clear line of demarcation.

Con:

- Might fuel continued allegations that the Administration is "stonewalling" Congress and covering something up.
- Congress has already been briefed fully on the contents of the report; a summary is not likely to satisfy if Specter is determined to use the "stonewall" line for political effect.
- Might raise questions of what we left out of the summary.

2(a) Provide a redacted version of the report to the Committees.

Pro:

- Lessens "stonewalling" argument.
- Might help convince Specter and Kerrey that IOB review was thorough and frank and supports White House conclusion that no actions constituting U.S. covert action occurred.

Con:

- Will make it harder to draw, and hold, the line on your deliberative process in other settings, e.g., requests for documents relating to Bob Rubin's advice on Mexico, your conversations with Boris Yeltsin on poultry. In this setting, Congress will likely push on to next hurdle -- e.g., testimony from senior advisers within the White House.
- Could chill the IOB oversight mechanism. IOB may be less inclined to speak candidly in their reports and specify the basis on which they reach conclusions. Senior advisers may be less inclined to refer issues of concern to the Board.
- Establishes precedent for giving Congress access to IOB reports. (Moves IOB in direction of becoming a "White House IG," rather than Presidential advisory body.)
- Not likely to satisfy the Congress in any event. Your interest in confidentiality would be greatly compromised and the investigation will continue anyway.
- Allows Specter and others to continue to allege "cover-up." (Redacted document would offer a visual prop.)

- 2(b) Allow Chairman and Vice Chairman of SSCI (and if necessary their House counterparts, and perhaps, the Leadership and others if necessary) to read a redacted copy of the Report

Pro:

- Lessens "stonewalling" argument.
- Might help convince Specter and Kerrey that IOB review was thorough and frank and supports White House conclusion that no actions constituting U.S. covert action occurred.
- Presents less harmful precedent for other IOB reports than providing a copy or redacted copy to the Congress would.

Con:

- Congress would still have access to the report making it harder to draw and hold the line on your deliberative process in other settings, e.g., requests for documents relating to Bob Rubin's advice on Mexico, your conversations with Boris Yeltsin on poultry. In this setting, Congress will likely push on to next hurdle -- e.g., testimony from senior advisers within the White House.
- Could chill the IOB oversight mechanism. IOB may be less inclined to speak candidly in their reports and specify the basis on which they reach conclusions. Senior advisers may be less inclined to refer issues of concern to the Board.
- Establishes precedent for giving Congress access to IOB reports. (Moves IOB in direction of becoming a "White House IG," rather than Presidential advisory body.)
- Not likely to satisfy the Congress in any event. The investigation will likely continue anyway and your interest in confidentiality would be compromised.

3. Allow only Specter and Kerrey to read the IOB report.

Pro:

- Removes "stonewalling" argument.
- Might help convince Specter and Kerrey that IOB review was thorough and frank and supports White House conclusion that no actions constituting U.S. covert action occurred.

Con:

- Highly unlikely access could be limited to Specter and Kerrey. At minimum, would open door to House intelligence committee, congressional leadership, and others (such as Helms, since Dole has asked the SFRC to review policy).
 - Gives Specter more influence over the characterization of the report.
 - Will make it harder to draw and hold the line on your deliberative process in other settings, e.g., requests for documents relating to Bob Rubin's advice on Mexico, your conversations with Boris Yeltsin on poultry. In this setting, Congress will likely push on to next hurdle -- e.g., testimony from senior advisers within the White House.
 - Could chill the IOB oversight mechanism. IOB may be less inclined to speak candidly in their reports and specify the basis on which they reach conclusions. Senior advisers may be less inclined to refer issues of concern to the Board.
 - Establishes precedent for giving Congress access to IOB reports. (Moves IOB in direction of becoming a "White House IG," rather than Presidential advisory body.)
 - Not likely to satisfy the Congress in any event. The investigation will continue anyway while your interest in confidentiality will be greatly compromised.
4. Turn the report over to SSCI and, if requested, the HPSCI.

Pro:

- Removes "stonewalling" argument.
- Might help convince Specter and Kerrey that IOB review was thorough and frank and supports White House conclusion that no actions constituting U.S. covert action occurred.

Con:

- Will make it harder to draw, and hold, the line on your deliberative process in other settings. In this setting, Congress will likely push on to next hurdle -- e.g., testimony from senior advisers within the White House.
- Could chill the IOB oversight mechanism. IOB may be less inclined to speak candidly in their reports and specify the basis on which they reach conclusions. Senior advisers may be less inclined to refer issues of concern to the Board.

- Establishes precedent for giving Congress access to IOB reports. (Moves IOB in direction of becoming a "White House IG," rather than Presidential advisory body.)
- Not likely to satisfy the Congress in any event. They will conduct their own investigation anyway and your interest in confidentiality will be greatly compromised.

RECOMMENDATION

That you approve option #1 on the understanding that we will continue to cooperate with Congressional efforts to access and understand the underlying facts.

Approve

Disapprove

That we fallback to option #2(b) -- showing the intelligence committee leadership a redacted copy of the report -- if we have to. (Leon Panetta, Tony Lake and Bruce Lindsey support Option #1 with option #2(b)).

Approve

Disapprove

Attachments

Tab I The IOB's Report
 Tab II Tony Harrington's Letter to Specter, April 15, 1996
 Tab III White House Counsel letter to Specter, October 26, 1995

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 4/23

TO:

Milli

Alston

FROM: Staff Secretary

COMMENT:

Milli-

Can you take care of this?
prints. Phil

For Appropriate Action _____

For Presidential Response ✓

DUE DATE:

as soon as possible, please



Federal Emergency Management Agency

Washington, D.C. 20472

*go President
wrote letter
to next of kin*

April 22, 1996

Note To: Kitty Higgins
Steve Silverman

From: *James Bullock*

Subject: Arkansas Tornado Victims

As of 4:00 PM today, four individuals are identified as having perished in the tornadoes that went through Sebastian and Crawford Counties in Arkansas. The individuals are listed below and a phone number for next of kin is indicated in all cases but one where the legal notification has not been completed. We have also included the names and phone numbers of the two local County Coordinators who are dealing with the disaster. We expect to have more complete information tomorrow. Please let us know if you need anything additional.

Deceased Victims:

Angelica Flemming, 2 1/2 years old, notification of next of kin still pending.

Kyle Richard Johnson, 5 years old. Rosetta Johnson, next of kin (grandmother) can be reached at 501-785-3223.

Tim and John Lackey, father and son, no particular next of kin identified but the family phone number is 501-677-2350.

County Coordinators:

Sebastian County: Clifford Bell, Jr.
work: 501-783-3932
home: 501-785-1607

Crawford County: Fred Fulkerson
work: 501-738-6721
home: 501-738-2936

CABINET AFFAIRS ROUTING SLIP

DATE: 4/22/96

ACTION/CONCURRENCE/COMMENT DUE BY: _____

FOR APPROPRIATE ACTION: _____

FOR YOUR INFORMATION: _____

FROM: **STEPHEN B. SILVERMAN**
DEPUTY SECRETARY TO THE CABINET
DEPUTY ASSISTANT TO THE PRESIDENT

SUBJECT: Arkansas Tornado Victims' information

COMMENTS: _____

LEON PANETTA (PALMIERI)
 HAROLD ICKES (SUTTON)
 EVELYN LIEBERMAN (WILDMAN)
 KITTY HIGGINS
 JOHN ANGELL
 DON BAER
 KRIS BALDERSTON
 DAVID BEAUBAIRE
 JEREMY BEN-AMI
 EMILY BROMBERG
 GABRIELLE BUSHMAN
 PHIL CAPLAN
 MICHAEL DEICH
 JOHN EMERSON
 RAHM EMANUEL
 JANICE ENRIGHT
 ERIC EVE
 T.J. GLAUTHIER
 MARY ELLEN GLYNN
 MARCIA HALE
 KAREN HANCOX
 LARRY HAAS
 NANCY HERNREICH
 ALEXIS HERMAN
 LEEANN INADOMI
 TIM KEATING
 JOHN KOSKINEN
 MARVIN KRISLOV

1FL WW
 1FL WW
 1FL WW
 2fl WW
 178 OEOB
 GFL WW
 160 OEOB
 160 OEOB
 218 OEOB
 106 OEOB
 196 OEOB
 GFL WW
 209 OEOB
 106 OEOB
 1FL WW
 1FL WW
 115 OEOB
 246 OEOB
 GFL WW
 2FL WW
 GFL W
 253 OEOB
 1FL WW
 2FL WW
 160 OEOB
 2 FL WW
 260 OEOB
 128 OEOB

BOB LITAN 246 OEOB
 MIKE MCCURRY 1FL WW
 ANNE MCGUIRE 160 OEOB
 LORRIE MCHUGH 1 FL WW
 LINDA MOORE 115 OEOB
 JENNIFER O'CONNOR 1111/2OEOB
 TOM O'DONNELL 2FL WW
 KEVIN O'KEEFE 148 OEOB
 JACK QUINN 2FL WW
 VICKY RADD 125 OEOB
 LEE SATTERFIELD 124 OEOB
 WENDY SMITH 115 OEOB
 DOUG SOSNIK GFL WW
 GENE SPERLING 2FL WW
 GEORGE STEPHANOPOULOS 1FL WW
 TODD STERN GFL WW
 STEPHANIE STREETT GFL WW
 GINNY TERZANO GFL WW
 BARRY TOIV 178 OEOB
 MICHAEL WALDMAN 214 OEOB
 ANNE WALLEY GFL WW
 DAN WEXLER 117 OEOB
 KATHI WHALEN 139 OEOB

FEMA

LIEBERMAN 1WW
 HIGGINS 2/WW
 ANGELL 178 OEOB
 CHOW 107/ EW
 ENRIGHT 1/ WW
 HALE 2/WW
 LITAN 246 OEOB
 MURGUIA 112 EW
 TERZANO G/WW
 McHugh 1/WW

DOT

HIGGINS 2FL WW
 ANGELL 178 OEOB
 DEICH 209 OEOB
 HANCOX GFL WW
 LITAN 246 OEOB
 MCHUGH 1/WW
 O'CONNOR 111 1/2
 TERZANO GFL WW
 TOIV 178 OEOB
 KEATING 2FLWW

BUDGET

LIEBERMAN 1/WW
 HIGGINS 2/WW
 HAAS 253OEOB
 HANCOX G/WW
 MCHUGH G/WW
 TERZANO G/WW
 WALDMAN 214 OEOB
 GOLDBERG 2/WW
 TOIV 178 OEOB
 MCHUGH 1/WW

ANNOUNCEMENTS

LIEBERMAN 1/WW
 HIGGINS 2/WW
 BAER G/WW
 ENRIGHT 1/WW
 HALE 2/WW
 HANCOX G/WW
 J. MOFFET 169OEOB
 L. MCHUGH 1/WW
 PALMIERI 1/WW
 TERZANO 1/WW
 WALDMAN 214OEOB
 MOORE 115OEOB

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

4/23/96

96 APR 19 PM 1:31

April 19, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
April 12 - April 19

DEPARTMENT OF TREASURY

Woot/Kalish
Project Gateway: On April 16, Customs Commissioner Weise and Governor Rossello of Puerto Rico announced Operation Gateway at a press conference in New York City. Operation Gateway is a long-term initiative aimed at combatting money laundering and narcotics smuggling in Puerto Rico.

*Ch. Neese
Kaley
B. J. H.*
Church Fires: On April 13, three churches in Barnwell County, SC, were discovered to have been burned. The Rosemary Baptist Church, a predominantly black church, was completely destroyed on the inside by fire. The two other churches which have white congregations, sustained minimal fire damage. ATF, FBI and State police are investigating.

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- **60 Minutes:** *60 Minutes* informed Customs that they plan to go ahead with a story that reportedly focuses on Customs handling of personnel suspected of wrongdoing. They have asked to interview the Commissioner next week.
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4/23/95

response to Governor Hunt's request for an SBA declaration for three counties as a result of severe storms and tornadoes on April 15. A survey began on April 17 in AR in response to Governor Tucker's request for an SBA declaration for two counties as a result of severe storms and tornadoes on April 14.

- **FY '97 Budget:** On April 23, Administrator Lader will testify before the House Appropriations Subcommittee on SBA's FY '97 budget proposal.

VETERANS AFFAIRS

Good! Showed to a VA Sec. Brown!

VA Provides Insurance Benefits to Air Disaster Victims' Survivors: Six Air Force service members were among the victims of the April 3 plane crash in Dubrovnik. Using a network of contacts developed during previous incidents, the Veterans Benefits Administration's (VBA) Insurance Service in Philadelphia coordinated the payment of insurance benefits to seven of the eight named beneficiaries. All claims were paid by the end of the week following the disaster, except for one service member's spouse who has not yet filed a claim.

JIM DORSKIND

Please coordiante the reply.

: National Volunteer Week will be observed April 21-27. honor volunteers who contributed nearly 14 million hours of ans in FY '95. VA also is observing the 50th anniversary the largest volunteer program in the Federal government. volunteers have donated more than 440 million hours of

See Show Sec what this is about

- **Secretary's Travel:** On April 22, Secretary Brown will travel to Newark to meet with Senator Lautenberg and a NJ Veterans Task Force. On April 27, Secretary Brown will be the keynote speaker at the American Ex-POW's Convention in Colorado Springs.

FOIA Requests: *NBC News* has requested copies of all VA correspondence to or from Senator Robert Dole and Speaker Newt Gingrich for the past five years, and copies of any other FOIA requests received on these two Congressional members.

DEPARTMENT OF INTERIOR

- **National Park Week:** The week of April 22-28 marks the third annual National Park Week. On April 20, Secretary Babbitt will kick off the week by leading thousands of participants into Georgetown at the end of his C&O Canal hike. Similar *March for Parks* events are being held in more than 1,000 communities across the nation.
- **Central Gulf of Mexico Outer Continental Shelf (OCS):** The Central Gulf of Mexico Sale (Sale 157) is scheduled for April 24 in New Orleans. The sale covers about 30 million federal acres offshore LA, MS, AL. The Department's Minerals Management Service (MMS) expects this sale to bring in to the Treasury as much as \$300 million initially and more as annual rental payments are made. This is the first

4/23/95

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Paul Swann
504 W Williford
Marmaduke, Arkansas 72443

Phone Secy
5000
nd

96 APR 23 A9:09

President Bill Clinton
1600 Pennsylvania Avenue
Washington D. C.

April 19, 1996

Dear President Clinton,

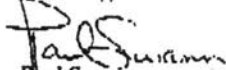
I am writing today to ask for your help in obtaining a tourist visa for my wife's parents, Vladimir and Muza Vakhrushev, residents of Ukhta, Russia.

In 1992 I visited Russia with a group of American missionaries. I liked my interpreter so much that on June 26, 1993 I married her. Her parents have tried, on several occasions, to come to the United States for a short visit to see their daughter and new granddaughter. My wife's sister also lives in the United States while attending college. My wife has not seen her father for over three years now, nor her mother for over two years.

Mr Vakhrushev is a family physician and his wife is a computer programmer. They have immediate relatives still living in Ukhta (1 sister and 1 brother to Mrs Vakhrusheva) and wish to return there.

We currently live in Marmaduke, Arkansas and work for the Marmaduke church of Christ. My wife's parents will go to the American emissary in St. Petersburg, Russia in a few days to see about their visas. I am asking you very much to allow them to be able to come and see their daughter and granddaughter for at least a little while. Please let me know if you can help. Thank you once again.

Sincerely,


Paul Swann



* My parents-in-law are currently in St. Petersburg, Russia waiting for an opportunity, (Monday morning) to go to the emissary to apply for a visa. Thanks again!

4/23/96

Received Interoffice Mail -

Send to Dorskind?

Yes _____

No _____

NSC + Counsel

Coordinate w/ Counsel?

Original
to Dorskind
4/23/96
JRA

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

4/23/96

April 19, 1996

Paretti

96 APR 19 10:31

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
April 12 - April 19

DEPARTMENT OF TREASURY

Loon/Rubin
Project Gateway: On April 16, Customs Commissioner Weise and Governor Rossello of Puerto Rico announced Operation Gateway at a press conference in New York City. Operation Gateway is a long-term initiative aimed at combatting money laundering and narcotics smuggling in Puerto Rico.

See Memo to Kelly for further
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- **Olympics News Stories:** CBS and CNN are reviewing the Federal Law Enforcement Training Center's program for stories focusing on security-related issues at the Olympics.

- **Yugoslavia:** On March 27, a blocked Yugoslavian ship which has been anchored off New Orleans for more than three and a half years was struck by another ship. Lifting the block on assets has been delayed so that the various ex-Yugoslav states may make claims against the property. However, the vessel continues to pose major navigational, safety, and environmental hazards. OFAC asserts that these assets should be released, that successor-state claims to the vessels may be separately addressed from the unblocking, and that a Federal Register notice that the vessels will be unblocked on a specific future date will cause any such claims to quickly surface.

DEPARTMENT OF COMMERCE

- **Economic Indicators:**

Housing Vacancies	April 22
U.S. International Trade in Goods and Services	April 23
Report on Durable Goods, Manufacturers' Shipments and Orders	April 24
State Personal Income and Per Capita Personal Income	April 25
- **NIST and Manufacturing Extension Partnership:** On April 22, NIST will announce a new toll-free phone number that will provide small manufacturers easy access to the nearest Manufacturing Extension Partnership Center. This toll-free service will be promoted heavily to national, regional, and trade media.
- **FY '97 Budget:** Commerce has been working with Senate and House Budget Committees' staff to prevent the inclusion of Commerce dismantling provisions in the FY '97 Budget Resolution. The House will likely include dismantlement in its Budget Resolution, as this year's Resolution is expected to be almost identical to last year's version. House leadership has not decided how to approach dismantling Commerce in light of the recent tragedy.
- **Appropriations Hearings:** Over the next two weeks, the House Appropriations Commerce, Justice and State Subcommittee, will begin a series of hearings with the Department's bureaus and the Inspector General.
- **NOAA/NIST Authorization:** The House Science Committee is likely to mark-up within the next few weeks an omnibus authorization for all government science and technology programs-- including NIST and parts of NOAA, such as the Weather Service, satellites and oceanic and atmospheric research.
- **Secretary's Schedule:** The Secretary will lead the U.S. delegation to the G-7 Conference on the Information Society and Developing Countries in Johannesburg, South Africa on May 13-15.

DEPARTMENT OF LABOR

- **Mine Inspector Bombing:** A Mine Safety and Health Administration (MSHA) inspector and his wife were injured on April 12 in an apparent truck bomb incident in Vacaville, CA. A telephone death threat had been received a few hours before at MSHA's Vacaville office. In response to the threat area MSHA offices closed early. Gene Ainslie and his wife, Rita Ainslie, were driving on the interstate in their privately owned pickup at about 4:15 p.m. when the bomb detonated. Both were hospitalized with serious injuries. With the Federal Protective Service and other law enforcement agencies, MSHA is taking steps to tighten workplace security.
- **Croatian Plane Crash:** The Division of Federal Employees Compensation (DFEC) has been working with the agencies of the Federal employees who were killed in the Croatian plane crash. DFEC personnel are also contacting the families of the deceased to discuss benefits available under the Federal Employees' Compensation Act.
- **Summer Youth Employment Program:** The ETA is in the process of allocating \$625 million for the Summer Youth Jobs Program. The money has been in jeopardy because of the ongoing budget negotiations. About 540,000 kids will receive summer employment through this program.
- **America's Job Bank in the Internet:** While in Atlanta, Secretary Reich introduced a new partnership between the public employment service and community colleges during his speech to the American Association of Community Colleges on April 15. Under the agreement, all community colleges will become America's Job Bank Access Zones. The connections -- 1,100 in all -- will be completed by Labor Day, 1997.
- **Employee Retirement Income Security Act (ERISA):** The Supreme Court will hear arguments in an ERISA case, Lockheed Corp. v. Spink, on April 22. The Government will argue that although a pension plan sponsor does not commit an ERISA prohibited transaction when it amends the terms of its pension plan to offer an incentive retirement program conditioned on the release of employment-related claims against the sponsor, the implementation of the program may violate ERISA. The Government also will argue that 1986 amendments to ERISA and the Age Discrimination in Employment Act do not apply retroactively to require pension benefit accruals for years an employee was lawfully excluded from plan participation.
- **Olympics Guestworkers:** The ETA's National and Atlanta Regional Offices, offered assistance to the Atlanta Committee for the Olympic Games (ACOG) in processing approximately 300 foreign guestworkers under the H-2B (temporary labor certification) program to work in largely broadcasting-related positions during the Olympic Games. ACOG has not submitted any H-2B applications to ETA and instead has turned to the State Department to classify these workers under a non-guestworker visa classification. Unions representing broadcasting workers strongly oppose any such action.

- **Collective Bargaining Update:** On April 15, the National Mediation Board (NMB) proffered arbitration as a means of settling the labor disputes between five rail unions and the Nation's railroads. The railroads and one of the five unions, the United Transportation Union, accepted the proffer. The International Association of Machinists, the International Brotherhood of Electrical Workers, and the Sheet Metal Workers International Association rejected the Board's proffer, and will be free to strike at 12:01 a.m. May 18, unless a Presidential Emergency Board is created. The Brotherhood of Railroad Signalmen also rejected arbitration; however, the NMB has not yet formally released that dispute.
- **Beverly Enterprises:** On April 17, a number of Democratic lawmakers and representatives of the Service Employees International Union held a press conference to urge Beverly Enterprises-Pennsylvania to reinstate some 400 workers permanently replaced during a three-day stoppage that began on April 1. Earlier in the day, AFL-CIO Executive Vice-President Linda Chavez-Thompson and some of the replaced workers rallied near the Department of Veteran's Affairs to protest government contracts with Beverly.
- **Service Employees:** The convention of the 1.1 million member Service Employees International Union will take place April 22-25 in Chicago, IL. Delegates are expected to elect Andy Stern as president, and Betty Bednarczyk as secretary-treasurer. Richard Cordtz, elected by the SEIU executive board in December to serve out the term of John Sweeney, withdrew his candidacy on March 11. Secretary Reich will address the convention on April 24.
- **Secretary's Schedule:** On April 22, the Secretary will speak to the Building and Construction Trades Department of the AFL-CIO. On April 26, the Secretary will join the Vice President in an event commemorating the 25th anniversary of the Occupational Safety and Health Administration.

DEPARTMENT OF TRANSPORTATION

- **Montana Rail Link (MRL) Freight Train Derailment:** On April 12, Federal Railroad Administrator Molitoris traveled to Albion, MT, following the derailment of an MRL freight train. A freight train consisting of 3 locomotives and 71 cars, and operating at an unknown speed, derailed 18 cars. As a result of the accident, four tank cars and one covered hopper car containing hazardous material derailed. A total of 123 people were reported injured as a result of the accident and chlorine release. Interstate 90, which is immediately adjacent and parallel to the MRL track at an estimated distance of 100-150 yards, was closed and will remain closed until the hazard has been eliminated. As a result, on April 16, the emergency response commander announced that about 150 people would be permitted to return to their homes. As of April 17, no probable cause has been determined due to lack of access to the site.

4123196

- Evacuation on Providence and Worcester Railroad (PW):** On April 16, a PW train crew servicing Tilcon Industries in Danbury, CT, discovered a tank car leaking carbon disulfide, which is a flammable liquid. The crew was exposed to the product and transported to a local hospital for examination and released. Commercial businesses in the immediate area were closed and will remain closed until transloading is completed. This is not a residential section of Danbury, thus local citizens are not directly affected.
- Unfulfilled Emergency Relief (ER) Requests:** Over \$100 million in ER requests is pending because supplemental funding has not yet been passed by Congress, including \$70 million to Oregon, \$15 million to Pennsylvania and \$4.6 million to Idaho.
- Study Recommends No Change in Gambling Laws:** A study by the Department, released April 12, says that DOT at this time is not recommending any changes in current law, which prohibits gambling aboard flights into and out of the United States by both U.S. and foreign carriers.
- Youngstown, OH:** On April 12, Chief of Staff Panetta, along with FAA Administrator Hinson, awarded a \$324,000 airport improvement program grant for the proposed cargo port at the Youngstown-Warren Regional Airport in northern Ohio. The announcement received extensive local press coverage.
- Athens Airport:** FAA security consultant to the Greek aviation authority reports satisfactory progress in correcting the security deficiencies at Athens Airport. FAA teams are providing training for screeners and are supervisors, and assisting in establishment of an aviation security training academy.
- Uninterruptible Power System at Pittsburgh Tower:** The Uninterruptible Power System (UPS) at Pittsburgh Tower was successfully cut over on April 12 and 13. UPS will serve as a back-up system in the event of a commercial service interruption at the Pittsburgh Tower which should help eliminate service interruptions that have been occurring there.
- FAA Inspection of Navigational Beacon at Dubrovnik, Bosnia:** FAA Aviation System Standards conducted a flight inspection of the Non-Directional Beacons at Dubrovnik, Bosnia, following the accident that killed Commerce Secretary Brown. This inspection, done at the request of the U.S. Air Force and the National Transportation Safety Board, found the beacons to be satisfactory.
- Los Angeles Resumes Subway Tunneling:** On April 15, the California Department of Transportation issued approval to the LA County Metropolitan Transportation Authority (MTA) to resume tunneling under the Hollywood Freeway. Tunneling had been stopped since April 9, when surveyors found that the freeway had sunk a few tenths of an inch beyond the 3.5 inch limit. The State and MTA plan to execute a

memorandum of understanding that outlines a mitigation and remediation agreement, which commits the MTA to install an array of steel struts and concrete slabs in tunnels and access shafts to prevent future settlement.

- **U.S. - Japan:** Delegations met in Washington, D.C., April 10-12, to negotiate the final text of the cargo agreement, the elements of which were agreed to in Tokyo on March 28. On April 13, Secretary Peña signed the final agreement, and on April 16 Minister Kamei signed the document in Tokyo. The agreement provides for expanded opportunities for cargo services by the carriers of both countries, including the opportunity for the United States to name a new entrant.

✓ **U.S. - France:** Secretary Peña announced April 12 that American Airlines had been granted immediate new authority to fly between Boston and Paris. American will serve Orly Airport in Paris. Since TWA already serves Charles de Gaulle Airport, American's service will provide Boston-Paris travelers with a choice of Paris airports.

- **Low Cost Carrier Study:** On April 23, Secretary Peña will release the Department's study of service in domestic markets by airlines with low cost operating strategies. The study details the rapid growth and competitive success of low cost carriers and concludes that these carriers can compete with large established "network" airlines.
- **"Intermodal Surface Transportation Efficiency Act of 1991":** On May 2, Secretary Peña and senior DOT officials will testify before the House Transportation and Infrastructure Committee on next year's reauthorization of the Department's highway, highway safety and transit programs.
- **Secretary's Travel:** On April 30-May 1, Secretary Peña will travel to St. Louis and Detroit to attend ceremonies inaugurating TWA service from St. Louis to Toronto and Northwest Airlines service from Detroit to Beijing. On May 5-6, Secretary Peña will attend the U.S./Mexico Binational Commission Meeting in Mexico City. On May 9-10, Secretary Peña will travel to Denver for a light-rail grant announcement and a possible Rocky Mountain National Park overflight announcement.
- **Article on Rail Safety:** *U.S. News & World Report* is preparing a comprehensive article on the status of rail safety in America. *U.S. News* has been attending congressional hearings, talking to all segments of the rail industry, NTSB and labor. They interviewed FRA Administrator Molitoris April 18 to ask questions on the regulatory process, passenger car standards, positive train control. They also have reporters in Wisconsin. Article should appear about a week after the Molitoris interview.

UNITED STATES TRADE REPRESENTATIVE

- **Quadrilateral Trade Ministerial:** Ambassador Barshefsky traveled to Kobe to represent the U.S. in the semi-annual Quad Ministerial which includes senior trade officials from the U.S., Canada, Japan and the European Union.
- **China/Intellectual Property Rights:** Ambassador Barshefsky held senior-level consultations last week with Chinese officials in Beijing, including the Minister of Foreign Trade and Economic Cooperation, to underscore the need for adequate implementation of the 1995 IPR Enforcement Agreement. Barshefsky presented the Chinese with an Emergency Action Plan outlining the key enforcement elements that must be undertaken. She also met with her counterparts in Hong Kong to discuss IPR and investment issues.
- **WTO Complaint On EU Banana Imports:** On April 24, the WTO Dispute Settlement Body will consider a request filed by the United States, Ecuador, Guatemala, Honduras, and Mexico to establish a panel to review the EU import regime for bananas, which discriminates against bananas that were not produced in the EU or its former colonies. The Administration position is that the EU regime violates obligations under the WTO agreements.
- **Special 301 And Title VII Determinations:** USTR will be finalizing annual determinations of priority unfair practices in the areas of IPR and government procurement under so-called "Special 301" and "Title VII" of U.S. trade law. On April 30, USTR will formally issue a report identifying those countries that deny adequate and effective intellectual property protection and fair and competitive government procurement procedures.

DEPARTMENT OF JUSTICE

- **United States Files Mandamus Petition In A-12 Litigation:** In what DOJ believes to be the largest government contracts dispute in history, plaintiffs challenge the government's termination for default of their fixed-price, multi-billion dollar agreement to build the A-12 aircraft. After five years of litigation, the trial court has converted the government's default termination to a termination for convenience without addressing the question of whether the contractors were, in fact, in default. The court effectively concluded that actions of the Secretary and Under Secretary of Defense impermissibly usurped the discretion of the contracting officer, thereby depriving the government of its right to terminate for default. On April 8, the government filed a mandamus petition asking the court of appeals to correct the trial court's fundamental error. Later that day, the trial court issued an opinion explaining its decision to convert the termination of default to a termination for convenience. The court of appeals has now directed the government to file a supplemental petition by April 22, and has ordered the plaintiffs to file a response within ten days thereafter.

4/12/96

- INS to Unveil New "Paperless VISA":** On April 25, the Department of State and INS will hold a joint press conference at the Paso del Norte bridge in El Paso, TX, to demonstrate how the Data Share "paperless visa" works. DataShare will enhance enforcement because it will give INS and DOS immediate on-line access to all visa application and denial information. Ultimately, once the pilot expands to other posts, DataShare will eliminate the need for paper documents and will improve efficiency, reduce duplicative data entry, and improve customer service. DOS and INS plan to begin another DataShare pilot program for non-immigrant visas in December.
- Long-Awaited Decision On Constitutionality Of "Megan's Law:"** The Third Circuit issued its decision in this case in which a convicted sex offender challenged the constitutionality of New Jersey's "Megan's Law" which provides for registration of and community notification concerning released sex offenders. The United States appeared as amicus curiae in support of the constitutionality of the New Jersey statute. For the most part, the court did not decide the merits of Artway's claims, which it held to be unripe. With respect to those claims which the court did resolve, the decision rejects Artway's constitutional challenges to the registration and Tier 1 community notification requirements (low risk offender; notification of local enforcement authorities only). Because the court held the bulk of the issues unripe, it vacated the district court's ruling which held unconstitutional and enjoined enforcement of Tier 2 and Tier 3 notification (for moderate and high risk offenders) to community groups and the public.
- The National Treasury Employees Union (NTEU) Challenges Line-Item Veto:** The NTEU filed suit on April 9, challenging the constitutionality of the line-item veto law, which you signed earlier on April 9. Plaintiffs seek declaratory and injunctive relief. The case has been assigned to District Judge Charles Richey.
- Georgia Enjoined from Implementing Electoral Plans:** On April 9, in United States v. State of Georgia, (N.D. Ga.), an action filed by the Department under Section 5 of the Voting Rights to prevent Georgia from implementing state House and Senate redistricting plans to which the Department has objected, the three-judge district court enjoined the state from implementing the plans, unless and until they are either (i) precleared pursuant to Section 5 or (ii) are ordered into effect as an interim remedy in a related case, Johnson v. Miller, (S.D. Ga.) -- a constitutional challenge to more than 30 existing "majority-minority" state House districts. The Department had argued that the plans could only be implemented pursuant to Section 5, and could not be ordered into effect in the related case.
- Post-Adarand Procurement Suit Filed:** On April 9, a complaint was filed in Hatco Corp. v. US Defense Logistics Agency, (D.N.J.). This is a post-Adarand constitutional challenge to the DOD's 10% price preference in procurement for small business owned by socially and economically disadvantaged businesses (SDB's). The relevant statute permits DOD to accept a bid from a certified SDB Disadvantaged Business if it is up to 10% higher than a bid by a non-SDBs. DLA used the price preference to award a

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contract for lubricating oil to a business owned by a Filipino, who self-certified as an SDB. Hatco applied for a temporary restraining order and preliminary injunction to prevent DLA from using any of the lubricating oil that will be provided by the SDB. The Court denied Hatco's TKO and PI, but DLA agreed to not use the contract pending the outcome of the case. Briefs addressing the constitutional issues are due April 26.

- **Marbled Murrelet Habitat Designation Case:** Marbled Murrelet v. Babbitt, (9th Cir.). In March, the district court Washington ordered the Fish and Wildlife Service to issue by May 15, a final critical habitat designation for the marbled murrelet under the Endangered Species Act. The court ignored the Department's arguments that Congress imposed a moratorium on such final habitat designation decisions. In addition, Congress did not appropriate any funds for Interior to make such decisions, thereby rendering the court's order impracticable. The Government filed its emergency motion for a stay with the Ninth Circuit on April 15.
- **Challenge To EPA's Regulation Of The Disposal Of Radioactive Wastes In Connection With DOE Radioactive Waste Disposal Project:** New Mexico v. EPA, (D.C. Cir.). Last week New Mexico, Texas, and several local environmental groups filed petitions for review of EPA's compliance criteria for DOE's Waste Isolation Pilot Plant ("WIPP") under the Waste Isolation Pilot Plant Land Withdrawal Act of 1992. The criteria will be used to determine the WIPP's compliance with environmental radiation protection standards for the disposal of radioactive wastes. Because of obligations to remove radioactive wastes from other sites by set deadlines, DOE has a strong interest in ensuring that the litigation does not delay the opening of the WIPP facility.

Government Lodges Groundbreaking Consent Decree In Connection With The Keystone Sanitation Superfund Site In Pennsylvania: United States v. Keystone Sanitation Co., (M.D. Pa.). On April 5, the United States lodged a consent decree with approximately 90 small business owners and individuals ("demicromis" parties) who certified that they sent municipal solid waste to the Keystone Sanitation Superfund Site, including materials with hazardous substances from industrial, institutional, or commercial processes. This is the first consent decree of its kind, and attempts to overcome the problem of large parties using the Superfund law to ensnare small parties into Superfund litigation in order to complicate and slow down the process of resolving liability issues.

Asian Organized Crime Group Members Indicted in San Francisco: On April 9, the Organized Crime Strike Force Unit of the U.S. Attorney's Office obtained an indictment charging 24 defendants with RICO-racketeering, Hobbs Act robbery, and various drug trafficking offenses. The defendants were members of an Asian organized crime group which allegedly committed numerous robberies of computer chip companies throughout CA, MN, and WA.

Motorcycle Gang Members Arrested: On April 11, DEA Springfield, MA, together with FBI and local police, arrested 15 members of the "Diablos" motor cycle gang for drug trafficking, weapons possession, and trafficking in stolen vehicles.

- **Chemical Bank's Chief Trader in Mexican Pesos Indicted for Bank Fraud:** The former chief trader in Mexican pesos for Chemical Bank in New York, has been indicted for bank fraud and falsifying bank records. The indictment alleges that the trader, without authorization, traded Mexican pesos, which led to losses of \$70 million for Chemical Bank when the peso was devalued in December 1994. The trader was supposed to match his trades with offsetting trades. He acquired an unauthorized position of \$200 million by failing to cover his positions. He also entered fictitious trades into Chemical's computer systems to hide his positions from Chemical management. The trader was arrested by Scotland Yard in England, and is being held in police custody pending extradition proceedings.

- **Attorney General Travels to Budapest:** The Attorney General will attend the Ministers Crime Summit in Budapest from April 20 to April 23 where, among other things, there will be a dedication ceremony for the International Law Enforcement Academy (ILEA).

Western District of Arkansas Develops Unique Program to Protect Children: The Western District of Arkansas has developed a Child Identification Program which records fingerprints and dental imprints for children. This information is kept by parents, in the event the child becomes missing. Information cards containing the child's name, date of imprints, birth date, height, and weight are included in the packets with the fingerprint card and dental imprint. School photos of the child are also included. Parents are reminded to place the packet in a safe place and to repeat the dental imprint every two years until the child reaches age 18. To date, 360 children have been recorded.

- **Senate Judiciary Committee to Consider Crime Victims Bill of Rights:** The Senate Judiciary Committee has scheduled a hearing on a proposed constitutional amendment to establish a bill of rights for crime victims on April 23.
- **Hearing on Superfund Reform:** On April 23, Assistant Attorney General Lois Schiffer, Environment and Natural Resources Division, will testify before the Senate Environment and Public Works Committee on Superfund Reform.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LA County Update: On April 15th, the Department announced the approval of California's Medicaid demonstration project for LA County. Reaction to the announcement has been very positive, and LA County Supervisor Yvonne Brathwaite Burke praised you for delivering on your commitment to Los Angeles County.

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- **Closure in Youth Gang Drug Prevention Program:** The Family and Youth Services Bureau soon will be notifying a third grantee, the Mayor's Youth Gang Drug Prevention Program in San Francisco, that due to Congressional budget cuts there are no resources to provide continuation funding for the program. This program, a recipient of a five-year grant for \$750,000 per year, is run by a consortium of seven community-based organizations and eight city departments who share in the decision-making. The consortium coordinates local street work, outreach and case management services to prevent and divert young people from gang and drug involvement.
- **Liberian Repatriation Assistance:** This week, HHS Office of Refugee Resettlement staff assisted the State of New York and the Red Cross with repatriation processing for about 175 people who were evacuated from Liberia on Tuesday, April 16. About half of these are American citizens, the rest are Liberian citizens related to American citizens and non Americans acting as escorts.
- **Approval of Breast Lump Diagnostic:** On April 11, FDA approved a new use for the Ultramark 9 High Definition Imaging (HDI) Ultrasound System Level 3, made by Advanced Technology Laboratories of Bothell, Washington. Available since 1991 for general ultrasound use, the device now enables doctors to look at solid breast lumps and judge whether they are likely to be benign. It has the potential of reducing the estimated 700,000 biopsies performed in the United States by up to 40 percent.
- **Empowerment Zones/Child Care:** The HHS Administration for Children and Families' Child Care Bureau will be hosting a national meeting on child care needs in Empowerment Zones on April 24 in Washington, DC. This first time ever event will provide opportunities for Empowerment Zone Representatives to share ideas on how child care fits in a plan for economic development, how to measure child care needs in a community and how to ensure health and safety in child care.
- **Tobacco:** On April 23, the AMA, the *Journal of the American Medical Association* (JAMA), and the Robert Wood Johnson Foundation are sponsoring a one-day press briefing announcing the release of a JAMA special issue dedicated entirely to tobacco.
- **Final Report on Mental Health Services in Nursing Facilities Issued:** This week, OIG issued an inspection report finding that Medicare paid \$17 million for medically unnecessary services and \$10 million for highly questionable mental health services for nursing home residents in 1993.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Memorial Service:** On April 22, Secretary Cisneros will host a memorial service at the Department for Don Turner, President and CEO of BRIDGE Housing Corporation. Turner was one of the victims of the plane crash that carried Secretary Ron Brown and 32 others. The Turner family, members of Congress, and others will participate in the service.

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- **Secretary's Schedule:** On April 25, Secretary Cisneros will deliver the "State of America's Communities" Address at the National Press Club. On April 26, Secretary Cisneros will host a press briefing to announce that the Federal Housing Administration (FHA) to launch their new, proactive efforts to help millions more Americans become homeowners.

Press Interviews: Secretary Cisneros is participating in a range of editorial board interviews in the next two weeks to discuss the Administration's public housing accomplishments and the state of America's communities. The Secretary has interviews scheduled with *USA Today*, *Wall Street Journal*, *New York Times* and the *Dallas Morning News*

Summer Jobs for D.C. Youth: On April 22, Mayor Barry will announce a Summer Youth Jobs Initiative to provide paid employment for 1,000 District high school students. HUD will hire 50 of those students for six weeks during the summer.

FY '97 Budget: On May 1, Secretary Cisneros will testify before the House Appropriations Subcommittee on the Department's FY '97 budget request. On May 8, he will testify before the Senate Appropriations Subcommittee.

OFFICE OF NATIONAL DRUG CONTROL POLICY

Visit to Miami: On April 25-26, Director McCaffrey will travel to Miami to visit a Drug Court, a women's treatment facility, and its accompanying day care center. In addition, the Director will participate in a town meeting, a drug policy presentation, and several press opportunities.

- **Methamphetamine Strategy:** The Methamphetamine Strategy is in final interagency clearance with coordination being managed by DOJ and OMB. The coordination process should be completed by April 24 and ready for release.
- **\$250 Million DOD Supplemental/Resission:** This package has been forwarded to Congress as part of the omnibus FY '96 continuing resolution on April 12. DoD Legislative Affairs and the House Defense Appropriations Subcommittee staff report that the package is in trouble due to lateness of submission in the CR negotiating process, difficulties with offsets, and requests in an \$835 million cap Republicans have placed on the CR. Director McCaffrey has sent letters to key House and Senate appropriators and authorizers and is seeking meetings with House and Senate Defense appropriations chairmen. Director McCaffrey is scheduled to appear before the Senate Appropriations Subcommittee on April 24.

SMALL BUSINESS ADMINISTRATION

- **Disaster Assistance:** SBA disaster teams joined FEMA teams in Connecticut on April 18 as a result of flooding earlier in the week. Surveys began on April 17 in NC in

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response to Governor Hunt's request for an SBA declaration for three counties as a result of severe storms and tornadoes on April 15. A survey began on April 17 in AR in response to Governor Tucker's request for an SBA declaration for two counties as a result of severe storms and tornadoes on April 14.

- **FY '97 Budget:** On April 23, Administrator Lader will testify before the House Appropriations Subcommittee on SBA's FY '97 budget proposal.

VETERANS AFFAIRS

Good! Should do a report on this. See Brown!

VA Provides Insurance Benefits to Air Disaster Victims' Survivors: Six Air Force service members were among the victims of the April 3 plane crash in Dubrovnik. Using a network of contacts developed during previous incidents, the Veterans Benefits Administration's (VBA) Insurance Service in Philadelphia coordinated the payment of insurance benefits to seven of the eight named beneficiaries. All claims were paid by the end of the week following the disaster, except for one service member's spouse who has not yet filed a claim.

National Volunteer Week: National Volunteer Week will be observed April 21-27. During the week, VA will honor volunteers who contributed nearly 14 million hours of service to the nation's veterans in FY '95. VA also is observing the 50th anniversary of VA's Voluntary Service, the largest volunteer program in the Federal government. Since the program began, volunteers have donated more than 440 million hours of service to VA patients.

- **Secretary's Travel:** On April 22, Secretary Brown will travel to Newark to meet with Senator Lautenberg and a NJ Veterans Task Force. On April 27, Secretary Brown will be the keynote speaker at the American Ex-POW's Convention in Colorado Springs.

We should see what this is about

FOIA Requests: *NBC News* has requested copies of all VA correspondence to or from Senator Robert Dole and Speaker Newt Gingrich for the past five years, and copies of any other FOIA requests received on these two Congressional members.

DEPARTMENT OF INTERIOR

- **National Park Week:** The week of April 22-28 marks the third annual National Park Week. On April 20, Secretary Babbitt will kick off the week by leading thousands of participants into Georgetown at the end of his C&O Canal hike. Similar *March for Parks* events are being held in more than 1,000 communities across the nation.
- **Central Gulf of Mexico Outer Continental Shelf (OCS):** The Central Gulf of Mexico Sale (Sale 157) is scheduled for April 24 in New Orleans. The sale covers about 30 million federal acres offshore LA, MS, AL. The Department's Minerals Management Service (MMS) expects this sale to bring in to the Treasury as much as \$300 million initially and more as annual rental payments are made. This is the first

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sale in which more than 4,000 tracts in deep water areas will be available for lease under the recently passed Deepwater Royalty Relief Act.

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Alaska Lease Sale: In June the MMS has scheduled Oil and Gas Lease Sale 149 in the Cook Inlet of Alaska, an area which has been producing oil and gas offshore in state waters for 30 years. Governor Knowles sent the Secretary a letter opposing the sale as "not right for this area." The Governor also stated that he felt the Department was "contradictory" to support this offshore sale while opposing development in the Arctic National Wildlife Refuge. However, the State has not made an explicit inconsistency finding under the Coastal Zone Management Act. Since he also questioned the amount of industry interest in the sale, the Department has requested industry to define their interest in all three scheduled Alaska offshore sales by April 25. The Department will decide how to proceed based in part on the interest expressed in the proposed sale area.

- **Grazing Update:** The House Resources Committee is expected to mark-up the "Public Rangelands Management Act" on April 25. The bill is expected to be reported from Committee, although Democratic members will offer amendments in order to begin framing the debate for future House floor action. Some western Democrats may offer a substitute similar to the "Bingaman substitute" in the Senate, but there is no chance for passage of these amendments by the Committee. Floor action may not occur until June.
- **60 Minutes:** Ed Bradley of *60 Minutes* is doing a story in the Northwest about the Administration's Forest Plan. Tom Tuchman of the Bureau of Land Management, who worked to draft the Forest Plan, is expected to interview with Bradley. No information yet on what the show's pitch will be.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Food Rescue Program:** On April 19, Secretary Glickman was in Minneapolis-St. Paul to address the Foodchain annual conference, a network of 131 perishable and prepared food rescue programs in 35 states. At the conference, the Secretary announced a USDA initiative to promote gleaning and food rescue. Under this effort, USDA rural development projects in 10 states have been selected for AmeriCorps gleaning efforts this summer.
- **Wheat Disease Issue:** On April 18, Secretary Glickman met with state agriculture commissioners/secretaries in Minnesota regarding USDA work to combat the Karnal bunt virus in wheat. Representatives from 14 states attended the meeting. On April 15, USDA negotiators reached an agreement with Algeria and South Africa indicating that the countries agree to accept shipments of U.S. wheat.
- **Farm Bill Update:** The passage of the Farm Bill changes the way USDA conducts business with its customers. The one-time signup period for producers wishing to

enroll their farms in a Production Flexibility Contract will occur in Farm Service Agency local offices, May 20-July 12.

- **Tongass Land Management Plan Released:** On April 18, the draft environmental impact statement for the revision of the Tongass Land Management Plan (TLMP) and recommended preferred alternative was released, following the Senate Energy and Natural Resource Committee oversight hearing on the plan. Public meetings in 32 communities in southeast Alaska will begin in mid-May and there will be a 90-day public comment period. The final decision on TLMP is expected to be released in mid-August.

DEPARTMENT OF ENERGY

- **Value of Trade Missions:** Assistant Secretary Forrister will testify before the House Commerce Committee on April 24 on the value of the Department's trade missions. Republicans are expected to argue that the Administration's trade missions have little or no value. The GAO is expected to testify that while the economic value of trade missions is hard to quantify, they serve clear American interests.
- **Alaska North Slope (ANS) Crude Oil:** On March 28, the Administration completed a review of the environmental impact of exporting ANS crude oil, as required under the Murkowski-Johnston Bill on the export of ANS crude oil, in addition to other issues. The results of the review, now being considered by NEC and the CEA includes four recommendations on export license restrictions. If accepted, the review will form the basis of the President's determination that would permit exporting ANS oil. This determination is required by April 28.
- **Possible Railroad Strike:** The threat of a May 9 nationwide railroad strike has increased as talks between the union and the major rail carriers have not made progress. Almost 60 % of U.S. coal shipments are moved by rail. A prolonged rail strike could have an impact on electricity generation, as over 43 % of the nation's electricity is generated from coal.
- **U.S. Partnership with Ukraine:** DOE staff, in coordination with the Vice President's Office and the State Department, are preparing to visit the Ukraine with a team of industry and national laboratory personnel to make final arrangements and sign agreements to commence the removal of Chernobyl-related radioactive cesium from contaminated milk and other food products.
- **Los Alamos National Laboratory (LANL):** DOE has recently approved the University of California proposal to extend the Johnson Controls World Services Inc. subcontract--worth \$100 million--for an additional 18 months. This coincides with the term of the current contract with the University of California for operating LANL.

- **Violation Under Price-Anderson:** The Department has issued a Notice of Violation against the Pacific Northwest National Laboratory for violations of DOE nuclear safety requirements. This action was taken in accordance with the enforcement authority provided to the Department by Congress in the Price-Anderson Amendments Act. There has been a good deal of positive feedback from the Department's line managers as a result of this action as a means of encouraging improvement in the safety performance of our contractors.
- **Partnership for Next Generation Vehicles:** During the last week in April, DOE's Oak Ridge National Laboratory will have a press briefing to showcase several technologies being researched and developed at the lab. These technologies involve materials science and manufacturing processes related to the construction of a safer, more fuel efficient car of the future.
- **North Korea Safeguards:** On May 13, DOE is scheduled to deliver the first 20 of 100 unattended monitoring sensors to the International Atomic Energy Agency (IAEA). These sensors are urgently needed by the IAEA and will be the sole IAEA verification method of monitoring spent nuclear fuel reprocessing in North Korea.
- **Earth Day:** On April 22, the Secretary will participate in a DOE-funded ultra-safe, ultra-low emission natural gas school bus demonstration, an energy information kiosk display of renewable energy and energy efficient opportunities, and a dedication of the new "Earth Day Park" next to DOE. All three events will showcase commercially available renewable energy and energy efficient technologies which will save the public money and help protect our environment.
- **Secretary's Travel:** On April 30, Secretary O'Leary will keynote the National Association of Regulatory Utility Commissioner's Natural Gas Conference in St. Louis, MO. On May 1, Secretary O'Leary and Congressman Yates will participate in the dedication of the Advanced Photo Source at Argonne National Laboratory.
- **Clinton Transition Team Papers:** Jay Gourley, a freelance journalist, has submitted a FOIA request for Clinton Transition Team papers. Transition Teams are not Federal agencies subject to the Freedom of Information Act. When a transition team member brings copies of transition team documents to a Federal agency when he is appointed as an agency official these records are considered "personal" records of the former transition team employee and still not subject to the FOIA. However, if these documents are integrated into the agency's files and formally used to conduct official agency business they become agency records subject to the FOIA.

ENVIRONMENTAL PROTECTION AGENCY

- **Earth Week:** On April 21, Administrator Browner will deliver an Earth Day address at Cleveland's EarthFest '96. She will assist in giving awards to the winners of a children's Earth Day poster contest, and participate in water quality testing with

children attending the festival. On April 23, the Administrator will participate with Secretary Babbitt in a clean up event on the Anacostia River. All week, senior EPA officials will be travelling throughout the country to amplify the Administration's Earth Day message.

- **Speaker Gingrich:** Earlier this week, Speaker Gingrich made remarks criticizing the Administration for its record on toxic waste site clean-ups. He suggested that the Administration was not seeking to reform the program because reform would not be pleasing to the trial lawyers. Administrator Browner responded in a letter to the Speaker which was also released to the press. The letter pointed out to the Speaker the remarkable progress the Administration has made in reforming the Superfund program over the past three years.
- **Congressional Activity:** On April 23, the Administrator will testify before the Senate Environment and Public Works Committee on Superfund reauthorization. The Republican leadership plans to move several pieces of environmental legislation during Earth Week. In the House, they intend to bring up battery recycling and reauthorization of the Safe Drinking Water Act. In the Senate, legislation dealing with Yucca Mountain may be brought to the floor on April 25.
- **Congressional Oversight Requests:** EPA is currently responding to approximately 17 Congressional oversight requests. EPA responded to Commerce Oversight Subcommittee Chairman Barton's request for information on site selection for EPA Earth Day events.
- **Superfund:** Last week, House Democrats offered alternative liability language developed by EPA and other federal agencies. Daily negotiations in the Senate are expected to focus on the Administration's liability language as well as the new draft of Senators Smith and Chafee's Superfund Reauthorization bill that was released last month. Last week Administrator Browner met with Senators Chafee and Smith to discuss the status of Superfund negotiations and the Administration's alternative liability language. A similar meeting with Senators Baucus and Lautenberg took place on April 18.

DEPARTMENT OF EDUCATION

- **FAFSA Backlog:** By April 22, the Department expects to have processed all applications for all federal student aid received by March 31.

GENERAL SERVICES ADMINISTRATION

- **Oklahoma City:** GSA has received over 450 inquiries from national and international radio, television, and print organizations regarding security upgrades in federal buildings and preparation for the anniversary of the bombing of the Alfred P. Murrah federal building on April 19.

OFFICE OF PERSONNEL AND MANAGEMENT

✓ **Buyout Proposal Drafted:** As requested by OMB, OPM staff drafted a governmentwide buyout bill that would provide incentives to those who voluntarily leave government service as a result of specific agency downsizing plans. The proposal would begin in fiscal year 1997 with incentive amounts up to \$25,000. The maximum incentive would decrease by \$5,000 per year, ending in fiscal year 2000 with a \$10,000 maximum.

DEPARTMENT OF STATE

- **Lebanon/Israel:** As you announced on April 18, following his discussions with the Chinese foreign minister, Secretary Christopher will proceed directly to the Middle East for meetings in Israel and Syria to try and broker an agreement to end the fighting in southern Lebanon and along Israel's northern border. The Secretary has been in frequent telephone contact with the parties and key outside players, seeking to develop a set of understandings that will include both ending the current fighting and ending future attacks on civilians in Lebanon.
- **Liberia:** More than 1,800 people have been airlifted from Monrovia, including 328 American citizens, and the evacuation effort is winding down. Tensions are still high in the capitol as the standoff continues at the Barclay Training Center where 7,000 Krahn's are encircled by the NPFL and ULIMO-Mandingo troops.
- **Iran/Bosnia:** On April 9, the Department received a request for documents from Senate Intelligence Committee Chairman Specter and Vice Chairman Kerrey on the flow of Iranian arms to Bosnia. Similar letters were sent to the CIA, DoD, Justice, and the NSC. The Department is coordinating their response to the SSCI with NSC staff.

DEPARTMENT OF DEFENSE

- **Second Bosnia Reprogramming:** The reprogramming of \$659.6 million to cover the balance of FY 1996 Bosnia costs as well as the costs of other contingencies was approved by OMB this week. The source of funds was largely inflation savings, but the Navy included \$193 million of program resources.

UNITED STATES INFORMATION AGENCY

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Operational Cutbacks: *The Washington Post* is taking a detailed look at where USIA, USAID and the State Department have curtailed operations in the world (post closings, library shutdowns, etc.) because of budget cuts. USIA has provided *The Post* with information about Agency cutbacks and also has suggested where *The Post* might send correspondents overseas to explore local reaction to the cutbacks and closings.

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

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- INS to Unveil New "Paperless VISA":** On April 25, the Department of State and INS will hold a joint press conference at the Paso del Norte bridge in El Paso, TX, to demonstrate how the Data Share "paperless visa" works. DataShare will enhance enforcement because it will give INS and DOS immediate on-line access to all visa application and denial information. Ultimately, once the pilot expands to other posts, DataShare will eliminate the need for paper documents and will improve efficiency, reduce duplicative data entry, and improve customer service. DOS and INS plan to begin another DataShare pilot program for non-immigrant visas in December.
- Long-Awaited Decision On Constitutionality Of "Megan's Law:"** The Third Circuit issued its decision in this case in which a convicted sex offender challenged the constitutionality of New Jersey's "Megan's Law" which provides for registration of and community notification concerning released sex offenders. The United States appeared as amicus curiae in support of the constitutionality of the New Jersey statute. For the most part, the court did not decide the merits of Artway's claims, which it held to be unripe. With respect to those claims which the court did resolve, the decision rejects Artway's constitutional challenges to the registration and Tier 1 community notification requirements (low risk offender; notification of local enforcement authorities only). Because the court held the bulk of the issues unripe, it vacated the district court's ruling which held unconstitutional and enjoined enforcement of Tier 2 and Tier 3 notification (for moderate and high risk offenders) to community groups and the public.
- The National Treasury Employees Union (NTEU) Challenges Line-Item Veto:** The NTEU filed suit on April 9, challenging the constitutionality of the line-item veto law, which you signed earlier on April 9. Plaintiffs seek declaratory and injunctive relief. The case has been assigned to District Judge Charles Richey.
- Georgia Enjoined from Implementing Electoral Plans:** On April 9, in United States v. State of Georgia, (N.D. Ga.), an action filed by the Department under Section 5 of the Voting Rights to prevent Georgia from implementing state House and Senate redistricting plans to which the Department has objected, the three-judge district court enjoined the state from implementing the plans, unless and until they are either (i) precleared pursuant to Section 5 or (ii) are ordered into effect as an interim remedy in a related case, Johnson v. Miller, (S.D. Ga.) -- a constitutional challenge to more than 30 existing "majority-minority" state House districts. The Department had argued that the plans could only be implemented pursuant to Section 5, and could not be ordered into effect in the related case.
- Post-Adarand Procurement Suit Filed:** On April 9, a complaint was filed in Hatco Corp. v. US Defense Logistics Agency, (D.N.J). This is a post-Adarand constitutional challenge to the DOD's 10% price preference in procurement for small business owned by socially and economically disadvantaged businesses (SDB's). The relevant statute permits DOD to accept a bid from a certified SDB Disadvantaged Business if it is up to 10% higher than a bid by a non-SDBs. DLA used the price preference to award a

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OFFICE OF PERSONNEL AND MANAGEMENT

✓ **Buyout Proposal Drafted:** As requested by OMB, OPM staff drafted a governmentwide buyout bill that would provide incentives to those who voluntarily leave government service as a result of specific agency downsizing plans. The proposal would begin in fiscal year 1997 with incentive amounts up to \$25,000. The maximum incentive would decrease by \$5,000 per year, ending in fiscal year 2000 with a \$10,000 maximum.

DEPARTMENT OF STATE

- **Lebanon/Israel:** As you announced on April 18, following his discussions with the Chinese foreign minister, Secretary Christopher will proceed directly to the Middle East for meetings in Israel and Syria to try and broker an agreement to end the fighting in southern Lebanon and along Israel's northern border. The Secretary has been in frequent telephone contact with the parties and key outside players, seeking to develop a set of understandings that will include both ending the current fighting and ending future attacks on civilians in Lebanon.
- **Liberia:** More than 1,800 people have been airlifted from Monrovia, including 328 American citizens, and the evacuation effort is winding down. Tensions are still high in the capitol as the standoff continues at the Barclay Training Center where 7,000 Krahns are encircled by the NPFL and ULIMO-Mandingo troops.
- **Iran/Bosnia:** On April 9, the Department received a request for documents from Senate Intelligence Committee Chairman Specter and Vice Chairman Kerrey on the flow of Iranian arms to Bosnia. Similar letters were sent to the CIA, DoD, Justice, and the NSC. The Department is coordinating their response to the SSCI with NSC staff.

DEPARTMENT OF DEFENSE

- **Second Bosnia Reprogramming:** The reprogramming of \$659.6 million to cover the balance of FY 1996 Bosnia costs as well as the costs of other contingencies was approved by OMB this week. The source of funds was largely inflation savings, but the Navy included \$193 million of program resources.

UNITED STATES INFORMATION AGENCY

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Operational Cutbacks: *The Washington Post* is taking a detailed look at where USIA, USAID and the State Department have curtailed operations in the world (post closings, library shutdowns, etc.) because of budget cuts. USIA has provided *The Post* with information about Agency cutbacks and also has suggested where *The Post* might send correspondents overseas to explore local reaction to the cutbacks and closings.

4/28/96

- **Collective Bargaining Update:** On April 15, the National Mediation Board (NMB) proffered arbitration as a means of settling the labor disputes between five rail unions and the Nation's railroads. The railroads and one of the five unions, the United Transportation Union, accepted the proffer. The International Association of Machinists, the International Brotherhood of Electrical Workers, and the Sheet Metal Workers International Association rejected the Board's proffer, and will be free to strike at 12:01 a.m. May 18, unless a Presidential Emergency Board is created. The Brotherhood of Railroad Signalmen also rejected arbitration; however, the NMB has not yet formally released that dispute.

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• **Beverly Enterprises:** On April 17, a number of Democratic lawmakers and representatives of the Service Employees International Union held a press conference to urge Beverly Enterprises-Pennsylvania to reinstate some 400 workers permanently replaced during a three-day stoppage that began on April 1. Earlier in the day, AFL-CIO Executive Vice-President Linda Chavez-Thompson and some of the replaced workers rallied near the Department of Veteran's Affairs to protest government contracts with Beverly.

- **Service Employees:** The convention of the 1.1 million member Service Employees International Union will take place April 22-25 in Chicago, IL. Delegates are expected to elect Andy Stern as president, and Betty Bednarczyk as secretary-treasurer. Richard Cordtz, elected by the SEIU executive board in December to serve out the term of John Sweeney, withdrew his candidacy on March 11. Secretary Reich will address the convention on April 24.
- **Secretary's Schedule:** On April 22, the Secretary will speak to the Building and Construction Trades Department of the AFL-CIO. On April 26, the Secretary will join the Vice President in an event commemorating the 25th anniversary of the Occupational Safety and Health Administration.

DEPARTMENT OF TRANSPORTATION

- **Montana Rail Link (MRL) Freight Train Derailment:** On April 12, Federal Railroad Administrator Molitoris traveled to Alberton, MT, following the derailment of an MRL freight train. A freight train consisting of 3 locomotives and 71 cars, and operating at an unknown speed, derailed 18 cars. As a result of the accident, four tank cars and one covered hopper car containing hazardous material derailed. A total of 123 people were reported injured as a result of the accident and chlorine release. Interstate 90, which is immediately adjacent and parallel to the MRL track at an estimated distance of 100-150 yards, was closed and will remain closed until the hazard has been eliminated. As a result, on April 16, the emergency response commander announced that about 150 people would be permitted to return to their homes. As of April 17, no probable cause has been determined due to lack of access to the site.

4/25/96

- **Closure in Youth Gang Drug Prevention Program:** The Family and Youth Services Bureau soon will be notifying a third grantee, the Mayor's Youth Gang Drug Prevention Program in San Francisco, that due to Congressional budget cuts there are no resources to provide continuation funding for the program. This program, a recipient of a five-year grant for \$750,000 per year, is run by a consortium of seven community-based organizations and eight city departments who share in the decision-making. The consortium coordinates local street work, outreach and case management services to prevent and divert young people from gang and drug involvement.
- **Liberian Repatriation Assistance:** This week, HHS Office of Refugee Resettlement staff assisted the State of New York and the Red Cross with repatriation processing for about 175 people who were evacuated from Liberia on Tuesday, April 16. About half of these are American citizens, the rest are Liberian citizens related to American citizens and non Americans acting as escorts.

Approval of Breast Lump Diagnostic: On April 11, FDA approved a new use for the Ultramark 9 High Definition Imaging (HDI) Ultrasound System Level 3, made by Advanced Technology Laboratories of Bothell, Washington. Available since 1991 for general ultrasound use, the device now enables doctors to look at solid breast lumps and judge whether they are likely to be benign. It has the potential of reducing the estimated 700,000 biopsies performed in the United States by up to 40 percent.

Empowerment Zones/Child Care: The HHS Administration for Children and Families' Child Care Bureau will be hosting a national meeting on child care needs in Empowerment Zones on April 24 in Washington, DC. This first time ever event will provide opportunities for Empowerment Zone Representatives to share ideas on how child care fits in a plan for economic development, how to measure child care needs in a community and how to ensure health and safety in child care.

Tobacco: On April 23, the AMA, the *Journal of the American Medical Association* (JAMA), and the Robert Wood Johnson Foundation are sponsoring a one-day press briefing announcing the release of a JAMA special issue dedicated entirely to tobacco.

- **Final Report on Mental Health Services in Nursing Facilities Issued:** This week, OIG issued an inspection report finding that Medicare paid \$17 million for medically unnecessary services and \$10 million for highly questionable mental health services for nursing home residents in 1993.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Memorial Service:** On April 22, Secretary Cisneros will host a memorial service at the Department for Don Turner, President and CEO of BRIDGE Housing Corporation. Turner was one of the victims of the plane crash that carried Secretary Ron Brown and 32 others. The Turner family, members of Congress, and others will participate in the service.