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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
11-23-96

November 18, 1996

'96 NOV 18 PM6:44

MEMORANDUM FOR THE PRESIDENT

FROM: LEON E. PANETTA
Chief of Staff

SUBJECT: Monday Activities

LEGISLATIVE ISSUES

Campaign Finance Reform

A memo went to you on Thursday outlining our strategy and timetable for pursuing campaign finance reform. This week we are meeting with the Democratic Congressional leadership and reform proponents to begin work on a consensus reform bill. We have begun our discussions with key outside reformers who will be important in order to validate our efforts. If we can develop the substance of a bill that outside reformers will endorse, they will take the lead in selling that product to Republican Congressional proponents of reform.

1/26 Our view is that this process should be allowed to develop quietly over the next two to three weeks. We do not want too visible a White House role at this stage to disrupt the prospects of a bipartisan bill. Once we have a bipartisan campaign finance reform bill that the outside reform groups endorse, you will have to play a central role in building consensus and pressure for the Republican leadership to act.

U.S. House of Representatives Update

House Democrats today elected their leadership for the 105th Congress. Rep. Richard Gephardt of Missouri was re-elected as Democratic Leader, Rep. David Bonior of Michigan won another term as Democratic Whip, Rep. Vic Fazio of California will be Caucus Chairman and Rep. Barbara Kennelly of Connecticut remains Vice Chairwoman. Additionally, Rep. Martin Frost was elected Chairman of the DCCC and Rep. Joe Moakley will remain ranking member on the House Rules Committee.

For the balance of the week, the majority of the activity in the House will center around choosing the Committee leadership.

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Senate Update

There is no Senate activity of note for today. The Republican and Democratic Leadership elections are expected to occur on December 3.

DOMESTIC UPDATE

St. Petersburg Meeting

✓ Today Secretary Cisneros, Deval Patrick and representatives of the Labor Department joined me in a meeting with the Mayor of St. Petersburg to review the Federal response to civil unrest in his city. I assigned Secretary Cisneros to coordinate Federal efforts to assist the city.

We discussed a whole series of initiatives to assist the city, including:

- Section 108 Loans under the Economic Development Initiative
- Using the HOME program to refurbish neighborhoods
- Technical assistance from HUD on how to manage the replacement of the Jordan Park public housing complex.
- Drug Elimination Grants
- Using Dept. of Labor funds to continue Youthbuild programs
- Providing temporary jobs through the Emergency Dislocated Worker program
- Use Welfare Reform Food Stamp options to provide assistance to individuals in the community
- Use EPA funds to start clean-up of brownfield areas
- Continuing investigations by the Justice Department and the Civil Rights Commission. (Hearings will be held by the Commission next week.)

We also discussed the city's ability to apply for the new empowerment zones and enterprise communities proposed in the Administration's budget.

Henry Cisneros will likely go down to St. Petersburg on Friday to review the needs of the community and the appropriate Federal effort.

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Consumer Sentiment Rises Steadily:

Consumer sentiment in November increased 2.4 index points to 98.9 according to the preliminary survey by the University of Michigan. This is the highest the index has been since 1986. Nearly the entire gain was in consumer expectations for the future. Confidence in government economic policies also rose sharply in early November, reaching its highest level in ten years. Preliminary consumer sentiment results are based on incomplete survey data and are never publicly released.

POLITICAL UPDATE

Attached you will find a copy of the daily political memo prepared by Doug Sosnik and Karen Hancox.

FOREIGN POLICY

Arrest of CIA Employee Harold James Nicholson

Harold Nicholson, a 16-year CIA veteran, was charged with espionage following his arrest on Saturday, November 16. He allegedly provided highly sensitive, classified CIA documents to the Russians beginning at least in June 1994. Nicholson had highly classified documents in his office, notebook and work computers and was observed photographing documents at work. Directors John Deutch and Louis Freeh briefed the press at 1:00 p.m. EST on Monday. State will protest with the Russian Ambassador in D.C. and the government in Moscow.

Zaire

UNHCR believes the massive flow of Rwandan refugees has almost ended; an estimated 500,000 have returned home since Friday. USAID will announce today \$140 million in aid for the returnees (in addition to the \$25 million declared last Friday) and is calling for a conference of donors this weekend in Brussels. Meanwhile, potential force contributors plan to meet in Stuttgart on November 21 to decide how best to respond to the changing situation on the ground. On our part, Tony Lake met with various Canadian officials, including Prime Minister Chretien, in Ottawa on Monday to work out details of U.S. participation in the MNF and in meeting other humanitarian needs.

Northern Iraq -- Asst. Secretary Pelletreau's Trip

The KDP was not prepared to go as far as we wished toward establishing a long-term reconciliation with the PUK. Both parties, however, agreed to measures (including demarcation designed to shore up the existing cease-fire). We are continuing

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to engage with the Turks on the future of Operation Provide Comfort, the continuance of which is the basis for all our other activities in northern Iraq.

Russian Mars Probe Reentry

The final reentry "fix" from SPACECOM placed the spacecraft's point of impact as several hundred miles off the coast of Peru and Chile. General Estes believes the spacecraft came down in one piece, without any dispersal of debris across a wide ocean area. DoE announced that it was operating on the presumption that the plutonium "batteries" remained intact on impact and sank in the deep ocean trough in that area. Nonetheless, the NSC had DoE (Lawrence Livermore Lab) run computer models last night of two extremely unlikely "worst case" scenarios: (1) the plutonium spilled out of the canisters on reentry and produced an atmospheric cloud and (2) the plutonium was dispersed and "aerosolized" on impact and produced a radioactive cloud. In both cases, DoE reported that given current wind patterns, there was no chance of radioactivity reaching South America or passing over any islands in the South Pacific.

Bosnia

✓ The President's decision was presented to the NAC today. Allies welcomed decision. New NATO political guidance based on your decision will be finalized and sent to the NATO Military Authorities on Wednesday. Some allies at NATO, such as the UK and Germany, cannot immediately agree to the 18-month mission (must go back to their governments), but we expect the UK and others to come around.

North Korea/KEDO

✓ Over the weekend, we delivered a message to the North Koreans that 1) proposed to send Congressman Richardson to North Korea immediately on a purely humanitarian mission to pick up AMCIT Hunziker; 2) reassured the North Koreans that KEDO would move forward with the Light Water Reactor (LWR) project; and 3) invited North Korean officials to come to New York to continue negotiations with us on a North Korean "statement of regret" for the sub incident. Seoul agreed to the Richardson mission and proposal for further New York talks but strongly protested that the KEDO assurance goes too far, given President Kim Young Sam's public statement that the ROK will not resume the LWR project until North Korea apologizes for the sub incident.

The North Koreans have not yet responded to our proposals, and the spent fuel canning operation in North Korea remains on hold. There are no indications, however, that the North is preparing to break the freeze of its nuclear facilities or to restrict IAEA monitoring of the freeze.

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Eastern Zaire/Rwanda

The number, location and condition of remaining refugees in eastern Zaire is still unclear. Aid agencies continue to maintain that over 600,000 refugees remain at risk. However, U.S. aerial reconnaissance reveals only one major concentration of refugees -- 200,000 West of Lake Kivu, who now appear to be moving north and northwest. It is too soon to tell whether this group intends to move west deeper into Zaire or return to Rwanda via Goma.

The Canadian-hosted policy meeting in New York yesterday yielded few, if any, concrete decisions. Most participants complained about the lack of information regarding the condition of refugees in eastern Zaire. France and Zaire argued strenuously that the original mission should go ahead, which would have the effect of helping Zaire reestablish control over its eastern provinces. The United States, Canada, UK and several others argued for a redefined mission to enable the international community first to assist Rwanda absorb the returnees, if Rwanda agrees. We should hold in abeyance any decision about the utility of a mission in eastern Zaire until the situation on the ground is clarified. Canada will host a military planning meeting Friday in Stuttgart, to which we are sending a senior interagency delegation.

North Korean Release of American Citizen

The North Koreans agreed yesterday to allow Congressman Bill Richardson to fly to Pyongyang to pick up American citizen Carl Hunziker, who has been held since August for illegal entry into North Korea. The North agreed that the USG will not have to pay the \$100,000 legal fine assessed against Hunziker. Richardson will arrive in Pyongyang on Monday, November 25, and depart with Hunziker on November 26.

State Visit of Chile

Today you invited Chilean President Frei to a State Visit on February 26.

MEMORANDUM FOR THE PRESIDENT

FROM: Doug Sosnik and Karen Hancox

THE PRESIDENT HAS SEEN
11-23-96

Subject: Lingering Election Day Issues

CALIFORNIA

There are two election results in California that the Republicans are vowing to fight -- Bob Dornan's seat (CA-46) and George Brown's seat (CA-42). Linda Sanchez defeated Dornan by 665 votes; Brown won his race by 850 votes. The Republicans are claiming voter fraud (they claim non-citizens voted in both these races) and are vowing to take their case directly to the House of Representatives for a resolution, rather than ask for a recount. The Board of Elections said they have found no evidence of voter fraud. The Republicans are looking to make an issue of our immigration policy. Absent some extraordinary event (i.e. the House Republicans decide to ignore the will of the people and vote to overturn the election results), the DCCC does not think these races are close enough to be overturned.

MASSACHUSETTS

A district-wide recount will begin Thursday (November 21) in Peter Torkildsen's seat. Jon Tierney (D) leads by 354 votes. This is a lot of votes for Torkildsen to make up -- the DCCC believes we will hold onto this seat.

PENNSYLVANIA

Although Democrats had hopes of winning back Marjorie Margolis-Mezvinsky's old seat (PA-13), Democrat Joe Hoeffel conceded defeat to incumbent Jon Fox on Friday. Fox won by a mere 85 votes.

TEXAS

There are three run-offs in Texas, one run-off is between two Republicans so they will hold that seat. The other two run-offs are Steve Stockman (R) vs. Nick Lampson (TX-09) and Ken Bentsen (D) vs. Dolley McKenna (R) (TX-25). Both of these seats are competitive and we are working with the DCCC and the Texas Democratic Party on Administration help for both candidates. The run-off elections are December 10.

WASHINGTON STATE

There are two seats (WA-02) and (WA-03) that have not finished their election day counts. As of Friday, Rep. Jack Metcalf (R-02) leads in his race by about 1,500 votes. It is doubtful the Democrat can pick up enough votes to win.

In WA-03, incumbent Linda Smith (R) leads by about 1,000 votes or so and is likely to be forced into an automatic recount.

SUMMARY

Assuming Democrats hold onto the two California seats and the Massachusetts' seat and assuming Republicans win the Washington State seats, the breakdown in the House as of today is: 206 Democrats; 1 Independent (Bernie Sanders who caucuses with the Democrats); 226 Republicans and 2 run-offs in Texas.

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MEMORANDUM FOR THE PRESIDENT

FROM: LEON R. PANETTA
Chief of Staff

SUBJECT: Thursday Activities

LEGISLATIVE ISSUES

Campaign Finance Reform

Ninety House Democrats and two Republicans signed a letter to Speaker Next Gingrich and Minority Leader Dick Gephardt requesting passage of "comprehensive and meaningful campaign finance reform" within the first 100 days of the congressional session that begins on January 7.

In the Senate, Minority Leader Tom Daschle said he hopes the chamber will take up the matter within its first 60 days.

Democratic Update

The Congressional Black Caucus has elected Rep. Maxine Waters of California as its Chairwoman for the 105th Congress. Rep. William Jefferson of Louisiana also sought the position, but Waters defeated him Wednesday night by a vote of 22:16.

The following Congressional Black Caucus officers were also elected: Rep. Earl Hilliard of Alabama is First Vice Chairman, Rep. Eddie Bernice Johnson of Texas is Second Vice Chairwoman, Rep. Corrine Brown of Florida is Secretary, and Rep. Sheila Jackson-Lee of Texas is Whip. The Caucus will have 39 members next year, as it did this year.

Democrats today completed two outstanding Ranking Member elections with the following results: Rep. John LaFalce of New York on the Small Business Committee and Rep. Sam Gejdenson of Connecticut on the House Oversight Committee.

Republican Update

Republicans talked today of shifting some Members off the House Ethics Committee in the midst of an investigation of Speaker Newt Gingrich. House Republican Leader Dick Armey said in a statement Gingrich asked him to assume the responsibility of rotating Members off the panel as part of routine housekeeping.

"I hope that we can, in a bipartisan fashion, find the best way to reconcile the House rule that Members serve on the Ethics Committee for no more than six consecutive years with the need to complete the committee's current work," Armey said. "Obviously, the four members of the investigative subcommittee should continue their work until they come to a resolution," he added.

In a press conference today, Democratic Whip David Bonior said in response to the Armey statement, "This is the equivalent of changing the jury in the middle of a trial. This is dangerous, it is a violation of public trust."

Tomorrow, House Republicans will select Committee Chairman. Virtually all incumbents who want to keep their Chairmanships in the House are expected to win another term, including: Rep. Bob Livingston of Louisiana on the Appropriations, Rep. John Kasich of Ohio on Budget, Rep. Jim Leach of Iowa on Banking, Rep. Bill Archer of Texas on Ways and Means, Rep. Tom Bliley of Virginia on Commerce, Rep. Henry Hyde of Illinois on Judiciary, and Rep. Bob Shuster of Pennsylvania on Transportation. Rep.-elect Bob Smith of Oregon is expected to become the new Chairman of the Agriculture Committee.

DOMESTIC UPDATE

AIDS

In the November 22 issue of the Morbidity and Mortality Weekly Report, the CDC will report the number of babies born infected with HIV declined by 27 percent from 1992 to 1995. The number of HIV-positive babies peaked at 905 in 1992 and declined to 663 in 1995. Reductions were reported in all racial categories, with larger decreases in states that experienced very high rates of infection, including New York (-38%) and Florida (-38%). CDC attributes the decline to the use of AZT by pregnant HIV-positive women during pregnancy and childbirth and by newborns for the first six weeks of life. NIH-sponsored research indicated that such treatment reduces by as much as two-thirds the risk of perinatal transmission of HIV.

Comptroller of the Currency (OCC) Regulations

Yesterday, the Comptroller of the Currency published in the Federal Register final regulations streamlining the process under which national banks can take various actions, ranging from opening a branch to establishing a subsidiary to sell insurance. The regulations had been proposed two years ago and are part of the overall modernization of the OCC's regulations. They have attracted national attention mainly because they would permit national banks to apply to the Comptroller for permission to engage in activities in a bank subsidiary that could not be carried on in the bank. While the regulations do not state what activities could be allowed, and the Comptroller will consider applications on a case-by-case basis, the expectation is that applications will be forthcoming to allow subsidiaries to engage in insurance and/or securities underwriting. The Fed has made a similar regulatory proposal (not yet final) that would permit the Fed to allow such activities, but in a holding company affiliate, rather than a bank subsidiary.

HHS: Girl Power

Today, at the American Public Health Association's annual meeting in New York City, Secretary Shalala announced "Girl Power" -- HHS's national public education campaign to help encourage and empower 9 to 14-year old girls to make the most of their lives. "Girl Power" is a unifying theme for future health campaigns targeted to adolescent girls. The campaign will run in phases and address such issues as substance abuse, underage smoking, premature sexual activity, physical activity, nutrition and mental health.

HUD: Announcement

Today, Secretary Cisneros announced funding of \$776.5 million to make housing more affordable for low-income elderly persons. The awards, under HUD's Section 202 program, are made to nonprofit groups which will develop 8,731 units in 43 states and Puerto Rico. Section 202 provides capital advances to eligible private, nonprofit sponsors to finance the development of rental housing with supportive services for the elderly. The capital advances are interest free. Repayment to HUD is not required as long as the sponsor restricts occupancy for the first 40 years of operation to very low-income elderly persons.

FEMA: Highway Collapse

On November 21, in Roseburg, OR, the northbound lane of I-5 was washed out into the South Umpqua River, creating a hole 60 feet deep that swallowed two tractor trailers. No fatalities have been reported, but the two drivers and a third driver that collided into a median suffered minor injuries.

Puerto Rico Explosion

On November 21, an explosion occurred leaving a 50-foot-wide hole in a six-story building in San Juan, PR. Authorities state that the possible cause of the explosion is a natural gas leak. The blast originated in the Vidal Shoe Store, in which employees were present. The blast left nineteen fatalities, 50 injuries and eleven missing. Today you declared an emergency in the Commonwealth. DOT, FEMA and NTSB have sent staff to the area. White House staff participated in a conference call this afternoon with DOT and FEMA officials to review the situation. NTSB will be leading the investigation and FEMA will be leading the search and rescue.

FOREIGN POLICY

UN Secretary General Update

Support for Boutros-Ghali continues to crack. Several African governments have publicly indicated that it is important for the Africans to retain the seat if Boutros-Ghali's candidacy is no longer viable. Ghana has publicly mentioned Under Secretary Annan as a candidate. Even Egypt announced the importance of Africa retaining the seat for the full five years. The French have publicly stated that they will not try to bypass the Security Council in the General Assembly (thereby indicating a growing acceptance of our veto).

Belarus

President Lukashenko has resisted entreaties from Yeltsin and Chernomyrdin to seek a compromise on his constitutional clash with parliament; Chernomyrdin has tentatively indicated that he will fly to Minsk on Friday to mediate. OSCE, the Council of Europe and numerous European countries have condemned Lukashenko's actions; we issued a strong statement today calling upon Belarus to uphold democratic norms. Fear of instability has driven Russia to accelerate the removal of nuclear weapons from Belarus; if the current pace of activity continues, they could all be out by the end of November.

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NOVEMBER 20, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Doug Sosnik and Karen Hancox
SUBJECT: Daily Report

CALIFORNIA

Documentarian Michael Moore (Roger & Me), spoofing Bob Dornan's claim that Linda Sanchez had illegal ballots cast for her, has filed suit in California to void any ballot that was marked for Bob Dornan. Basically Moore is arguing that anyone who could vote for Dornan has to be "insane" and people who are insane are not eligible to vote.

At an Orange County Republican Party event Dornan publicly denounced a retired Marine colonel who had endorsed Linda Sanchez in her election against Dornan. Dornan yelled at the man that he was a "poor excuse for a marine; a pathetic, old senile man; and a slimy coward."

While Dornan claims there was "massive illegal voting by non-citizens" in his race, the California Secretary of State has notified Dornan, by letter, that he has not presented enough concrete evidence of fraud to warrant an investigation, or to prevent the certification of the election results.

TEXAS RUN-OFFS

TX-09 -- Rep. Steve Stockman (R) vs. Nick Lampson (D)

TX-25 -- Rep. Ken Bentsen (D) vs. Dolly McKenna (R)

FINANCIAL UPDATE:

The Texas people do not think it is feasible for you to do a fundraising event in the state of Texas (they fear it will take money from the limited pot the candidates are already drawing from.) Terry thinks he can raise \$600,000 with a D.C. event. We are holding December 2 on your schedule for this dinner.

CORRECTION: Yesterday we made note that the Vice President was unable to work out a date in his schedule for a D.C. fundraiser -- in fact, he gave them a date and they could not use it.

Early voting has begun in Texas and will go until December 6. The election is December 10. Given the fact the election will be held 2 weeks before Christmas (December 10), both of these elections will be determined by turnout and strong absentee programs. Right now, both incumbents are slightly favored.

WASHINGTON STATE

Kevin Quigley (D) has conceded to Rep. Jack Metcalf in Washington's Second CD. Rep. Linda Smith has widened her lead in WA-03 to over 1,000 votes. An automatic recount will occur if the margin of victory is less than one percent.

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- ✓ **MA Physician Profile System:** MA residents are the first health consumers in the U.S. to be able to find out over the phone whether a doctor has paid malpractice claims or has been disciplined by hospital or state regulators. The system is currently accessible only by phone, but should be available electronically by May 1997. The profiles also include academic background, honors and awards, and publications in journals.
- ✓ **AIDS in Children:** On November 22, *Mortality and Morbidity Weekly Report* will publish an article reporting that, as of September 30, a total of 566,002 AIDS cases, including 7,472 cases among children under 13, have been reported to CDC by state and territorial health departments. Most children reported with AIDS acquired HIV infection perinatally from their mothers.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Crackdown on Bad Landlords:** On November 21, Secretary Cisneros will unveil a plan to step up HUD's efforts to crack down on landlords who have neglected the management of privately-owned but federally-assisted or FIIA-insured apartments and properties.
- **Economic Development Grants:** On November 26, HUD will award \$20 million in Economic Development Initiative (EDI) grants, in conjunction with federal loan guarantees, to help cities nationwide leverage private investments to create jobs and spur economic revitalization. Secretary Cisneros is tentatively scheduled to announce the EDI grants in Detroit, MI, with Mayor Archer.
- **Elderly and Disability Housing:** On December 4, Secretary Cisneros will announce \$1.2 billion in grants and rental assistance in Philadelphia, PA. The grants will enable local housing providers, churches, and other nonprofit organizations to build housing with supportive services and rental assistance for older Americans and persons with disabilities.
- **Homeownership Loans:** During the week of December 9, HUD will announce \$30 million for local governments to create large tract homeownership initiatives to redevelop neighborhoods on large tracts of vacant or neglected land by building affordable homes.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Asia Trip:** On November 19-26, Director McCaffrey will travel to Bangkok and Chiang Mai, Thailand, and Vientiane, Laos, to help build a regional coalition of democracies to combat the illegal drug trade. En route to Asia, Director McCaffrey will visit Joint Interagency Task Force-West to receive briefings and to engage in discussions on interdictions.

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- **Steelworkers:** On November 13, the Wheeling-Pittsburgh Steel Corporation workers of OH, PA, and WV held a mass demonstration at the company's headquarters in Wheeling, WV. The strike entered its seventh week with no apparent movement toward a settlement. On October 1, some 4,500 workers represented by the United Steelworkers left their jobs after negotiations failed to produce agreement on a new contract. The parties have been communicating through public statements, but no negotiations have been reported since the strike began.

DEPARTMENT OF TRANSPORTATION

- **U.S.-Spain Forum:** On November 15, Secretary Peña led a delegation of government, business, and academic leaders to the second U.S.-Spain Forum in Madrid and Toledo, Spain. Participants discussed joint economic, foreign policy, and cultural issues. The Secretary will also travel to Paris for meetings with transportation officials on aviation issues.

CA Airport Revenue Diversion: DOT and FAA are preparing a letter to the city of Los Angeles informing the city that it must return the \$31.1 million it recently received from the Los Angeles Department of Airports. The letter is based on a legal conclusion that actions by the Los Angeles City Council and the Airports Department in 1975-77 effectively nullified the city's current claims for reimbursement of past contributions it made to the Airports Department. There is significant congressional interest in this issue.

ValuJet Crash Hearing: On November 18, NTSB will hold a public hearing into the crash of ValuJet Flight 592, which occurred in the FL Everglades on May 11. The hearing will be held in Miami, FL, and is expected to last the entire week. FAA and Research and Special Projects Administration have been asked to testify. NTSB is planning to release graphic voice data recorder transcripts and videos.

- **Alameda Corridor:** This week, the ports of Los Angeles and Long Beach, CA, will release \$5.5 million to Alameda Corridor Transportation Authority (ACTA), in light of the CA Court of Appeals ruling in favor of the existing governance structure of ACTA. This action will relieve the cash flow problems that had threatened to delay significant portions of the project.
- **Drug Interdiction:** On November 7, an apparent airdrop of drugs occurred near the British Virgin Islands. The Coast Guard and local authorities found 330 lbs. of cocaine on an abandoned boat near Mosquito Island. On November 10, the Coast Guard recovered 1,140 lbs. of cocaine from a boat southeast of Puerto Rico.

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November 15, 1996

MEMORANDUM FOR THE PRESIDENT

FROM:

KITTY HIGGINS *Kitty*

SUBJECT:

Summary of Cabinet Weekly Reports
November 8 - November 14, 1996

Just a few comments

DEPARTMENT OF TREASURY

- **Japan Deregulation:** On November 12, Japan announced a financial reform package designed to make Japan's financial market free, fair, and global by 2001. Areas mentioned for deregulation include: brokerage commissions, foreign exchange controls, and the tax, accounting, and legal systems. The package also calls for more competition between and within the banking and securities industries, together with stronger disclosure requirements. In the past, the Japanese have not given specifics and follow-through has often not matched the initial promise of Japanese proposals for deregulation. Treasury welcomed the proposals and noted the U.S.'s support for the broad objectives of deregulation and transparency in Japan's financial market.
- **U.S.-China Economic Meeting:** On November 18-19, the U.S.-China Joint Economic Committee (JEC) will meet in Washington, D.C., to discuss economic issues between the two countries. The JEC will include meetings between Secretary Rubin and Chinese Finance Minister Liu Zhongli, as well as meetings between other high-level Treasury and Chinese Finance Ministry officials. Following the meeting, Secretary Rubin will hold a press conference.
- **Interagency Law Enforcement Agreement:** State, Justice, and Treasury are in the final stages of concluding an agreement on law enforcement agents' overseas activities. A proposed MOU, soon to be signed by Secretary Christopher, Secretary Rubin, and Attorney General Reno, will provide guidelines and principles for coordination of U.S. law enforcement activities abroad.

• **Electronic Tax Payment:** On October 28, Treasury's Electronic Federal Tax Payment System became operational, and the first tax payments have been received through the new system. In the past seven days, over \$1 million was collected. Collections are expected to rise dramatically over the next several weeks as taxpayers become more familiar with the system.

*North
Carolina*

Russian Anti-Money Laundering Mission: On October 31-November 1, Treasury officials participated in a mission to Russia to encourage senior Russian officials to establish stronger money laundering laws and regulations. Recently, money laundering was criminalized for the first time under the Russian penal code. Broader legislation is needed for Russia to have a money laundering regime comparable to those in other major commercial nations.

- **Tokyo Firearms Conference:** From November 12-14, Treasury officials led a delegation from Justice and State to the P-8 conference on firearms in Tokyo, Japan. ATF and Customs officials demonstrated firearms tracking computer applications and discussed practical ways that nations can help each other in tracking illegal weapons.
- **GA Militia Case:** On November 6, a federal jury in GA returned guilty verdicts on two of five counts against three members of the GA Militia who were arrested just prior to the Olympic Games in Atlanta. The defendants were found guilty of conspiracy to use a destructive device in a violent act and possession of a destructive device and face 17 to 22 years imprisonment.
- **District of Columbia Financing:** During the week of November 18, Treasury officials will meet with D.C. officials to discuss future financing needs. It is likely that D.C. will request an additional loan from Treasury in mid-December. While the city has regained access to private market financing, the supply may not be sufficient to meet short-term capital needs.
- **Secretary's Schedule:** The Secretary will participate in the following events this week:
November 15 - Address the Bretton Woods Committee.
November 18 - Address the Council on Competitiveness.
November 18-19 - Attend meetings of the U.S.-China Joint Economic Committee.
Participate in a press conference regarding the U.S.-China Joint Economic Committee meetings.
November 20 - Meet with Secretary Cisneros regarding Low Income Housing Tax Credits.

DEPARTMENT OF JUSTICE

- **Wetlands Restoration and Creation:** This week, in U.S. v. Maine Department of Transportation (D. Me.), the U.S. and ME will enter a consent decree settling this Clean Water Act enforcement action. The case arose when the ME DOT and its contractors illegally filled 10 acres of wetlands on Sears Island.
- **U.S. v. Quaker State Corp.:** This week, in U.S. v. Quaker State Corp. (N.D. W.Va), the U.S. will lodge a consent decree that obliges Quaker State to pay a civil penalty of \$1.75 million and perform a number of Supplemental Environmental Projects valued at more than \$750,000. This case arose from Clean Air Act and Resource Conservation and Recovery Act violations at Quaker State's refinery in Newell, WV, where the company produces motor oil and other products.
- **Wilderness Designation:** Last week, in UT v. Babbitt (D. Utah), the state of UT, the UT School Trust Lands Administration, and the Association of Counties have filed an action challenging BLM's re-inventory of areas in UT for possible wilderness designation. Plaintiffs argue that the process is illegal because authority for wilderness review ended in 1991 and because Secretary Babbitt changed the criteria for determining whether an area has wilderness characteristics. Plaintiffs are seeking a temporary restraining order and preliminary injunction stopping the re-inventory process.
- **FL Disadvantaged Business Contract:** On October 25, in Asphalt Pavers, Inc. v. Watts (N.D. Fla.), the court granted a preliminary injunction prohibiting the FL DOT from awarding a federally-funded highway construction contract under a federal program that requires recipients of such funds to establish goals for the participation of disadvantaged business enterprises (DBEs). Under the program, minorities and women are presumed to be DBEs. The plaintiff is arguing that the program is unconstitutional in light of Adarand, and asserts that it was not the low bidder on the project because it had to meet a 10 percent DBE subcontracting goal that raised the costs of its bid, while the eventual low bidder, who is itself a DBE, did not have to meet that goal. The U.S. DOT was not named as a defendant in the suit, but the court has informed Attorney General Reno that the constitutionality of the federal program has been challenged. DOJ is deciding whether to intervene in the case.
- **Colombian First Oral Trial:** During the week of October 28, the first oral trial under Colombia's new accusatorial system took place in Nieva. For the first time, the attorney general's office indicted a defendant through the presentation of "minimal" evidence to a judge, and the evidence was presented in open oral proceedings. This marks a dramatic change from Colombia's traditional trial practice where prosecutors had to submit their entire case on paper to a judge, who later made a decision based on the written submission of the prosecutor and defense counsel response.

- **OR Three Strikes:** The first "three strikes" life sentence notice has been filed in the District of OR. The defendant has been indicted for nine counts of armed bank robbery. The robberies began five days after his release from federal custody on a previous conviction. The defendant's qualifying convictions include rape, kidnapping, and two separate armed robbery convictions.
- **Newly-Naturalized Citizens:** On November 5, in further response to a request of the House Government Oversight Committee Subcommittee on National Security, International Affairs and Criminal Justice, the FBI provided redacted copies of approximately 7,600 files of newly-naturalized U.S. citizens. The files are the further product of a match between FBI databases and names submitted by INS from its list of newly-naturalized citizens and follows production of 50,962 records from similar databases in October. INS continues to review the files of naturalized citizens who had FBI records to ascertain whether they were properly naturalized.
- **Terrorism Investigations:** On November 25, the Terrorism, Technology and Government Information Subcommittee of the Senate Judiciary Committee will hold an oversight hearing on the Ruby Ridge incident and the FBI's conduct of the investigation of the bombing at the 1996 Olympic Games. FBI Director Freeh is scheduled to testify.
- **Attorney General's Schedule:** Attorney General Reno will attend the following events:
November 18 - Address State Attorneys' Conference in Marco Island, FL.
November 20 - Address INS Annual Conference in San Antonio, TX.
- **Media Inquiries:** *Time* is working on a feature story about Attorney General Reno. *U.S. News and World Report* is preparing a story on DOJ in the Administration's second term.
- **FOIA Request:** The Criminal Division received a request from Stephanie Lambidakis of *CBS News* for a copy of any audio or video recordings or transcripts of all interviews between DOJ or other governmental law enforcement officials clearing Atlanta, GA, bombing suspect Richard Jewell.

DEPARTMENT OF COMMERCE

- **The following economic indicators will be released during the next two weeks:**

Manufacturing and Trade: Inventories and Sales (September)	November 15
Housing Starts and Building Permits (October)	November 19
U.S. International trade in Goods and Services (September)	November 20
Gross Domestic Product (3rd Q, preliminary)	November 27
Corporate Profits (3rd Q, preliminary)	November 27
Advance Report on Durable Goods, Manufacturer's Shipments and Orders (October)	November 27
Personal Income and Outlays (October)	November 29
- **South Korea's Australia Group Membership:** BXA has drafted an amendment to the Export Administration Regulations in response to the Australia Group's (AG) recent decision to admit South Korea to its membership. South Korea will join the list of countries eligible to receive the export licensing benefits accorded other AG member countries. The rule eliminates the validated license requirements for exports to South Korea of chemical precursors, chemical weapons software, and chemical weapons technology. The rule also clarifies the sample shipment exemption for chemical precursors contained on the Commerce Control List. BXA will next circulate the draft rule for review by the interagency community.
- **FOIA Request:** On November 1, the *Wall Street Journal* requested lists of foreign companies visited by Secretaries Brown and Kantor or chief executives of foreign companies that Secretaries Brown and Kantor met with during trips. The *Wall Street Journal* also requested names of companies traveling on trade missions with Secretary Brown and Secretary Kantor.

DEPARTMENT OF LABOR

- **Town Hall Meeting:** On November 13, Secretary Reich hosted a Town Hall meeting for agency employees. The forum was held in D.C. and was broadcast to the regional offices for the regional agency employees. Several hundred employees attended the meeting, which focused on DOL's accomplishments and its strategy for continued success in the future. DOL's union partners recognized Secretary Reich for his achievements over the last four years.

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- **Steelworkers:** On November 13, the Wheeling-Pittsburgh Steel Corporation workers of OH, PA, and WV held a mass demonstration at the company's headquarters in Wheeling, WV. The strike entered its seventh week with no apparent movement toward a settlement. On October 1, some 4,500 workers represented by the United Steelworkers left their jobs after negotiations failed to produce agreement on a new contract. The parties have been communicating through public statements, but no negotiations have been reported since the strike began.

DEPARTMENT OF TRANSPORTATION

- **U.S.-Spain Forum:** On November 15, Secretary Peña led a delegation of government, business, and academic leaders to the second U.S.-Spain Forum in Madrid and Toledo, Spain. Participants discussed joint economic, foreign policy, and cultural issues. The Secretary will also travel to Paris for meetings with transportation officials on aviation issues.

CA Airport Revenue Diversion: DOT and FAA are preparing a letter to the city of Los Angeles informing the city that it must return the \$31.1 million it recently received from the Los Angeles Department of Airports. The letter is based on a legal conclusion that actions by the Los Angeles City Council and the Airports Department in 1975-77 effectively nullified the city's current claims for reimbursement of past contributions it made to the Airports Department. There is significant congressional interest in this issue.

ValuJet Crash Hearing: On November 18, NTSB will hold a public hearing into the crash of ValuJet Flight 592, which occurred in the FL Everglades on May 11. The hearing will be held in Miami, FL, and is expected to last the entire week. FAA and Research and Special Projects Administration have been asked to testify. NTSB is planning to release graphic voice data recorder transcripts and videos.

- **Alameda Corridor:** This week, the ports of Los Angeles and Long Beach, CA, will release \$5.5 million to Alameda Corridor Transportation Authority (ACTA), in light of the CA Court of Appeals ruling in favor of the existing governance structure of ACTA. This action will relieve the cash flow problems that had threatened to delay significant portions of the project.
- **Drug Interdiction:** On November 7, an apparent airdrop of drugs occurred near the British Virgin Islands. The Coast Guard and local authorities found 330 lbs. of cocaine on an abandoned boat near Mosquito Island. On November 10, the Coast Guard recovered 1,140 lbs. of cocaine from a boat southeast of Puerto Rico.

- **India Mid-Air Collision:** On November 12, two commercial jet aircraft collided 40 miles northwest of New Delhi, India. A Saudi Airways Boeing 747 had just taken off from New Delhi and collided with a Russian-made TU-154 airliner from Kazakhstan which was inbound to New Delhi. The U.S. has been in contact with the Indian government and is awaiting an invitation to participate in the investigation.
- **OR Light Rail:** On November 5, OR voters rejected a measure to provide \$375 million of state lottery funds for a proposed light rail line between Clackamas Town Center and Vancouver, WA. The measure would have provided another \$375 million for a variety of transportation improvements around the state.
- **WA Transit Referendum:** On November 5, a referendum passed to fund \$3.9 billion of regional transit system improvements in the Seattle-Tacoma transit system over the next 10 years. Funding will come from increases in sales and motor vehicle excise taxes in the metropolitan area.

UNITED STATES TRADE REPRESENTATIVE

- **WTO Telecom Negotiations:** The U.S. has again improved its market access commitments in the WTO negotiations on basic telecommunications. Ambassador Lang announced in Geneva that the U.S. had removed the restriction limiting access to submarine cable landing licenses. This is the third time the U.S. has improved its offer. Previous improvements included market access and national treatment in the local telecommunications services market and adoption of agreed regulatory principles to govern the telecom sector. The negotiations are scheduled to be concluded by February 1997.
- **China Textiles:** On November 10, China announced that it will temporarily suspend imports of certain U.S. goods in retaliation for U.S. reductions in import quotas for Chinese textiles. In accordance with its bilateral textile agreement with China, the U.S. recently levied a \$19 million penalty for transshipment violations by Chinese textile firms.
- **APEC Meeting:** On November 19-25, Ambassador Barshefsky will travel to Manila to attend the APEC Ministerial and Leaders Meeting. In addition to the ministerial sessions, Ambassador Barshefsky will participate in bilateral meetings with the trade ministers from Japan, China, and Singapore. She will also speak to the APEC Business Forum and attend a breakfast with the APEC Business Coalition.

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THE PRESIDENT HAS SEEN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

✓ **Smokeout:** On November 21, the Great American Smokeout will be held. The primary goal this year is to prevent initiation of tobacco use among children and adolescents. New data from CDC estimate that unless teen smoking rates are cut immediately, more than 5 million young people under age 18 who are alive today will die from a smoking-related disease. Secretary Shalala will address the issue in her speech to the American Public Health Association in NY. Also on November 21, Secretary Shalala plans to launch a new campaign, entitled "Girl Power," which is aimed at discouraging young girls from smoking by informing them that it is neither cool nor glamorous.

✓ **U.S. Cancer Death Rate Decline:** On November 14, Secretary Shalala, the National Cancer Institutes and the American Cancer Society released a report which finds that, for the first time in history, overall death rates from cancer in the U.S. have begun a steady decline. The report concludes that the reduction in deaths, which researchers attribute to prevention activities, especially those directed against smoking, early detection and improvements in medical care, is likely to continue.

• **E. coli in Apple Juice Update:** On November 8, a 16-month-old child died in Denver, CO, after drinking unpasteurized fruit juice manufactured by Odwalla, Inc. There are currently 57 confirmed cases of *E. coli* food poisoning that have been traced to the unpasteurized apple juice. Thirteen of these people, mostly children, have developed Hemolytic Uremic Syndrome, a form of kidney failure. FDA and CDC continue to coordinate their work on the outbreak with state and local health authorities. FDA plans to hold a public meeting, followed immediately by a meeting with the Fresh Produce Subcommittee of the National Advisory Committee on Microbiological Criteria for Foods.

✓ **NC and OR Child Welfare Waiver:** Next week, HHS will announce the approval of a demonstration project to improve child protection services in NC and OR. This will be the third waiver approved by the Administration for innovations in state child welfare programs. Under the demonstration project, NC and OR can use title IV-E foster care funds to provide a broad range of new services to children and families. Funds can be used for services to prevent the need for placement of children in foster care or relieve the problems that caused the child to be removed from the home.

• **CA Illegal Immigrants Care:** On December 1, CA will no longer fund non-emergency prenatal care for illegal immigrants. The order was promulgated by regulations issued last week by the CA Department of Health Services. The emergency regulations, which stem from a broader executive order signed by Governor Wilson in August, would eliminate the 8-year-old program. CA provides prenatal services to an estimated 70,000 illegal immigrants, at an estimated annual cost of \$69.3 million.

- **New Prostate Cancer Treatment:** On November 13, FDA approved a new use for Immunex Corporation's Novantrone, as a chemotherapy for treatment of pain related to advanced prostate cancer. Novantrone was approved within six months of its submission as initial chemotherapy for patients with advanced prostate cancer that has spread to bone; the application was one of the first submitted after you announced the initiative to speed cancer drug approvals on March 29.
- **NY Blood Center:** On November 18, *New York Magazine* is expected to run a cover story raising concerns about the safety of blood in the New York City area, which is supplied by the New York Blood Center (NYBC). The story will focus on allegations that, under a system of financial incentives for increased production, employees cut corners in the screening of blood donations for infectious diseases. The FDA's District Office has inspected both NYBC locations and found serious shortcomings, but believes that most of them have been corrected. FDA is currently conducting followup investigations of both locations.
- **Thalidomide Advisory Panel:** On November 7-8, an FDA advisory panel met to discuss the potential for neurotoxicity and other abnormalities resulting from thalidomide prescribed for dermatologic and other indications. Committee members concluded that applications for thalidomide could be considered, but that approval should be contingent upon stringent controls over access to the drug. The drug, which poses potential adverse effects on fetal development and on a patient's nervous and immune systems, has never been approved for use in the U.S.
- ✓ **Parkinson's Gene:** On November 14, the National Institute of Neurological Disorders and Stroke and the National Center for Genome Research held a press conference to announce the results of a collaborative study that provides strong evidence that a genetic alteration is capable of causing Parkinson's disease. The results of the study are published in the November 15 issue of *Science*. Parkinson's disease affects 1-1.5 million Americans.
- ✓ **Medicaid Waivers:** In response to a request from the National Governor's Association to make it easier to apply for Medicaid home and community based waivers, HCFA has developed prototype waiver applications. They are targeted to three populations: persons with traumatic brain injuries, persons living with AIDS, and medically fragile children. With the submission of a completed prototype waiver application, a state is virtually assured that HCFA will immediately approve its waiver. The waivers will be effective for three years starting on the date of approval or on the date specified by the state.

THE PRESIDENT HAS SEEN

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- ✓ **MA Physician Profile System:** MA residents are the first health consumers in the U.S. to be able to find out over the phone whether a doctor has paid malpractice claims or has been disciplined by hospital or state regulators. The system is currently accessible only by phone, but should be available electronically by May 1997. The profiles also include academic background, honors and awards, and publications in journals.
 - ✓ **AIDS in Children:** On November 22, *Mortality and Morbidity Weekly Report* will publish an article reporting that, as of September 30, a total of 566,002 AIDS cases, including 7,472 cases among children under 13, have been reported to CDC by state and territorial health departments. Most children reported with AIDS acquired HIV infection perinatally from their mothers.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Crackdown on Bad Landlords:** On November 21, Secretary Cisneros will unveil a plan to step up HUD's efforts to crack down on landlords who have neglected the management of privately-owned but federally-assisted or FIIA-insured apartments and properties.
- **Economic Development Grants:** On November 26, HUD will award \$20 million in Economic Development Initiative (EDI) grants, in conjunction with federal loan guarantees, to help cities nationwide leverage private investments to create jobs and spur economic revitalization. Secretary Cisneros is tentatively scheduled to announce the EDI grants in Detroit, MI, with Mayor Archer.
- **Elderly and Disability Housing:** On December 4, Secretary Cisneros will announce \$1.2 billion in grants and rental assistance in Philadelphia, PA. The grants will enable local housing providers, churches, and other nonprofit organizations to build housing with supportive services and rental assistance for older Americans and persons with disabilities.
- **Homeownership Loans:** During the week of December 9, HUD will announce \$30 million for local governments to create large tract homeownership initiatives to redevelop neighborhoods on large tracts of vacant or neglected land by building affordable homes.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Asia Trip:** On November 19-26, Director McCaffrey will travel to Bangkok and Chiang Mai, Thailand, and Vientiane, Laos, to help build a regional coalition of democracies to combat the illegal drug trade. En route to Asia, Director McCaffrey will visit Joint Interagency Task Force-West to receive briefings and to engage in discussions on interdictions.

DEPARTMENT OF INTERIOR

- **UT Wilderness Re-Inventory Lawsuit:** A federal judge in UT has put a 48 hour hold on the DOI's review of wilderness lands in UT, pending arguments over Secretary Babbitt's authority to conduct wilderness inventories. UT and others are being represented by the Mountain States Legal Foundation, a conservative public lands activist group. DOJ attorneys are optimistic that the hold will be lifted and Secretary Babbitt's wilderness review will be allowed to continue to completion, currently scheduled for January 1997.
- **FL Minerals Management Office:** Three exploratory wells have been drilled offshore northwest FL in the last three years. In an effort to improve Minerals Management System's coordination of outreach efforts in northwest FL, and to better serve the Panhandle community as a whole, the decision was made to establish a temporary satellite office in Pensacola, FL. A six-month trial period is proposed to determine the need for an extended presence in the area.
- **WY Resource Advisory Council:** On November 13, Secretary Babbitt sent a letter to Governor Geringer expressing his regret that the Governor has chosen to establish the WY Resource Council under state authority because of a disagreement over the appointment of one member to the council. Secretary Babbitt also pointed out that this is especially unfortunate given DOI's willingness to accept at least two alternative proposals recommended by WY's Director of Federal Lands Policy. Secretary Babbitt further advised Governor Geringer that BLM will proceed to draft standards and guidelines for the management of WY BLM rangelands.
- **St. Croix River Bridge:** The National Park Service is completing a report on whether the construction of a bridge across the St. Croix River between WI and MN would adversely impact the values for which the river was designated. Concurrence of the Park Service is required before such a project can be built on a protected river. Both states favor construction of the bridge, and Governors Thompson and Carlson and several members of Congress have contacted Secretary Babbitt about this decision. Environmental groups have filed suit against DOT and DOI for failing to do compliance and oppose construction of the bridge. Local representatives are meeting this week with Park Service officials and legal counsel to discuss.

- **Indian Trust Fund Report:** Next week, DOI will submit to Congress its initial recommendations on settling Indian tribal trust fund claims. The settlement proposals relate to BIA's alleged mismanagement of Tribal trust funds and are based on a 5-year, \$21 million study by Arthur Andersen of the 1972-1992 period. The initial recommendations will outline proposals for addressing errors identified in the Arthur Andersen study. It also will call for additional consultation with Tribes on proposals for addressing \$2.4 billion of transactions for which supporting documentation could not be located. Contrary to press reports, \$2.4 billion has not been lost. BIA is unable to locate supporting documentation to verify that the money was handled as BIA's central ledger reflects.
- **Secretary's Schedule:** On November 20, Secretary Babbitt will go to one or two of the newly named park sites to talk about bipartisan cooperation on natural resources issues and reaffirm your commitment to protection of the environment. The parks he will visit have not been selected yet.
- **Media Inquiries:** On November 20, in its "Fleecing of America" segment, the *NBC Nightly News* will run a story on the trust funds issue. In addition to the Tribal trust funds, BIA also administers trust funds on behalf of individual Indians. The NBC story focuses on both the tribal and individual Indian trust fund issues. Ed Cohen from the Solicitor's Office was interviewed for the story. DOL is anticipating a very negative story toward BIA.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **World Food Summit:** This week, Secretary Glickman is in Rome, Italy, leading the U.S. delegation to the World Food Summit. The United Nations' Food and Agriculture Organization seeks a renewed commitment from world leaders on the issues of world hunger, malnutrition and global food security. Secretary Glickman is scheduled to participate in a series of bilateral meetings to discuss trade issues with European Union Agriculture Commissioner Franz Fischler and other officials.
- **OR Forest Service Fire:** The FBI's OR office announced results of an ATF National Response Team search and an on-scene analysis of a fire at the OR Forest Service Ranger Station on the Willamette National Forest in Oakridge. Although the fire has been determined to be arson, laboratory analyses at ATF's laboratory in Washington, D.C., have not been completed. It has not been determined if this fire and another one at the Detroit Ranger Station at the Willamette National Forest are connected. The Forest Service is offering rewards for information leading to the arrest and conviction of any person(s) responsible for these crimes. In addition, the National Forest Foundation is raising private funds to contribute to the rewards.

- **Grain Shipments to Turkey:** Since mid-October, U.S. grain shipments to Turkey were halted when the Turkish government started to implement a 1991 regulation that sets zero tolerances on ergot and several other fungi diseases. Secretary Glickman met with the Turkish Ambassador to express the Administration's concerns. USDA has suspended issuing phytosanitary certificates on all grains to Turkey until this issue is resolved. Turkey revised the regulation slightly to allow a very low tolerance level for ergot, which is below the U.S. and international levels. A 15,000-ton shipment of wheat is currently being held in Turkey, with another 100,000 tons of U.S. wheat scheduled for shipment.
- **Books to South Africa:** USDA's book donation project to rural South Africa is receiving positive response. The first shipment of children's stories and textbooks is being distributed to rural schools and libraries in the Eastern Cape, with the second shipment destined for the Northern Province.

DEPARTMENT OF ENERGY

- **NV Test Site:** On November 18, DOE, in conjunction with the NSC, expects to release its Record of Decision for subcritical experiments at the NV Test Site. The decision will fulfill DOE's commitment to meeting its national security mission consistent with environmental regulations.
- **Oil Overcharge Findings:** Under the Petroleum Overcharge Distribution and Restitution Act of 1986, DOE must decide at the beginning of each fiscal year how much oil overcharge funds are not needed for direct restitution to injured parties and make them available to fund state energy efficiency programs. For FY97, the DOE determined that \$29 million is "excess." Funds were obtained from U.S. oil companies that violated federal price controls in the 1970s. Allocations are based on state and Territory oil consumption during the 1970s.
- **Presidential Science-Engineer Awards:** On December 16, the National Science and Technology Council expects to announce the first-year winners of the new Presidential Early Career Awards for Scientists and Engineers.
- **AK Nuclear Test:** On November 22, DOE is scheduling a meeting with representatives from Governor Knowles' office to address AK's request for federal support in analyzing alleged environmental contamination. On October 30, Greenpeace alleged that radionuclides are continuing to leak from a cavity of the 1971 Cannikan underground five megaton nuclear test on Amchitka Island, AK. Samples gathered by the EPA and released to the public revealed no leakage of radioactivity from Cannikan into the environment. DOE agrees that additional analysis is needed.

- **Military DNA Analysis System:** DOE's Lawrence Livermore National Laboratory in CA has developed a portable battery-operated DNA analysis system that could revolutionize the testing of food and water in remote locations for contamination and identifying human remains on the battlefield. The system has been delivered to DoD's Office of Armed Forces Medical Examiners.
- **San Diego Clean City Award:** On December 11, Assistant Secretary for Energy Efficiency and Renewable Energy Christine Ervin will join San Diego Mayor Susan Golding, Congressman Bilbray, County Supervisor Ron Roberts, industry representatives, and business leaders to designate San Diego, CA, as the 50th Clean City. DOE's Clean Cities Program encourages the use of alternative fueled vehicles to reduce petroleum consumption and improve air quality.
- **Rocky Flats Sites Cleanup:** The last of eight tanks in Building 886 at Rocky Flats has been drained of highly enriched uranyl nitrate solution. This drainage represents the elimination of the most significant criticality risk on the site, a major step toward deactivation of the facility and the elimination of several highly enriched uranium vulnerabilities.

DEPARTMENT OF EDUCATION

- **Math and Science Report:** On November 20, Secretary Riley will release a major international comparative study of student achievement in math and science. The results will show progress of American students in science, but little progress in mathematics.
- **EduServ Case:** On October 30, EduServ Technologies, Inc. filed an action for declaratory and injunctive relief against DoEd in D.C. federal court. The suit alleges that DoEd violated the Competition in Contracting Act and procurement regulations and breached its duty to deal fairly with offerors in the process of accepting and reviewing bids for the Direct Loan servicing contracts. On November 6, the GAO dismissed a protest filed with it by another offeror, AFSA Data Corporation, because of the pendency of the EduServ case. AFSA is now expected to file its case in the district court.
- **Resignation:** Assistant Secretary for Educational Research and Improvement Sharon Robinson has submitted her resignation.
- **School-to-Work:** On November 19, DoEd is tentatively scheduled to announce approximately \$50 million in competitive grants to 10-12 states.

VETERANS AFFAIRS

- **VA's Persian Gulf Initiatives:** On November 14, a media briefing was conducted on VA's Persian Gulf initiatives and the results of the Persian Gulf veterans' mortality study published in the November 14 issue of the *New England Journal of Medicine*. The study, conducted by Dr. Kang, examined the causes of postwar death among 695,516 Gulf War veterans compared with 746,291 veterans who did not serve in the Persian Gulf. The study found that the mortality rate for Persian Gulf veterans was 9 percent higher due to accidents, not illnesses.
- **Military Sexual Trauma:** On November 12, VA issued a news release notifying women veterans who have experienced sexual trauma that they may call VA's toll free number for care and counseling services.
- **Rape in the Military:** On November 15, ABC's *20/20* aired part one of its program on rape in the military, which focused on women veterans who told their stories about the sexual trauma they experienced in the military. The second part of the program, scheduled to air November 22, will focus on the clinical aftermath and post-traumatic stress disorders, as well as VA programs and services to assist women veterans.

SOCIAL SECURITY ADMINISTRATION

- **Top-Ranked Toll-Free Telephone Service:** Since the summer of 1995, when SSA's 800 number earned top billing among organizations renowned for customer service, many private and government entities have studied SSA's toll-free phone system. Among the private firms are *USA Today*, AT&T, Discover, General Electric, and IBM. On the government side, DoEd, Treasury, and DOC, as well as the IRS, FDA, and two state DMVs, have reviewed SSA's system. The Australian Social Security and Canada's Income Security programs have also reviewed SSA's 800 number system. In October 1995, 66 percent of callers gained access within five minutes. By October 1996, that figure reached 93 percent.
- **Fraud Hotline:** On November 25, Commissioner Chater will preside over a ribbon-cutting ceremony dedicating the opening of the SSA's Fraud, Waste, and Abuse Hotline. The Hotline is one of many initiatives designed to protect SSA operations by providing a means to identify waste or theft of public funds. An integral part of this objective is the establishment of a mechanism by which employees and the public can anonymously report allegations of criminal activity involving false statements on claims, conflict of interest, misuse and mismanagement of funds, and standards of conduct violations. The identities of individuals providing information via the Hotline will be kept confidential.

ENVIRONMENTAL PROTECTION AGENCY

- **Project XL Announcement:** On November 19, Administrator Browner will travel to Chandler, AZ, to announce the latest Project XL facility. Project XL facilities gain greater regulatory flexibility in exchange for a commitment to a higher level of environmental results. Under the project, Intel is committing that its state-of-the-art computer chip facility will provide greater public health and environmental protections to the local community by going beyond what is required by environmental regulations for protecting the water supply.
- **National Estuary Program:** On November 15, Administrator Browner will travel to Vero Beach, FL, to sign a final agreement between EPA and FL to clean up and protect the Indian River, part of the Administration's National Estuary Program. This will complete the planning phase of the Indian River Lagoon National Estuary Program.
- **National Air Standards:** Last week, EPA sent two important proposed regulations concerning fundamental Clean Air Act standards to OMB for review. EPA proposes to strengthen the current federal air quality standards for ozone (smog) and particulate matter (soot, dust) to protect public health and safety. EPA is working with the White House and other federal agencies to review these standards. A court order requires issuance of a proposal on particulate matter by November 29.
- **Loss of Confidential EPA Documents:** On November 14, the *Associated Press* and other news services ran stories regarding EPA's misplacement of documents containing confidential business information. A routine internal audit of the management of confidential data for the Toxic Substances Control Act found more than 200 documents missing. The documents may have been destroyed, as is customary, without first being recorded after EPA completed its review of them or they may have been misplaced in a secured room or elsewhere. The 82 companies involved have been notified. Some companies are using this incident as a vehicle to attack the TRI (community right-to-know) program.

OFFICE OF PERSONNEL MANAGEMENT

- **John Huang Investigation:** On November 14, OPM responded to the House Intelligence Committee's request for information pertaining to the background investigation completed by OPM's Office of Federal Investigation (OFI) in October 1994. The Committee seeks the background security investigation file for Mr. Huang, his sworn declaration made to OFI investigators, his financial disclosure forms submitted prior to his July 1994 appointment to DOC, and a list of White House PPO and DOC contacts with OPM regarding his hiring process.

- **Transition Guidance:** OPM has prepared and is transmitting to agencies guides to personnel issues pertinent to the transition to your second term. The package includes a list of OPM program specialists who are available to answer agency questions on civil service matters.
- **"Plum Book":** On November 18, the Government Printing Office will make available to the public the *United States Government Policy and Supporting Positions*, better known as the "Plum Book." This quadrennially issued document, compiled from OPM data, is being published this year by the House Committee on Government Reform and Oversight.

UNITED STATES INFORMATION AGENCY

- **Salinger Story:** USIS Paris and USIA Washington played a key role in helping to discredit a story by former White House Press Secretary Pierre Salinger claiming that the U.S. military had accidentally shot down TWA Flight 800. USIS helped prepare a cable from Ambassador Harriman that resulted in a joint press conference on November 8, by the Navy, NTSB and FBI, demonstrating that the charges were baseless. WORLDNET carried the press conference live, and, at the request of the FBI, the Foreign Press Center in NY contacted French journalists to alert them to it, including French TV2 which covered the conference. The denial received full coverage in the French press, resulting in much more skeptical treatment of Salinger's charges in the following days.
- **U.S. Foreign Students:** The Institute of International Education's annual "Open Doors" survey of universities and colleges shows that, for the 1995-96 academic years, 48 percent of the 453,787 foreign students studying in the U.S. came from the East Asian region. Eight of the top ten countries overall are in East Asia: Japan, China, Korea, Taiwan, Malaysia, Indonesia, Thailand, and Hong Kong. Many make their decision to study at U.S. schools based on their visits to a USIS-run educational advising center overseas.
- **Bosnian Election Reaction:** USIA has issued a report combining results from a just-completed Agency survey and focus groups in Bosnia. Findings show that many Bosnians believe the September elections reflect the will of the people, though many others point to widespread procedural problems. These perceived problems point to the likelihood of further entrenchment of the groups and an uphill battle to establish a viable central government.

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GENERAL SERVICES ADMINISTRATION

- **Presidential Inaugural:** The TechWorld Plaza near the DC Convention Center will be the primary location for the 1997 Presidential Inaugural Committee (PIC) with a satellite site located in Suitland, MD. Representatives from GSA have met with White House staff to begin operations. GSA is authorized to provide administrative, financial, procurement, personnel, and security services to the PIC. GSA representatives will remain on site to assist PIC.
- **Recycled Paper:** GSA reduced the price of recycled content copier paper offered in its supply system to help federal agencies comply with an administrative directive on increasing the use of recycled paper. Agencies buy \$63 million of non-recycled copier paper through GSA. If all agencies bought recycled paper, the savings would be over \$3 million.
- **Fleet Management:** Recognizing GSA's efficiency and expertise in motor vehicle fleet management, the Marine Corps recently signed an agreement to turn over the management and operation of its non-tactical fleet of 4,713 vehicles to GSA. Upon completion, this consolidation will save \$13.6 million annually.
- **Native Americans:** GSA is coordinating with DOI and BIA to set up a signing ceremony for a Memorandum of Agreement that gives Native American Tribal Councils access to the federal government's FTS2000 long-distance services; and thereby giving the Council substantial savings from their current service.

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



THE CHAIRMAN

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

November 15, 1996

Handwritten: To Leon [unclear]
[unclear] [unclear]

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MEMORANDUM FOR THE PRESIDENT

FROM: JOSEPH E. STIGLITZ *[Signature]*
SUBJECT: Response to Inquiry on Energy Price Increases

11.23.96
THE PRESIDENT HAS SEEN

After receiving our statement on the most recent release of the consumer price index, you asked if there was anything that could be done to ease the increase in energy costs (mainly caused by increases in heating oil and gasoline prices).

In general, we prefer to focus attention on the core inflation rate, which ignores changes in energy and food prices. The core inflation rate has been low and remained steady (with a 2.6 percent increase over the last 12 months, a smaller increase than last year). The recent experience of low core inflation gives us little cause for concern about overall inflationary pressures.

However, energy prices (especially for oil) are quite volatile. To put some perspective on recent price swings, consider that in 1978, average oil prices were around \$9.00 per barrel. By 1981, they had more than tripled to over \$31.50 per barrel. Crude oil prices today are a bit over \$23 per barrel. In inflation-adjusted terms, oil prices today are only slightly above 1978 levels and are less than half the 1981 levels.

Some retail energy markets have experienced recent price increases. For instance, home heating oil prices increased on average from \$1.10 per gallon in early October to \$1.13 per gallon in early November. Some of this increase is seasonal -- with the onset of the heating season, demand for home heating oil increases, putting upward pressure on prices. The month-to-month increase, however, pales in comparison to the year-over-year increase, as home heating oil prices were about \$0.90 at this time last year (though today's heating oil prices are below those seen in 1981 in nominal terms, and just over half 1981 levels in inflation-adjusted terms). Much of the 20 cent per gallon increase is due to higher crude oil prices, which have risen about 30 percent (from \$18 to over \$23 per barrel) since this time last year.

[Handwritten checkmark] Our assessment is that there are no underlying forces that should lead to sustained higher prices for energy and oil in particular over the short to medium term. For specific products such as heating oil, price changes may reflect particular aspects of the market. We understand that the Department of Energy is monitoring the situation, and Secretary O'Leary

has met with representatives of the major oil companies to help ensure that there is not a shortage of heating oil nor a prohibitive price run-up. One concern is lower than normal inventory levels which can make consumer prices more susceptible to shocks in the market.

There are limited policy options available in this area and we observe that previous attempts to meddle in energy markets have often proved fruitless or counter-productive. The Department of Energy is already engaged in sale of \$220 million of crude oil from the Strategic Petroleum Reserve. This may help dampen increases in crude oil prices, but the effect should be rather small, since the sales represent much less than one day's supply of oil for the United States. And, lower crude oil prices do not guarantee lower heating oil prices for consumers. To the extent that higher prices than last year impose hardship on lower-income households, the \$1 billion in LIHEAP (Low-Income Home Energy Assistance Program) monies available to States via formula can help these households make ends meet. Another \$400 million or so in emergency LIHEAP funds is available, but you would need to declare an energy emergency in order to distribute these monies. It might be desirable to see if heating oil prices (and the prices of other energy sources such as natural gas) increase markedly over the next few months before deciding to release these emergency funds. Moreover, a decision to release these emergency funds would also require a decision about where the funds should go, one that is likely to prove contentious.

Please let me know if you wish to discuss this issue further.