

Chron

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 9-9

TO: ~~Leon~~ ~~Ron~~
Harold Jack Lew
~~Rahm~~
George

FROM: Staff Secretary

Gingrich's response to
our daug letter - just
came in.

Ray

cc: Evelyn



The Speaker
United States House of Representatives
Washington, D. C. 20515

Newt Gingrich
Sixth District
Georgia

September 9, 1996

The President
The White House
Washington, DC 20500

Dear Mr. President:

After three years of serious neglect from your Administration, your recent letter to me seems to indicate that you are now prepared to join Congress in addressing escalating drug use, particularly among our young people, which has occurred during the past three years. It is heartening to me and to so many parents who struggle daily with the constant threat drugs pose to our children to have you finally join with us in trying to tackle this worsening problem.

It was an outrage to watch you joke about your own drug use, have you eliminate 83 percent of the Drug Czar's office after being sworn in, and stand by while your Surgeon General called for drug legalization and your Attorney General testified against mandatory minimums for drug dealers. Your severe cuts to drug interdiction and prosecution efforts by the Drug Enforcement Agency, FBI, Immigration and Naturalization Service, Customs and Coast Guard and your appointment of federal judges who are easy on drug pushers and users have undermined the relentless efforts of Congress to stop drug use before it begins. As Rep. Charles Rangel (D-NY), the former Chairman of the Congressional Select Committee on Narcotics, said last year, "I have never, never, never seen a President who cares less about this issue." Given the lack of leadership your Administration has shown, it should not be surprising that, after 11 years of steady decline, drug use has jumped 200 percent among 14 and 15-year-olds.

As Speaker of the House, I have remained steadfast in my commitment to put an end to drug use. The message our kids should be hearing is that drug use is wrong. When asked by an MTV questioner: "If you had it to do over again, would you inhale?" your response: "Sure, if I could. I tried before," was totally irresponsible. We need to have leaders who will tell kids that drug use will not make you look cool. It will not make you popular. What it can do is destroy you and hurt the people you care for most. Under the leadership of Bob Livingston (R-LA), Chairman of the House Appropriations Committee, Congress is providing the resources necessary to combat drug use, in many cases providing more money than requested by the Administration.

We have increased the Office of National Drug Control Policy 30 percent over last year, increased efforts to fight drugs in high crime neighborhoods by \$10 million, and funded an initiative enabling residents to be moved to safe buildings when they identify drug dealers to aid police officers. The defense budget includes \$914 million for drug interdiction and counter drug activities, including \$13 million more than your \$57 million request for additional intelligence efforts against drug cartels and \$9.5 million more for drug interdiction along the Southwest-U.S. border. We have also increased funding for the National Institutes of Drug Abuse and Alcohol Abuse and for substance abuse activities at the Substance Abuse Mental Health Services Administration. And the list goes on and on.

Unlike your Administration, Congress has continued to fight the war on drugs. With the necessary resources Congress is supplying, resurrection of the simple, but stern message: "Just Say No," and with the coordinated efforts of parents, families, schools and businesses, we can hope to turn the tide around. What our kids need desperately is hope, the support of their families, and leadership from their elected officials. Our young people need to hear and believe that they matter, that they are our promise for a better future and that we will be there to help them through the tough issues they face.

Once again, I was encouraged by your letter. Congress has been, and will continue to be, fully engaged in the war against drugs. We welcome your participation in this effort.

Sincerely,



Newt Gingrich

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO:  Larry Haas

Fax Number: 56818

Phone Number: 56814

FROM: Todd Stew

SUBJECT: Drug Rtn

DATE: 9/9/96

NUMBER OF PAGES (including cover sheet): 3

MESSAGE:

If all pages are not received, please call 202/456-2702

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THE WHITE HOUSE

WASHINGTON

September 7, 1996

The Honorable Newt Gingrich
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Earlier this year, I transmitted to Congress the 1996 National Drug Control Strategy, which reflected my requests to fund our drug control initiatives developed by General Barry McCaffrey. In the final days of this session, it is critical for Congress to fund fully these national anti-drug efforts.

Unfortunately, congressional action to date would fall more than \$640 million short in funding these anti-drug priorities. This shortfall occurs in two critical areas -- the important priorities funded in the 1997 appropriations bills, and my request for a \$250 million supplemental appropriation for 1996.

My Administration sent the supplemental request to Congress when General McCaffrey was sworn-in as the National Drug Control Director. It provides funding for my National Methamphetamine Strategy and increased interdiction efforts, and it also targets funding to reduce adolescent drug use. Congress promised to fully fund this supplemental but to date has not acted.

Compared to my request for \$15.3 billion in funds -- the largest drug budget ever -- House action on 1997 appropriations bills would provide only \$14.9 billion. In particular, the House once again is attempting to cut the successful drug court initiative and my request for the Safe and Drug-Free Schools program -- the only Federal program fully dedicated to helping schools combat alcohol and drug use, as well as violent behavior. As you recall, I vetoed the first rescission bill last year because of Congress' fifty percent reduction to this vital youth program. We should not slash funding for a program that gives parents the security that their children are receiving the same anti-drug message in school that they receive at home.

In addition, last May I sent to Congress legislation that would increase penalties for methamphetamine trafficking, expand the Attorney General's ability to control the chemicals used to make methamphetamine, provide tougher penalties for using federal public lands for growing marijuana or manufacturing drugs, and give the Attorney General emergency power to reclassify certain drugs on the list of controlled substances such as Rohypnol, the "date-rape drug." The Senate has acted on some of these provisions and I urge Congress to complete the job by passing this legislation and sending it to me for my signature.

Drug abuse and drug-related crime affects us all. We must each do our part. In the National Drug Control Strategy, I asked Congress to be a bipartisan partner and provide the resources we need to get the job done. That is why I urge you to ensure that Congress fully funds my anti-drug budget requests before you conclude your work and return home.

Sincerely,

Bill Clinton

MESSAGE CONFIRMATION

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THE WHITE HOUSE

WASHINGTON

August 23, 1996 96 AUG 23 P4:29

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
JACK QUINN
CAROL RASCO
JOHN HILLEY

CHR (info)
H

SUBJECT: Golden Venture Detainees

Purpose

To review current Administration policy concerning the detention of Chinese nationals from the *Golden Venture*.

Background

In a recent conversation with Representative Goodling, you suggested that you would review options to address the continued detention of 46 Chinese nationals in York County, Pennsylvania.

The Golden Venture: The 46 detainees in York County were among some 282 Chinese nationals who tried to enter the United States illegally in 1993 aboard the *Golden Venture*. The aliens were placed in exclusion or deportation proceedings, and many have raised asylum claims based on China's coercive family planning practices. They have been held in jail for three years.

A total of 67 *Golden Venture* migrants remain in detention nationwide; of these, eighteen have abandoned their legal appeals and are awaiting deportation while forty-nine have pending habeas petitions in federal court. Final resolution of their cases is not expected until the end of the year at the earliest. The geographic breakdown is as follows: 46 are at York County; 16 at Bakersfield (CA); and the rest in New Orleans and Winchester (VA).

Legal background: Under current law, coercive family practices generally are not grounds for asylum. However, pursuant to an administrative, humanitarian relief program you approved in 1994, release from detention and protection from deportation may be provided Chinese nationals who have suffered severe mistreatment related to coercive family planning practices or who have well-founded fears of return to severe mistreatment.

cc: Vice President
Chief of Staff

INS detention policy: While U.S. law mandates the detention of persons who have attempted to enter our country without permission, the Immigration and Naturalization Service (INS) is authorized to parole them where it would be "strictly in the public interest." However, in order to deter future alien smuggling, the Administration strictly applied its detention policy to the Chinese migrants. DOJ, INS and Coast Guard believe this detention policy has discouraged alien smuggling from China.

Appeals from Congress and other groups: Twenty-eight Representatives have written to urge the immediate release of the *Golden Venture* detainees. They include Representatives Goodling, Gilman, Hyde, Smith, Berman and Pelosi. Numerous advocacy groups have made the same request.

ISSUE #1: POSSIBLE COURSES OF ACTION

Option 1: Stay the course -- maintain current detention: DOJ, INS and Coast Guard strongly recommend that we maintain the 67 aliens in detention pending resolution of their cases. They stress that INS has determined all detainees in this group are not eligible for asylum or administrative relief and argue that a change in detention status could undermine our deterrence of alien smuggling. Finally, a change could convince those detainees who have given up their legal appeals and are awaiting deportation to initiate new claims.

Option 2: Soft Detention on a Military Base: The INS has placed small numbers of detainees in "soft custody" on military bases in some circumstances, for example for minors at risk of harm. DoD recommends against this option, pointing to prior instances of violence. To address this issue, the aliens could be moved to a base that is being closed and is unoccupied. However, it is unclear whether the detainees would regard moving to a military base as an improvement given the broad support network they enjoy at York County.

Option 3: Soft Detention in Halfway Houses: Halfway houses have been used to hold aliens on prior occasions. DOJ and INS recommend against this option because of the risk of flight or of abduction by representatives of the smuggling organizations. (This already has happened with children who were placed in soft detention or foster homes.)

Option 4: Supervised Release: The INS can parole the detainees pending final disposition and seek to place them with responsible persons who would post bond. This option would be applauded by advocacy groups and some on the Hill, but DOJ and INS strongly oppose it, arguing that it likely will result in the flight or

abduction of migrants, and it would undermine the government's legal position. Moreover, given the likelihood that the government ultimately will prevail in the 49 *habeas* cases, they believe that trying to remove the migrants after they have been released will create a more visible and controversial issue.

On the other hand, releasing the detainees arguably would not hurt law enforcement objectives because much of the desired deterrent effect may have been achieved by the long detention period. In addition, provisions in the antiterrorism legislation you signed earlier this year should further deter alien smuggling.

Option 5: Removal to Third Countries: An attorney representing some of the detainees has resettled ten of them in Ecuador, and he is willing to continue his efforts. The United States also could *démarche* countries of the region. Prior experience suggests, however, that it will be difficult to find interested third countries, particularly within an acceptable timeframe. Still, this could be pursued together with either of the above options.

ISSUE #2: DETAINEES AFFECTED BY DECISION

Any option other than maintaining the status quo will require deciding who among the *Golden Venture* detainees should benefit from the change in detention status. There are two questions:

1. Whether the decision should affect all *Golden Venture* detainees or only those in York County: The York County detainees are the only ones you discussed with Representative Goodling. However, it would be difficult to distinguish between these and other *Golden Venture* detainees, and some migrants could challenge such a distinction in court.

2. Whether the decision should reach all detainees or only those whose *habeas* proceedings are still underway: Eighteen of the sixty-seven *Golden Venture* detainees have abandoned their legal appeals and are awaiting deportation. Therefore, a decision to transfer or release the detainees could be limited to the forty-nine whose *habeas* petitions remain active. Such a limitation could, however, lead detainees who have abandoned their legal appeals to file new *habeas* actions at any time before actual deportation.

RECOMMENDATION

That **all** *Golden Venture* detainees be released to responsible persons, subject to reasonable bond and pending final resolution

of the deportation cases. (Mr. Lake's and Ms. Rasco's recommendation, although the DOJ arguments have merit.)

Approve _____

Disapprove _____

That *Golden Venture* detainees remain in detention pending final resolution of the deportation cases. (DOJ, INS and Coast Guard recommendation. Jack Quinn and John Hilley concur in this recommendation.)

Approve _____

Disapprove _____

That third-country resettlement be pursued in the interim. (All agree.)

Approve _____

Disapprove _____

THE WHITE HOUSE
WASHINGTON

September 5, 1996

96 SEP 6 10:38

THE PRESIDENT HAS SEEN
9/9/96

MEMORANDUM FOR THE PRESIDENT

FROM: LEON E. PANETTA
CHIEF OF STAFF

SUBJECT: Califano Memo on Teen Drug Use

Attached for your review is a memo from Joe Califano containing his suggestions on what can be done to turn around rising drug use by young Americans.

Attachment

Raw
Read Califano
RG



The National Center on
Addiction and Substance Abuse
at Columbia University

September 3, 1996

Memorandum for the President

Subject: Countering Rise in Teen Drug Use

152 West 57th Street
New York, NY 10019-3310

phone 212 841 5200
fax 212 956 8020

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Barbara C. Jordan (1936-1996)
Frank G. Wells (1932-1994)

As you requested, here are some suggestions on what you can do to achieve your goal of turning around rising drug use by young Americans.

First, The Bad News

By just about any measure, drug use among young Americans has been rising--and at an accelerating year-to-year pace--over the past few years. The rise can be traced to a decline in the perception that marijuana is dangerous which began at least as far back as 1990, but the public sees it as occurring on your watch. There is also a danger of even worse news ahead. If history repeats, a rise in pot smoking could portend a subsequent rise in use of drugs like cocaine and heroin. Indeed, the rise we've beginning to see in the number who smoke heroin to some extent likely reflects the increase in pot smokers. The most troublesome statistic in recent surveys may be that from 1991 to 1994, the percentage of 8th graders who said that trying crack once or twice is harmful fell from 62.8 to 54.5.

Second, The Good News

With all the media attention about rising drug use, remember this: The overwhelming majority of teens--including those in the most miserable inner city ghetto conditions--do not use drugs.

Moreover, the sheer attention that teen drug use is now commanding is likely to drive down such use as government leaders, parents, schools, communities and public health officials put more attention, energy and resources into getting kids not to try drugs.

In this sense you have a real opportunity to spark that decline and accelerate it.

In the short term, I suggest you use every forum available to mobilize parents, schools, teens and communities and put a special Presidential spotlight on those with greatest influence on children and teens to

Memorandum for the President
September 3, 1996

sound the alarm and discourage drug use. Our *CASA Survey of American Attitudes on Substance Abuse II: Teens and Their Parents* (due for release on September 9) reveals that 15-17 year-olds and their parents (both by more than 70 percent) do not believe their schools are drug free. Yet availability of drugs at school is one of the highest risk factors for teens. Making schools drug free should be a top national priority. But creating drug free schools can only be accomplished by enlisting students in the effort. That's why I suggest this as the...

Presidential Best Shot

--Deliver the first national television address by any president to the children and teens of America. Ask the networks, CNN, MTV, etc. to carry live your speech to teens (and their parents) from the Oval Office about the dangers of drug use, about not being misled by music, films and friends that glamorize smoking, drinking and drug use. Talk to them on their turf--during the school day when every school can put kids in a classroom or auditorium with a tv set. Talk to them in their terms--about what's really cool, about how drugs prevent them from being all they can be, about how concerned you are, that you'll do all you can to help them, but you recognize that most all of them will be offered drugs before they graduate from high school and it is they who must make the decision to not to use drugs.

Most important, recognize that, when all is said and done, schools will be drug free only if the students join in the effort. (They're willing to do so: in the CASA survey to be released on September 9, 84 percent of 12-17 year-olds said they were willing to join a group of students making a pledge not to smoke, drink or use illegal drugs at school for the entire school year.)

In this talk you can also get a message through to parents, clergy (kids with an active religious life are less likely to use drugs) and teachers, to help kids develop the skills and wills to say no. You might even resurrect Nancy Reagan's phrase and give her some credit.

There is some risk to such a presentation--e.g., you will be accused of being political (so what, if you're doing the right thing). Other risks: will teens and parents tune in? How will teens react? Will they ridicule you? Will kids keep on using drugs? But with your extraordinary skill at communication and the facts that you have a teen daughter of your own and have had such wrenching personal experiences within your family, this could be a home run. It goes right to the audience you want to reach. In

Memorandum for the President
September 3, 1996

one swoop, I believe such an address would have a stunning salutary impact on kids (and parents) and counter any allegations that you're not using your bully pulpit to battle teen drug use.

What Else Can The President Do To Mobilize Americans?

Make it clear to children and parents, and to the groups mentioned below, that the route to a drug free society is through our children. All our research leads to this conclusion: an individual who gets through age 21 without using illegal drugs, without smoking and without abusing alcohol is virtually certain never to do so. With this in mind...

1. Call to the White House the heads of the ten major radio chains (see attached list) and their top 200 (or so) disc jockeys and ask them to get the anti-drug message out. I believe that the reason black teens smoke less than white teens is in good measure related to black disc jockeys that attack the tobacco companies for exploiting blacks (some even accuse tobacco companies of promoting genocide with their targeted ads).
2. Call to the White House--or go to Hollywood to talk to--the movie and television show makers and record companies, recognize their freedom, but ask them to accept the responsibility that goes along with such freedom and power to influence children. That means not only refraining from glamorizing drugs in their material--but also producing stuff that deglamorizes smoking, drugging and drinking by kids. Ask the Motion Picture Association, which examines the extent of sex and violence and (I think) alcohol use in movies to add to its rating system the extent of smoking and drug use.
3. Ask the NFL, Major League Baseball, the NBA and the NHL to put at the top of their agenda programs to encourage kids to stay away from drugs, cigarettes and alcohol. They could have "Drug Free Kids" days or nights and give away caps or T-shirts (even have the kids sign a pledge), the way they now have special nights for other occasions.
4. As part of 1, 2 and 3, get music, film, tv and sports celebrities to organize a major effort to urge kids to stay away from drugs. (Selecting the right celebrities is no easy task.)
5. Ask the broadcasters and the FCC to make discouraging kids from using drugs a key part of their three hours a week of quality children's programming. (Some years ago McDonalds sponsored an anti-drug cartoon produced by all film cartoonists



Memorandum for the President
September 3, 1996

that ran simultaneously on a Saturday morning on all three networks.)

6. Call for a return to the greatness of civic journalism. Years ago, newspapers ran campaigns to clean up corrupt politics, to stop child labor, to get rid of crime, etc. Ask local newspapers to try campaigns to get their communities to fight drugs--clean out drugs from schools, etc.

7. Call upon the fashion industry to abandon their promotion of the "junkie chic" look (and their glamorization of extreme thinness) which has gotten so many models into heroin and which has such a sinister influence on young girls smoking and using drugs.

Within Your Administration, You Can...

1. Direct every member of your cabinet to get into the campaign to stem drug use among America's youth. The Departments of Education, Agriculture, HHS, Commerce, Labor, etc.--Each in their own way can help get the message across of unmistakable opposition to children using any drug (tobacco, alcohol, marijuana, hard drugs). The Secretary of Commerce and Trade Representative should make it clear that the Administration's energetic support to open foreign markets for film, TV shows, and music (and to protect copyrights) cannot be justified to the American people if the film, television and record companies are putting out material that glamorizes drug use.

2. Order the FBI and DEA to give priority to enforcing laws in ways most likely to keep drugs away from our children and ask governors and mayors to do the same with their law enforcement personnel.

3. Direct the Secretary of HHS to prepare a Surgeon General's Report on Marijuana and Health so that all Americans will understand the dangers of marijuana use. The pot around today is much stronger than it was a generation ago; kids are using it at much earlier ages; and we know a lot more about its dangers (savaging short term memory and ability to concentrate, inhibiting emotional development and motor skills, and the statistical relationship between smoking marijuana and using other drugs).

4. Ask Congress again for funds for the drug free school program and put some teeth into the law to make sure the money is spent effectively (there are reports about waste and schools



Memorandum for the President
September 3, 1996

spending money on whatever they wish regardless of its impact on drug use). Also ask Congress to restore funds for treatment and prevention.

5. Expand addiction research at the National Institutes of Health to find out the best ways to keep kids from smoking, abusing alcohol and using drugs and to improve the effectiveness of treatment, especially for the young. Presently NIH spends more than \$5 billion for research on cardiovascular disease, cancer and AIDS and only about \$600 million for research on substance abuse and addiction--even though such abuse and addiction is the largest single cause and exacerbator of those three killers and cripples. The increased likelihood that kids who smoke, drink and/or smoke pot will move on to drugs like cocaine and heroin is much higher than the initial statistical relationships between smoking and lung cancer and high cholesterol and heart disease. That alone should spark a much greater investment in research into substance abuse and addiction.

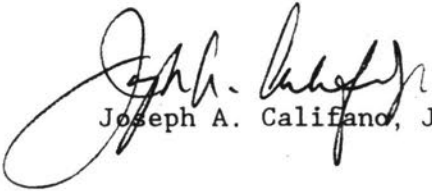
6. Call for training of teachers to spot drug and alcohol use among students and to know what to do about it.

7. Keep banging away on protecting kids from tobacco. While most kids who smoke nicotine cigarettes do not move on to marijuana, just about every kid who smokes pot learned how to smoke thanks to the tobacco companies.

Conclusion

All this should be done against a backdrop of tough law enforcement and punishment for those who deal drugs to kids.

Finally, make it clear that this is not a partisan matter. America's kids should not be used as partisan pawns; they are the nation's most precious asset; we should all join to protect them from illegal drugs and all substance abuse.


Joseph A. Califano, Jr.

Attachment



Attachment

Major Radio Broadcasters

Michael Jordan, Westinghouse Broadcasting
(owns CBS)
Mel Karmazin, Infinity Broadcasting
(to be acquired by Westinghouse)
Steve Dodge, American Radio Systems
Randy Michaels, Jacor Broadcasting
Bob Callahan, ABC Radio
Lowry Mays, Clear Channel Broadcasting
Steve Dinetz, Chancellor Broadcasting
Michael Ferrel, SFX Broadcasting
Bob Neil, Cox Broadcasting
Jeff Smulyan, Emmis Broadcasting

N.B. This list compiled from memory and a phone call; needs to be checked.

Growing Dangers

U.S. Drive to Curb Doomsday Weapons In Mideast Is Faltering

Not Only Rogue Countries
But America's Own Allies
Try to Expand Capability

Hiding Arms Becomes Easier

By AMY DOCKSER MARCUS

Staff Reporter of THE WALL STREET JOURNAL

Addressing a congressional panel earlier this year, CIA Director John Deutch called proliferation of biological, chemical and nuclear weapons the main strategic threat facing the U.S. and its allies. The big danger lies in the Mideast, he added, as so-called rogue states such as Iran, Iraq and Libya seek to acquire such weapons.

With unconventional weapons, "the potential for surprise is greater than it was in the days when we could focus our energies on the well-recognized instruments of Soviet power," Mr. Deutch warned.

But for U.S. policy makers, the biggest surprise of all may be that the next Mideast proliferation crisis is just as likely to involve U.S. allies as the rogue states.

Egypt recently resumed efforts to acquire long-range ballistic missiles and is stepping up research in chemical and biological weapons. Israel is believed to be developing missiles that can reach as far as the former Soviet Union, an achievement that military analysts say could alter the regional balance of power. Even American allies in the Persian Gulf that are largely dependent on the U.S. for security, such as Saudi Arabia and the United Arab Emirates, have acquired ballistic missiles capable of carrying conventional and unconventional warheads.

Syria's Missile Tests

And Syria, considered a U.S. partner to the degree that it is participating in the American-sponsored peace talks, has just conducted a third test of an extended-range Scud-C missile, and its chemical-weapons program is the most advanced in the Arab world, surpassing even Iraq's.

No one says the leaders of longstanding allies such as Egypt, Israel and Saudi Arabia should now be put in the same category as perennial troublemakers such as Libya's Moammar Gadhafi or Iraq's Saddam Hussein. The Iraqis, however,

What's News—

* * *

Business and Finance

FED OFFICIALS are worried that the minimum-wage increase will boost inflation, a concern that may influence their debate over whether to raise interest rates this month. Meanwhile, stock and bond prices fell amid an unexpected decline in weekly jobless claims and comments by Fed policy makers suggesting the economy may be too strong. The market action came ahead of today's long-awaited release of August employment data.

(Articles on Pages A2, C1 and C15)

* * *

Campbell Soup detailed a broader-than-expected restructuring that includes shedding low-margin brands and cutting 650 jobs, paid for by a \$160 million charge. The food company also said it will buy a top German soup maker for \$214 million, and unveiled a big buyback plan. Its stock rose 6.5%.

(Article on Page A3)

* * *

GM's Hughes is pursuing two deals that would make it a global satellite-broadcasting force. It is the top contender to acquire control of PanAmSat in a deal valued at up to \$3 billion, and has been in talks to invest as much as \$1 billion in Nethold, a satellite-TV provider in Europe and elsewhere.

(Article on Page A3)

* * *

SmithKline is near a deal to pay more than \$300 million to the government to settle allegations it falsely billed Medicare for blood tests performed by its clinical-labs business.

(Article on Page B1)

* * *

Retail sales perked up in August on brisk business in fall fashions and school goods. Same-store sales rose as much as 3.7%, one index showed.

(Article on Page B4)

* * *

Summit Technology founder David Muller, an innovator in laser eye surgery, was fired by the board amid big losses and a fight with rival Visx.

(Article on Page A2)

* * *

World-Wide

YELTSIN SAID he will undergo a he operation in Russia, possibly this month.

The Russian president didn't specify procedure, but speculation centered on pass surgery. Doctors say the risk of surviving such surgery isn't high, but surgeons in Russia perform far fewer bypass operations than those in the West. Succession procedures now become a concern at a Kremlin power struggle. Separately, Yeltsin said he backed Lebed's peace plan, but had doubts about a quick pullout of troops from Chechnya. (Article on Page A10)

Lebed, Yeltsin's national security chief, reached an agreement with rebel leaders in Chechnya on a coalition government for the separatist republic.

* * *

IRAQ VOWED to resist U.S. "aggression" amid fighting in a Kurdish enclave.

The CIA chief said Baghdad's forces were withdrawing from the northern enclave. The administration said they had left behind a massive security presence. Rival Kurdish factions fought south of Irbil as at least Iraqi tanks stood by, aid workers in the area said. France agreed to continue patrol zones in which Iraqi military flights are banned, but not the expanded zone the U.S. declared this week. (Article on Page A3)

Turkish jets attacked Kurdish rebel bases in northern Iraq as Ankara continued to lay plans for a buffer zone along the two countries' 200-mile border.

* * *

A federal jury in New York convicted three men, including suspected World Trade Center bombing mastermind Ramzi Yousef of plotting to blow up a dozen U.S. airlines over Asia in 1995. All three face mandatory life terms when they are sentenced Dec. 10. Yousef is to be tried later for the 1993 attack on the twin towers. (Article on Page B2)

* * *

Hurricane Fran came ashore at Cape Fear, N.C., after 500,000 people were ordered away from coastal areas of the Carolinas the storm, with 115 mph winds, neared. New York, heavy seas caused TWA crash investigators to suspend operations. The said Edouard's passage last week did appear to have shifted wreckage much.

* * *

Two top Dole media aides quit after their control over the presidential campaign advertising effort was reduced. A new team was promptly hired in hopes of improving the GOP ticket's fortunes as Dole continues his campaign.

Saddam Hussein. The Iraqi army's attack on the Kurdish city of Arbil in northern Iraq this week prompted a U.S. military response and demonstrated that Saddam Hussein still threatens regional stability. Contentions by United Nations officials that Iraq continues to hide the extent of its unconventional-weapons program and recent reports that Iran is developing biological weapons potentially as lethal as a nuclear strike are also worrisome.

Yet amid America's relentless drive to isolate countries it perceives as its enemies, the growing problem with allies is being overlooked. "How do you deal with friends who have developed nasty capabilities?" asks Michael Eisenstadt, a Mideast military-affairs analyst at the Washington Institute for Near East Policy.

Going Easy on Friends

Until recently, answering that question wasn't urgent. The U.S. quietly tolerated unconventional-weapons plans in friends that it loudly protested in enemies. U.S. policy was based partly on the idea that it couldn't push for arms reduction among allies while coaxing them to join peace negotiations. For years, some military analysts even contended that efforts by Egypt, Israel and, to a lesser extent, Syria to develop unconventional weapons might tend to stabilize the Mideast by helping deter military confrontations.

But no longer. The entire Mideast is infected with "creeping proliferation," says Anthony Cordesman, a senior fellow at the Center for Strategic and International Studies in Washington. Advances in technology are enabling all the countries to increase their capability to deliver, even if crudely, unconventional weapons over long distances. "It is virtually impossible any longer to separate what's happening in the Iran and Iraq arena from developments in countries that are the U.S.'s closest regional allies," Mr. Cordesman says.

The lines are blurring as cooperation between U.S. allies and rogue states in the development, transfer and even funding of unconventional weapons intensifies. Central Intelligence Agency Director Deutch's congressional testimony focused on Iran's growing arsenal but ignored the virtual strategic cooperation between Syria and Iran in developing biological and chemical weapons. The two countries shared the costs of setting up domestic plants to produce North Korean Scud-C missiles and apparently chemical warheads, according to Dany Shoham, a former Israeli intelligence officer who now studies unconventional warfare at the BESA Center for Strategic Studies at Bar-Ilan University in Tel Aviv.

Extensive Ties

Syria and Iran ship and exchange missile parts, transfer information on new technology, and are believed to exchange technicians and specialists in unconventional weapons, according to Mr. Shoham and U.S. military analysts. They are also believed to be helping finance the development of North Korea's long-range Nodong I missile, which both Mideastern countries are interested in acquiring.

Such cooperation is difficult to stop, says Jean Pascal Zanders, a proliferation expert at the Center for Peace Research in the Free University of Brussels. "The countries often present their unconven-

The NTSB staff is preparing broad safety recommendations for Boeing 757s and 737s, spurred partly by December's fatal Cali, Colombia, crash.

(Article on Page A4)

The Justice Department formally has sought documents from PepsiCo's Frito-Lay unit, providing the first official notice it is part of an antitrust probe of the salty-snack industry.

(Article on Page B12)

Ford sold 6.3% fewer cars and light trucks in the U.S. in August than a year earlier. The industry's overall U.S. sales fell 2.3% for the month.

(Article on Page B12)

Fidelity's Magellan fund is cutting its exposure to bonds and moving into equity growth stocks, and August data show slowed investor redemptions.

(Article on Page C21)

Kodak is in talks with London-based Danka regarding the sale of at least part of Kodak's copier business.

(Article on Page A2)

IES holders approved a management-backed plan to merge with two other utilities, IES said, rejecting a plan favoring a bid by MidAmerican.

(Article on Page B4)

Packard Bell agreed to change PC labeling amid a probe of the alleged practice of selling PCs with used parts.

(Article on Page B12)

Markets—

Stocks: Volume 360,544,230 shares. Dow Jones industrials 5606.96 off 49.94; transportation 1995.41, off 24.97; utilities 212.83, off 1.81.

Bonds: Lehman Brothers Treasury index 6161.10, off 32.13.

Commodities: Oil \$23.43 a barrel, up 20 cents. Dow Jones futures index 150.47, off 0.59; spot index 149.71, off 0.64.

Dollar: 109.21 yen, up 0.43; 1.4863 marks, up 0.0056.

to an earlier vote. The administration has a little more than eight weeks remaining before the vote. (Article on Page A16)

The administration announced new airline security measures, including controversial plans to uncover terrorists by profiling passengers and spending \$300 million on high-tech but largely untested bomb-detection gear. The ACLU said it fears passengers will undergo scrutiny based on nationality, race and religion. (Article on Page A2)

Netanyahu told a Likud conference he planned to take a hard line in negotiations with Palestinians, and weathered criticism from his party for his meeting Wednesday with Arafat. The Palestinian leader, meanwhile, met with Vatican officials and said an accord on Jerusalem was key to the talks.

Bosnian elections should be delayed, Dole said, calling the planned Sept. 14 vote "a fraud." Separately, NATO issued a warning after Bosnian Serbs surrounded a British patrol attempting to inspect weapons. U.N. war-crimes investigators exhumed a suspected mass grave of Croats near Vukovar.

Cambodia rushed troops to a northern province to aid a dissident Khmer Rouge faction that came under attack from forces loyal to Communist leader Pol Pot. The fighting erupted as dissident leader Ieng Sary met in Thailand with Phnom Penh's co-defense ministers for peace talks.

Burundi's army fought to drive Hutu rebels from positions near the capital, using helicopters and a plane equipped with rocket launchers. Army officials said three soldiers and 20 rebels were killed in fighting Wednesday, and rebels appear to be falling back.

The Senate approved, by voice vote, legislation to require insurers to pay for 48-hour hospital stays for women after they give birth. The measure was added to a fiscal '97 spending bill, and similar amendments have been introduced in the House.

Poland's ruling coalition may be breaking apart after the former Communists dismissed a minister belonging to the Peasant party, its partner. Peasant leaders left a coalition meeting and said they will decide today whether to leave the government.

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YOUR MONEY MATTERS

WEEKEND REPORT

BIGGER TAX BREAK: Odds are improving on proposals to change capital-gains taxes for most people selling their homes. Page C1.

HEARD ON THE STREET: Red Lobster is seeking to get out of the tank, C2.

TRAVEL: Wheeled carry-on luggage encourages fliers to overpack, B1.

THE HOME FRONT: Middle America discovers the gazebo, B8.

SPORTS: Big rackets make big noise at the U.S. Open, B6.

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POLIT... ready... INTER... is pou... REVIE... push... OPINI... for de... LEISU... review



Nonproliferation Drive Falters

Continued From First Page

tional-weapons programs as part of the Arab national cause," he says. "They get assistance from Arab scientists in various countries who are attracted either by good pay or pan-Arab nationalistic sentiments."

That can occur even between countries with low-level diplomatic relations. Egypt sided with the U.S.-led coalition against Iraq in the 1991 Gulf War, but over the past year Egyptian scientists who went home during the fighting have quietly returned to Iraq's military industries, Israeli and U.S. experts say. A delegation from the U.N. commission monitoring the dismantling of Iraq's unconventional-weapons program went to Cairo last year seeking information about Egyptian-Iraqi cooperation on missile development before the Gulf War and about Iraq's current weapons arsenal but was rebuffed by Egyptian officials, informed people say. The U.N. declines to comment.

But the most important way that U.S. allies in the region help rogue states is through their willingness to trade or sell information they gain through access to European and U.S. academic institutions, participation in international conferences on technology, and greater ability to obtain "dual use" technologies applicable in civilian and military industries alike.

"A country like Egypt has access to a whole range of things around the world that are simply not available to countries that are outcasts," says Joseph Bermudez Jr., a New York military-affairs analyst specializing in proliferation issues.

U.S. pressure, even on allies such as Egypt and Israel that get a lot of U.S. aid, has had limited success. Mr. Bermudez, an expert in North Korean military affairs, says Israel offered to invest in North Korea's civilian industry if Pyongyang would agree not to transfer its Nodong I missile to Iran. After Washington objected, Israel suspended the initiative, but Mr. Bermudez notes widespread speculation that Israel is still quietly trying to influence North Korea. U.S. efforts to persuade Egypt to take an active role in curbing proliferation of North Korean weapons failed, mainly because North Korea remains a major supplier to Egypt, Mr. Bermudez says.

In other instances, the U.S. has avoided applying much pressure. Regional arms-control talks being conducted as part of the Arab-Israeli peace negotiations have been frozen for 18 months, but the U.S. hasn't tried seriously enough to get the various sides back to the table, says Bruce W. Jentleson, a former member of the U.S. delegation and now director of a Washington research center run by the University of California at Davis. And even though U.S. analysts estimate that Israel has developed as many as 200 nuclear warheads, a number far surpassing its defense needs, U.S. pressure on Israel about its nuclear capabilities has been minimal, Israeli and U.S. military analysts agree.

In the future, moreover, U.S. ability to exert pressure is likely to dwindle. Most Mideastern countries, whether U.S. allies or not, either deny that they maintain unconventional-weapons programs or sim-

ply refuse to talk about them. And gathering intelligence about such programs is getting harder. The Washington Institute's Mr. Eisenstadt says biological weapons, though potentially as destructive as nuclear arms, are hard to detect. Militarily useful quantities can be produced with off-the-shelf equipment found in pharmaceuticals companies and can be easily hidden because the work can be done in a small room. Even nuclear programs are getting easier to conceal, with the collapse of the former Soviet Union leading to potentially greater availability of fissionable material that could make construction of huge production facilities unnecessary.

Many of the players — allies and rogues alike — say the only solution is to create a regional zone free of weapons of mass destruction, but progress has been slow. Israel and Jordan signed a treaty calling for the two countries to work toward establishing such a zone, but "we haven't even actually agreed yet on a definition of what constitutes the Middle East region," says Mohammad Khair Shiyab, who heads the Department of Security Studies at the University of Jordan in Amman.

Ahmed Fakhr, director of the National Center for Middle East Studies in Cairo, says the U.S. must end what he calls its "double standard" in addressing the issue of unconventional weapons in the Mideast. "The U.S. is willing to focus on the threat from the potential nuclear capability of an Iran or an Iraq but turns a blind eye to Israel's nuclear program," says Mr. Fakhr, who served on Egypt's delegation to the regional arms-control talks.

The U.S. policy, which is indeed based on willingness to cut its regional allies some slack, seems to be in trouble. Intelligence reports leaked to the news media earlier this year cited worry about growing domestic instability in Egypt and the dangers — given the size of the country's missile arsenal — if a government hostile to the U.S. came to power.

Toward Syria, U.S. policy is shaped by the perception that Syrian President Hafez Assad, unlike Iraq's Saddam Hussein, "isn't an adventurer," says one U.S. intelligence official, but that notion may become irrelevant. Some analysts say Syria might use chemical or biological weapons covertly, in a way that could not be tied to it directly.

Israel also poses potential trouble. Because recent technological advances might facilitate a limited unconventional attack that could impede Israel's ability to defend itself, the Israeli government might make a harsh pre-emptive or retaliatory strike even if the country's existence isn't immediately threatened, some analysts say.

Such dangers, they add, may soon force the U.S. to reconsider the political trade-offs that it once willingly made when dealing with allies on the weapons issue.

"In the current geopolitical constellation of today's Middle East, it's still possible to argue that Iran, Iraq and the other rogue states pose the greatest security threat," Mr. Shoham says. "But the political situation in the region is so fragile, and unconventional weapons capabilities are

Stanley Cup Visits NHL Champs

Continued From First Page

Ontario. The cup made its first overseas-player visit, to star-scorer Peter Forsberg's boyhood home in Ornskoldsvik, Sweden.

All along, a cupsitter has strived to keep the precious chalice safe and in sight. On duty for the mid-August trip to Winnipeg is Mr. North, officially the Hall of Fame's manager of special events and facility sales. He has ushered the cup to many NHL events and donned white gloves to carry it onto the ice when the Avalanche completed its sweep of the Florida Panthers in June.

Today's journey begins in Denver. The cup spent the night with Mr. North at a Ramada Inn, secure in its blue, foam-padded chest. He removes it for a quick polishing before heading to the airport, where ticket agents have been alerted. Mr. North obliges one who pleads for a photo, unlocking the chest while waiting travelers crane their necks for a



near the pool. A number of guests have informed him that, rule or no, the cup is going for a swim. Finally, he warns Mr. Keane that if the trophy goes into the pool, it won't be available for a charity golf outing the next day. Nor will it make a party hosted later in the week by one of Mr. Keane's teammates.

"Sometimes you've got to say whatever it takes to make them not do whatever you don't want them to do," Mr. North explains. He brushes off the supposedly prohibited drinking and hoisting. "I'm just worried about the pool," he says.

Mr. Keane, who is known in the NHL as a team leader and was the Canadiens' captain last year, tells his pals to leave the cup alone. Mr. North relaxes enough to enjoy a beer. But he still isn't out of trouble. One guest tries to take Mr. North into the pool. He sidesteps the lunge and the attacker winds up drenched.

He packs up the cup, undamaged and undunked, around 1 a.m. — not a moment too soon. Mr. Keane begins roaming the yard for dry people to toss in the drink. A number of wrestling matches break out, including one that leaves the Cholakis' fence minus a few slats.

Still, Mr. Keane's buddies insist they

tain "dual use" technologies applicable in civilian and military industries alike.

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"In the current geopolitical constellation of today's Middle East, it's still possible to argue that Iran, Iraq and the other rogue states pose the greatest security threat," Mr. Shoham says. "But the political situation in the region is so fragile, and unconventional weapons capabilities are developing so quickly, that in less than five years there's going to be no real difference in terms of the level of potential threat from an Iran or an Iraq than there is from a Syria, Libya, Egypt, Algeria or any other place in the Middle East."

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Continued From First Page

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Scott North

"They just eat it up," Mr. North says. He plays down the security part of his job, calling himself an "ambassador" and "facilitator."

"The players have too much respect to mess with the cup," he says. Never mind

near the pool. A number of guests have informed him that, rule or no, the cup is going for a swim. Finally, he warns Mr. Keane that if the trophy goes into the pool, it won't be available for a charity golf outing the next day. Nor will it make a party hosted later in the week by one of Mr. Keane's teammates.

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Still, Mr. Keane's buddies insist they never meant to harm hockey's Holy Grail. "Hey, we don't want to wreck the Stanley Cup," says Dean Court, a radio ad salesman who skates with Mr. Keane in a local summer league. "The boys are rambunctious, but they're not stupid."

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 9-9

TO:  L. L. Tyson

FROM: Staff Secretary

In light of the
package I sent to POTUS
Aug. 15 with your Aug. 7
memo & Bob Rubin's, I
don't think this Kantor
memo needs to go forward -
the attached materials were
part of your memo. TRL

September 3, 1996

96 SEP 3 P5:29

NOTE TO: TODD STERN /

FROM: KITTY HIGGINS / 

Attached was forwarded to the President by Secretary Kantor.

cc: Steve Silverman



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

AUG 26 1996

95 SEP 3 15:29

MEMORANDUM FOR KITTY HIGGINS
Secretary to the Cabinet

FROM: Peter Scher *Alyce W. Robinson for PS*
Chief of Staff

SUBJECT: President's Export Council Recommendations on the Formation of
Economic Sanctions Policy

Attached is a memorandum to the President from the Secretary of Commerce transmitting a letter from the President's Export Council Chairman Michael Armstrong, which recommends an assessment of unilateral economic sanctions.

Attachments



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

AUG 23 1996

MEMORANDUM FOR THE PRESIDENT
FROM: Michael Kantor
SUBJECT: President's Export Council Recommendations for the Formation of
Economic Sanctions Policy

President's Export Council Chairman Michael Armstrong has asked me to send you the attached letter pertaining to the costs of unilateral economic sanctions. The council members believe that it is essential to develop an improved knowledge base to guide sanctions policies and to create a better informed public. They advocate the appointment of a balanced, bi-partisan panel of government and private-sector experts to provide an assessment and recommend policies to guide the use of economic sanctions for the future.

Attachment

Mr. Michael Armstrong
Chairman and CEO
Hughes Electronic Corporation
Post Office Box 80028
Los Angeles, California 90009-0028

Dear Mike,

Thank you for your letter regarding unilateral economic sanctions. I appreciate the Export Council's consideration of this complex issue.

As you know, updating and streamlining the dual-use export licensing process has been one of my goals since 1993. We have made important progress in this regard, such as implementing meaningful liberalizations in controls on computers and telecommunications equipment, semiconductors and semiconductor manufacturing equipment, beta-test software and chemicals. We have continued to move dual-use goods and technologies, such as commercial communications satellites and commercial jet engine technology, from the State Department-administered Munitions List to the Commerce Control List. We also have achieved significant reforms in the export licensing process, by implementing strict interagency review timeframes and by developing a procedure to resolve disputes over the licensing jurisdiction between the Commerce Department and State Department of controlled items. Finally, we have accomplished the only comprehensive re-write of our dual-use export licensing regulations ever undertaken, thereby making them more understandable.

I appreciate the analysis and recommendations of the Export Council concerning unilateral sanctions, and am sure that the members of the Council appreciate the complex challenge facing the Administration in responding to the activities of various rogue nations. Certainly we prefer and seek to impose sanctions on a multilateral basis. That said, I am sure you understand that there are occasions when the United States needs to employ unilateral sanctions in order to respond to certain actions, even when there may be little chance that our allies will do the same.

The National Economic Council (NEC) currently is conducting a review of the process by which we impose multilateral and unilateral sanctions, and the PEC's white paper has been conveyed to the NEC for consideration in its review. We will consider your recommendations fully in the context of the current NEC exercise, and look forward to further discussions on this subject.

Thank you again for your commitment to the PEC. I look forward to continuing to work with you and the Council in the coming months.

Sincerely,

THE PRESIDENT'S EXPORT COUNCIL

WASHINGTON, D.C. 20230

June 28, 1996

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

Your Export Council is submitting herewith a recommendation aimed at developing a better base of knowledge for the formation of an economic sanctions policy. Although it is recognized generally that our national security, foreign policy, and national economic security interests are inseparable, actions to deal with proliferation of weapons of mass destruction, support of terrorism, and abuse of human rights in the Post Cold War period increasingly involve unilateral economic sanctions.

The enclosed "white paper" suggests that the costs of unilateral economic sanctions are becoming more important to the economic security of our nation. The climate under which sanctions typically are chosen make reasoned debate and consideration of potentially more effective but less dramatic and "visible" measures impossible. Therefore, we have concluded that it is essential to develop an improved knowledge base to guide sanctions policies and to create a better informed public.

Specifically, we recommend that you, in consultation with appropriate Members of Congress, appoint a balanced, bi-partisan panel of government (including the Departments of Commerce, State, Defense and Labor) and private sector experts to:

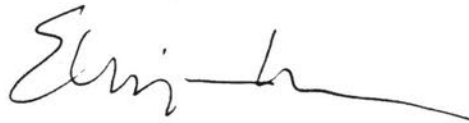
1. Direct a comprehensive assessment of the laws and regulations, costs, benefits, and practices pertinent to economic sanctions.
2. Recommend policies to guide the use of economic sanctions for the future.
3. Propose a program of communications to assure that policy makers and the public are appropriately informed.

We recommend also that you request the International Trade Commission, or other non-partisan body with comparable economic resources and expertise, to work with the Panel in designing the economic cost and impact assessment to conduct the study of costs and impacts, and provide a report to the Panel for its use in completing its report and recommendations to the President and the Congress.

Sincerely,



C. Michael Armstrong
Chairman



Elizabeth Coleman
Vice Chairman

Enclosure

UNILATERAL ECONOMIC SANCTIONS: ARE WE GETTING WHAT WE PAY FOR?

Proliferation of weapons of mass destruction, support of international terrorism and abuse of human rights by third world emerging nations have become higher priority concerns for U.S. foreign policy in the Post Cold War era. Since these matters are so antithetical to our national values, traditional diplomacy and constructive engagement typically fail to capture our sense of urgency and outrage. Decisive military solutions, on the other hand, are neither politically nor economically feasible because vital national security interests seldom are perceived to be at stake. Thus, the search for alternate approaches leads most often to the selection of economic sanctions and, frequently, to the United States going it alone.

The costs and benefits of using our international trading relationships as weapons for such purposes in the modern political and economic environment are not well understood. There is a need for a better base of knowledge on which to form economic sanctions policy.

National leaders are coming face to face with the realization that our national security, national economic security and foreign policy interests are inseparable.

"We must elevate America's economic security as a primary goal of our foreign policy...[F]or too long we have made economics the poor cousin of our foreign policy..."

Secretary of State Warren Christopher
January 1993

Trade has increased from 13 percent of the value of U.S. GDP in 1970 to 30 percent in 1995. Indeed U.S. exports are growing at an increasingly rapid rate compared to the economy as a whole.

U.S. EXPORT GROWTH PROJECTION: 9.5 PERCENT PER YEAR

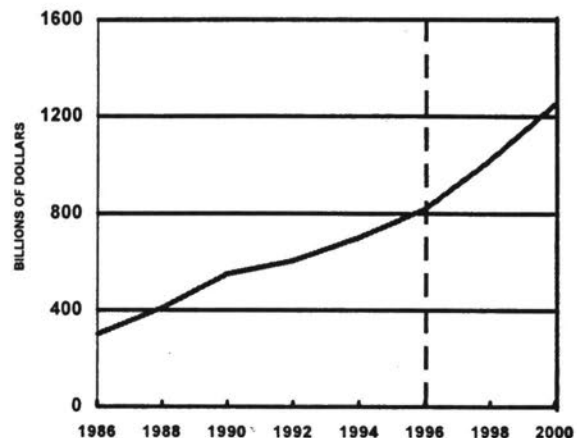


Figure 1
Source: International Trade Administration,
U.S. Department of Commerce

High technology industry sectors depend on the international marketplace to provide the economies of scale essential to their global competitiveness; and Secretary Perry's post Cold War defense strategy relies increasingly on these commercially driven dual-use technologies to provide the battlefield advantage needed by our military.



"The key technology [military commanders] want is information technology and it is being developed at a breathtaking pace, but not by the Defense Department. It is being developed by commercial computer and telecommunications companies..."

Secretary of Defense William J. Perry, "A Defense Strategy for the Post Cold War World"
March 4, 1996

Secretary Mickey Kantor noted recently that globalization and interdependence of the world's economies are here to stay, and that expanding trade is critical to creating good, high-wage jobs. The 11 million Americans who owe their jobs to exports are earning, on average, 13 to 17 percent more than their neighbors in non-trade jobs. (Figure 2)

Exporting Plants Pay Higher Wages

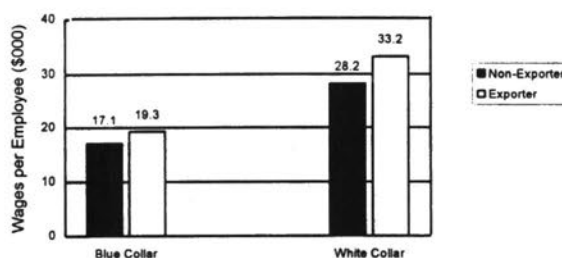


Figure 2

Source: "Why Exports Matter: MORE!" Institute for International Economics and The Manufacturing Institute
U.S. Census Bureau, Center for Economic Studies

Growth in real incomes and living standards depends heavily on trade. The U.S. economy is relatively mature and its population is near zero growth. The same goes for our historic trading partners. The opportunity for growth is offered by the big emerging markets (BEMs) of the world, which already are taking a larger share of our exports than either the European Union or Japan. By the year 2000 they are expected to exceed the combined total of the EU and Japan. (Figure 3)

U.S. Exports to BEMs, European Union, Japan

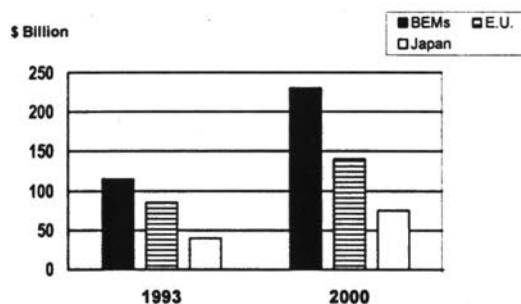


Figure 3

Source: Department of Commerce

But these dynamic emerging market countries also pose the greatest challenges to geopolitical stability and our foreign policy interests.

- Many perceive a need for independent defense capability as the protective shields of the superpowers have come down, and as they desire to project their influence and images of success as nations;
- Some lack the democratic processes and respect for the human rights of their citizens required to meet international norms.

The Policy Dilemma

U.S. policymakers perceive a paucity of options for dealing with such matters when major military action is unjustified.

- When a target country's economy and national security are not dependent on the United States, diplomacy and constructive engagement hold less promise of success, and yet they carry a high political risk here at home. However, the Framework Agreement with North Korea is proving that we are able to get effective results when a high priority, high risk effort is put forward. That rogue country's dangerous nuclear program has been frozen since 1994 when the Agreement was signed.
- Even though unilateral economic sanctions generally are seen as ineffective in achieving the desired change in the target country's policies, such sanctions have become the weapon of choice because:

- They have no visible effect on the budget deficit (i.e., they are "off budget");
- They immediately suggest national resolve to deal tangibly with unacceptable actions by the targeted nation.

Default to Sanctions?

The International Institute for Economics (IIE) reported in 1990 that the use of economic sanctions by the United States reached frenetic levels in the 1970s and 1980s. The success rate fell from 50 percent in the 1950s and 1960s to 17 percent. The average U.S. sanction's effect on the target nation's economy fell to less than one percent of GNP. One possible explanation noted was the decline in trade linkage between the United States and the target countries. From a competitive point of view, it is especially significant that the U.S. rate of applying economic sanctions was triple that of the E. U. and Japan combined.

The IIE reported in 1995 that unilateral sanctions have been applied somewhat less in the 1990s. However, a countertrend is noted in legislative activity which "suggests that the lessons of the 1970s and 1980s have yet to be learned. It appears that domestic politics will continue to outweigh U.S. commercial or even foreign policy interests in some cases."

Restriction of trade and financial relations are imposed under a variety of case specific and omnibus statutes, and additional laws currently are proposed.

Others also have questioned whether unilateral sanctions generally are ineffective

in achieving more than ephemeral domestic political objectives. The GAO reported (GAO/NSIAD-86-172), that effectiveness in denying specific items or forcing change in the target country's policies is not required by the Export Administration Act.

- U.S. foreign policy goals may be limited to making a political statement or sending signals "distancing" ourselves from another country's behavior.
- Ending sanctions is difficult because the act of removal itself signals approval of the target country's behavior.
- Costs take the form of U.S. business and jobs turned over to foreign competitors.

Costs

Costs to the United States of unilateral economic sanctions are both direct and indirect -- and they clearly are quite large.

One of the largest single sector-specific unilateral sanction is that which prevents U.S. firms from competing with French, German, Canadian and other foreign companies to supply nuclear-powered electricity generating plants to China. This sanction is imposed unilaterally for the purpose of penalizing China for abuse of human rights and weapons proliferation. Unfortunately, its effectiveness in influencing China's policies is limited since the foreign competitors offer comparable capability and have moved ahead toward fulfilling China's nuclear power requirements.

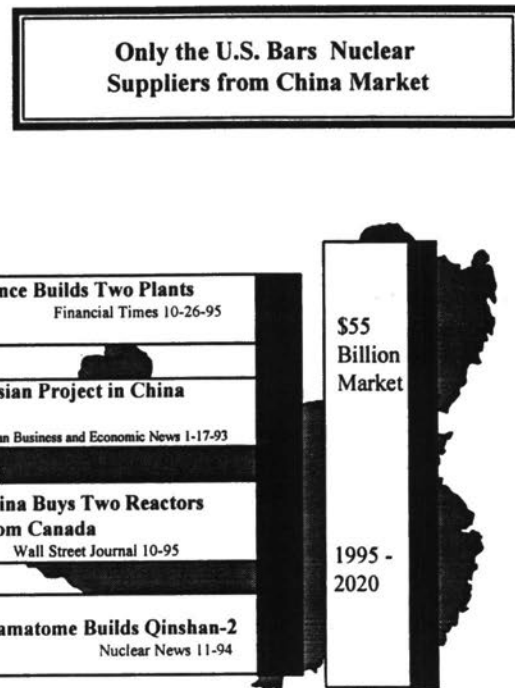


Figure 4
Source: China National Nuclear Corporation

The China nuclear power market is the only one that can support the U.S. commercial nuclear industry in the near to mid term. Tens of thousands of well-paying U.S. jobs across 28 states are potentially affected.

Nuclear Energy Related Jobs



The critical policy issue for the United States is that continued denial of access to this \$50 billion market will result in the gradual elimination of the trained personnel

base now supporting more than 100 U.S. nuclear power plants and the nuclear Navy. Also of broad significance is that China's nuclear program will not benefit from the world's most advanced nuclear power safety standards.

The Council on Competitiveness evaluated specific export control cases reported by industry in 1994. Unilateral sanctions resulted in \$2.5 billion in denied exports of commercial on-highway trucks and communications satellites.

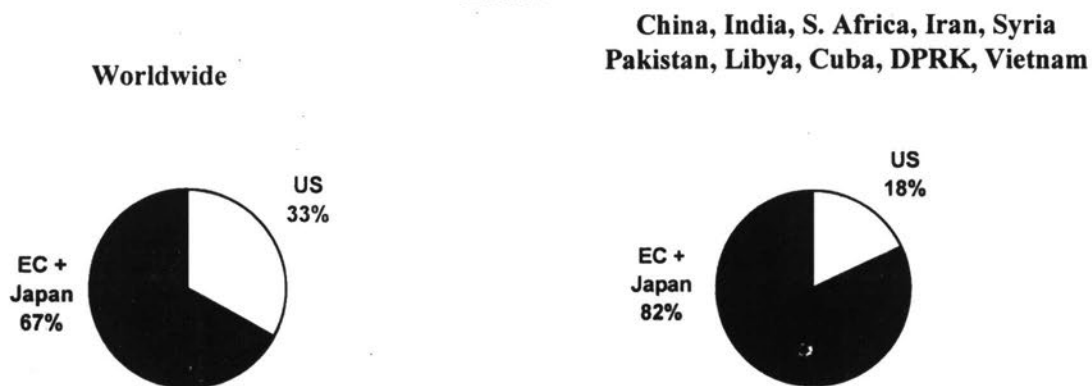
In comparison with worldwide performance against the EC and Japan, the U.S. shortfall in merchandise exports to 10 U.S.-sanctioned countries in 1992 was \$11 billion. (Figure 5)

Indirect costs of unilateral sanctions are larger but even more difficult to assess. In the same way as an ordinary consumer

avoids buying a durable good, such as an automobile or an appliance, from a company that has a reputation for unreliable service and parts supply, foreign purchasers avoid becoming dependent on global suppliers who represent a political risk.

- Where Airbus Industrie once relied solely on U.S. engines, two of the latest three Airbus aircraft now offer non-U.S. engines.
- In the period following the Soviet grain and pipeline embargoes, many U.S. manufacturers were informed by European firms that they were avoiding key U.S. parts and components for their products except where substitutes were unavailable. And the damage to the export market for U.S. agriculture was significant.

Comparison of U.S. with E.C. and Japanese Merchandise Exports 1992



**Shortfall of U.S. Exports to 10 Sanctioned Countries --
\$11 Billion and 220,000 US Jobs**

Figure 5

Source: IMF, 1993

- China and India hedge against potential commercial aircraft sanctions by maintaining a significant share of European and Russian aircraft in their fleets.
- The extraterritorial extension of U.S. law to carry out unilateral sanctions where our international trading partners disagree as to the purpose or approach is particularly damaging to U.S. competitiveness.

The Soviet pipeline embargo was a painful example. Foreign firms were prohibited from supplying the pipeline if they used U.S.-origin goods, or if they were subsidiaries of U.S. firms.

One U.S. turbine manufacturer had produced the high-tech components for machines being made by foreign licensees. These components, which licensees had not been able to build for themselves, could not be shipped. But key European governments effectively forced their citizens to proceed with pipeline contracts in the face of blacklisting by the U.S. government. As a result of this confrontation among the allies, the U.S. was forced to withdraw the sanction. Meanwhile, the U.S. turbine manufacturer had been forced to give over to its foreign licensees complete independence in production of turbine components. This firm and other U.S. suppliers sustained permanent damage in the global market. Foreign competition gained an unearned boost and thousands of good U.S. jobs were destroyed.

- Now further extensions of extra-territoriality are being employed in the

hope of forcing the allies into cooperating with our unilateral actions against Cuba, Iran and Libya. Secondary boycotts of the type employed by the Arab League against Israel are proposed for Iran and Libya. Ironically, a U.S. person's cooperation with such foreign boycotts is prohibited by U.S. law. Foreign manufacturers may be forced to choose between risking the U.S. sanctions and breaking the laws of their own countries. There is a significant danger here of even stronger retaliatory action than in the Soviet pipeline case. The losers, again, will be U.S. suppliers and U.S. workers -- not the target country.

- There are numerous statutory "trip wires" where a Presidential determination sets off mandatory economic sanctions against another government's actions. For example:

A Presidential determination that China has contributed substantially to Pakistan's missile capabilities would require a ban on all export licenses as well as on all imports from Chinese government entities relating to electronics, military aircraft, missiles and space systems. Intelligence leaks reported by the press indicate that such action has been considered. This type of action could result in a complete shutdown in trade relations with China.

Ex-Im has estimated that implementation of the Nuclear Proliferation Prevention Act against China for supplying centrifuge components to Pakistan would affect

potentially \$10 billion worth of U.S. commercial projects.

A similar level of project activity is exposed in Indonesia where past news reports of human rights violations have raised concerns that Ex-Im sanctions mandated by the Foreign Assistance Act might be imposed.

The State Department uses authority under the Arms Export Control Act to deny trade approvals involving items on the U.S. Munitions List for certain countries. Since the Munitions List encompasses substantial commercial goods and technologies, such foreign policy embargoes often have unintended consequences. The \$1.5 billion sale of commercial satellites to China mentioned earlier had to be denied because of the embargo relating to Tiananmen Square.

When the President fails to certify that a foreign government is cooperating satisfactorily with the United States in its war on drugs, Ex-Im Bank funding for projects in that country must be stopped. The recent decertification of Columbia automatically stops U.S. participation in up to \$1 billion worth of projects in that country.

Potential decertification of Mexico, currently proposed by members of the Senate, would impact \$6.8 billion worth of current public and private exposure there.

Conclusions

The impact of unilateral economic sanctions on the broad national interests of the United States must be understood clearly. It is extremely difficult to deal effectively with this issue for several reasons.

- The costs generally are not borne directly by the U.S. government. Direct costs usually are focused on limited industry sectors and geographic areas, and indirect costs, while likely to be larger, are complicated and difficult to prove in the short term.
- The imposition of sanctions invariably is undertaken in the "heat of passion" toward offending governments. Such conditions invite demagoguery and, in turn, media attention. Reasoned debate on sanctions in this climate is impossible. Such conditions also reduce the political attractiveness of using incentives such as economic aid, regional security assurances or access to international financing. The experience of the Framework Agreement with No. Korea is both illustrative and instructive.
- No Administration and no Congress will accept meaningful limits on their ability to act unilaterally against other nations when they perceive a threat to U.S. national interests.

Thus, if we are to avoid significant, unnecessary damage to U.S. economic security, an improved knowledge base to guide sanctions policies, and a better informed public is required.