

THE PRESIDENT HAS SEEN

3-31-97

THE WHITE HOUSE
WASHINGTON

March 29, 1997

MR. PRESIDENT:

Attached are the following weekly information items:

- (A) Interest Rates and the Stock Market
- (B) CEA Weekly Economic Briefing *copied Yellen, COS, pg 8; USC, Larry Summers*
- (C) NEC Report *copied Sperling, COS*
- (D) DPC Report *copied Reed, COS*
- (E) CEQ Report *copied Mebiny, COS*
- (F) Emanuel Report *copied Emanuel, COS*
- (G) Intergovernmental Report *copied Hale, COS*
- (H) Cabinet Report *copied Higgins, COS, pg 25: UP*
- (I) Political Report *copied C. Smith, COS, pg 4: Emanuel*

Helen Howell

Helen

Chen

*See Letter
Comment*

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

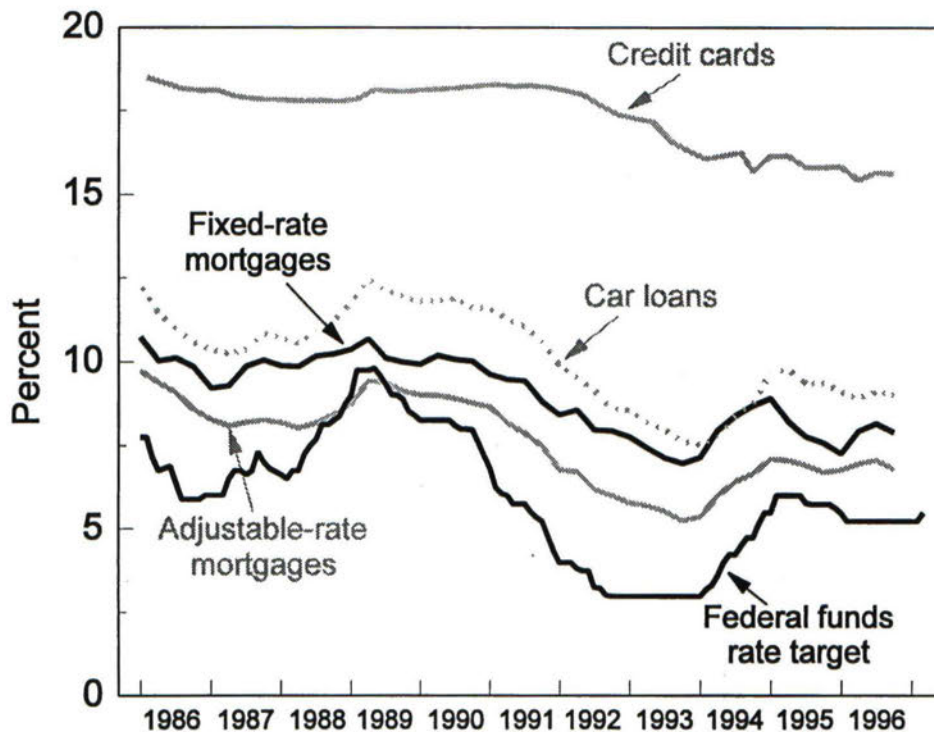
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

March 28, 1997

*Copied
Vellen
COS-whole
report
Pg 8: NSC
Larry Summers*

CHART OF THE WEEK

Household and Consumer Loan Rates



Consumers pay different rates for different kinds of mortgages and loans. These rates tend to move roughly in line with the Federal funds rate and with each other, although not in lockstep. The rates shown are for new loans (except for credit cards). An article in this Briefing discusses the likely impact of the recent monetary policy tightening by the Federal Reserve on mortgage and consumer loans.

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"Daddy's not mad at you dear— Daddy's mad at the Fed."

CURRENT DEVELOPMENT

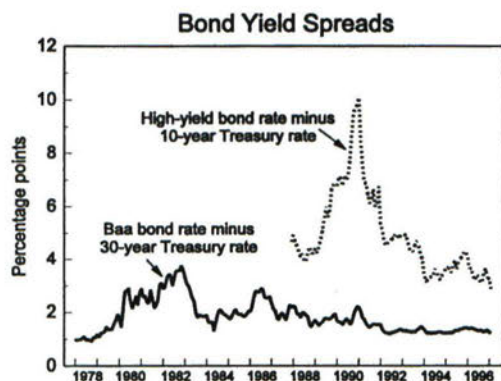
Can Interest Rate Spreads Be Too Low?

The Federal Reserve raised interest rates last week as a pre-emptive strike against inflation. But an ancillary concern may have been that current lending rates are based on too sanguine an assessment of risk.

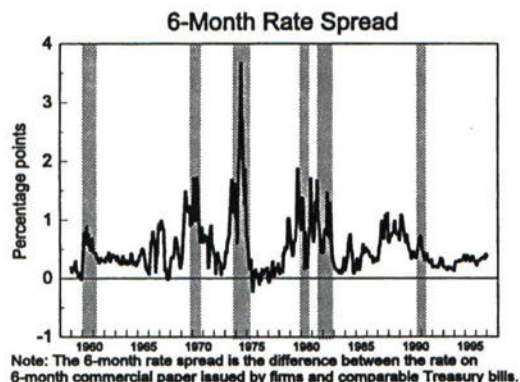
Concerns of Chairman Greenspan. In the same congressional testimony in which he worried that the stock market might be too high, the Fed chairman

worried that some interest rates might be too low. In particular, he pointed to rates on high-yield (junk) bonds (see upper chart). These are normally well above the yield on comparable Treasury securities, but spreads have been smaller recently. Greenspan's concern is that too narrow a spread between rates on safe assets (Treasury securities) and risky assets (junk bonds) encourages unsustainable borrowing and spending.

One might worry that this borrowing and spending could collapse when lenders return to a more realistic assessment of risk.



Analysis. It is hard to know if risk spreads are too small, or if they rationally reflect prospects for the economy. Economists have found that low spreads typically signal good times and a rising spread often heralds a recession (see bottom chart). Spreads widen because borrowers are more likely to default in a recession. In this view, the current modest spreads are good news, suggesting that lenders do not expect an economic slowdown. (A cautionary note: spreads remained narrow as the economy went into recession in 1990.)

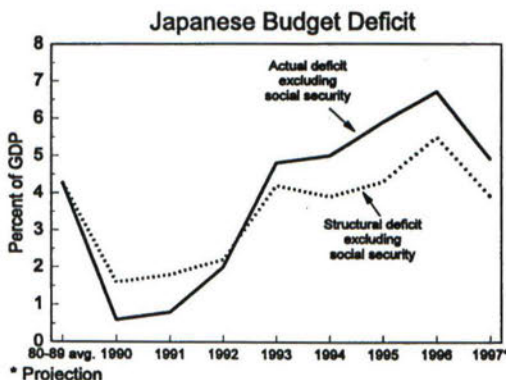
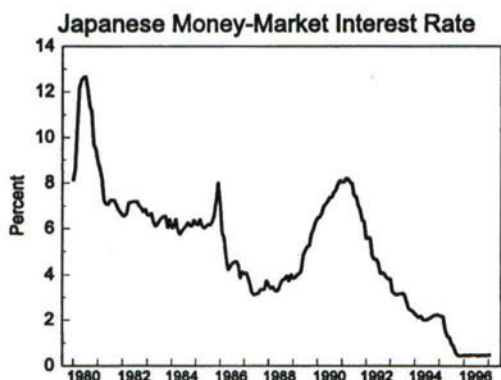
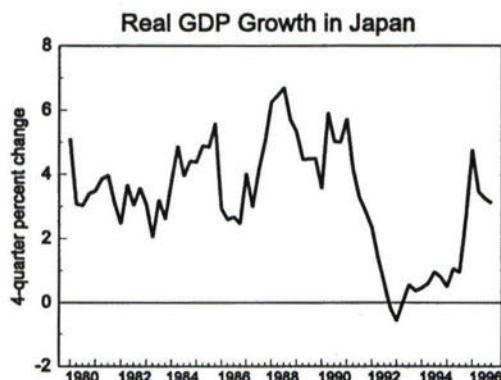


Conclusion. Narrow interest rate risk spreads suggest that financial markets are confident about the economy. But some worry that those narrow spreads reflect an unrealistically favorable assessment of risk.

CURRENT DEVELOPMENT

Japan's Fiscal Retrenchment: Will It Slow the Recovery?

In the last 2 years, monetary and fiscal stimulus has helped Japan start to recover from the stagnating growth that began in 1992. Now, however, the government is implementing several contractionary fiscal measures that could slow growth.



Background. A recession struck Japan in 1992, with output falling 0.2 percent (see upper chart). Growth remained slow through mid-1995. The government responded by relaxing both fiscal and monetary policy, and growth has picked up. The Bank of Japan has lowered short-term interest rates about as far as possible—to ½ percent (see middle chart). Fiscal stimulus has come through additional spending, mostly on public works, and temporary tax cuts.

Serious bad loan problems continue to afflict the banking system, and the market is drawing sharper distinctions among banks. Some restructurings of large banks are likely in order to address some of these problems. With the upcoming end of the accounting year (on March 31), rumors have surfaced of an imminent restructuring of one of the long-term credit banks.

Deficit reduction. For the last 4 years, budget deficits (excluding a surplus in the social security system of 2.5 to 3 percent of GDP) have been about 5 to 7 percent of GDP (see lower chart). With a rapidly aging population, deficit reduction to increase national saving has now become a priority. The government plans to reduce special public works spending in fiscal 1997 (which begins April 1). Furthermore, the budget raises the national consumption tax from

3 percent to 5 percent. This comes on top of the withdrawal in December of a special rebate of individual income taxes.

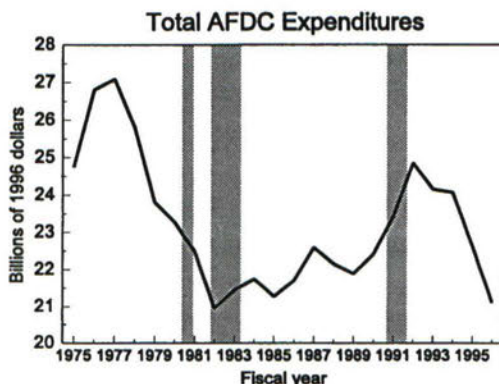
Sources of growth. These measures are likely to exert a drag on individual consumption expenditures. Business investment, however, looks like it could be strong. With a large depreciation of the yen over the last 2 years, the trade surplus is likely to expand and exports are likely to be an important source of growth. Over the longer term, deregulation could also be helpful.

3-31-97

SPECIAL ANALYSIS**Is the Welfare Contingency Fund Big Enough?**

Last year's welfare reform legislation established a contingency fund of \$2 billion to help states pay for additional welfare expenditures in the event of a recession. But new estimates suggest that even a moderate recession could exhaust this fund.

Cyclical variability and the contingency fund. Combined Federal and state spending for Aid to Families with Dependent Children (AFDC) exhibited a strong cyclical pattern (see chart). Expenditures typically rose during recessions and fell during expansions. The Omnibus Budget Reconciliation Act of 1981, however, curtailed AFDC and greatly muted the effects of the 1981-82 recession.



during expansions. The Omnibus Budget Reconciliation Act of 1981, however, curtailed AFDC and greatly muted the effects of the 1981-82 recession.

Under AFDC, the additional welfare costs incurred during a recession were shared between the Federal Government and the states according to a matching rate formula. Now, as a supplement to Temporary Assistance for Needy Family (TANF) block grants, a state is eligible

for federally matched payments if a recession causes total welfare spending in the state to rise above its fiscal year 1994 level. The formula is such that the \$2 billion authorized for this contingency fund would be exhausted by additional combined Federal and state spending of about \$3.5 billion (\$1.5 billion from the states and \$2 billion from the contingency fund). The fund is authorized only through 2001.

Welfare costs in a recession. Is the fund large enough to weather a moderate recession? Not quite. A statistical estimate of the impact of unemployment on welfare caseloads suggests that, in a moderate recession like that of 1990-91, welfare expenditures would be expected to rise by roughly \$4.5 billion—or about \$1 billion more than could be accommodated by additional state spending and the contingency fund. In a severe recession more like 1981-82, in which the unemployment rate peaks at 9.5 percent, welfare expenditures would be expected to rise by roughly \$7.5 billion. For the Federal Government to provide full matching funds in such a recession, the contingency fund would have to be about \$4 billion.

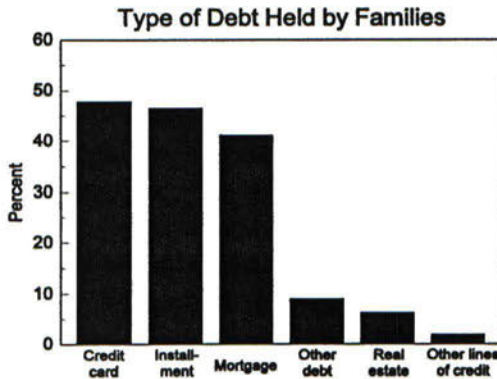
Conclusion. Based on past experience, the current contingency fund would be exhausted in even a modest recession. States would be on their own for any additional costs. But the welfare regime has changed. It is possible that workers who, in the past, relied on welfare to support them through a recession may have new incentives to search for work more diligently.

3-31-97

ARTICLE**Effects of Fed Policy on Household Loan Rates**

When the Federal Reserve tightened monetary policy this week, it did so by raising the Federal funds rate, the rate banks charge each other for overnight loans. But how does this decision affect the rates on loans to ordinary households?

Types of household borrowing. Households borrow for a variety of purposes. Residential mortgages (including those not for primary residences), account for about



70 percent of household sector debt, with credit card loans accounting for 9 percent, and auto loans 8 percent.

Nearly half of all households have credit card debt outstanding (see chart). Nearly as large a fraction have installment debt (which includes loans for the purchase of durable goods, including cars). About 40 percent have a residential mortgage on their primary residence, the third most common form of debt.

The impact of Fed policy. Changes in Federal Reserve policy affect not only rates charged on new loans, but also those on existing variable-rate loans. The impact of Fed policy depends on how much of the change in the Federal funds rate is passed through to the interest rate on each type of loan. The table provides an estimate of how a 25-basis-point change in the funds rate would be expected to change mortgage and consumer loan rates, and what effect it would have on annual debt payments.

Estimated Impact of a 25-Basis-Point Change in the Federal Funds Rate

<u>Type of loan</u>	<u>Typical size of loan</u>	<u>Change in loan rate</u>	<u>Change in annual payment</u>
New Loans			
Conventional mortgage	\$110,400	0.20%	\$184
New car loan	17,090	0.10	10
Existing Loans			
Adjustable-rate mortgage ¹	51,000	0.22	75
Credit card loan	1,500	0.17	3

¹ The assumed remaining maturity of the adjustable-rate mortgage is 15 years.

Analysis. The changes shown in the table reflect the long-run effects from an unanticipated, one-time rise in the Federal funds rate. In fact, changes in Treasury yields since Fed Chairman Greenspan's Humphrey-Hawkins testimony to the Congress in February have been considerably larger than those one would expect based on a 25-basis-point rise in the Federal funds rate. The relatively large runup in rates likely reflects, in part, market participants' expectation of additional policy moves by the Fed. (Historically, the Fed has generally changed rates in a series of steps rather than all at once.) Thus, the interest rates paid by households are likely to rise by more than is shown in the table.

Implications. Interest payments of U.S. households increase when the Fed raises interest rates. The impact of higher rates is spread over time; some interest rates will adjust relatively slowly, while others had already increased in anticipation of the Fed's action. It is important to remember, however, that many households have assets, such as bank deposits, money market mutual fund shares, and securities, that earn market-related interest rates. Indeed, since the household sector is a net creditor, the sector as a whole gains when real interest rates rise.

3-31-97

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

An Auction to Knock Your SO_x Off. The price of pollution credits auctioned through the Chicago Board of Trade this week rose 62 percent over last year's auction price. This year sulfur-dioxide emissions sold at an average of \$110 per ton, up from \$68 last year. This price is about in line with what has been observed recently in the much smaller secondary market for SO₂ credits (see *Weekly Economic Briefing*, March 14, 1997). The auction market allows companies that can successfully reduce their SO₂ pollution to sell credits to those that want to hedge their risks of not being able to meet mandated reductions. The number of bids for the 150,000 tons of credits rose sharply as well, and participation might well continue to increase with the coming deregulation of the electric power industry and the increase in the number of companies looking for cost-effective ways to satisfy clean-air regulations.

Better Information Could Boost Saving. New research implies that a serious National campaign of financial education and information might boost saving. A trend toward such education is already apparent; By 1994, 88 percent of large employers offered some sort of financial education. More than two-thirds of these had been added since 1990, often because of the increasing popularity of 401(k) and 403(b) plans. Employer-based education takes many forms, including brochures, counseling, seminars, and interactive software, and it is a critical source of information and advice for employees. Over 25 percent of survey respondents report that they rely primarily on employer-based education when it is available—more than the share relying primarily on financial professionals, family and friends, or the print media. The study shows that the availability of financial education increases median retirement wealth by nearly \$2,500. The effects of financial education are most pronounced among those least inclined to save, although education stimulates saving among high-savers as well.

Should
Recovery
Conduct
Savings?

Fed Forecasts Most Accurate. Economists at the Federal Reserve Board are better at predicting inflation than those in the private sector, according to a new study (by non-Fed economists). Looking at two decades' worth of 12-to-18-month inflation forecasts, the study found that the Fed's internal predictions were consistently better than the consensus of private forecasters. In fact, someone with access to both forecasts would have done better by totally ignoring the commercial one. The study argues that the Fed's superior record is not due to its getting economic data early or knowing about pending monetary policy moves. And their forecast record is even better over time horizons too short for Fed policy to affect inflation. The study concludes that the Fed's forecasting staff simply does a better job of processing information than does the private sector.

3-31-97

INTERNATIONAL ROUNDUP

Russian Steel Industry Faces Dumping Actions Abroad. A wave of anti-dumping actions has been brought against the Russian steel industry by Canada, the United States, Mexico, Thailand, and other Asian countries. From a political economy standpoint, anti-dumping procedures are often a response to surges of imports that increase competition for a particular domestic industry, rather than a response to predatory practices that are harmful to the economy as a whole. In the case of Russia, steel exports have grown rapidly in recent years as the de-militarization of the Russian economy has necessitated a search for new markets. If the petitioning countries find the Russian firms to be dumping, the resulting duties could decimate the industry and lower Russian GDP by 1.2 percent, according to the U.S. law firm defending the Russian steel companies. Thailand's case against Russia will most likely be decided first. Because Thai law is nearly identical to U.S. law, the case has generated considerable interest. A core issue in both the Thai and the U.S. cases is whether or not Russia will be treated as a "nonmarket economy." If Russia is designated as a nonmarket economy and if the Russian steel industry fails to qualify as a "market oriented industry," then an alternative procedure for computing the dumping duties will be used. This procedure generally results in dumping duties that are substantially higher than the procedure used for market economies. This raises the question of whether or when countries like Russia should be classified as market economies.

OECD Adopts Cryptography Guidelines. After a year of intensive talks and negotiations, the OECD has adopted "Guidelines for Cryptography Policy." These guidelines are non-binding, but they establish basic principles that the OECD believes should be incorporated into national cryptography policies. The guidelines recognize the role of market forces in developing standards, the need for clearly defined liability rules, and a user's right to choose any cryptographic method. Another important feature in the guidelines is the recognition of the principle of lawful access. This principle strikes an important balance between a data user's right to privacy and the needs of law enforcement. The Guidelines state that cryptographic key management systems may help achieve this important balance. Because of the international nature of communication networks and the resulting difficulty in defining jurisdictional boundaries, international cooperation in cryptography policy is important if the policy is to be effective. Although the guidelines are a step forward, discussions are continuing on a U.S. proposal for an international key management infrastructure.

Report Finds Wide Investment Gulf between "Haves" and "Have Nots." A recent World Bank report finds that while private capital flows to developing countries reached record levels last year, many poor countries have been largely unsuccessful in attracting foreign capital. According to the report, this lack of success on the part of some countries reflects a failure to pursue sound macroeconomic policies, investment in financial infrastructure, and privatization. However, some low-income countries, particularly in Africa, have been overlooked by investors even when they have pursued good policies.

cc: WSC/Janey
Big Potential
China for reform

Does
this mean
Filibuster
is right
we're losing
market share?

RELEASES THIS WEEK

Gross Domestic Product

****Embargoed until 8:30 a.m., Friday, March 28, 1997****

According to revised estimates, real gross domestic product grew at an annual rate of 3.8 percent in the fourth quarter of 1996.

Advance Durable Orders

Advance estimates show that new orders for durable goods rose 1.5 percent in February following an increase of 4.1 percent in January.

Consumer Confidence

Consumer confidence, as measured by the Conference Board, edged down 0.4 index point in March, to 118.5 (1985=100).

MAJOR RELEASES NEXT WEEK

NAPM Report on Business (Tuesday)
Leading Indicators (Tuesday)
Employment (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1996	1996:2	1996:3	1996:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.1	4.7	2.1	3.8
GDP chain-type price index	5.3	2.1	2.2	2.0	1.9
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.9	0.6	0.0	1.1
Real compensation per hour:					
Using CPI	0.6	0.4	0.5	0.7	0.2
Using NFB deflator	1.3	2.2	2.0	2.0	2.7
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.4	10.3	10.6	10.6
Residential investment	4.5	4.1	4.2	4.1	4.1
Exports	8.2	11.3	11.3	11.1	11.5
Imports	9.2	12.6	12.6	12.7	12.6
Personal saving	5.1	3.6	3.2	3.9	3.8
Federal surplus	-2.7	N.A.	-1.7	-1.6	N.A.
	1970- 1993	1996	Dec. 1996	Jan. 1997	Feb. 1997
Unemployment Rate	6.7**	5.4**	5.3	5.4	5.3
Payroll employment (thousands)					
increase per month			231	247	339
increase since Jan. 1993					11785
Inflation (percent per period)					
CPI	5.8	3.3	0.3	0.1	0.3
PPI-Finished goods	5.0	2.8	0.6	-0.3	-0.4

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

New or revised data in **boldface**.

GDP and related data **embargoed until 8:30 a.m., Friday, March 28, 1997.**

FINANCIAL STATISTICS

	1995	1996	Jan. 1997	Feb. 1997	March 27, 1997
Dow-Jones Industrial Average	4494	5743	6707	6917	6741
Interest Rates					
3-month T-bill	5.49	5.01	5.03	5.01	5.23
10-year T-bond	6.57	6.44	6.58	6.42	6.90
Mortgage rate, 30-year fixed	7.95	7.80	7.82	7.65	7.97
Prime rate	8.83	8.27	8.25	8.25	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level March 27, 1997	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.675	-0.8	12.7
Yen-Dollar	123.7	0.0	16.0
Multilateral \$ (Mar. 1973=100)	94.88	-0.8	9.1

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.1 (Q4)	5.3 (Feb)	3.0 (Feb)
Canada	2.3 (Q4)	9.7 (Jan)	2.1 (Jan)
Japan	3.1 (Q4)	3.3 (Jan)	0.6 (Jan)
France	2.1 (Q4)	12.8 (Dec)	1.7 (Jan)
Germany	2.2 (Q4)	7.6 (Dec)	1.8 (Jan)
Italy	0.7 (Q3)	11.9 (Jul)	2.6 (Jan)
United Kingdom	2.7 (Q4)	7.5 (Jan)	2.8 (Jan)

U.S. GDP data embargoed until 8:30 a.m., Friday, March 28, 1997.

3-31-97

INTERNATIONAL ROUNDUP

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cc: USC/Trade
Big Potential
China to Outgrow

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Does
this mean
Silicon Valley
is right next
to Beijing?
Market growth

Report Finds Wide Investment Gulf between "Haves" and "Have Nots." A recent World Bank report finds that while private capital flows to developing countries reached record levels last year, many poor countries have been largely unsuccessful in attracting foreign capital. According to the report, this lack of success on the part of some countries reflects a failure to pursue sound macroeconomic policies, investment in financial infrastructure, and privatization. However, some low-income countries, particularly in Africa, have been overlooked by investors even when they have pursued good policies.

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
3-31-97

March 28, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC Weekly Report
cc: ERSKINE BOWLES

Pell Grant Initiative. I have had conversations with Congressman Chaka Fattah about getting Democratic support in the House for our higher education agenda and how important the Pell Grant expansion is to the support.

He has a legislative idea which I think is terrific. It would select the poorest children in the poorest areas of the country -- 400,000 children -- and essentially give them their Pell Grant Scholarship in the 6th grade as a way of letting them know that if they graduate from high school they will have the same opportunity of middle-class students to attend college. This is a way of building off the Eugene Lang model of guaranteeing college to poor children in 6th grade to change these kid's expectations.

I will have further discussions next week about how the formula can be targeted to ensure that this proposal will reach a significant amount of Hispanics to help address their high drop-out rate.

From a budgetary perspective, the idea has no cost until the kids reach college and the only cost increase would occur if there is an increase in projected enrollment. While I think this could be a great idea, I need to stress that this idea has not yet received a vet by Bruce Reed, the Department of Education, and OMB, but if you are interested, I will run a policy process to see if there is interest.

Hispanic Education. In addition to the idea above, we are meeting with people who worked on the Presidential Advisory Commission on Education Excellence for Hispanics to formulate further ideas. Bruce Reed, Maria Escheveste and I will also be working on education ideas for you in this area.

Maria Escheveste and Anna Gomez, from my staff, are also consulting with the top experts around the country. Henry Cisneros called on Friday with several suggestions of some of the activist experts we should be talking to and he also wanted me to let you know that he is very enthusiastic about this effort.

3-31-97

Skill Grants. We are working on an options memo for you on a Skill Grant strategy for this year. We will circulate it shortly and get it to you within the next week to 10 days.

Meeting with Gov. Engler's Staff on Skill Grants. Along with Ken Apfel, Barry White and Anne Lewis, I met with the person who runs Governor Engler's training program. While they are not as supportive as we are on Skill Grants, they are, nonetheless, interested in the idea in a more limited form, and were quite constructive and thoughtful.

Reed is very upset this
Fast Track. We had a very good discussion this past week on Fast Track, in which Dan Tarullo presented background and options on our strategy to Erskine Bowles, John Podesta, Sylvia Mathews, Mack McLarty, Doug Sosnick, Susan Brophy and others. We plan to continue this discussion next week. We will include more members of the Economic Team, including Bob Rubin and Bill Daley. Dan Tarullo is writing what will be a strategy memo for you, once he has received full Congressional and strategic input from others.

Budget Meetings. We had four meetings on the Hill this past week which covered Medicaid, expanded health care coverage for kids, welfare and the defense and international components of discretionary spending. Overall, I found them very constructive and positive. Jack and I have sent you, separately, a brief summary of the meetings. Bruce Reed and Ken Apfel participated in the welfare meeting and Chris Jennings and Barbara Chow attended the health care meetings.

Federal Worker's COLA's. Last week's NEC Weekly Report briefly discussed a meeting we had with Moe Biller, head of the Postal Workers Union. He expressed his concern about our COLA delay proposal. Per your request for more information on the issue, including specifically how much money is involved, we have sent, separately, a follow-up memo.

Reed
NEXTEA: The ISTEIA reauthorization proposal that you announced on April 12 continues to be well received. Senator Chafee, chairman of Environment and Public Works, introduced the Administration bill essentially as his own (with Senator Moynihan) -- an unusual step by a leader of the opposing party. On the House side, NEXTEA is serving as the template for the committee bill. I called another NEXTEA interagency working group meeting develop strategies for targeting key groups, coordinate message and outreach across agencies, and identify opportunities for White House involvement. We are also planning special outreach on specific initiatives, including the Welfare-to-Work provision.

Will they sign?
Safety and the Big Three. The safety title of NEXTEA, which will be sent to Congress next month, will propose a "soft sanction" to promote seat belt use: By October 2002, states must either adopt a primary seat belt law (one that allows for ticketing solely for failure to use a seat belt) or else reach the goal of 85% seat belt usage by other means. A state that does neither would have 1.5% of its federal highway funds (3% in subsequent years) transferred mandatorily into its highway safety program. I am looking for opportunities for you to announce this proposed policy in a visible way -- possibly in connection with your upcoming meeting with the Big Three CEOs.

THE WHITE HOUSE
WASHINGTON

March 29, 1997

Copied

Reed
COS

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR/ek*

SUBJECT: DPC WEEKLY REPORT

Great

1. **"California in the White House" Education Event.** We are preparing for a major endorsement of your national testing initiative on Wednesday, April 2. At a roundtable discussion, Delaine Eastin, California Superintendent of Schools, will announce that California will participate in the initiative. This commitment, when added to those from Maryland, Michigan, and North Carolina, means that about 20 percent of the nation's 4th and 8th grade students will take our tests. In addition, John Doerr, managing partner of the venture capital firm Kleiner, Perkins, Caulfield & Byers, will announce that more than 100 high-tech CEOs are endorsing your testing initiative and will urge every governor and state education official to sign on to the tests.

2. **Smart Guns.** The National Institute of Justice is about three weeks away from announcing that it has chosen a prototype "smart gun" for testing in the field. The gun will have an "Action Radio Frequency Tag" that permits the gun to be fired only when it is within three feet of a wristband that the police officer will wear. The gun will also have a "laser-aiming element" that makes a red dot appear on the person at whom the gun is pointing. This feature apparently serves as an effective warning to the culprit that he should surrender. NIJ will provide a \$500,000 grant to a consortium of companies to demonstrate the gun and train police officers in its use.

They suggest so often

3. **Medicaid Coverage for Legal Immigrants Losing SSI.** DPC, OMB, and HHS have devised a plan to protect some legal immigrants losing SSI under the welfare law from automatically losing Medicaid as well. The problem arises because about 200,000 legal immigrants, concentrated in Florida and Texas, qualify for Medicaid solely because they receive SSI benefits; when these people stop receiving SSI, under the terms of the new law, they will no longer qualify for the Medicaid program. States can remedy this problem by amending their Medicaid programs so that these individuals will qualify for Medicaid through some other route, such as a "medically needy" category. (Most, though not quite all, legal immigrants losing SSI fall within the "medically needy" category.) But even states that generally want to continue to provide Medicaid to legal immigrants (as most do) may be reluctant to take the affirmative step of changing their Medicaid programs in order to do so.

Our partial solution would (1) widen the definition of "medically needy," so that an additional 31,000 legal immigrants in states with a "medically needy" program will fall within

the definition and thereby qualify for Medicaid benefits, and (2) delay for one year the date when the remaining 160,000 people who now qualify for Medicaid solely by virtue of SSI will lose their Medicaid coverage. This solution does not go as far as the advocacy groups would have liked, but HHS attorneys think that it is the most that is legally permissible. The cost of the solution is \$1.4 billion over five years. Virtually all of this cost is already in our budget, as part of our proposal to preserve SSI and Medicaid for disabled legal immigrants.

We would like to announce this policy in mid-April. OMB argues that our announcement should be low-profile so as not to provoke congressional criticism. The one downside of the proposed policy is that it could dilute some of the momentum for our legal immigrant "fix" package because we will have solved (for one year) one of the most sensational situations -- the eviction of legal immigrants from nursing homes. But Secretary Shalala, Frank Raines, and I all believe that we should go ahead with this plan to protect legal immigrants in danger of losing their Medicaid coverage.

4. Texas Privatization Plan. You should have a memorandum from me summarizing a compromise approach to the Texas privatization question (agreed to by HHS, USDA, OMB, and NEC), giving the state far less than it wants, but allowing it to proceed with some administrative reforms. One fact not included in the memo is that Lieutenant Governor Bob Bullock and Comptroller John Sharp will both be members of the state panel choosing the bid and so will have some opportunity to protect union interests. If you are leaning toward directing the secretaries to reject the Texas request entirely, Secretary Shalala, Representative Stenholm, and Texas Land Commissioner Gary Mauro all would wish to talk with you to express their strong views on the question.

5. Food Stamp Waivers. You recently asked for a status report on waivers of the food stamp work requirements. As you know, the law allows USDA to waive these requirements in areas (counties or cities) where unemployment rates are over 10 percent or where there are "insufficient jobs." So far, USDA has used this authority to grant requests from 35 states to waive work requirements in areas satisfying this standard; 20 of these states have submitted new requests, now pending at USDA, to cover additional areas. USDA also is considering initial requests from five states to waive the work requirements in particular areas. The remaining ten states have not applied for a waiver. USDA estimates that without waivers, approximately 860,000 people would lose food stamp benefits as a result of the work requirements. Waivers approved to date have preserved benefits for about 30 percent (or 260,000) of these people. USDA expects that waivers ultimately will help 40-45 percent of this group.

One notable waiver application is a recent request from California that the entire state get a six-month delay in the work requirements to give the State more time for administrative preparations. USDA can find no basis in the law for approving this request and plans to advise the State accordingly. In denying the statewide request, however, USDA will point out cities and counties in California that appear to be eligible for a waiver.

*Strongly
Push
Clear*

6. Tribes and Food Stamp Waivers. You also recently asked whether tribes can ask USDA directly for waivers of the food stamp work requirements. USDA believes that tribes cannot do so, essentially because the welfare law stipulates that "states" must apply for these waivers. USDA thinks it could treat a tribe as a "state" only if the tribe were to take over the food stamp program, including administrative costs and liability for penalties. Because this alternative is not practical, Secretary Glickman has taken steps to encourage states to work with tribes in preparing waiver applications; he also has made sure that data from the Bureau of Indian Affairs is available to states to establish waiver eligibility.

7. April 1st Immigration Changes. April 1st is the effective date of significant changes in the immigration law applying to illegal aliens. The new law affects a wide range of immigration matters, but most attention has focused on new removal procedures that facilitate deportations and restrict waivers of deportation due to hardship. The Administration is taking steps to allay widespread fears that mass deportations will occur when the law goes into effect. I will get you a more detailed memorandum early next week on the new provisions of the immigration law and Administration plans to implement them.

8. Immigrants' Access to Justice. The DPC and Department of Justice have been working with the American Bar Association on an initiative to encourage and train lawyers to provide pro bono representation to immigrants during this time of fundamental change to our immigration and welfare laws. The initiative will focus on representation of detainees applying for asylum and of legal immigrants seeking health and welfare benefits. We should be ready to make a joint announcement by the time of the ABA Conference in early May.

9. Missing Children Update. In January 1996, you signed an executive memorandum requiring the heads of departments and agencies to post missing children notices in federal facilities. Under GSA's coordination, missing children notices have gone up in about 900 federally owned or leased buildings since issuance of the memorandum. In addition, GSA has developed a web page that posts ten missing child or person notices on the internet each month. Of the children featured in GSA's various postings during 1996, eight were found and are now with their families.



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN

March 27, 1997

3-31-97

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *For the President*

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

Copied
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NEW WORLD MINE

As you know, we met our obligation by March 12 to propose \$65 million worth of assets in the form of royalties from federally-owned natural resources for acquisition of the New World Mine site from Crown Butte. The company's reaction has been favorable, and they are in the process of final analysis of the offer and their corresponding obligations for presentation to their Board of Directors by April 12. Congressional and press reaction to this agreement has generally been positive.

However, there continues to be considerable controversy and negative reaction associated with the proposal to offset the loss of these royalties with a 1-year deferral of 2 million acres of land available for Conservation Reserve Program (CRP) funding. There also has been some negative press on this point. Congressional opposition is coming from both Republicans and Democrats with farm constituents. It appears to be based not on the actual effect of this deferral on farmers, but on either a misunderstanding of the proposal or a generic view that funds dedicated to agriculture should not be redirected in any way. Some in the environmental community are seriously concerned about the use of this as a precedent for future CRP cuts, and have publicly expressed that concern.

We are working with OMB to continue outreach to these groups and the public to make sure they understand the actual effect of this offset proposal, and to hear their views and fully evaluate any alternative offsets. It is too soon to tell how this will play out, or whether this offset will be a viable legislative proposal. Given the remaining work on this proposal that is necessary by Crown Butte, we will not be in a position to send legislation to the Hill on this for at least 30 days, and can more fully evaluate the offset issue and our alternatives as we get closer to that date.

TONGASS

Governor Tony Knowles (D-AK) and seven mayors from Southeast Alaska were in town this week to meet with Secretary Glickman and myself and others to discuss the Tongass National

THE PRESIDENT HAS SEEN
3-31-97

Forest Land and Resource Management Plan. Their message was that it was critically important to issue the Plan as soon as possible to help provide some stability and certainty in Southeast Alaska during a time of economic transition in that part of the State. I am concerned about our progress in moving forward a sound plan in a timely manner and will chair a meeting next week to help determine our options and best course of action.

LAKE TAHOE EVENT

As you may recall in February, you agreed to participate in an environment event in early summer at Lake Tahoe with Senator Harry Reid (D-NV) and other members of Congress. Next week you will receive a decision memorandum outlining the details for the event.

File to
work this
out for
the event
for
the
President

Administration May Scale Down Disclosure Proposal on Toxic Chemicals

By Joby Warrick
Washington Post Staff Writer

The Clinton administration, under fire from Congress, industry and some of its own agencies, is considering softening a key environmental initiative that would force thousands of businesses to report releases of toxic chemicals in their communities.

The proposed expanded reporting requirement—one of the administration's top environmental priorities—may be scaled back because of concerns about the economic impact on small businesses. Small-business advocates want to exclude thousands of smaller companies from paperwork that could cost them an average of \$7,000 a year, according to government estimates.

The dispute over who should be included under the new rules has created a rift within the administration and delayed the start of the program for more than a month. Officials of the Environmental Protection Agency have opposed any weakening of the proposed rule, but top administration officials are reportedly hoping to avert a possible fight with congressional Republicans who have threatened to challenge the proposed rule under their newly acquired authority to overturn regulations.

"We are definitely committed to an expansion," said one administration source who asked not to be named. "But we want to make sure the environmental benefit isn't drowned out by legitimate concerns by industries that are at the margins."

Environmental groups say the White House is backing away from a campaign promise. "Last year, we roundly praised the Clinton administration when they announced their proposals," said Carolyn Hartmann of the U.S. Public Interest Research Group. "We would be sorely disappointed if the administration failed to follow through on their commitment to expand the public's right to know about pollution in their communities."

The EPA announced in June that it was expanding its "community right-to-know" program by nearly 30 percent, adding seven new categories of industries to a group of 23,000 companies that must report toxic releases to the government.

The new industries include metal

mines, coal processors, oil and coal-fired power plants, hazardous waste treatment facilities, solvent recyclers, chemical wholesalers and petroleum bulk storage sites. In all about 6,400 additional companies would be required to submit annual reports on the amount of hazardous chemicals they release, either inadvertently or as waste.

Each year, the EPA publishes the list, known as the toxic release inventory, on the Internet. The release of data helps inform citizens about potential sources of pollution in their communities, and in some cases has led to companies voluntarily reducing their use of toxic materials to improve their standing on the EPA's list.

The program has drawn praise from

environmental groups and even some chemical manufacturers, who say the regulations improved efficiency by forcing them to look for ways to cut waste. Both President Clinton and Vice President Gore promised to expand the popular program in campaign speeches, both by including new industries and strengthening reporting requirements.

But the effort to shore up the administration's standing on environmental issues collided with other campaign pledges to reduce paperwork and ease regulatory burdens on small businesses. In recent weeks, administration officials have added their voices to the criticisms from Congress and industry groups over the inclusion of two controversial groups—chemical

wholesalers and bulk petroleum companies—in the program.

The two groups together account for nearly three-quarters of the businesses that would be brought into the expanded reporting program. Included in their ranks are large petroleum tank farms but also hundreds of smaller distribution centers, many of them small businesses.

"Small businesses . . . would bear a particularly heavy burden," wrote Jere W. Glover, chief counsel for the U.S. Small Business Administration, in a letter to the EPA. Citing EPA estimates about the costs of analyzing waste emissions, Glover contended that the reporting costs "would be approximately equal to the average small firm's net income."

But EPA officials and environmental groups say the affected companies are not as small as they seem. The Washington-based Environmental Working Group, in an analysis of EPA data on air emissions, concluded that petroleum storage companies produce more pollutants on average than most facilities that are already subject to right-to-know laws.

In addition, EPA officials note, the proposed regulations already exempt businesses that handle small quantities of chemicals and employ fewer than 10 people.

"We're not talking about a mom and pop company in the middle of a corn field with a storage tank," said an official in the EPA's Environmental Assistance Division.

THE PRESIDENT HAS SEEN

3-31-97

THE WHITE HOUSE

WASHINGTON

March 28, 1997

Copied
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MEMORANDUM TO:
FROM:
RE:

THE CHIEF OF STAFF
RAHM EMANUEL R.E.
WEEKLY REPORT

CRIME/DRUGS: On Monday I should have an options memo for the President. The memo will focus on the Brady case in the Supreme Court and what steps we should take if the Court strikes down the Brady Bill. The memo will reflect the work of both Treasury and Justice.

In two weeks, ATF will hold a press conference following up on the President's announcement concerning the Brady forms. By April 12, the Brady forms are expected to reflect proposed changes in dealing with foreigners who wish to purchase guns.

I have asked the Drug Office and Justice to prepare a "Meth" Report for the President. The report could be released at the Mayor's drug meeting that will be held in Washington this May. The report is expected to outline the administration's progress in combating "meth." As you know, we passed "meth" legislation in August.

This week's *Newsweek* has a story about how "meth" is sweeping through the upper Midwest and Florida. Some members of Law Enforcement claim it will surpass "crack cocaine" in its impact on Americans. Unlike "crack cocaine," its user profile is white, female, rural and working class.

Justice is putting out a report on the Assault Weapon Ban. It states that it is still too early to draw any conclusions about the effectiveness of the Ban. Based on the conclusion of the report, I do not think the President should be involved its release.

There will also be a release announcing sexual predator guidelines for the states. These guidelines provide states a road map to implementing Megan's Law and the Wetterling statute.

In the same vein, we have completed work on an Executive Order concerning Federal Prisoners and their inclusion in the Sexual Predator Registry. We need to decide how to handle and when to release this Executive Order.

CAMPAIGN FINANCE REFORM: As I mentioned last week, I am responsible for the *New Republic* story concerning our intent to petition the FEC on soft money. The *New Republic* thinks it is a good idea and has complimented us for its ingenuity. Other elite members of the press corps also think it is an innovative idea that reflects our sincerity on the subject.

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3-31-97

The *New York Times* editorial page will include a column on the subject this weekend. I expect that the piece will be favorable, but will say, as their columns typically do, that more needs to be done.

We should remember our goal is to show a sincere effort and determination to enact reform. This petition will help us pass reform legislation and aid our reform image. As of this time, we do not have a scheduled date to announce our intent to petition the FEC.

✓ **FAMILY:** I am working with Dennis Burke on a memo outlining our position on the FCC Liquor Advertising petition. There is an event on this subject at the White House that the VPOTUS is expected to attend, scheduled for Tuesday.

✓ The event may have fortuitous timing since it may overlap with a ruling on tobacco regulations by a North Carolina court.

 On the subject of tobacco, I am pulling together a small group with Bruce Lindsey to see how we can get the administration back in this story. We totally missed out on last week's Liggett decision. I think it could have been a good opportunity for the VPOTUS and Justice to advance the administration's policy on tobacco.

✓ **ECONOMY:** I am working with Gene on the Monday Pension Report release and on our new Pension Audit legislation. The audit legislation is the only remaining piece of the President's pension agenda that did not pass in his first term. Meanwhile, pension legislation remains very popular with a wide segment of the population.

Gene will give a copy of the Pension Report to the *Washington Post* and to one regional paper in order to promo the story. On the Hill, Democrats and Republicans have all introduced legislation regarding pension and retirement security.

THE WHITE HOUSE
WASHINGTON

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3-31-97

March 27, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale *MH*

SUBJECT: Weekly Report

Alaska

We organized a meeting with Governor Tony Knowles (D) and a bipartisan group of mayors on issues surrounding the Tongass Forest which was attended by representatives from all the relevant White House policy offices. We were able to hear from each of the mayors regarding their community's concerns and issues and the urgent need for a decision in order to safeguard the economic viability of Southeast Alaska. We are coordinating with the relevant agencies to come to closure on this issue by the end of May. Prior to the White House meeting, the bipartisan delegation met with Secretary Glickman and the Forest Service. Governor Knowles was extremely pleased with the attention his delegation received from the Administration.

Native American and Tribal Issues

Good
Lynn Cutler joined the office this week and began learning about a wide range of issues of concern to the Native American community. We are making efforts to help the Lakota-Dakota people obtain federal assistance for the losses they suffered in the winter storms. FEMA Director James Lee Witt has assigned a person in his agency to help deal with the obstacles the tribes face in seeking assistance. The primary problem is that the Governor of each state must request designation for the tribe, and in this instance, while the Governor of North Dakota has agreed to do so, the Governor of South Dakota has not. We have talked to FEMA and are exploring options.

National Service Summit

See call Taulrow? (know him well)
OK
We are working with summit organizers to expand the number of elected officials who will be able to participate in the National Service Summit. In particular, we hope to include a small number of key statewide elected officials, county officials, and state legislators who might not otherwise be included in the state delegations led by each governor. We are working with supportive governors and mayors who have committed to participate in the Summit to build a team who will amplify your message throughout the Summit.

NEXTEA

We continue to coordinate with DOT, NEC, and EPA on aggressive outreach efforts to generate support for your NEXTEA program. There is strong support among mayors and county officials for the Administration's proposals. To date, there are 17 governors who have individually endorsed the legislation.

State Legislators

Intergovernmental Affairs representatives from the White House and federal agencies participated in a meeting at the Hall of States with the Washington staff of NCSL. This session provided a valuable opportunity for Administration officials to hear state legislators' current legislative agenda and primary issues being debated in state legislative sessions across the country. Foremost among the issues being discussed in state legislative chambers is the legislative implementation of welfare reform.

Medicare Fraud Event

✓ We worked with Governor Lawton Chiles on your Medicare/Medicaid fraud announcement with Secretary Shalala. To amplify the Administration's message, Governor Chiles organized additional events in Florida on this announcement and received considerable press attention on both the DC and Florida events.

New York -- TWA Flight 800

✓ On December 23, Governor George Pataki requested a major disaster declaration for Federal assistance to reimburse New York state and Suffolk County for costs incurred in response to the July 1996 TWA crash. According to FEMA, the provisions of the Stafford Act are not designed to provide assistance for this type of incident. FEMA has determined that a major disaster declaration is not warranted. We are coordinating with Cabinet Affairs to host a meeting on Tuesday, April 1, including Congressional, state and local government staff to discuss federal assistance for local and state efforts.

California Education Event

✓ On Tuesday, April 2, you and the Vice President will participate in a round table discussion highlighting California's State Superintendent of Public Instruction, Delaine Eastin's endorsement of your testing initiatives. We are notifying key state and local elected officials of this event and we are hopeful that many of them will amplify California's endorsement of your testing standards challenge. In addition, local elected officials will be present at a school in San Jose, California for the satellite feed of the event. San Jose Mayor Susan Hammer (D) is taking the lead in coordinating the local electeds who will participate in San Jose.

Pittsburgh Enterprise Community

Attached is a memo from Secretary Cuomo regarding the Pittsburgh Enterprise Community. This was mentioned in Kitty Higgins's weekly report last week and you asked me to follow up on it. Both Andrew and I spoke with Mayor Murphy at the time of his announcement. Andrew's attached memo is a good summary of the situation and both of us will continue to follow Pittsburgh's progress. Let me know if you want any additional information.



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

THE SECRETARY

March 27, 1997

MEMORANDUM FOR: Marcia L. Hale, Assistant to the President
and Director for Intergovernmental Affairs

FROM: Andrew Cuomo

A handwritten signature in dark ink, appearing to be 'AC' or 'Cuomo'.

SUBJECT: Pittsburgh Enterprise Community

This memo is to outline the Pittsburgh Enterprise Community progress report. Initially, as you know, you and I discussed the Pittsburgh report prior to its release and worked with the congressional delegation and Mayor's office subsequent to the release.

HUD is mandated by Congress to report periodically on the progress of the zones. The HUD report found that 68 of 72 zones showed progress. I believe the 68 confirm the success of the program and the five communities which have shown no progress to date enforce the credibility of the report and the President's commitment to performance in government programs. You should know that the five communities that the report found showed no progress have literally drawn down no funds whatsoever since the selections were made over two years ago.

Mayor Murphy of Pittsburgh does not contest the lack of progress but rather says that Allegheny County--which is his partner in the enterprise community--is in Republican hands and being obstructionist. The Mayor made this point to me before the press conference releasing the report. At the press conference, I repeatedly made the point that the Mayor's performance has been exemplary and he has been gallant in his efforts to get the county to cooperate. After the press conference, I called the Pittsburgh newspaper directly to make the same points. In fact, the HUD report specifically states that the lack of progress in the enterprise community has occurred "despite a strong commitment by the Mayor of Pittsburgh."

2

I have told the Mayor and the newspapers that I am "confident" the county and city will overcome their obstacles and that Pittsburgh's grant will not be revoked. I have offered to meet with the city and county officials to work out any problems and we have offered to send technical assistance.

I am likewise confident that the other four cities will not see a revocation of the enterprise community designation but that our stressing performance will spur their action and establish the President's credibility in his request for a second round of EZ/EC.

cc:

Kitty Higgins

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
3-31-97

March 28, 1997

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See Summary

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
March 21 - 28, 1997

DEPARTMENT OF TREASURY

- **Asia Trip:** Secretary Rubin will visit Japan, the Phillippines, and Vietnam from April 4 to April 8 to attend the APEC Finance Ministers annual meeting, as well as to confer with the economic and financial authorities in Japan and Vietnam. Discussions will center on how U.S. engagement in Asia can help foster an environment that sustains economic growth and facilitates trade and investment liberalization. Secretary Rubin's trip to Vietnam is to continue the process of normalization with Vietnam and to sign a bilateral debt rescheduling agreement. Prior to the trip, officials from State and the NSC will be giving the Secretary briefings on U.S. policy toward Asia, with particular attention toward Vietnam.
- **Africa Initiative:** Treasury officials will participate in interagency discussions during the week of March 31 to settle remaining issues before the Administration's proposal is sent forward to the Hill. The target for introducing joint legislation is April 8, with hearings to begin on April 29. Congressional staff say that Reps. McDermott, Rangel and Crane will go ahead with their bill if the Administration is not ready in time to join them.
- **IRS Filing Season:** Through March 17, all categories of electronic filing are ahead of last year's volume by almost 25 percent. The On-Line Filing Program is up 156 percent compared to the same reporting period last year with 233,000 filers.

- **Foreign Terrorist Organizations (FTOs):** Treasury officials met with Justice and State Department officials on March 17 to finalize the designation of the first of the foreign terrorist organizations ("FTOs"), in accordance with the Antiterrorism and Effective Death Penalty Act of 1996 ("Antiterrorism Act"). The first group of FTOs are expected to be finalized within the next few weeks.
- **District of Columbia:** On March 21, Treasury received the District's requisition for a \$50 million advance. The District has informed the Treasury that it must obtain such funds before April 1 in order to continue its operations. On March 27, Treasury disbursed loan funds.
- **Financial Modernization:** On March 20, Secretary Rubin met with Senators Dodd, D'Amato, and Sarbanes. Senator Dodd urged us to move forward with legislation after appropriate consultation with affected parties, Senator D'Amato suggested we might defer for the moment, and Senator Sarbanes maintained his opposition to any legislation which permits any combination of banking and commerce. During the week of March 17, Under Secretary Hawke met with Senators Faircloth, Bennett, and Allard on the issue of financial modernization. All three of these Senators indicated that they would be interested in cooperating with us to enact financial modernization legislation this year. Under Secretary Hawke also met with Rep. Dingell, ranking minority member of the House Commerce Committee. Mr. Dingell maintained that he would keep an open mind on this subject. He made clear, however, that he could not support any legislation that did not include "true" functional regulation (presumably allowing maximum latitude to the states in regulating insurance) and a "real" separation between banking and non-banking activities with "meaningful" firewalls.

DEPARTMENT OF JUSTICE

- **Religious Discrimination Case:** On March 7, in U.S. v. City of Wilmington, DE, the court signed a consent decree resolving DOJ's claim that Wilmington had violated Title VII of the Civil Rights Act when it suspended a Muslim police officer who had grown a beard for religious reasons. Under the terms of the consent decree, which lasts one year, any police officer with a "good faith" religious reason will be allowed to wear a beard while in uniform.
- **Special Education Obligations:** On March 14, in Magyar v. Tucson, AZ, Unified School District, an AZ court invalidated, under the Individuals with Disabilities Education Act, the school district's policy of ceasing to provide educational services to disabled students in special education programs who are expelled or suspended for reasons unrelated to their disabilities.

3-31-97

- **PA Police Misconduct Decree:** On March 17, DOJ and the City of Pittsburgh argued for the entry of a consent decree that would resolve allegations that the Pittsburgh Bureau of Police had engaged in a pattern or practice of civil rights violations. The local branch of the Fraternal Order of Police, which had moved to intervene in the matter, participated in the hearing and objected to the decree on the grounds that it conflicted with its collective bargaining agreement with the City, and with state law.
- **Public Broadcasters' First Amendment Constraints:** Last week, the Supreme Court granted the petition for *certiorari* in AR Educational Television Commission v. Forbes, which presents the question whether broadcast stations licensed to governmental entities are subject to First Amendment limitations inapplicable to broadcast stations licensed to private entities. DOJ argued that the public interest is served by allowing state-entity licensees to exercise the same editorial discretion over the content of their programming as their counterparts in private commercial broadcasting.
- **"No Knock" Entry Case:** Next week, DOJ will argue for WI in Richards v. WI, which presents the question whether it is reasonable for the police to enter a dwelling without a prior announcement of their presence and purpose when executing a valid search warrant for evidence of drug trafficking. DOJ will support the Court's decision in Wilson establishing that officers may dispense with a pre-entry knock and announcement when an immediate entry is justified by the need to protect officer safety or to prevent the destruction of evidence.
- **OK City Bombing Case:** On March 19, attorneys for families of several OK City bombing victims announced that they had filed multimillion-dollar administrative claims against the federal government for allegedly failing to warn of a possible terrorist attack against the Alfred Murrah Federal Building on April 19, 1995.
- **Human Radiation Settlement:** On March 18, settlement was reached in the last of the human radiation experimentation "plutonium injection" cases. Shaw v. U.S. The U.S. agreed to pay \$262,500 to his estate and surviving family members. Fifteen other plutonium injection cases and one uranium injection case were settled earlier. The total Judgement Fund contribution for all the injection cases was \$2, 755, 625 out of total governmental payments of \$6,332,500.
- **Communications Decency Act:** Playboy Entertainment Group, Inc. v. U.S., Spice Entertainment Companies, Inc. v. Reno. Section 505 of the Communications Decency Act requires cable systems offering adult-oriented cable channels either to fully scramble such channels to nonsubscribers or to limit carriage of such channels to hours of the day when children are not likely to be watching television. Plaintiffs Playboy Entertainment Group and Spice Entertainment challenged Section 505 as contrary to the First Amendment and principles of equal protection. A three-judge district court denied

plaintiffs' request for preliminary injunctive relief to block the statute, although it did issue a stay of enforcement pending direct appeal to the Supreme Court. On March 24, the Supreme Court granted DOJ's motion to affirm.

- **Marijuana:** On March 6, Pearson v. McCaffrey was filed seeking to enjoin DOJ and HHS from revoking the federal controlled substance registrations of or initiating criminal prosecutions against doctors who prescribe or recommend marijuana or grow it in their homes for medical use. The plaintiffs are doctors from CA, AZ, and VA, who allege that the Administration's policy violates the First, Ninth and Tenth Amendments, Commerce Clause, and Administrative Procedure Act. DOJ plans to seek to resolve the case on cross-motions for summary judgment, and is currently attempting to work out a mutually acceptable briefing schedule.
- **Illegal Immigration Reform Act:** Barahona-Gomez, et al. v. Reno, et al. On March 14, plaintiffs filed a complaint and motion for a temporary restraining order attacking the Executive Office for Immigration Review's decision to withhold granting suspension of deportation until the Attorney General decides how to implement the 4,000 cap imposed by the Illegal Immigration Reform and Immigrant Responsibility Act.
- **Media Inquiries:**
 - ▶ The *Washington Post* is working on a story about the role of the Criminal Division in the campaign finance and independent counsel situation.
 - ▶ The *Washington Times* is doing a story on civil liberties in the Clinton Administration

DEPARTMENT OF COMMERCE

- **Memorial Service:** On April 3, Secretary Daley will participate in a service at Mellon Auditorium to commemorate the one-year anniversary of the tragic death of Secretary Brown and 34 others.
- **National Weather Service:** The March 21 National Weather Service announcement regarding implementation of a \$27.5 million budget shortfall has had significant media and Congressional interest. Secretary Daley made numerous Congressional phone calls to mitigate members' concerns.
- **Space Shuttle:** On April 3, NIST researcher Greg Linteris will start on his mission as payload specialist on the space shuttle. Linteris will work on fire research projects. A news release will be sent out the day before the launch to select science media.

3-31-97

- **Physics Award:** On March 22, NIST physics researcher Eric Cornell was presented with the King Faisal Prize in Physics in a ceremony in Riyadh, Saudi Arabia. Cornell and Carl Wieman of the University of Colorado earned the award for discovering a new form of matter predicted by Albert Einstein.
- **NOAA Spring Flooding Update:** The potential for spring flooding remains above normal in most areas of the Western Region. Most of MT and ID, the eastern slopes of the Cascades in OR and WA, and northern UT have the highest potential for spring flooding.
- **Economic Modeling:** At the request of Representative Dingell, the GAO has begun an investigation into the Administration's economic modeling efforts. These efforts, under the direction of Under Secretary Ehrlich, are part of the Administration's ongoing international climate change negotiations.
- **The following economic indicators will be released during the next two weeks:**

Personal Income and Outlays (February)	March 31
Value of New Construction Put in Place (February)	April 1
Manufacturers' Shipments, Inventories, and Orders (February)	April 2
Housing Completions (February)	April 3
Quarterly Financial Report for Manufacturing, Mining, Wholesale Trade and Retail Sales (4th Q)	April 7
Wholesale Trade (February)	April 8
Advance Retail Sales (March)	April 11
- **NAFTA Commission Meeting:** On March 24, the NAFTA Commission adopted a recommendation from the NAFTA Advisory Committee on Private Commercial Disputes that supports the utilization of alternative dispute resolution. The Commission also adopted the Committee's November 1996 Report, along with the reports of more than 20 other Working Groups. The Commission concluded the first round of tariff acceleration talks and agreed to implement the tariff changes on several dozen items by July 1, 1997. With this implementation, the NAFTA countries will be eliminating tariffs more quickly than is called for under NAFTA.
- **ITA Success Story:** The \$1.285 billion Amazon Surveillance System (SIVAM) contract was signed in Brazil. U.S. advocacy efforts began in January 1994, with a letter from the late Commerce Secretary Brown to Brazilian Secretary of Strategic Affairs Flores. Since SIVAM incorporated concerns about the environment, air traffic safety, illegal drug trafficking, mining, and land and river use, Commerce's Advocacy Center, through the Trade Promotion Coordination Committee (TPCC) Advocacy Network, began coordinating interagency involvement.

- **Chemical Weapons Convention (CWC):** BXA is preparing regulations that will compel industry reports on certain activities involving chemicals controlled under the Chemical Weapons Convention. BXA is working with the chemical industry on the CWC declaration forms which will be required in the process.
- **Cuba:**
 - ▶ BXA and State are developing a response to a report issued by the American Association of World Health that was critical of the U.S. trade embargo on Cuba. The report especially criticized the Cuban Democracy Act provisions that the association viewed as restricting sales and donations of food, medicines, and medical equipment to Cuba.
 - ▶ The Customs Service reports that the Pastors for Peace will again attempt to export computers and various humanitarian items, including medicines, to Cuba from Buffalo, NY, through Canada. BXA is working with the interagency community to find a solution.
- **Ron Brown:** On March 25, Secretary Daley was interviewed by *Black Entertainment Television*. On April 4, the interview will air on *BET's* evening news as part of a report on DOC and the Browns one year after Ron Brown's death.

DEPARTMENT OF LABOR

- **Labor Statistics Releases:** On April 1, the State and Metropolitan Area Unemployment Figures for February 2 will be released. On April 4 the National Employment and Unemployment Statistics for March will be released.
- **Pension Protection:** On March 31, Olena Berg, Assistant Secretary for the Pension and Welfare Benefits Administration, is scheduled to participate in a White House event to announce the Administration's efforts to protect workers' pensions and to improve the security of the pension system.
- **HIPAA Regulations:** On April 1, Olena Berg, Assistant Secretary for the Pension and Welfare Benefits Administration, is scheduled to participate in a press event with Treasury and HHS to announce the publication of regulations to implement provisions of the Health Insurance Portability and Accountability Act. The provisions which these regulations implement improve the portability of health care coverage when workers change jobs.
- **American Airlines:** On April 3-4, the Allied Pilots Association is scheduled to review and vote on the final contract language of the agreement in principle reached during mediated talks under the auspices of the Presidential Emergency Board on the American Airlines dispute. The agreement reportedly varies in certain respects from the recommendations offered by the PEB in its March 19 report to you, with the most

significant difference said to be in its approach to the regional jet issue. The status quo period in the dispute, which would have expired 30 days after transmittal of the PEB report, will continue by agreement of the parties to 12:01 a.m. on April 28.

- **United Air Lines:** On March 20, the International Association of Machinists announced that members of its two units at United Air Lines had approved by better than 4-1 margins the revised package of "midterm wage adjustments" negotiated pursuant to its ESOP agreement with the carrier. The settlement includes five percent wage increases in July of 1997 and 1998, and restoration of pre-ESOP wage rates in the year 2000 when the plan will be up for renewal. Members of the Air Line Pilots Association at United have until March 31 to submit their ratification ballots on a similar settlement; those votes will be counted on April 10.
- **PA Steel Strike:** As the strike at the Wheeling-Pittsburgh Steel Corporation nears the end of its sixth month, government, community and religious leaders continue to urge company and Steelworker officials to resume negotiations. On March 20, an appeal was sent from Governors Ridge, Underwood and Voinovich, who offered their individual or collective assistance. The stoppage began October 1 when some 4,500 workers left their jobs at facilities in OH, PA and WV, after negotiations failed to produce agreement on a new contract. The pension plan is the principal issue in dispute.
- **GM Strike:** On March 14, General Motors experienced a strike at its Ft. Wayne, IN, truck plant and is facing the possibility of a walkout at its Oklahoma City auto assembly plant. Some 2,700 UAW workers left their jobs in a dispute over the union's demand for work force expansion to allow its members to take more time off and to work fewer hours of mandatory overtime.
- **UAW/Aeroplex Agreement:** On March 21, members of UAW Local 1155 at the Pemco Aeroplex facility in Birmingham, AL, ratified a three-year agreement ending an eight-month strike at the company which refurbishes commercial and military aircraft.
- **Continuing Negotiations:** Among other negotiations are those involving: Producers of television and radio commercials and the Screen Actors Guild and the American Federation of Television and Radio Artists; UFCW and retail food chains in the NY-NJ metropolitan area; Goodyear Tire & Rubber Company and Uniroyal Goodrich and the Steelworkers; and United Parcel Service and the Teamsters.

DEPARTMENT OF TRANSPORTATION

- **30th Anniversary:** On April 2, Secretary Slater will kick off the 30th anniversary of DOT with an intermodal tour in the Baltimore-Washington area. Secretary Slater is planning a \$10.3 million grant announcement to the MD Mass Transit Administration at BWI Airport, for construction of 3 extensions to the Baltimore Central Corridor Light Rail Line.

- **Atlanta Trip:** On April 1, Secretary Slater will travel to Atlanta, GA, to amplify the NEXTEA legislation. He will be joined by Mayor Campbell for an event.
- **ND and MT Flooding:** DOT is currently monitoring flooding in much of ND and MT. The Knife and Cannonball Rivers in rural southwest ND have flooded local roads and have affected the cities of Mott and Beulah. Many cities on the Red River are bracing for the possibility of record breaking floods this spring. MT Governor Racicot declared a state of emergency in February for flooding along the Yellowstone River, and has now extended the emergency to include the potential for substantial flooding throughout the state. MT ended the winter season with 200 percent of its normal seasonal snowfall on the ground.
- **American Airlines:** APA and ALPA have worked out a proposal to address regional jets, the last key issue in the dispute between APA pilots and American Airlines. American is reviewing, and APA Board will meet again April 2 to consider American's response.
- **Asian Open Skies:** On April 8, the U.S. will sign its first Asian Open Skies aviation agreement with Singapore at a conference in Singapore. The agreement represents a milestone in the effort to extend open markets in aviation beyond Europe, where the U.S. has achieved 12 Open Skies agreements since 1993. The U.S. initiative targets Singapore, Malaysia, Taiwan, Korea, Brunei, and New Zealand.
- **Air Bag Hotline:** From October 29, 1996, to March 19, 1997, the number of Auto Safety Hotline calls received by NHTSA pertaining to air bags was 17,189. Of those, 6,967 were from people who wanted to deactivate their air bag. From March 13-19, calls to deactivate airbags increased 69 percent.
- **Pegasus License:** On March 18, the FAA issued two space launch licenses to Orbital Sciences Corporation authorizing the company to launch the Pegasus air-launched vehicle over the Atlantic. These Pegasus launch vehicles could carry communications, remote sensing, scientific satellites, a payload owned by the U.S. company Celestis, Inc., as well as commercially launched classified military satellites.
- **San Francisco Transit/Airport Agreement:** On March 21, after withholding its signature for two weeks, BART agreed to all terms and conditions of an agreement among the City of San Francisco, the San Francisco Airport, United Airlines and the Air Transport Association that settles the local dispute over funding the extension of the BART system to the Airport. DOT hopes this agreement will remove all Congressional reluctance to advance the project, although Appropriations subcommittee chair Senator Shelby has yet to indicate his satisfaction regarding the project.

- **Alameda Corridor Grants:** DOT is working with the offices of Senators Boxer and Feinstein, and Representatives Millender-McDonald and Roybal-Allard to convene a meeting next week of the six Corridor Cities to discuss FHWA's \$1.8 million Federal-Aid assistance to address construction impacts of the Alameda Corridor in these communities. The meeting will explore the options available to the cities for spending the funds collectively or individually.
- **American Airlines Reservation Systems Case:** A DOT Administrative Law Judge (ALJ) refused to find that American Airlines had violated either a statute prohibiting unfair and deceptive trade practices or DOT regulations governing computer reservation systems (CRS's), by offering to travel agents software that manipulates the neutral CRS data to favor American. The ALJ found this a troublesome practice, but not one prohibited by DOT's rules. A petition for review of the action may be filed with the ALJ, the Assistant Secretary for Aviation and International Affairs, or there may be a decision to take review *sua sponte*.
- **TWA Financial Status:** Following its March 19 report, DOT continues to monitor the financial health of TWA, noting: (1) large, and higher than expected, 4th quarter '96 losses (net quarter loss of almost \$260 million, composed of \$170 million due to operations and \$90 million due to special charges for the retirement of aging jumbo jets and a write-down on the value of its New York-Athens route); and (2) a yearly '96 net loss of \$285 million (fifth consecutive annual loss) due to ambitious schedule expansion last summer, along with delayed and canceled flights that drove up expenses and hurt revenues, as well as high maintenance expenses and high fuel costs. Announced turnaround plans include phasing out older jumbo jets, substituting smaller newer aircraft, downsizing the hub at JFK Airport and dropping Athens and Frankfurt flights. TWA's dwindling cash reserves will make the summer quarter critical.
- **Light Truck Fuel Economy Standard Final Rule:** NHTSA will shortly issue a final rule setting the light truck average fuel economy standard for model year (MY) 1999 at 20.7 miles per gallon, which is the same as the MYs 1996-98 standards. Under the DOT Appropriations Act for 1997, NHTSA is prohibited from setting a standard different from the previous year. The rule must be issued no later than 18 months prior to the start of the model year, which is April 1, 1997.
- **American Airlines/British Airways Alliance:** Last week, DOT issued an order to begin the processing of the AA/BA application. The order was procedural, primarily denying various motions for delay and stating that a full open skies agreement with the U.K. was one predicate to approval of the application. No further talks with the U.K. are scheduled before the election on May 1.

- **Drug Interdiction:** The Coast Guard and international/interagency drug interdiction forces in the Caribbean and Pacific recorded one of the most successful string of seizures in recent years. The 6 seizures were the result of sustained pressure on the traffickers in key transshipment areas, such as the Eastern Caribbean and South TX. The Coast Guard and joint forces seized a total of 5 vessels, 3,400 lbs of cocaine and 11,800 lbs of marijuana, and arrested 11 people.
 - ▶ **CA Drug Seizures:** On March 16, Coast Guard, Border Patrol, and Customs off the CA coast stopped a high-speed boat and apprehended 2 suspects, along with approximately 1,073 pounds of marijuana.
 - ▶ **Eastern Caribbean Seizure:** On March 21, the Coast Guard chased a fast boat ashore off Puerto Rico. The 3 member crew abandoned the vessel and fled. The boat and 937 pounds of cocaine were taken into custody.
 - ▶ **Haiti Seizure:** On March 21, the Coast Guard intercepted a vessel with 9,660 pounds of marijuana and 53 pounds of cocaine. The 6 member crew was taken into custody for prosecution in Haiti. On March 23, the Coast Guard boarding team seized the vessel and an estimated 1,604 pounds of cocaine.
 - ▶ **Puerto Rico Seizure:** On March 23, the Coast Guard intercepted a fast boat off the coast of Puerto Rico and apprehended the vessel and 2 crew members. Coast Guard units seized approximately 805 pounds of cocaine.
 - ▶ **TX Seizure:** On March 23, in the first seizure for Operation GULF SHIELD, a joint Coast Guard/Border Patrol beach patrol interrupted a drug delivery by a Mexican fast boat. The boat escaped, but the team found 1,085 lbs of marijuana.
- **MS River Barge Accident:** On March 17, a tug and barge struck the Highway 190 bridge over the Mississippi River, near Baton Rouge, LA. One tank barge, carrying pyrolysis gas, overturned and lodged against the bridge. On March 25, divers insured that the barge was water tight in preparation for flipping the barge on March 27. This will be difficult due to the swift current in the river. The river is now open to limited, controlled one way vessel traffic. The bridge remains open to highway and rail traffic. 19 houses still are evacuated. Media interest is high. Due to the swift current on the river, the Coast Guard has placed various restrictions on vessel traffic.

- **GULF SHIELD Initiative:** On March 27, Admiral Kramek and Governor Bush will inspect Coast Guard and interagency units supporting Operation GULF SHIELD in Corpus Christi and Port Isabel, TX. On March 25, Rear Admiral Josiah, commander of Operation GULF SHIELD, briefed representatives of the Mexican government on the initiative, and also discussed plans for a Mexican Navy operation with the Coast Guard.
- **Youth, Drugs and Driving:** NHTSA is working with ONDCP to release the recommendations to you from Secretary Slater and Director McCaffrey on your Initiative on Youth, Drugs, and Driving. The plan calls for a systematic, comprehensive strategy to reduce drug use and drugged driving. The strategy emphasizes strong laws combined with effective enforcement; prosecution and adjudication of these laws; drug testing for drivers license application; comprehensive drug prevention, education, and publicity; and treatment for drug abuse problems when appropriate.
- **ISTEA Reauthorization Hearings:** The Senate Environment and Public Works Committee will hold a series of ISTEA field hearings that include Coueur d'Alene, ID, on March 22, Kansas City, MO, on March 26, Las Vegas, NV, on March 28, New York City on April 7 and RI on April 14.
- **FY98 Appropriations:** The Senate Appropriations Subcommittee on Transportation will hold the following transportation appropriations hearings:
 - April 10 - ISTEA Reauthorization
 - April 16 - Aviation Safety and Security
 - April 23 - User Fees and Innovative Financing proposals
- **Drug Interdiction Hearings:** On April 3, U.S. Coast Guard Commandant Admiral Kramek will testify before the House Judiciary Subcommittee on Crime on the Coast Guard's drug interdiction efforts.
- **Airbags and Child Restraints Hearings:** On April 9, the House Commerce Subcommittee on Telecommunications and Finance has tentatively scheduled a hearing on airbags and child restraints. NHTSA Administrator Martinez will testify.
- **TWA Crash Hearing:** On April 9, the Senate Commerce, Science and Transportation Subcommittee on Aviation has tentatively scheduled a hearing on the TWA accident. Witnesses will include the FAA, NTSB, FBI and U.S. Navy.
- **FAA:** On March 25, *Good Morning America* started a four-part series on aviation. Former Inspector General Schiavo was interviewed. Schiavo held a news conference at the National Press Club and will appear on CNBC's *Hardball* with Chris Matthews, Oprah and *Larry King Live*. On March 26, the *Today Show* may air a segment on the new FAA aviation website.

UNITED STATES TRADE REPRESENTATIVE

- **Japan Telecom:** USTR is working with Japan to resolve telecommunications procurement issues in advance of the March 31 deadline for Section 1377 Report on implementation of telecommunications trade agreements. Japan is working on a new proposal, the details of which are expected late this week.
- **ND Visit:** On April 1, Ambassador Barshefsky will travel to Minot, ND, to meet with Senators Dorgan and Conrad regarding agricultural trade issues. In particular, the Senators are concerned about imports of barley and wheat from Canada. Ambassador Barshefsky will also attend a public forum on agricultural trade and will tour a wheat farm that has been affected by imports of Canadian wheat.
- **Information Technology:** This week, Ambassador Barshefsky may announce that negotiators in Geneva have concluded a landmark Information Technology Agreement (ITA) that will demonstrably increase global sales opportunities in the \$500 billion information technology market. The ITA was concluded at the WTO's first Ministerial Conference at Singapore in December 1996. At that time, 28 countries agreed to the ITA. Negotiators have been working to finalize the agreement and to work with other countries interested in joining the ITA. The agreement now covers over 90 percent of global trade in information technology.
- **Congressional Activity:**
 - ▶ On April 9, Ambassador Barshefsky will testify before the Senate Commerce Committee regarding USTR's budget and will meet with House Democratic Freshman to discuss fast track, China and general trade issues.
 - ▶ On April 16, Ambassador Barshefsky will testify before the Senate Agricultural Committee regarding agricultural trade issues.

SMALL BUSINESS ADMINISTRATION

- **Reinvention of Section 8(a) Contracting Process:** On March 25, SBA and DOT announced the start of a new demonstration pilot program that will allow the DOT to award their 8(a) contracts without prior SBA approval. In addition to saving processing time, the pilot will test whether more efficient processing actually would enhance contracting opportunities for small and disadvantaged businesses. SBA will monitor the number and types of contracts awarded.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **U.S. Mortality Atlas:** Certain small geographic areas throughout the U.S. are high risk areas for heart disease, cancer, stroke and violent deaths, according to the first "Atlas of United States Mortality" developed by the CDC. The Atlas, which maps 1988-1992 death rates for 805 geographic regions based on hospital care, also reveals key shifts from previously documented mortality patterns and points to new areas now at greater risk:
 - ▶ Death rates for heart disease are higher in the southeastern U.S. than in the northeastern states, previously the region with the highest rates.
 - ▶ Lung cancer deaths among men have shifted dramatically. Historically, high rates for black men have been concentrated in urban centers and high rates for white men were highest along the Mississippi River and south Atlantic coast. Now, the cluster for white men extends to the OH River Valley and rates for black men are highest in the southeastern states.
- **Physical Fitness Commission Report:** On March 28, Secretary Shalala joined the nation's top female basketball players and coaches to encourage more girls to participate in sports. Secretary Shalala will release the President's Council on Physical Fitness and Sports' report, *Physical Activity and Sport in the Lives of Girls*, which examines the impact of sports on the physical, psychological, sociological and mental health of girls. The event and report are part of the HHS "Girl Power!" initiative, a public education campaign to help encourage and empower 9-14-year-old girls to make the most of their lives. Secretary Shalala will release the report at a press conference at the NCAA Women's Final Four Basketball Championships in Cincinnati, OH.
- **Medicare Marketing Guidelines:** Next week, HCFA will release the National Marketing Guidelines for Medicare Managed Health Care Plans. These guidelines provide a uniform code of acceptable marketing practices that can be applied on a national basis to managed care entities participating in the Medicare program. Implementation of the guidelines will occur 45 days after the release date.
- **Pediatric AIDS Clinical Trials:** On March 26, NIH announced that it will halt further enrollment into a clinical trial of two immunoglobulins (HIVIG and IVIG) for prevention of mother-to-child HIV due to an unexpectedly low rate of infant infection which made comparison of the standard and experimental treatments impossible. The low infection rate resulted in a low ability to detect a treatment difference under the current study design. The trial was designed to test whether HIVIG reduced transmission when added to the standard AZT newborn preventive treatment regimen.

- **Questionable Billings Report:** On March 28, the OIG will release a final inspection report entitled, Medicare Allowances for Incontinence Supplies. This report updates earlier work on questionable billings for incontinence supplies. The inspection found that questionable billings have declined significantly, saving Medicare approximately \$85 million in 1995. The report estimates that, had such billings continued, Medicare would have spent \$542 million on questionable claims between 1996 and 2000.
- **Drug Survey:** Secretary Shalala and General McCaffrey are writing key members of Congress to seek their support for HHS' initiative to expand the current National Household Survey on Drug Abuse to obtain more extensive data at the state level. These enhancements will allow state-by-state level comparisons on youth substance abuse.
- **Upcoming Hearings:**
 - ▶ **Adoption Hearing:** On April 8, the House Ways and Means Subcommittee on Human Resources will hold a hearing on the Adoption Promotion Act. Olivia Golden, Principal Deputy Assistant Secretary for Children and Families, will testify. The Subcommittee is scheduled to mark up the legislation on April 16.
 - ▶ **Children's Health Care Access:** On April 8, the House Ways and Means Subcommittee on Health will hold a hearing on children's access to health coverage and the effects on children's health. An HHS witness will be invited to testify.
 - ▶ **Low-Income Energy Assistance:** On April 8, the House Education and the Workforce Subcommittee on Early Childhood, Youth and Families may hold an oversight hearing on the Low-Income Energy Assistance Program (LIHEAP). No HHS witness has been invited to testify.
 - ▶ **Technical Amendments to Welfare Reform:** On April 9, the House Ways and Means Subcommittee on Human Resources is scheduled to mark up technical amendments to the welfare reform law.
 - ▶ **Medicare Managed Care:** On April 10, the Senate Special Committee on Aging will hold a hearing on the quality of consumer information available concerning Medicare managed care programs. Bruce Fried, Director, Office of Managed Care, HCFA, will testify for HHS.
- **Secretary's Schedule:**
 - ▶ April 1 - Meet with representatives of National Organizations Responding to AIDS.
 - ▶ April 3 - Travel to Boston, MA, with Senator Kennedy to visit a nurses' homeless center and meet with representatives of the biotech industry and teaching hospital groups.

- **Transfusion Procedures:** The March 26 issue of the *Journal of the American Medical Association* included an article regarding a study showing that a "measurable percentage" of current blood donors are not responding accurately to donor screening questions about infectious disease risk factors. The researchers report that the findings suggest a need for further refinements in the blood donor qualification process.
- **HIV Treatment:** In the April issue of the *Journal of Infectious Diseases*, investigators at the NIH report that they have found that self-administered injections of the immune system protein interleukin-2 (IL-2) can produce prolonged, dramatic increases in levels of CD4+ T cells in some people infected with HIV. Based on these findings, NIAID, in collaboration with its domestic AIDS clinical trials program and international partners, is working on a plan for a Phase III efficacy trial of subcutaneous IL-2 in patients with early HIV disease.
- **Anticancer Drugs:** In the March 21 issue of *Science*, two research papers have potential applications for the design of new anticancer drugs. One paper reports the detailed, three-dimensional structure of a rat enzyme "FTase" which shares 97 percent sequence identity with the human enzyme. The reported structure reveals details of FTase that may aid efforts to design human chemotherapy agents targeting the enzyme. The second paper describes researchers' work with yeast and the discovery of two enzymes involved in chemically grooming proteins for their final function. It is suggested that a drug targeting one of the enzymes, called Rce1 protein, might be an effective chemotherapy agent.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **CA Fannie Mae Targets:** The Federal National Mortgage Association (Fannie Mae) announced a plan to commit \$7 billion to help 75,000 low- to moderate-income families in Los Angeles, CA, own their own homes. The program will back loans with as little as 3 percent down payment, as well as lease-to-buy arrangements.
- **National Homeownership Summit:** The Second National Homeownership Summit is planned for May 29-30 in Washington, D.C. The event will draw more than 1300 housing professionals involved in the National Partners for Homeownership, and organizers hope you will be able to attend.
- **Dismantling HUD GAO Report:** The GAO concluded that dismantling HUD and vouchering our public housing could decrease the availability of affordable housing for low-income families, though vouchers would provide some tenants with more options in choosing residences.

VETERANS AFFAIRS

- **Decennial Census:** VA has responded to an OMB request for the implications of an abbreviated census in the year 2000. An abbreviated census would collect only the basic data needed to meet the constitutional requirement for congressional apportionment and would eliminate detailed data on the social and economic characteristics of the population, including information on veteran status. VA's response detailed the critical importance of a long form census, the only database that identifies veterans at the county level, citing how this data has been used to estimate and project the veteran population, to plan for VA services at the local level and for planning and management of the VA medical system.
- **Gulf War Illnesses Response Study:** At the request of House Veterans' Affairs Committee members, GAO is reviewing VA's diagnoses and treatment of Gulf War veterans who report health problems. As part of this review, GAO will determine the extent to which VA physicians are trained to address the problems that Persian Gulf War veterans are experiencing. The study will also assess the degree to which these veterans are satisfied with the care they receive.
-  **Intergenerational Care Facility:** For the first time a VA Medical Center in West Haven, CT, will provide both child care services and care for the mildly ill elderly. On March 21, Diversified Intergenerational Care, Inc., opened its West Haven facility. VA selected Diversified Intergenerational Care, Inc., through a highly competitive process involving companies nationwide. This company intends to continue its partnership by developing other intergenerational facilities. Their goal is to satisfy the unmet need for child care services, while also providing care for elderly veterans at VA medical centers across the country. In the March 12, issue of the *Congressional Record*, Senator Joseph Lieberman congratulated the company and VA for creating the facility.
- **Upcoming Hearings:**
 - ▶ April 2-3 - The Senate Veterans' Affairs Committee will hold field hearings in Huntington and Wheeling, WV, focusing on the health benefits issues of Persian Gulf War veterans.
 - ▶ April (date TBD) - The House Veterans' Affairs Committee Subcommittee on Benefits will hold a field hearing in Syracuse, NY, on the benefits and health issues relating to illnesses of Persian Gulf War veterans.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **IL Drug Prevention Conference:** On April 3, Director McCaffrey will be the keynote speaker at the 13th Annual Department of Substance Abuse Prevention Conference at the Hyatt Regency in Chicago. This conference will focus on relevant delivery strategies for countering gang mobilization, creating uniformity of services, organizing community assessments, and providing technical assistance to grassroots programs.

- **IN Drug Summit:** On April 4, Director McCaffrey will attend a meeting hosted by Mayor King of Gary, IN. The meeting is in preparation for the U.S. Conference of Mayors/ONDCP Drug Summit. He will also attend a Lake County HIDTA briefing at the Center for Visual and Performing Arts in Munster, IN.
- **Directors Schedule:** On April 3, Director McCaffrey will meet with the *Chicago Sun Times* editorial board.

DEPARTMENT OF INTERIOR

- **Endangered Species Act (ESA):** On March 19, the Supreme Court rendered its decision in Bennett vs. Spear, a suit brought by OR water districts challenging a Fish and Wildlife Service biological opinion on dam operations required by the ESA. The decision involves some highly technical legal arguments concerning how people go about challenging agency decisions under the ESA. DOI believes its actions under the ESA are and should be subject to court review, whether at the behest of environmentalists or other affected interests. DOI sought to uphold the lower court's decision dismissing this particular lawsuit because it believed the plaintiff water districts had not followed the correct legal path to the courthouse. Although the decision rejected DOI's technical legal arguments, it reaffirmed that the courthouse doors are open to all affected interests to review implementation of the ESA, an outcome with which, broadly speaking, DOI agrees. Many news stories incorrectly reported the impact this will have on the administration of the ESA.
- **President's Park and Pennsylvania Avenue:** Treasury expects a delay (until May or June) for public review of the Environmental Assessment on the closure of Pennsylvania Avenue. The Environmental Assessment on the design aspects of President's Park falls under the aegis of the National Park Service (NPS) and is on schedule. The National Capital Planning Commission has informed NPS that they will not comment on the NPS preferred design alternatives until Treasury's environmental assessment is in public review.
- **National Park Week:** National Park Week runs April 21- 27. Yellowstone National Park was born 125 years ago this month; today the system contains 374 sites. National Park Week will also highlight the various services and programs "outside of park boundaries," including the responsibility for managing the National Register of Historic Places; a separate tax credit program to help preserve historic buildings; and the Rivers, Trails and Conservation Assistance Program, which helps towns and cities create close-to-home recreation opportunities.
- **Bison Management:** On April 14, the NPS, USDA and MT will meet in Denver, CO, to determine if a preferred alternative to bison management can be agreed upon prior to release of a draft environmental impact statement this summer.

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- **UT Monument:** At the invitation of Secretary Babbitt, UT will assign five people to the monument planning team in Cedar City. The assigned people include a wildlife biologist, a geologist, a paleontologist, a historian/anthropologist, and an economist/planner. March 31-April 4, UT congressional delegation staff will tour the Grand Staircase-Escalante National Monument.
- **Campground Reservations:** As a result of your Vanguard Initiative, the NPS, the Forest Service, and other partners teamed up to develop a one-stop shopping venue for campground reservations. People wishing to make 1997 campground reservations in a national park are also given the reservation phone number for the U.S. Forest Service as part of the reservation message. An 800 reservations number, to include the Forest Service, Army Corps of Engineers, and NPS is envisioned as part of the 1998 reservation service.
- **Yosemite Reservations System:** On March 27, Yosemite will announce a delay of the planned day-use reservation system. Surrounding communities, already hard-hit economically because of the park's closure, are concerned that a day-use reservation system will dissuade large numbers of visitors from traveling to the park and further dampen local economic activity.
- **Endangered Species Act Hearing:** On April 10, the House Resources Committee has scheduled a hearing on the bill HR408 that will amend the Endangered Species Act to improve the ability of individuals and local, State, and Federal agencies to comply with the Act in building, operating, maintaining or repairing flood, facilities, or structures and to determine whether federal wildlife policies have impeded proper ongoing maintenance and repair of flood control structures.
- **NPS Budget Hearing:** On April 10, the House Interior Appropriations Subcommittee has scheduled a budget hearing on the National Park Service's FY98 budget request.
- **GA and FL Van Tour Planned:** The Secretary continues with his van tours to highlight successful community environmental efforts with a two-day trip to GA and FL. On April 2, the Secretary will visit the Okefenokee National Wildlife Refuge, followed by stops at Lake Lornadune in Orlando, Biscayne Bay National Park in Miami and Ned Glenn Preserve in Miami.
- **Media Interviews:**
 - ▶ The *New York Times* is interviewing senior NPS staff both in D.C. and CA for a story on the proposed Eagle Mountain landfill, just outside the boundaries of Joshua Tree National Park in southern CA.
 - ▶ *CBS Sunday Morning* is interviewing senior NPS staff in Yellowstone and D.C. in preparation for a forthcoming segment on bison issue.

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- **FOIA Requests:**

- ▶ The *Wall Street Journal* requested all records relating to contacts since January 1993 with the DNC and Harold Ickes. These records would include letters or memoranda, official calendars, and logs of telephone contacts. This request has been sent to all political employees of the agency.
- ▶ An attorney for the Mountain States Legal Foundation requested copies of documents pertaining to the Grand Staircase-Escalante National Monument.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Tongass:** On March 25, Secretary Glickman met with Governor Knowles and AK mayors to discuss completion of the Tongass Land Management Plan. USDA anticipates completing the revision later this spring.
- **Yellowstone Bison:** On March 23, Secretary Glickman, Governor Racicot, and Senators Baucus, Burns, and Enzi attended a town hall meeting in Gardiner, MT, to discuss the bison situation. During the meeting, a woman dumped bison entrails at the head table, an incident that attracted considerable media attention. Before the meeting, the Secretary toured the Yellowstone bison capture facility as well as USDA Forest Service land at Eagle Creek, a bison management area.
-  **Conservation Reserve Program:** On March 25, Secretary Glickman announced that farmers have offered 20 million acres for enrollment into the Conservation Reserve Program (CRP). Strong producer interest in CRP may add to the negative reaction from Congressional agricultural leaders to the Administration's plan to cap the program to finance the New World Mine deal. The Administration's proposal to defer acceptance of 2 million acres into the Conservation Reserve Program to offset revenues needed to acquire New World Mine continues to receive negative reaction from agriculture leaders on Capitol Hill. The House and Senate agriculture committees may hold hearings on this issue after the Easter recess.
- **Dairy Update:** On March 20, the National Cheese Exchange in Green Bay, WI announced that it would cease trading on April 25 and the Chicago Mercantile Exchange announced it would open trading on a new cash market contract for cheese on May 2.
- **Agricultural Trade Developments:** USDA analysts are conducting an assessment of the likely impact on U.S. international and domestic livestock and grain markets from Taiwan's outbreak of foot-and-mouth disease. Taiwan is the world's third-largest pork exporter and the largest exporter of pork to Japan, with the United States and Denmark No. 1 and No. 2.

- **Agricultural Markets In Review:** For the week ending March 21, average prices for commodities were:

Commodity	Weekly average price	Change from a week ago	Change from a year ago
Wheat	4.55/bu	0.02	-0.83
Corn	2.97/bu	0.01	-0.99
Soybeans	8.30/bu	-0.05	1.12
Rice	12.22/cwt	0	3.53
Cotton	.707/lb	-.0201	-.114
Steers	67.87/cwt	0.16	4.28
Hogs	47.40/cwt	-0.30	-1.90
Broilers	.60/lb	-0.46	.067
Cheese	1.33/lb	0	-0.06
Butter	1.06/lb	0	0.41

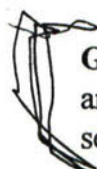
Wheat prices were alternately supported by potential spring flooding and undermined by competitive worries, up slightly from the week ending March 14. Corn futures fell as an outbreak of foot-and-mouth disease (FMD) in Taiwan threatened U.S. exports. Deferred corn futures strengthened from concerns regarding impending floods in the Midwest and planting delays in the South. Rice prices fell, following lower prices in Thailand and Vietnam. Soybean prices declined on Taiwan's FMD problems, a slowdown in U.S. crush, and burgeoning world supplies as the Southern hemisphere harvest sets to begin. Steady packer demand helped push up choice cattle prices. Hog prices were down through March 19, until news of FMD problems in Taiwan led prices up sharply March 20-21. Broiler prices declined slightly. Butter and cheese prices were unchanged.

- **Food Safety:** On March 24, USDA issued a backgrounder concerning results of a 1996 survey regarding performance of the Advanced Meat Recovery (AMR) systems. Based on laboratory data showing that spinal cord was present in a small percentage of samples from AMR systems, USDA announced the preparation of a directive for inspectors to help ensure that spinal cord does not appear in products produced with AMR systems.

- **D.C. Initiative:** The Forest Service has joined with D.C. representatives to develop a new initiative to improve natural resources in the city and provide job opportunities in natural resources, awareness of environmental careers to and conservation education. During April, USDA is planning high-profile events generate awareness of the initiative.
- **Secretary's Schedule:** Secretary Glickman will participate in the following events:
 - ▶ April 2 - address Council on Foreign Relations, New York, NY.
 - ▶ April 3 - address Food Chain Conference, Boston, MA.
 - ▶ April 3 - visit Representative Gejdenson's district, Storrs, CT.
- **Press Inquiries:**
 - ▶ *NBC Dateline* asked for background information on leaking swine lagoons in North Carolina.
 - ▶ *The Wall Street Journal* and *NPR* requested information on rural and urban use of food stamps and Aid to Families with Dependent Children programs.
 - ▶ On March 27, Secretary Glickman was interviewed by *The Washington Post* on food rescue/gleaning.

DEPARTMENT OF ENERGY

- **Weapons Plant Strike:** On March 17, security guards at DOE's Pantex Plant (a weapons facility near Amarillo, TX) went on strike. A contingency guard force from sites around the former nuclear weapons complex are serving temporarily until negotiations are completed. Negotiations which are anticipated to resume on March 27 are at a standstill over issues such as sick leave, outsourcing, labor law application and health insurance premiums.
- **NY Tritium Contamination Update:** Work is continuing at Brookhaven National Laboratory (BNL) on Long Island to define and remediate groundwater contamination by tritium from the research reactor. Sample results have been obtained from 9 of the 22 temporary wells installed near the reactor to help define the leading edge of the tritium plume. Next week, the results of tests taken from horizontal wells that have been drilled under the reactor will be available. The department is developing a remediation plan to pump contaminated groundwater. It will commence within 60 days. On March 21, a visit by Senior DOE officials generated media interest including an article in *The New York Times*. On March 19, Senator D'Amato and Congressman Forbes issued a press release calling for a congressional probe of management practices at the laboratory.

- **CO Rocky Flats Risk Reduction:** An effort is underway across the former Rocky Flats weapons complex to improve safety by reducing the number of sites where plutonium is stored through a combination of storage and disposition alternatives. The first shipment of plutonium pits from Rocky Flats was received at Pantex plant near Amarillo, TX, last week. The phasing out of storage of all weapons-usable plutonium at Rocky Flats is a result of the cleanup agreement among DOE, EPA, and CO due to the proximity of the site to the Denver metropolitan area. Shipments will continue through FY 1998 with the next shipment scheduled to occur before the end of April. Local media coverage is expected.
-  **Grumbly Resignation:** On March 24, Secretary Peña reluctantly announced the resignation of Under Secretary Grumbly, who has accepted a senior position at ICF Kaiser, a major environmental clean up firm.
- **Gasoline Prices:** On March 24, the national average price for self-serve regular gasoline for retail increased 0.4 cent per gallon to 120.4 cents per gallon, 4.0 cents higher than last year. The increase, the first one in 8 weeks, may be the start of the seasonal upward climb.
-  **Supercomputer:** Pacific Northwest National Laboratory in Hanford, WA, has received the most powerful single-system supercomputer ever built by IBM and the sixth most powerful supercomputer in the world. Computational simulations and modeling performed on this computer will further molecular-level understanding of the physical, chemical, and biological processes that underlie waste remediation and processing, and related health and ecological effects.
- **Nuclear Waste Policy/Yucca Mountain:** On March 13, the Senate Energy and Natural Resources Committee approved the bill by a vote of 15-5. The measure would direct DOE to begin to store high-level waste near Yucca Mountain until a permanent site for its disposal is developed. On April 8, the Senate is scheduled to vote on a cloture motion filed by Senator Lott. National media coverage is expected.

DEPARTMENT OF EDUCATION

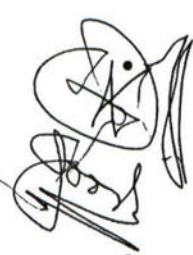
- **TX Affirmative Action:** On March 26, the *New York Times* reported on a series of letters from Assistant Secretary for Civil Rights Cantú to TX officials regarding the impact of the Fifth Circuit decision in Texas v. Hopwood on affirmative action programs at state universities. The Assistant Secretary stated that DOEd's position, contrary to that of TX Attorney General Morales, is that Hopwood is limited to its facts, that the 1978 Bakke decision, which allows schools to consider diversity in admissions and other

programs, remains the controlling authority regarding affirmative action policies, and that failure to remedy the effects of past discrimination could result in the loss of access to DOEd funds by state universities.

- **CA Affirmative Action:** DOEd is also currently mailing letters dealing with similar issues from Secretary Riley to school districts and college presidents in CA regarding the impact of the CA Civil Rights Initiative on their responsibilities under educational programs and civil rights laws administered by DOEd.
- **Central State University:** DOEd notified OH Governor Voinovich that it is resuming its investigation of Central State due to the state's failure to submit a proposed remedial plan. DOEd has a long-standing civil rights case involving Central State, OH's only historically black public university, focusing on funding disparities between Central State and OH's other public universities.
- **Special Education for Disciplined Students:** On March 14, The AZ U.S. District Court held that a school district must provide educational services to students who are expelled for reasons unrelated to their disabilities, agreeing with the interpretation of DOEd. The judge specifically rejected the analysis of the recent en banc opinion of the Fourth Circuit in Virginia v. Riley.
- **Direct Loan Program Scrutiny:** On April 4, the Inspector General expects to release draft results of its audits of 16 randomly selected Direct Loan schools throughout the country. The objective of the national audit is to determine whether schools have properly administered the program, and have accounted for and spent federal funds in accordance with applicable requirements. DOEd has not yet been informed of the results of the audits, but the draft will be circulated internally before public release.
- **Governor Thompson Meeting:** On March 27, Secretary Riley met with Governor Tommy Thompson to discuss the new organization Achieve, which will provide technical assistance to states developing academic standards. The Secretary also discussed his letter to the Governor responding to the Governor's recent *New York Times* op-ed piece opposing your testing initiative.
- **NY Principal for a Day:** On April 10, Secretary Riley will participate in a New York City event organized by Public Education Needs Civic Involvement in Learning (PENCIL) which will include several school visits and a town meeting moderated by Jane Pauley and attended by the Chancellor Crew and several local principals.

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- **Magic School Bus:** On April 8, Secretary Riley will tour the Magic School Bus, a mobile science lab for K-4 children associated with a popular science education television program, with a group of DC elementary school students. The event is sponsored by the Math, Science and Technology Initiative, a coalition of DC-based federal, public and private organizations dedicated to improving science education in the District.



• **MO TIMSS Event:** On April 11, Secretary Riley will participate in a Kansas City, MO, event with Governor Carnahan highlighting plans to administer the Third International Math and Science Study test (TIMSS) to MO students.

• **Teacher of the Year Events:** During the week of April 13, the State Teachers of the Year chosen by the Council of Chief State School Officers (CCSSO) will be in Washington for several events, including the April 8 National Teacher of the Year ceremony with you at the White House. On April 8, Secretary Riley will address the Teacher of the Year dinner, and the teachers will participate in a forum on teacher preparation and attracting qualified individuals to teaching. On April 18, the First Lady is scheduled to address the teachers.

- **Charter Schools Update:**
 - ▶ **April 9** - Assistant Secretary for Elementary and Secondary Education Tirozzi is scheduled to testify at a charter schools hearing of the House Education and Workforce Committee.
 - ▶ **April 15** - Secretary Riley will announce the results of a DOE-funded study of charter schools identifying start-up funding as the top obstacle to the establishment of charter schools and reporting various facts and figures about the charter school movement. The event may also include an announcement regarding DC charter schools. There will also be a April Satellite Town Meeting focusing on charter schools and magnet schools.
- **FOIA Request:** On March 13, the *Wall Street Journal* requested documents relating to contacts with the DNC.

ENVIRONMENTAL PROTECTION AGENCY

- **Biotechnology Final Rule:** This week, EPA will publish final rules to fully implement its screening program for microbial products of biotechnology under the Toxic Substances Control Act (TSCA). The rules will require that before companies introduce these products into commerce they provide risk information to EPA. These rules will allow EPA to adequately identify and regulate risk associated with these products without hampering the growing

industry. Microorganisms subject to these rules include those used commercially for industrial enzymes, fertilizers for agriculture and substances that break down chemical pollutants in the environment.

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Export of PCB-Contaminated Ships: OMB is re-scheduling a meeting to discuss issues surrounding the attempt by the Navy and DOT to be exempt from provisions of the Toxic Substances Control Act (TSCA). Both the Navy and DOT are interested in exporting ships that contain polychlorinated biphenyls (PCBs) and PCB-containing articles without providing notice and opportunity to reject shipment by the receiving countries. Although there is currently a ban on exporting ships for disposal, under a Compliance Agreement, EPA has allowed MARAD to export a limited number of ships subject to removing the more concentrated PCBs and to providing notice to the receiving country. MARAD has asked for revision of the Agreement to modify the notice provisions because of its recent experience with the government of India, which objected to export of a vessel once the presence of PCBs was made known. EPA is currently exploring several options that could allow export of vessels for scrapping.

- **MI Salmon:** On March 4, after lengthy negotiations, MI notified EPA that it will not issue a fish consumption advisory for salmon and several other fish for the fishing season beginning April 1. EPA is in the process of distributing a supplemental fish advisory to the public and the local tribes through mass mailings to fishermen who have already purchased a fishing license for 1997 and outlets who will continue to sell licenses throughout the season and by sending pamphlets to doctor's offices and other health centers throughout the state.
- **Western Governors Air Standards Meetings:** Next week, EPA Assistant Administrator for Air Mary Nichols will visit several western states to meet with the governors of AZ, CO, OR, UT and WY to discuss the proposed air quality health standards for ozone and particulate matter.

UNITED STATES INFORMATION AGENCY

- **Helsinki Summit:** On March 21, USIS Helsinki provided extensive support to the White House and U.S. and international journalists in connection with the Clinton-Yeltsin summit. A significant development in USIS support for this summit was the extensive use of the Internet. USIA worked closely with the White House press office to post all transcripts and other Summit documents on its special website to be accessed by the international media.

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- **Africa Trip:** On March 17-30, the Africa edition of the *Washington File* provided multi-lingual coverage of the First Lady's visit to Senegal, Tanzania, Uganda, Eritrea, South Africa and Zimbabwe. Articles sent to all American diplomats in Africa for dissemination to the press emphasized the First Lady's stated priorities for her visit -- democracy and human rights -- through coverage of her meetings with national presidents and women leaders and visits to schools, USIAD development projects, AIDS prevention clinics, micro enterprise development centers and historical memorials.

GENERAL SERVICES ADMINISTRATION

- **Missing Children Initiative:** Based on your 1996 Executive Memorandum, GSA began a program of placing pictures of missing children in federal buildings. GSA recently received a letter from the National Center for Missing and Exploited Children stating that of the children featured in GSA's missing children photo program during 1996, nine were recovered alive and five were recovered deceased.

- **DC Initiatives:**

- ▶ **Schools Clean-up:** On March 20, GSA responded to an urgent request for cleaning supplies from the DC Public School System. DC public schools needed at least four truck loads of supplies, including floor wax, floor strippers, stripping pads, cleaners, carpet shampoo, detergents and mops. Otherwise, it would not have been possible to clean the schools during spring break. The two large orders totaled in excess of \$160,000. GSA is in the process of preparing a third order for shipment.
- ▶ **Road Development:** In November 1996, GSA in conjunction with the FHA signed a MOA with the District to reconstruct three blocks of city streets in Downtown DC for the DC Department of Public Works. This is as a result of the traffic and historic mitigation element of the MCI Arena Environmental Impact Statement. The project was advertised on March 7th and, if satisfactory bids are received, the project is expected to be complete in the Fall of 1997, in time for the opening of MCI Arena.
- ▶ **Police Procurement:** The Metropolitan Police Department (MPD) and the Control Board have asked GSA for assistance in resolving problems with MPD's procurement systems, particularly in clearing up the immediate backlog, developing a new system and training their staff on the new system.

- **Procurement Web Listing:** GSA has made available on the Web the List of Parties Excluded from Federal Procurement and Nonprocurement Programs, a government-wide compilation of individuals and firms ineligible to participate in Federal procurement and nonprocurement programs.
- **Press Inquiries:**
 - ▶ *USA Today* has requested information on security upgrades in federal facilities since the Oklahoma City bombing.
 - ▶ GSA forwarded information on its Good Neighbor program to a *Washington Times* real estate reporter covering the recent establishment of three business improvement districts in DC.
 - ▶ GSA is working with the *Washington Times* to set up a tour of the Ronald Reagan Center and discuss the long-term benefits of the Center to the District.

SOCIAL SECURITY ADMINISTRATION

- **Social Security Advisory Board:** On April 10-11, the Social Security Advisory Board will meet to will consider issues in the Social Security disability programs, including the uniformity of decisionmaking between initial eligibility decisions and the review of those decisions by SSA's administrative law judges. On April 11, Acting Commissioner Callahan will meet with the Board.
- **Benefits Fraud:** A grand jury in MA has indicted 4 attorneys and 3 of their clients on 82 counts of fraud, larceny and tax evasion following an IG investigation. The law firm which employs the attorneys, allegedly encouraged clients to claim fictitious disabilities in order to collect more than \$300,000 in worker's compensation, automobile insurance, and Social Security disability payments. The allegedly fraudulent claims reportedly generated more than \$70,000 in fees for the firm. Three of the claimants concealed their employment at the firm while collecting Social Security disability and other benefits.
- **Future of Social Security Hearing:** On April 10, the Social Security Subcommittee of the House Ways and Means Committee will hold a hearing on the future of the Social Security program. The Subcommittee will examine Social Security solvency and intergenerational equity issues surrounding the current and projected status of the trust funds. Representatives from the Congressional Research Service and GAO will testify. SSA has not been invited to testify.

OFFICE OF PERSONNEL MANAGEMENT

- **Mammogram Screening:** OPM's call letter requesting proposals for benefits and rates for the 1998 Federal Employees Health Benefit program will include a requirement that all participating plans provide mammography screening consistent with the recommendation of the National Cancer Advisory Board.
- **Welfare-to-Work:** On March 25, OPM staff briefed about 100 state officials of the American Public Welfare Association, meeting in Washington, DC and stressed local initiatives and the nationwide role of the Federal Executive Boards and Federal Executive Associations. In addition, OPM has had direct contacts with job-training officials and social services agencies in the DC, VA and MD to plan for a program in the D.C. Metropolitan Area.
- **Welfare Hearing:** On April 24, the House Civil Service Subcommittee plans to hold a hearing on the Administration's plan to employ former welfare recipients in the Federal workforce.

cc:

The Vice President
Erskine Bowles
Franklin Raines
John Podesta
Sylvia Mathews
Ron Klain
Rahm Emanuel
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Don Baer
Maria Echaveste
John Hilley
Janis Kearney
Craig Smith
Ann Lewis
Bruce Reed
Gene Sperling

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March 28, 1997

THE PRESIDENT HAS SEEN

3-31-97

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig Smith

SUBJECT: Weekly Political Update

ARIZONA

Former Arizona State Chair and '96 congressional candidate Steve Owens announced he will run again in '98. Owens came within 2,474 votes of defeating Rep. J.D. Hayworth (R).

Attorney General Grant Woods (R) announced that he would not run for governor or any other office in '98. Woods said that he will return to private law practice.

FLORIDA

U.S. Senate Race. An *Orlando Sentinel*/Mason Dixon poll of 810 people March 21-24 confirmed that Senator Bob Graham (D) is a heavy favorite to win. The poll showed Graham with a comfortable reelection margin over likely nominee State Senator Charlie Crist (R).

General Election Matchup

Graham	57%
Crist	26%
Decided	17%

Favorability Comparison

	<u>Favorable</u>	<u>Unfavorable</u>	<u>Name ID</u>
Graham	57%	21%	96%
Crist	7%	2%	29%

The poll results are crushing news to Crist considering Graham's huge financial advantage and how much it will cost Crist to raise his name recognition.

KANSAS

The Kansas State Democratic Party have file a complaint against U.S. Senator Sam Brownback (R) for taking illegal PAC donations. (See attachment).

KENTUCKY

When Rep. Jim Bunning (R) announced his candidacy for the U.S. Senate earlier this week, he sounded surprisingly moderate pledging support for programs such as education and environmental protection. His primary opponent, State Sen. Barry Metcalf (R), who is 37, remarked that the 65-year old Bunning is "too conservative and too old to start a career in the Senate." Rep. Scotty Baesler (D) is the only Democrat to officially enter the race to date. Several other top officials are expected to join the fray soon.

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best?

1998 General Election Matchups

D'Amato 37%
Cuomo 55%
Undecided 8%

D'Amato 43%
Green 45%
Undecided 11%

D'Amato 43%
Ferraro 47%
Undecided 10%

D'Amato 46%
Lowey 33%
Undecided 21%

THE PRESIDENT HAS SEEN

3-31-97

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D'Amato's numbers have improved in the last couple of months. He has aggressively moved into campaign mode and into the ideological center. However, D'Amato still appears vulnerable, and there are a lot of New Yorkers who will not even consider voting for him.

Another poll by John Zogby Group International conducted March 19-21 of 700 likely voters also found D'Amato's job approval rating has improved, but it is still very low.

D'Amato Job Approval

	<u>NOW</u>	<u>9/96</u>	<u>1/96</u>
Positive	33%	30%	29%
Negative	56%	64%	65%

1998 Gubernatorial Race

The Zogby poll also tested Governor George Pataki (R) and State Comptroller Carl McCall (D).

Pataki Job Approval

	<u>NOW</u>	<u>9/96</u>
Positive	50%	44%
Negative	47%	51%

McCall Job Approval

	<u>NOW</u>
Positive	29%
Negative	20%

Pataki Deserve Reelection

Yes	47%
No	24%
Not Sure	30%

Direction of the State

Right Track	52%
Wrong Track	31%

1997 New York City Mayoral Race

A Quinnipiac poll of 901 registered voters conducted March 19-25 showed Mayor Rudy Giuliani (R) with his highest approval rating ever and Manhattan Borough President Ruth Messinger (D) leading the likely Democratic field. The other Democrats tested were Bronx Borough President Fernando Ferrer (D), City Council Member Sal Albanese (D), and 1992 senate candidate Al Sharpton (D).

Democratic Primary

	<u>NOW</u>	<u>2/9</u>
Messinger	37%	27%
Ferrer	24%	27%
Sharpton	10%	9%
Albanese	4%	8%

Giuliani Job Approval

	<u>NOW</u>	<u>2/9</u>
Approve	67%	62%
Disapprove	29%	32%

THE PRESIDENT HAS SEEN

3-31-97

General Election Matchups

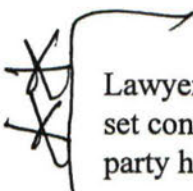
	<u>NOW</u>	<u>2/9</u>		<u>NOW</u>	<u>2/9</u>
Giuliani	50%	54%	Giuliani	51%	53%
Messinger	38%	34%	Ferrer	35%	33%
Giuliani	66%	72%	Giuliani	57%	57%
Sharpton	19%	14%	Albanese	24%	23%

PENNSYLVANIA

The *Philadelphia Daily News* reported that if Rep. Thomas Foglietta (D-01) is nominated to become ambassador to Italy, Philadelphia Democratic Chair Bob Brady (D) and former Congressman Lucien Blackwell will both run for the seat. The district has a large African American population, and both possible candidates claim to have significant African American support. Neither Brady or Blackwell live in the district, but Brady claims he works there and Blackwell will apparently move into the district. The seat is overwhelmingly Democratic, but Republicans considering running are Pennsylvania Revenue Dept. Clerk Linda Bateman (R), State Rep. John Taylor (R), and State Athletic Commissioner George Boshetto (R).

TEXAS

Bills to move the primary from March to May, and even later, are being considered by the legislature. It has strong support on both sides. Last year, voters went to the polls six times. A shorter election cycle is viewed by many as reducing the cost of campaigning. Currently, candidates file in December for a March primary and November election.

 Texas Democratic Party is working with Common Cause, Public Citizen and Texas Trial Lawyers Association in pushing through legislative proposals on campaign finance reform that set contribution limits, spending limits, and electronic filing of campaign finances. Also, the state party has hired an opposition research specialist who has an extensive repository on Phil Gramm.

A state district court hearing has been set for April 21 to determine the outcome of the November election--an election that produced an all-white Republican county government in traditionally Hispanic, Democratic stronghold of Val Verde County in more than a century. Congressman Tom DeLay (R-Houston) was in Corpus Christi this week advocating for the impeachment of federal judge Fred Biery, who upheld a restraining order on the installation of the two Republican candidates. A *New York Times* article recently reported that Murry Katchel, one of two newly elected Republican candidates whose election is in question, acknowledged his prior involvement with the Ku Klux Klan and published a picture of him in his KKK garb.

At issue is the legality of 800 votes cast by absentee military personnel living outside of the county or state. Over 1.5 million military personnel could be affected. Various voting rights bills are currently being considered in the legislature. The incentive for military personnel to chose Texas as their residence is that Texas has no state income tax.

THE PRESIDENT HAS SEEN

3-31-97

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UTAH

Sen. Bob Bennett (R) has agreed to pay a \$55,000 fine to the FEC for campaign violations during the '92 race. Bennett acknowledged that he accepted \$13,450 in donations beyond the legal limit and did not disclose \$600,000 of last minute donations. ~~XX~~ !!!

VIRGINIA

In back-to-back appearances before a Virginia business forum, 1997 gubernatorial candidates Lt. Governor Don Beyer (D) and Attorney General James Gilmore (R) agreed on tax issues, but sparred over abortion and tobacco issues. Both Beyer and Gilmore stated that they would not raise taxes if elected governor.

On abortion, Gilmore and Beyer both support parental notification for girls under 18 years old. However, Beyer believes that the parental notification bill, signed last week by Governor George Allen (R), should include a "reasonable family bypass" so a girl could notify other family members in special cases. Gilmore supports the bill as it was signed.

Beyer has announced his support for the new FDA regulations and said, "We have to do all that's in our power to protect children from tobacco." Gilmore defended his decision last year to link Virginia with the cigarette industry lawsuit attacking the new regulations and said, "We have to worry about our farming community... and make sure they have the ability ... to make an honest living." Two days later Gilmore raised \$50,000 at Philip Morris headquarters in New York City. Gilmore flew on a Philip Morris plane with a group of company officials who came to the fundraiser from Richmond. The day after the fundraiser, leading anti-smoking attorney generals met in DC and announced Liggett's historic settlement of lawsuits with 22 states. Beyer campaign manager Susan Platt commenting on the fundraiser and the calls for Gilmore to resign for the campaign said, "It is the obligation of the attorney general to avoid the appearance of impropriety and that didn't happen here." Gilmore aides responded by pointing out that Gilmore "opposes underage smoking and will enforce laws against it. At the same time, he's looking out for Virginia's future." Today, Governor Allen (R) hinted that Gilmore "might do well to resign to avoid further problems" in his gubernatorial campaign. The Beyer campaign used the Governor's statement to turn the heat up on Gilmore by asking for an investigation to determine if Gilmore violated the state's conflict-of-interest law.

2000 PRESIDENTIAL RACE

New York. A Marist College poll of 603 registered voters conducted March 17-19 tested possible Democratic and Republican New York presidential primary matchups for 2000, the President's, and the Vice President's job approval ratings. The Republicans tested were General Colin Powell (R), former HUD Secretary and 1996 Republican vice presidential nominee Jack Kemp (R), Texas Governor George W. Bush (R), commentator Pat Buchanan (R), Tennessee Senator Fred Thompson (R), former Education Secretary and former Tennessee Governor Lamar Alexander (R), New Jersey Governor Christie Todd Whitman (R), Steve Forbes (R), former Transportation Secretary Elizabeth Dole (R), and Texas Senator Phil Gramm (R). The Democrats tested were Vice President Gore, former New Jersey Senator Bill Bradley (D), Reverend Jesse Jackson (D), House Minority Leader Dick Gephardt (D), Nebraska Senator Bob Kerrey (D), and Minnesota Senator Paul Wellstone (D).

New York Republican Pres. Primary

New York Democratic Pres. Primary

THE PRESIDENT HAS SEEN

3-31-97

Powell	34%
Kemp	21%
G. Bush	10%
Whitman	7%
Forbes	5%
Quayle	5%
E. Dole	4%
Buchanan	1%
Thompson	1%
Alexander	0
Gramm	0

Gore	48%
Bradley	20%
Jackson	12%
Gephardt	3%
Kerrey	1%
Wellstone	1%

President Clinton's Job Approval

	<u>NOW</u>	<u>3/96</u>
Excellent	13%	12%
Good	44%	40%
Fair	27%	30%
Poor	15%	17%

Vice President Gore's Job Approval

	<u>NOW</u>
Excellent	8%
Good	41%
Fair	35%
Poor	14%

Iowa. House Minority Leader Dick Gephardt visited the Iowa Capitol March 25th. Gephardt said he was there to encourage people to run for congress. However, when asked about the current fundraising controversy he said, "I think President Clinton would have won this election without as much money as was spent. That's my opinion. I may be wrong." He downplayed the suggestion that this trip to Iowa was related to a possible White House bid in 2000.

New Hampshire. Gephardt also visited Concord March 27th. Gephardt repeated the same reasons he gave for his visit to Iowa the day before -- congressional candidate recruitment. He held private meetings with Governor Jeanne Shaheen (D), Democratic state House and Senate members, Democratic State Party Chair Jeff Woodburn, labor leaders, and 1996 congressional candidates Arnie Arnesen and Joe Keefe. Gephardt ducked questions about a possible White House bid in 2000, but backed the Vice President's trip to China and the administration's policy of "constructive engagement," despite his own preference to suspend China's "most-favored nation" trade status. Gephardt is reportedly returning to New Hampshire on May 16th for a Hillsborough County Democratic Party fundraiser with Rhode Island Congressman Patrick Kennedy (D-02).

Alexander. Former Governor and former Education Secretary Lamar Alexander reportedly raised \$1 million in Nashville March 25 for his "Campaign for a New American Century PAC." The PAC is aiming to build "a conservative governing agenda" for the GOP.

McCain. Senator McCain (R-AZ) is conducting rallies in Boston and Philadelphia with ex-Senator Bill Bradley (D) and Common Cause president Ann McBride to muster up support for his campaign finance reform bill. It is a nationwide effort to collect 1,776,000 citizen signatures in support of passing the legislation by the Fourth of July.

Gore

Forbes. Steve Forbes is planning a mid-June tour of Iowa "to tout his pro-growth agenda."

cc: The First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Sylvia Matthews
Doug Sosnik
Rahm Emanuel
Maria Echaveste
Kitty Higgins
Marcia Hale
Bruce Reed
Gene Sperling
Mike McCurry

UTAH

Sen. Bob Bennett (R) has agreed to pay a \$55,000 fine to the FEC for campaign violations during the '92 race. Bennett acknowledged that he accepted \$13,450 in donations beyond the legal limit and did not disclose \$600,000 of last minute donations ~~XX~~ !!!

VIRGINIA

In back-to-back appearances before a Virginia business forum, 1997 gubernatorial candidates Lt. Governor Don Beyer (D) and Attorney General James Gilmore (R) agreed on tax issues, but sparred over abortion and tobacco issues. Both Beyer and Gilmore stated that they would not raise taxes if elected governor.

On abortion, Gilmore and Beyer both support parental notification for girls under 18 years old. However, Beyer believes that the parental notification bill, signed last week by Governor George Allen (R), should include a "reasonable family bypass" so a girl could notify other family members in special cases. Gilmore supports the bill as it was signed.

Beyer has announced his support for the new FDA regulations and said, "We have to do all that's in our power to protect children from tobacco." Gilmore defended his decision last year to link Virginia with the cigarette industry lawsuit attacking the new regulations and said, "We have to worry about our farming community... and make sure they have the ability ... to make an honest living." Two days later Gilmore raised \$50,000 at Philip Morris headquarters in New York City. Gilmore flew on a Philip Morris plane with a group of company officials who came to the fundraiser from Richmond. The day after the fundraiser, leading anti-smoking attorney generals met in DC and announced Liggett's historic settlement of lawsuits with 22 states. Beyer campaign manager Susan Platt commenting on the fundraiser and the calls for Gilmore to resign for the campaign said, "It is the obligation of the attorney general to avoid the appearance of impropriety and that didn't happen here." Gilmore aides responded by pointing out that Gilmore "opposes underage smoking and will enforce laws against it. At the same time, he's looking out for Virginia's future." Today, Governor Allen (R) hinted that Gilmore "might do well to resign to avoid further problems" in his gubernatorial campaign. The Beyer campaign used the Governor's statement to turn the heat up on Gilmore by asking for an investigation to determine if Gilmore violated the state's conflict-of-interest law.

2000 PRESIDENTIAL RACE

New York. A Marist College poll of 603 registered voters conducted March 17-19 tested possible Democratic and Republican New York presidential primary matchups for 2000, the President's, and the Vice President's job approval ratings. The Republicans tested were General Colin Powell (R), former HUD Secretary and 1996 Republican vice presidential nominee Jack Kemp (R), Texas Governor George W. Bush (R), commentator Pat Buchanan (R), Tennessee Senator Fred Thompson (R), former Education Secretary and former Tennessee Governor Lamar Alexander (R), New Jersey Governor Christie Todd Whitman (R), Steve Forbes (R), former Transportation Secretary Elizabeth Dole (R), and Texas Senator Phil Gramm (R). The Democrats tested were Vice President Gore, former New Jersey Senator Bill Bradley (D), Reverend Jesse Jackson (D), House Minority Leader Dick Gephardt (D), Nebraska Senator Bob Kerrey (D), and Minnesota Senator Paul Wellstone (D).

New York Republican Pres. Primary

New York Democratic Pres. Primary

THE PRESIDENT HAS SEEN
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BURTON B. GOLDSTEIN, JR.

March 24, 1997

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

Dear Mr. President:

I recently spent four days in Israel and the West Bank as part of a small delegation from the American Jewish Committee. The Committee has been working for some time to encourage, among other things, more contact between Palestinians and members of the Likud coalition. As part of our visit we met with Ed Abington and Martin Indyk. I cannot imagine that any two individuals could better serve our country or the cause of peace in the Middle East.

Mr. Abington detailed various efforts to keep lines of communications open. He answered pointed questions implying a "tilt" toward the Palestinians in a measured and professional manner that demonstrated a profound understanding of the situation and a deep commitment to the peace process. The only bad news was that he was coming home. How will we ever replace him at this difficult time?

Ambassador Indyk hosted us for dinner at the Embassy. He was late because it was the day the seven Israeli schoolgirls had been murdered. Notwithstanding the difficult circumstances, he was gracious and candid in his assessment. He too gave extraordinarily thoughtful responses covering both immediate and longer term issues involving the peace process. He urged AJC to continue its efforts aimed at building bridges of trust between the parties.

Ed and Martin are serving you well and in so doing making an extraordinary contribution to the cause of peace in the Middle East. I wanted you to know of my experience as well. Let us all hope and pray that their efforts and those of so many others will be enough.

Good luck on rehabilitating your knee. I don't envy you. Kay joins me in sending our best to you and Hillary. Jane Condon said she had a great visit with the First Lady recently.

Very truly yours,

Buck

Send to WSC?

Yes ☒

No ☐

3-31-97

We think of you
often and believe you face you daily...
And Best President this country
has ever had! Take care!
Sincere best wishes -
Kemal and Virginia

Or in your case,
the VERY best
of us!

HOPE YOU'RE
BETTER SOON!

Send to Marleen Lewis
Deborah >
Yes ✓
No _____

3131/97

Already
responded to letter from
your people folks.
Phyll

THE WHITE HOUSE
WASHINGTON

DATE: 3/31/97

NOTE FOR:

 Larry Summers

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

INTERNATIONAL ROUNDUP

Russian Steel Industry Faces Dumping Actions Abroad. A wave of anti-dumping actions has been brought against the Russian steel industry by Canada, the United States, Mexico, Thailand, and other Asian countries. From a political economy standpoint, anti-dumping procedures are often a response to surges of imports that increase competition for a particular domestic industry, rather than a response to predatory practices that are harmful to the economy as a whole. In the case of Russia, steel exports have grown rapidly in recent years as the de-militarization of the Russian economy has necessitated a search for new markets. If the petitioning countries find the Russian firms to be dumping, the resulting duties could decimate the industry and lower Russian GDP by 1.2 percent, according to the U.S. law firm defending the Russian steel companies. Thailand's case against Russia will most likely be decided first. Because Thai law is nearly identical to U.S. law, the case has generated considerable interest. A core issue in both the Thai and the U.S. cases is whether or not Russia will be treated as a "nonmarket economy." If Russia is designated as a nonmarket economy and if the Russian steel industry fails to qualify as a "market oriented industry," then an alternative procedure for computing the dumping duties will be used. This procedure generally results in dumping duties that are substantially higher than the procedure used for market economies. This raises the question of whether or when countries like Russia should be classified as market economies.

cc: WSC/Janey
Big Potential
China for Reform

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Italy's Trial Of Century May Last That Long

By CELESTINE BOHLEN

ROME, March 26 — A Mafia turncoat, testifying under Government protection, drones on from behind a white screen. Journalists doodle in their notebooks. Even the 78-year-old defendant — Giulio Andreotti, seven times Prime Minister of Italy — seems more stooped than usual as he takes his seat in a high-security courtroom usually reserved for crime bosses and terrorists.

Billed as Italy's trial of the century when it began 18 months ago, the case against Mr. Andreotti on charges that he acted as the political patron of the Mafia has now acquired a timeless quality not uncommon to the Italian judicial system.

"At this pace, it is going to last an eternity," Franco Coppi, one of Mr. Andreotti's lawyers, said in exasperation recently during one of the trial's many breaks.

This trial, which switches back and forth between Rome and Palermo, the Sicilian capital, is only one part of the Andreotti case. In a separate trial now entering its second year in the central Italian city of Perugia, Mr. Andreotti also faces charges of having commissioned the killing by the Mafia of a muckraking journalist in 1979. The cases are held on alternating weeks to allow both the defendant and his accusers to be present at both trials.

"Only the Italian genius would allow for two trials to take place at the same time with the same witnesses," Mr. Coppi said recently as he was about to start a cross-examination of Salvatore Cancemi, a Mafia informer now under Italy's state witness protection program, who had testified in the Perugia trial on Dec. 7. "Today I will ask him the same questions — exactly the same."

While the snail-like pace of Mr. Andreotti's case is typical for Italy, he is no ordinary defendant. He was an Italian institution, a member of nearly every Government since World War II and a leader of the then-dominant Christian Democratic party. He still holds political office as one of Italy's 10 Senators for Life.

Now Mr. Andreotti, a familiar figure with his hunched shoulders and his acerbic wit, has become a Italian anomaly — a politician who divides his time between the courtroom and the Parliament. He has earned praise in both places for his close attention to the matter at hand — whether testimony from former Mafia hitmen or debates about NATO expansion in the Senate's Foreign Affairs commission.

"Of all the 25 members of the commission, Andreotti is one of the few who can always be counted on to be prepared, alert and to participate," said one of his colleagues, who values the senior politician's astute and unsentimental assessments of international affairs.

Mr. Andreotti has always been a paradoxical figure — a devout Roman Catholic who attends Mass daily, and, at the same time, a Machiavellian politician who plays for keeps. He gets standing ovations at Vatican conferences, but is portrayed as a sinister "Beelzebub" by some of the Italian press.

Mafia turncoats have testified that he was known as "Uncle Giulio" in Mafia circles. But public opinion has begun to swing against the credibility of such testimony, which some see as tainted and sometimes preposterous. In recent weeks, two witnesses have withdrawn testimony that had been damaging to Mr. Andreotti, who has steadfastly maintained that he knew nothing of the links between his chief political cohort in Sicily and the Mafia.

The Mafia trial is by most estimates a good year away from wrapping up. The prosecution has already heard about 400 witnesses and could call as many as 300 more. Then it will be the turn of the defense, which has several hundred witnesses of its own — including Mr. Andreotti himself, who will be the last to take the stand.

Closing arguments are certain to focus on the centerpiece of the Palermo prosecutors' case — the famous kiss said to have been exchanged between Mr. Andreotti and Salvatore Riina, the Mafia's boss of all bosses.

"There are three prosecutors, all of whom want to talk, and at the pace they are going that will take up a few months," said Mr. Coppi, who is one of Italy's most prominent defense lawyers. "And then if they start asking which cheek Andreotti was kissed on, the left, or the right, and what kind of kiss it was, that will take up more time."

The trial will probably end no earlier than the summer of 1998. If Mr. Andreotti is found guilty, it could still be years before he gets a final sentence, which in Italy is served only after the entire appeals process is exhausted.

In fact, five years after the start of the wave of bribery and corruption scandals that broke the back of the political system that Mr. Andreotti once represented, many leading defendants have yet to receive a final conviction or to serve a day in jail.

"I had a teacher once who said that Italy was the cradle of the law, but she has been in the cradle so long that she has fallen asleep," said Mr. Coppi.

State Department spokesman, recently said Turkey's future "ought to be grounded in Europe."

"We respectfully submit to our European friends," Mr. Burns said, "that they must strategically think of Turkey as a European country, and not send negative signals to Turkey."

These statements were warmly welcomed in Turkey, but some Europeans found them irritating. "Whenever the European Union makes a decision favorable to Turkey, the Turks thank the United States," said a German diplomat who was part of Mr. Kinkel's entourage today. "When things go badly for them, they blame us. Frankly we are getting a bit tired of this."

Supporters of Turkish membership have warned that a clear rejection like the one that Mr. Kinkel delivered today would strengthen anti-Western factions here, some of which are influential in the Islamist-led Government of Prime Minister Necmettin Erbakan.

Mr. Erbakan has publicly supported his country's drive for membership, but he has appeared more enthusiastic about improving relations with Libya, Iran and other Muslim countries.

Perhaps the strongest supporter of Turkey's bid to join the European Union has been the United States, which views Turkey as a vital pillar of European and Middle Eastern security. Nicholas Burns, the chief

envoy. But the statement today by Mr. Kinkel was an official declaration by one of the Union's most important member states.

While rejecting Turkish hopes for quick membership in the European Union, Mr. Kinkel assured his hosts that Turkey "belongs to Europe" and is regarded as "an important country with great responsibilities."

Foreign Minister Tansu Ciller of Turkey seized on those assurances to try to extract something positive from a strikingly negative message. "We are on the main track to Europe, not on some outside track," Mrs. Ciller asserted.

son behind the European reluctance. The campaign appears to have backfired. European leaders evidently decided that since Turkey was pressing so hard for a definitive answer to its application, they should respond with a clear no.

Their rejection was first expressed publicly two weeks ago at a meeting in Brussels of senior European leaders from center-right political parties.

Turkish diplomats sought to play down the results of the Brussels meeting by pointing out that it did not officially reflect the views of the European Union or any member gov-

because of its record on "human rights, the Kurdish question, relations with Greece and of course very clear economic questions."

In recent months senior Turkish leaders declared that early membership in the European Union was the country's principal foreign policy goal.

From the moment the Turkish campaign began in earnest last year, European leaders sought to signal Turkey that it was setting its sights too high. But Turkish negotiators continued to press their case, suggesting that Western prejudice against Muslims was a hidden rea-

He said Turkey did not qualify

Europeans Shut the Door on Turkey's Membership in Union

By STEPHEN KINZER

ANKARA, Turkey, March 26 — Turkey's campaign to join the European Union within the next few years was dealt what appeared to be a fatal blow today when Foreign Minister Klaus Kinkel of Germany asserted here that Turkey was far from the standard expected of new members.

"It is clear that Turkey will not become a member of the European Union in the foreseeable future," Mr. Kinkel said at a news conference after meeting here with Turkish leaders.

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We need to
review this week -
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NAMING OF ENVOYS SLOWS TO A CRAWL

Held Up, in Part, by the Furor
Over Campaign Financing

Al

By STEVEN LEE MYERS

WASHINGTON, March 26 — A leading candidate for ambassador to France has withdrawn, tired of waiting for the call from the White House. There is no American ambassador in important countries, like Russia, Japan and Germany. And many top jobs under Secretary of State Madeleine K. Albright await appointees.

Two months into President Clinton's second term, the selection of the senior diplomatic corps has bogged down, a victim of White House indecision caused in part by the furor over campaign financing.

With the Administration under scrutiny for the favors that it may or may not have granted donors to last year's Presidential campaign, White House lawyers are scrutinizing the backgrounds of potential nominees for anything that might drag Mr. Clinton into a new controversy.

The awarding of ambassadorships has always been a game of spoils, with choice posts often going to top contributors, but now politics has further intruded, sowing confusion and anxiety. And it has left some prospective appointees hanging, with jobs and reputations on the line as Mr. Clinton makes up his mind and the lawyers make sure that his decisions create no new headaches.

Now the process appears to have claimed its first victim: Frank G. Wisner, the Ambassador to India and

But he informed President Clinton and Secretary Albright last week that he would leave the Foreign Service and take a job with American International Group, the insurance company, the official said. (The official added that it would be wrong to assume that Mr. Wisner's withdrawal would guarantee the post for Mr. Rohatyn.)

The official, who spoke on condition of anonymity, said Mr. Wisner had personal reasons to step down now. But a close friend of his said today that Mr. Wisner simply could not wait any longer for Mr. Clinton's decision. Mr. Wisner, who recently returned to New Delhi after a visit to the United States, could not be reached for comment tonight.

The embassy in Paris is only one of 14 with no ambassadors, and dozens of others are expected to open when the current ambassadors rotate out this summer.

"The system has lost common sense," said one person under consideration for an appointment, who, despite having clearance to see some of the country's top secrets, still faces an arduous background check by the White House. "Everybody is so afraid of scandal."

Richard N. Haass, the director of foreign policy studies at the Brookings Institution, said the delays in appointing people to the senior diplomatic posts — not to mention the hurdle of Senate confirmation — could hamper Mr. Clinton's foreign policy initiatives.

"By the time you get people named, vetted and through the confirmation process, you'll be lucky to get people into place by the summer, many by the fall," he said. In that case "you've lost most of the year, which traditionally is the best year for foreign policy in a second term."

For her part, Ms. Albright said delays in appointments would not affect the State Department's work. She noted that many top officials, like Deputy Secretary of State Strobe Talbott, are staying on, and that even vacant embassies have capable chiefs of mission serving in lieu of ambassadors.

"Obviously it would be better if we had everybody in place," Ms. Albright said in a telephone interview the other day. "But we're doing fine now."

Some officials play down any delay by noting that prolonged jockeying for foreign policy posts is not new to Mr. Clinton's Administration.

But in the two months since Ms. Albright became Secretary, the President has announced only two members of her team: Thomas R. Pickering, another respected career diplomat who retired from the Foreign Service last year, as Under Secretary of State for Political Affairs, and Stuart E. Eizenstat, who was domestic policy adviser to President Carter and is now an Under Secretary of Commerce, as Under Secretary of State for Economic Affairs.

But at least a dozen more of Ms. Albright's choices were sent to the White House for approval more than a month ago and remain in the vetting process, White House and State Department officials said.

Among them, the officials said, is Ms. Albright's choice to be Under Secretary of State for Management, Bonnie R. Cohen, who is now serving as an Assistant Secretary at the Interior Department.

Ms. Albright has also tapped a number of Assistant Secretaries, including Susan Rice, a National Security Council director, for African Affairs; Stanley O. Roth, a former National Security Council director, for East Asian Affairs; K. F. Inderfurth, the deputy representative at the United Nations, for South Asian Affairs, and Marc Grossman, Ambassador to Turkey, for Canadian and European Affairs.

In other important posts, she has selected David R. Andrews, a lawyer who was previously deputy general counsel at Health and Human Services, to be her legal adviser, and James P. Rubin, to serve as the Assistant Secretary of State for Public Affairs.

Decisions appear to have been made on a number of ambassadorships as well, including James F. Collins, the State Department's special adviser for the former nations of the Soviet Union, to Russia, and John Kornblum, the Assistant Secretary for Canadian and European Affairs, to Germany.

None of these appointees appear to be in danger, but in Washington's hyperpartisan mood these days, the White House is taking nothing for granted.

"People are very careful right now in ways that they haven't been in the past," a White House official said.

Continued on Page A7, Column 1

Continued From Page A1

one of the nation's most respected career diplomats, has withdrawn from consideration to be ambassador to France, a senior Administration official said today.

Mr. Wisner, along with Felix G. Rohatyn, the investment banker from New York, was considered a top contender to replace Pamela Harriman, who died on Feb. 5.

The New York Times

THURSDAY, MARCH 27, 1997

Gun Buyers and Domestic Violence

ANYONE WHO HAS been convicted of a violent offense—felony or misdemeanor—should be barred from purchasing or possessing a gun. Such dangerous offenders have demonstrated that they cannot be trusted with deadly weapons and that federal firearms laws, which already apply to felons, should be extended to cover the whole group. But Congress refuses to take this step. Instead, lawmakers work piecemeal, pick and choose among victims, offering special protection for some and ignoring the rest.

A case in point is a measure sponsored by Sen. Frank Lautenberg and enacted last year that singles out victims of domestic violence for special protection. The law prohibits gun sales and possession by persons convicted of violent misdemeanors in a domestic situation—i.e., when the victim is a spouse, child or live-in lover of the offender. But a similar assault on a disabled neighbor, co-worker or in-law carries no such penalty. Instead of focusing on the crime itself, the Lautenberg law is based on the relationship between the victim and the offender. The artificiality of this construction makes no sense.

In addition to this general flaw, the new law has at least two other problems that have become clear as implementation proceeds. The first concerns law enforcement officers. Police unions are up in arms, contending that their members stand to suffer a much stiffer penalty than other citizens—the loss of their jobs—for minor domestic offenses. Anecdotal evidence is already coming in, with reports of officers in Detroit suspended without pay, others in Denver and Reno assigned to desk duty, and a sheriff in

Georgia being laid off. There is no reason for a police exemption from the law. Officers who beat their spouses and children are exactly the kind of people who shouldn't have guns. But because some disqualifying incidents might have occurred decades ago, it would be better if the law applied to police and civilians alike only in cases where the domestic offense occurred after the law went into effect. Once everyone is on notice, penalties are fair.

The second problem with the Lautenberg law concerns record-keeping. Government computer specialists have almost completed the development of a system that will allow gun dealers quick access to information about the felony records of would-be purchasers. That system, years in the making, will not be able to handle misdemeanor records, which are not as methodically compiled as felony records and may be destroyed periodically. Even if the records were perfect, adding misdemeanors to the system would cause an overload that would make it impossible to meet the congressional mandate to simplify the enforcement system by next year.

The Lautenberg law should be revisited. Its premise of special protections for a selected set of victims should be junked. The two lesser problems with the measure concerning retroactivity and record keeping should be addressed. The straightforward way to deal with misdemeanor violent offenders is to keep guns from all of them, from chronic barroom fighters to those who shove or slap domestic partners.

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THE PRESIDENT HAS SEEN

3-31-97

MR. PRESIDENT—

I thought you might
be interested in
the speech I gave
today at CSIS.



Sweeney

This is very good
as you can attest to Qs
which I saw on Cspan—

Bob

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Berger
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As Prepared for Delivery -- Embargoed Until 11 A.M.

SAMUEL R. BERGER
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
"A FOREIGN POLICY AGENDA FOR THE SECOND TERM"
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES
WASHINGTON, D.C.
MARCH 27, 1997

Last month, in the first State of the Union address of his second term, President Clinton issued a challenge to the American people. "Fifty years ago," he said, "a farsighted America led in creating the institutions that secured victory in the Cold War and built a growing world economy... Now, we stand at another moment of change and choice -- another time to be farsighted and to bring America another fifty years of security and prosperity."

To meet that challenge, we must first understand the nature of the change that surrounds us. It's been eleven years since *glasnost*, eight years since the Berlin Wall fell, six since Germany's reunification and five years since the Soviet Union's dissolution. But because the Cold War ended with a crumble, not a conference to mark the moment... and because the transition to democracy among Europe's newly freed countries, while revolutionary in its consequences, is evolutionary in its timetable... the dialogue of foreign policy has, for too long, been frozen in the rhetoric of "the Post-Cold War Era."

I have come here today not only to praise the "Post Cold War Era" but to bury it. That phrase describes what has ended, not what is beginning... what has been dismantled, not what we are building. Today, closer to the start of the 21st century than to the end of the Cold War, we are embarked on a period of construction, based on new realities but enduring values and interests. The blocs and barriers that divided the world for fifty years largely are gone. Now, our challenge is to build up new institutions and understandings, and adapt old ones, that strengthen our security and prosperity for the next fifty years and beyond.

For the past fifty years, with containment as the guiding principle of our foreign policy, we saw a world map with advancing and receding lines dividing red from blue... separating those living under the brutal hand of communism from those who weren't -- the latter running the range from democracies to more or less authoritarian regimes bound together by their anti-communism.

Because we stood firm for half a century, that guiding principle is now obsolete. Instead, this new time increasingly is shaped by the forces of integration. They create unprecedented opportunities for progress. But we should have no illusions: they do not eliminate all the dangers and despots of this world. And they can help fuel new threats to the security, peace and prosperity we seek to build.

If we could look down at the earth from a distant planet, one of the most powerful phenomena we would observe are the effects of economic integration -- reinforced by a communications and technological revolution that telescopes time and distance. With a tap on a computer keyboard and a \$50 modem, ideas and information span the planet in a nano-second. Traders, buyers and investors move a trillion dollars around the world every hour.

I will never forget arriving late one night in my hotel room in Islamabad, half a world away, turning on CNN and seeing George Stephanopoulos and Bob Reich debating who wrote "Primary Colors." Men and women of good faith can debate whether that's progress. But the fact of it is transforming the way we work, live and interact. Or consider the famous images of the ancient Li River portrayed in Chinese wall hangings. If you looked at a photograph today, you would see that the houses that line the river have satellite dishes in their backyards.

The forces of integration also spread values -- and the ideas increasingly if not universally being embraced today are the central ideas that define America: democracy, liberty, free enterprise. For the first time in history, more than half the world's people live under governments of their own choosing. In this hemisphere, where just three decades ago almost one-third of the countries were under authoritarian rule, every country but one today is a democracy. From the Philippines to Chile, South Africa to Estonia, Korea to Guatemala, people who little more than a decade ago lived under repression are building their democracies. We can see with more clarity today than ever before that freedom is not only an American birthright or a Western ideal -- but the aspiration of human beings everywhere.

These forces of integration -- economic... technological... political -- find practical if imperfect expression in international rules of the road that are becoming the true Berlin Wall between countries: those that opt into the community of nations -- and those that remain outliers. These norms -- alliances of like-minded countries... adherence to the rule of law... open and competitive trade rules... major regimes to control dangerous weapons -- are important in and of themselves. But they're also important because, brick by brick, they form a structure for security and prosperity for all those who choose to live within them, and they define the terms of isolation of those that stay outside. As the world grows closer, the cost of exclusion from the community of nations will grow higher.

But we must also understand that the powerful movement toward integration is not without downsides and dangers. As borders become as easy to breach as lines in the sand, nations become more vulnerable to transnational tidal waves -- witness the Peso crisis, which threatened not only Mexico's economy, but jobs in America and the stability of developing economies around the world.

The forces of integration also lubricate the counterforces of disintegration: terrorists, organized criminals, drug traffickers who form international networks of corruption and destruction. They too benefit from technological change and the free flow of goods and information. And they often are supported by rogue states like Iran, Iraq, Libya and Sudan which remain outside the community of nations -- and seek to destabilize it.

Further, integration can exacerbate disparities among and within countries. More than half the world's people are two days walk from a telephone -- literally disconnected from the present and the future. In many developing and developed countries, the gap between rich and poor has grown wider, even as overall wealth has increased dramatically.

In short, integration is not inherently good or inherently bad. But it is, I believe, inherently a fact of modern life. And it will take place with or without us. The fundamental question we must answer is this: will we use our unique position as not only the world's most powerful country, but also the world's most powerful idea, to continue to lead the struggle for a more peaceful, prosperous and secure future -- or be left behind. As President Clinton has put it, "the enemy of our time is inaction."

The challenge this President has undertaken is to encourage to the extent possible the positive forces of integration -- while preventing the forces of disintegration from dominating the future.

His vision is driven by six key strategic objectives: working for an undivided, democratic peaceful Europe for the first time in history... forging a strong, stable Asia Pacific community... embracing our role -- prudently but not fearfully -- as a decisive force for peace in the world... building the bulwarks against transnational security challenges... creating jobs and growth through a more open and competitive trading system... and maintaining a strong military and fully funded diplomacy to get these jobs done. These ambitious but achievable objectives -- not the lift of a driving cliché -- provide America's road map in the world. Let me describe each briefly.

The first strategic goal is working for an undivided, peaceful, democratic Europe. Twice in this century, war in Europe has drawn Americans into deadly conflict. Now, we have an opportunity to create a durable European peace by replacing the divisions that have plagued the continent in the past with ties of partnership to shape a common future.

With our allies, we are helping Europe's new democracies grow strong; encouraging their integration with the West; forging a productive partnership with a democratic Russia; and, critically, adapting NATO to take on new challenges.

America has taken the lead in opening NATO's doors to new members -- rather than either abandoning the anchor of our engagement in Europe or freezing the alliance within the amber of the Cold War. NATO can do for Europe's East what it did for Europe's West: strengthen the forces of peace and stability.

The process of NATO enlargement will take a leap forward in Madrid this July, when NATO invites the first potential members to start accession talks. There are three key challenges ahead. The first is deciding which countries to admit. Naturally, we'll start with those best prepared to shoulder the burdens of membership -- but the door will not close behind them. So our second challenge is bolstering the security and confidence of countries not in the first wave -- which we will do by expanding the role of the Partnership for Peace and giving every partner a voice in coordinating joint activities.

The third challenge is the most hotly debated: How do we heal the scars of Europe's past without creating new wounds? Some fear that the process of NATO enlargement will shut Russia out from a rightful place in Europe -- and undercut Russia's nascent democracy. Others worry that Russia's cooperation will come at the expense of Central and Eastern Europe and the Alliance's ability to shape its own destiny. Navigating this Scylla and Charybdis of NATO enlargement is the most crucial test of our commitment to forge stability across the Atlantic.

Last week in Helsinki, President Clinton and President Yeltsin took an important step forward. They agreed to disagree about enlargement -- Russia objects, but it will proceed. But they also agreed that the vital relationship between the United States and Russia and the benefits to all of cooperation between NATO and Russia are too important to be jeopardized.

NATO and Russia will move forward as quickly as possible to try to complete negotiations on a charter for NATO-Russia cooperation. Russia will have a voice, not a veto. At the same time, the two Presidents made important advances in arms control and economic cooperation. Helsinki was a turning point: it demonstrated that the goals we share -- building a secure future for Europe, reducing even more the nuclear danger, increasing ties of trade and investment -- outweigh our differences.

Our second strategic objective is building a strong, stable, integrated Asia-Pacific community. Little more than a decade ago, the conventional wisdom saw Asia, North America and Europe emerging as three rival blocs competing head-to-head. President Clinton had a different vision, based on America's enduring place as a Pacific power. Soon after he became President, he convened the first-ever Asia Pacific summit meeting, where leaders from China to Indonesia to Australia agreed to a common goal: to define our futures not just in Asian or American terms, but increasingly in Asian-Pacific terms.

It's an evolutionary process. More open trade. Continuing American security engagement in the region. An appreciation that, in an environment where regional rivalries are still dangerous, we provide a balance wheel for stability that helps all of us grow.

To succeed, we must meet three immediate challenges. First, we must deepen our partnership with Japan -- the cornerstone of America's engagement in Asia -- by strengthening even more our security alliance, enhancing our diplomatic cooperation and continuing market opening initiatives that have helped create a 41% surge in our exports since 1993.

Second, we must continue to work closely with our ally South Korea to reduce tensions on the Cold War's last frontier. Vigilance against the vagaries of a North Korea in distress. Pursuing a more stable peace on the Peninsula through the four-party peace talks. Ensuring the dismantlement of North Korea's now frozen nuclear program.

Third, we must deepen our strategic dialogue with China. A China that evolves as a power that is stable, more open politically and economically and non-aggressive militarily -- in short, moving toward, not away, from a secure international order -- is profoundly in our interest. Ultimately, China will define its own destiny. But one way or the other, we will help shape its choices.

Our strategy of engagement with China is not a reward for good behavior. It is a vehicle for expanding areas where we can cooperate to advance our strategic interests -- such as on the comprehensive test ban and stability on the Korean Peninsula -- and where we can deal directly with our fundamental differences -- such as human rights, market access and some of China's weapons sales.

There is no guaranty that engagement will succeed in pulling China in the direction of the international community, away from a more nationalistic, self-absorbed course. But seeking to isolate China... or to isolate us from China... almost certainly will push China in the wrong direction and undercut the stability that America, China and the entire Asia Pacific region need for the future to be secure and prosperous.

Our third strategic goal is to neither shrink from -- nor become enthralled by -- the inescapable reality that America can often be the decisive force for peace in the world.

America's greatness flows not only from our size and strength, but also from the wealth of our diversity and the power of our ideals. We have a unique ability to stand with others around the world who seek to bridge their divides -- and build a stronger foundation for peace, security and cooperation.

When, where and how to make a stand for peace has no "one size fits all" answer, as Secretary Albright has said. While we have been freed from the compulsions of containment, we have inherited a more demanding task, particularly in a world where conflict instantly is thrust upon a global stage. We must balance interest and risk, achievability and cost, clarity of mission and support from others in what ultimately is an exercise in prudent judgment. We can't be everywhere and we shouldn't do everything. But we must be prepared to engage when important interests and values are at stake and we can make a difference.

Often, our engagement is diplomatic -- remaining an unrelenting force for peace from the Middle East to Northern Ireland to Central Africa.

Sometimes, with caution and care, our diplomacy must be backed with force. In Bosnia, our use of air power through NATO, combined with determined diplomacy, stopped a war that threatened Europe's stability. Now, our continuing presence through SFOR is giving Bosnia's fragile peace a chance to take hold. In Haiti, where a brutal dictatorship forced tens of thousands to flee for our shores, we caused the dictators to step down peacefully and gave democracy a new lease of life.

There are other places where our engagement is more important than ever. Let me cite just three. South Asia remains not only a flashpoint for conflict but an enormous opportunity for cooperation. The great resource potential and strategic location of the Caucasus and Central Asia gives us a strong stake in working with others to strengthen their stability and build up our ties to the region. And it is profoundly in our interest to help Turkey, at a strategic and cultural crossroads, remain anchored in the West, committed to democracy and working to resolve its differences peacefully with our Greek ally.

Our fourth strategic goal is to deal with the new transnational security threats I mentioned earlier -- terrorists, international criminals, drug traffickers -- and stand against the enduring danger of rogue regimes.

There are times when we must and we will act alone. To get others to follow, sometimes we must lead by example. And there is behavior so egregious that we must act even where others won't. But our fight against these forces that often cut across nations compels us to seek the advantages of collective action. Whether it is the threat of terrorism or the scourge of drugs, we

must intensify our efforts to achieve a broader sense of urgency about the dangers and a willingness to launch collective defense to thwart them.

That is why we are working to build international coalitions to take on these new challenges -- arms control agreements that ban chemical weapons, greater international law enforcement cooperation against drug traffickers and criminal cartels, intelligence sharing to root out corruption, and a more concerted strategy against terror. Some see cooperation as at best an elusive goal, at worst a sign of weakness. Against threats that have contempt for borders, it is a source of strength.

America's fifth strategic goal is to build a new, open trading system for the 21st century. Our nation's economic well-being is tied to the rest of the world. Eleven million Americans depend on exports for their jobs. We should not fear the challenge of the global economy. Our workers and businesses can compete just fine so long as the contest is open, the field competitive and the rules fair and enforced.

Historians will look back at this period and see the most far-reaching changes in the global trading system since the days of Harry Truman. We completed the most sweeping round of the GATT; forged a comprehensive trade agreement with our two neighbors; tore down barriers in high-tech sectors where America leads the world; and launched a process for more open and competitive trade in our hemisphere and the Asia Pacific.

These efforts have paid off for our people. The global economy is not a zero sum game -- we are creating good jobs at home by nurturing new markets abroad. The President is determined to pursue this course, navigating the false choice between protectionism and unbridled free trade.

Protectionism simply isn't an option in today's global economic arena. If we walk away, the process of integration won't stop; it simply will continue without us. Others in Europe and Asia will benefit. Turning inward would mean turning our back on 95 percent of the world's consumers and forfeiting our stake in the markets of the future.

But while protectionism is not an option, neither is ungoverned free trade. Competition causes dislocation -- especially among those without adequate training and skills to compete in the global economy. We cannot walk away from them -- we have an obligation to enforce the agreements we make and to make change work for all with education and training... so that the benefits of progress are not enjoyed by some while its burdens are carried by others.

To sustain our strong momentum, we need the authority to conclude smart, new market-opening trade agreements. In Latin America alone, our exports in 1995 were greater than our sales to Japan and Germany combined. We need to complete the job we have begun -- to open markets in this hemisphere and globally, to share in that growth, not turn our backs on it.

Finally, we cannot harness the forces of integration without the strength and resources to get the job done -- and without sharing the burdens with other like-minded nations.

We have the finest military in the world. It is the steel that makes American leadership credible and, if necessary, our freedom secure. This President is determined to maintain our ability to dominate any battlefield of the future. That is an indispensable investment in our peace and security.

It also means fulfilling our commitment to fully fund America's diplomacy. Our foreign affairs budget for the current fiscal year is 50% lower, in real terms, than it was a decade ago. This is simply foolish. We must make the investments to advance America's interests for the next 50 years as in the last.

President Clinton's budget request reverses the dangerous downward spiral in international affairs funding. Our request -- about one cent out of every federal dollar -- brings benefits to every taxpayer: strengthening our ability to promote peace, fight drugs, track down terrorists, combat nuclear proliferation, boost exports, and meet our obligations to the community of nations.

We must also resist the false choice between going it alone or not at all. It's simply common sense to spread the costs and risks of leadership by working with others, like the World Bank and the UN. Now is the time to push for progress -- promoting tough reform, paying our bills, and putting the UN and the multilateral development banks back on sound financial footing

* * *

Ladies and gentlemen, a child born today will grow up not just in a new century but in a new world -- one in which people can be united more by their hopes than their fears. America's new foreign policy agenda -- ambitious but within our reach -- reflects the promise of this time... a sober awareness of its perils... and the conviction that America must lead if we are to shape change to our benefit. This is a pivotal moment -- let us make the most of it, confident that our cause is right, our course is sound and the future is ours to seize.

THE PRESIDENT HAS SEEN
3-31-97

THE WHITE HOUSE
WASHINGTON

March 28, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
CHUCK MARR

RE: Federal Retiree COLA Delay

Copied
Sperling
Marr
CS

Last week's NEC Weekly Report briefly discussed a meeting we had with Moe Biller, head of the Postal Workers Union. He expressed his concern about our COLA delay proposal. This memo responds to your request for more information on the issue, including specifically how much money is involved.

Summary of Main Points

1. The annual three month COLA delay, which saves \$1.7 billion over five years according to CBO, is one of three provisions in our budget that affect federal employees' retirement.
2. Our package is essentially what the Republicans had in their 1995 vetoed reconciliation bill. Additionally, we tentatively agreed to this during those prior aborted negotiations.
3. Our current package, which was the Republican end point in 1995, is an improvement over what Republicans proposed early on in their reconciliation process in 1995.
4. We enacted into law a similar COLA delay in 1993.
5. The problem today is that there are no other plans on the table and, therefore, the federal employee and retiree groups are focused primarily on our plan. The COLA delay is getting the most attention.

1. Federal Employee Retirement Provisions in our Budget

Our budget includes three proposals affecting federal employees' retirement: the three month COLA delay; an increased employee retirement contribution; and an increased agency retirement contribution. A policy argument in support of these changes is that federal retirement benefits are more generous than private benefits. This argument can only be taken so far,

however, because some federal employee salaries are below comparable private salaries.

Like many other proposals, this package is a way achieve budget savings with minimum harm. The three proposals include:

- **COLA Delay** - Our budget delays for three months federal civilian retiree COLAs during each of the five years 1998-2002. Instead of receiving a COLA on January 1st, the COLA would begin on April 1st. Foreign Service retirees would face the same delay, but military retirees would not be affected.

Budget Savings: CBO estimates that the COLA delay will save \$1.7 billion over five years, including \$383 million in 2002. OMB scores the proposal at \$1.5 billion and \$309 million respectively.

Impact on average retiree - For the typical retiree, the difference will be about \$146 per year.

- **Employee Contribution** - Federal employees are basically split into two groups regarding retirement benefits. The first group are people hired before 1984 and are participants in the Civil Service Retirement System or CSRS. The second group, post-1984 hires essentially, participate in FERS, the Federal Employee Retirement System. CSRS participants, who do not pay Social Security taxes, contribute 7 percent of their base pay towards their retirement. FERS members, who pay the 6.2 percent of Social Security taxes, contribute 0.8 percent towards their retirement benefit. Our budget phases in a 0.5 percent increase in this contribution for all employees, both FERS and CSRS. In 1999, the contribution would be increased by 0.25 percent, then another 0.15 percent in 2000, and finally 0.1 percent in 2001. According to CBO, this would reduce the deficit \$1.9 billion over 5 years and \$648 million in 2002. OMB respective totals are \$1.8 billion and \$621 million. These savings are counted as receipts.
- **Agency Contribution** - Our budget increases agency contributions for CSRS employees by 1.51 percent beginning October 1, 1997 and continuing through September 30, 2002. This would save \$2.9 billion over five years and \$577 billion in 2002, according to CBO, and \$3.0 billion and \$567 respectively according to OMB. Agencies would have to pay for this out of their discretionary budgets.

2. **Republican End-point in 1995**

Our current package is what was included in the final Republican reconciliation bill. It was developed in the Senate, mostly by Senator Stevens who was then the Chair of the Government Affairs Committee.

↙ Additionally, we tentatively agreed to this package during negotiations at that time.

3. An improvement over earlier Republican Proposals

Back in late 1995 at the end of the Republican reconciliation process, what is now our current package, then referred to as the “Stevens package”, was viewed as quite minor compared to what Republicans were contemplating earlier that year. To put it in perspective, on October 31, 1995, in a Washington Post column, under the headline of Thank Benefit Advocates, Mike Causey wrote:

“the bottom line: Feds will take two minor hits. Employee contributions to the Civil Service Retirement System and the Federal Employees Retirement System will go up 0.5 of a percentage point over three years. The government payment will jump 1.5 percentage points next year. Full COLAs for retirees will continue to be paid in April (instead of January) for the next seven years. The alternative might have been diet COLAs and other benefit cuts.”

Earlier in 1995, House Republicans moved on alternative proposals in this area that were more objectionable to the employee and retiree groups. These included:

- **Larger Employee Contribution Change** - As part of the “Contract With America” tax cut bill, the House in April, 1995 passed a 2.5 percent increase in the federal employee retirement contribution. This is five times the increase proposed in our current budget.
- **Change in Retirement Formula** - The federal employee retirement benefit formula is based on the highest three years of salary. As part of the same “Contract” tax bill, the Republican House voted to change the formula to reflect the highest five years and, thereby, reduce benefits.
- **Health Insurance Premium** - The House version of the reconciliation bill included a major change to federal employee/retiree health benefits. Under current law, the government pays 72 percent of the typical premium. The House Republicans tried to switch this to a flat dollar amount indexed to CPI. To the extent medical inflation exceeded overall inflation, federal employees and retirees would have had to pay more.

4. Similar COLA Delay was Enacted in 1993

In 1993, as part of our economic plan, we enacted into law a COLA delay for both civilian and military retirees. For civilian retirees, a three month COLA delay was enacted for the years 1994, 1995, and 1996. For military retirees, an even longer delay was enacted, including a three month delay in 1994 and nine month delay in 1995-1998. Subsequent legislation put the military retiree COLAs on the same schedule as the civilian.

This year, with the delays sunsetted, both civilian and military retirees received their COLAs on January 1st.

5. Ours is the Only Plan on the Table to Shoot At

The problem we confront is that ours is the primary plan on the table. There are no Republican alternatives to make us look good by comparison and the Blue Dogs do not have similar provisions in their plan.

The COLA delay is getting the most intensive focus. Representative Morella has a non-binding resolution, which was introduced on February 4th, with up to 159 cosponsors on it. A similar "No COLA Delay" Senate Resolution, introduced by Senator Sarbanes on March 13th, has 8 cosponsors to date.

THE PRESIDENT HAS SEEN

3-31-97

Sunday
These are all things
I think we should discuss
Bob

Copied
Berger
COS

17 Die in Albanian Gun Battle; President to Meet Relief Mission

TIRANA, Albania, March 27 (Reuters) — Seventeen people died in a gun battle today in central Albania, the most violent incident in two months of unrest in the former Communist state, the official news agency said.

It said the killings began when 16 armed people went to the village of Levan in central Albania and assassinated a local leader.

Local people in turn "surrounded the group and killed them all," the agency reported.

Much of southern Albania is ruled by armed rebels who blame President Sali Berisha for the collapse of several popular pyramid savings schemes in January. Thousands of people lost their savings in the fraudulent investment programs.

The news agency report said the 16 gunmen were killed by local people "now armed, as are many other people in Albania," and indignant at the killing of the chairman of the council of elders of Levan.

It gave no reason for the shooting of the chairman, nor did it name any of the dead or say which political groups they belong to.

On Friday Mr. Berisha is to meet European relief experts, led by a

Dutch diplomat, to discuss Albania's needs and a possible multinational force to insure that relief supplies get through.

Albania slid toward chaos earlier this month after protests touched off by the collapse of the savings schemes. More than 100 people have died in the unrest.

"There is general recognition in Europe that we can't do anything in Albania unless security improves," the Dutch diplomat, Jan de Marchant et d'Ansembourg, said today.

He said that Prime Minister Bashkim Fino and other ministers had agreed that a foreign security force was necessary and that Mr. Fino had requested assistance in overseeing elections this summer.

Asked about force numbers, Mr. de Marchant said: "If you want to do it really seriously, you need around 3,000 people. We are talking about the police, gendarmes or military police of some sort."

Six countries — France, Spain, Portugal, Italy, Greece and Austria — have military experts in Albania to prepare for a security force. Turkey and Romania have offered assistance.

Romania, Braving the Odds, Knocks on NATO's Door

By The New York Times

BUCHAREST, Romania, March 20 — Romania's leaders, in a quest Western officials view as quixotic, have been campaigning for their country to be included when NATO expands its ranks this year.

The Romanian officials stirring public enthusiasm for NATO membership acknowledge they are taking a chance, and that failure could lead to a backlash and a blow against democratic forces here.

Even so, Prime Minister Victor Ciorbea has declared NATO entry to be Romania's top national priority. Polls show that more than 90 percent of Romanians — bound together by centuries of distrust of Russia to the east — support joining NATO. The Government has appointed ex-King Michael as a special ambassador to promote the NATO cause.

Several NATO member nations have announced their support for Romania's entry, including France, Italy and Spain. The United States, Germany and Britain have remained noncommittal about Romania's prospects, and American officials say privately that the country's inclusion in the first round of NATO expansion is unlikely.

So strong is pro-NATO sentiment that it has helped Romania's politicians to take steps once deemed politically impossible. Even before the reform-oriented Emil Constantinescu won last November's presidential election over Ion Iliescu — the neo-Communist leader who emerged from Romania's violent 1989 revolution — the country had started grooming itself for the Western alliance.

A 1996 treaty improved long-bitter relations with neighboring Hungary, a likely NATO entrant. Another treaty is in the works to patch up differences with neighboring Ukraine. Both pacts have elicited cries of protest from Romanian nationalists, but both have solid mainstream support.

The armed forces, under the control of a civilian defense minister as NATO requires, are modernizing equipment and revamping training procedures to conform to NATO norms. Romanian troops have taken part in peacekeeping missions to Bosnia and other countries.

"Certainly, Romania is not on anyone's short list for early admission into NATO," said Joseph V. Montville, a NATO expert at the Center for Strategic and International Studies, a Washington research institute.

Mr. Montville noted that Romanians "seem to feel a special entitlement to post-cold-war Western acceptance because they claim descent from the Roman Empire and speak a Romance language." "Unfortunately for them, the West does not see the connection," Mr. Montville said.

Ignoring the fact that Romania was an ally of the Nazis through much of World War II, Romanians have invoked their "betrayal" at the 1945 Yalta conference on postwar Europe as moral justification for their admission to NATO.

The national daily Ziua recently published a broad sheet in English pleading with President Clinton not to let the July NATO meeting in Madrid become "another Yalta for Romania."

The paper's editor, Sorin Rosca Stanescu, said he did not believe the United States will let his country join and he said the disappointment will teach Romanians "a tough lesson from history" — not to count on the United States. "They have to learn to live without America," he said.

Mr. Rosca Stanescu forecast bleak consequences if Romania is left out of NATO, including "the discrediting of the democratic parties in Romania," political instability and mass emigration to Western European countries.

"If the people have security about the future, they can endure the costs of the reform now under way," he said, referring to the tough austerity measures Prime Minister Ciorbea unveiled in recent months. "Otherwise, they will not."

Azerbaijan Jails Ex-Aide

BAKU, Azerbaijan, March 27 (AP) — Russia sent Azerbaijan's former Prime Minister home today, and he was imprisoned on charges of plotting coups, the Itar-Tass news agency reported.

The official, Suret Huseinov, briefly seized control over several areas of Azerbaijan in 1994. After he was ousted he fled to Moscow, but he was accused of organizing coup attempts in Azerbaijan in 1995 and 1996. He also faces charges of involvement in drug trafficking.

President Heydar Aliyev has dealt harshly with political opponents and has insisted on the extradition of former officials who fled to Russia.

The New York Times

FRIDAY, MARCH 28, 1997

Protesting Privation, Millions of Russian Workers Strike

By MICHAEL SPECTER

ZHUKOVSKY, Russia, March 27 — In the last 10 years, Boris Kanishev has endured all the broken promises and flat-out lies a man can handle. A union leader in this city best known as the center of Russian airplane design, he has watched in dismay as the enormous industry has withered to nothing.

Mr. Kanishev considers himself a reform-minded politician. He voted for Boris Yeltsin in last year's presidential election because, he said today, "Communism is a thing of the past."

But early this morning Mr. Kanishev grabbed a bullhorn and rushed to the barricades, joining the largest strike against the Government since the Soviet Union dissolved.

Although the rallies were smaller than expected, the shout of protest rode the frigid air from Siberia to the Black Sea, as the nation's workers demonstrated against the deepening privation that has convulsed the nation in the years since Mr. Yeltsin introduced his first economic reforms. For Mr. Kanishev, the hardships have included eight months of unpaid wages.

The Russian police estimated that nearly two million people took part in today's national strike. Trade union officials said the figure was at least twice that. In either case, the turnout was far lower than the 21 million people who trade union officials had hoped might join.

Many simply stayed home, so conditioned to bad news that they had become convinced no solutions were possible. Yet hundreds of thousands trudged off to squares and meeting halls all over Russia to make plain their frustration and concern.

"If the masses show that they are unhappy with reforms, the Government will see that they have to do something," said Galina Vesilova, a 58-year-old former sewing machine operator, at a Moscow rally today near the Kremlin. "But I don't think there'll be any concrete results from this protest. If these reforms continue, we will just stay poor."

Peaceful but determined, nearly 100,000 people attended rallies in Moscow and in St. Petersburg, and there were formal protests in more than 1,200 other cities, according to the Interior Ministry.

No significant violence was reported. Many factories rarely make anything anyway, so the effect on production is expected to be minor. Still, the sentiment — weary, worldly, angry — was nowhere hard to detect.

"At some point you have to look at what has happened to your country," Mr. Kanishev said, in his office at the Central Aerodynamic Institute here, just 20 miles from Moscow. Once the largest such institute in the world, it is now more like a museum of aviation history than a center of innovation or design.

"We are on the edge of disaster here, and it is time the Government did something about it," he said. "When are we going to stop destroying this country so that a few hundred people can be richer than anyone else in the world?"

This town presents a stark example of Russia's steep industrial decline. Ten years ago, the institute employed 10,000 people. Today the

number is 4,000, and few actually work. They stay on out of desperate hope, few other possibilities and the knowledge that even without a salary, workers still receive many benefits — like inexpensive housing, food, health care and day care — that were principal benefits of Soviet life.

There are 100,000 people in this city, and Mr. Kanishev said today that they earned 3 percent of what they had a decade ago. "We use our cars as taxis," he said. "We farm, build dachas for rich people, sell what little we have. That is how scientists live in the new Russian world today."

So potent has the issue of back wages become — workers and pensioners are owed at least \$10 billion — that even the new reform Government realized it would be far more useful to try to harness the rage than to battle it. "People are right to protest," Mr. Yeltsin said today, apparently pleased that at least the strikes were orderly and peaceful. "People deserve to be paid."

Mr. Yeltsin has previously blamed others for the wage crisis. During last year's presidential election, he traveled from factory to farm, exhorting managers to pay their workers more money and more often.

But nobody is withholding wages in Russia out of spite. Tax revenues are anemic, there have been six straight years of economic decline, and the huge factories that helped define the old Soviet Union now lay mostly idled.

While there is a small but growing middle class in some major cities, those people work primarily in the private sector and are not dependent on the Government for income. Unfortunately those who do rely on federal income and subsidies are among the neediest people in the nation.

Although the Government released millions of dollars' worth of wages for teachers today, Moscow rarely delivers enough money to the country's regions for leaders there to pay their workers.

"I have been in the Government for a little less than a week," Boris

Nemtsov, the new First Deputy Prime Minister, told those rallying in Nizhni Novgorod, where he was the reform governor. "And it would be easier for me to step down than to meet your demands. But I am certain that the new Cabinet will manage to really change this situation and get your wages."

Many people here believe that if Mr. Nemtsov and his colleagues in the Government fail this time, they may not get another chance. And their task is formidable: they must begin to raise taxes more efficiently in order to have the revenue needed to pay people. But few enterprises are willing to pay their fair share of taxes, and the country has not developed its enforcement mechanisms so that people feel the need to pay.

In addition, many regions are battling with Moscow over how much of the federal budget they should be able to spend at their own discretion. For them, raising taxes and forwarding the money to Moscow is not always useful.

"We have given them their chance and they have failed," said Arkady Madzhenkov, a 70-year-old engineer who has worked here for 42 years. "When can we admit that?"

Rights Group Suspects Yugoslav Army May Have Chemical Arms

By PHILIP SHENON

WASHINGTON, March 27 — A prominent human-rights group suggested today that the Serb-dominated Yugoslav Army may still possess huge stores of chemical weapons. Researchers for the group, the Human Rights Watch Arms Project, issued a December 1993 report in which a Croatian general, a former senior officer in Yugoslavia's chemical weapons program, described how tons of chemicals needed for making nerve gas were moved into Serbia soon after the breakup of Yugoslavia in 1991.

While the researchers said they had no evidence to suggest that lethal chemical weapons had been used during the Bosnian civil war, they said in a report today that the Yugoslav Army might choose to use chemical weapons in any future battle.

"The possibility that chemical weapons may be used in the Balkans in the future cannot be discounted, especially in light of the likelihood that the Serb forces will not enjoy the enormous military superiority that characterized most of the Bosnian war," the report said. "Chemical weapons would be one more tool to

terrorize and kill unprotected civilians."

Before the breakup of Yugoslavia in 1991, the Yugoslav National Army was the region's largest, and its ranks included conscripts from all of the country's republics. Its officer corps was primarily Serbian. After the country's breakup it became the Yugoslav Army, the military force of the two remaining republics in Yugoslavia, Serbia and Montenegro.

The report said that the chemical weapons program "appears to remain active today" and is run by chemical weapons specialists who once belonged to the Yugoslav Na-

tional Army.

The researchers also made public what they described as an internal NATO report suggesting that the Yugoslav Army might also have conducted research on biological weapons.

A spokeswoman for the Yugoslav Embassy in Washington said she could not comment on the report since the embassy had not yet been provided with a copy.

During the war, the warring parties in the Balkans repeatedly accused each other of using chemical weapons, including nerve gas and blistering agents. The Bosnian Gov-

ernment acknowledged in 1992 that it had poison-gas weapons and has threatened to use them as a defensive measure against the Serbs.

The investigators for Human Rights Watch said their research suggested that the Bosnian military made chemical weapons during the war at a factory near the northern Bosnian city of Tuzla, although there was no conclusive evidence to show that the weapons were actually used.

Before the breakup of Yugoslavia in 1991, the Government there was known to have supported a large and sophisticated program to make chemical weapons, and the country's military was reported to have stocks of sarin, a nerve agent, as well as mustard gas.

The late Croatian general Zlatko Binenfeld, formerly a senior officer in the Yugoslav chemical weapons program, said in his 1993 report that the Yugoslav military put sarin in hundreds of rocket shells in the 1980's and prepared 40 tons of the chemical that is the principal precursor for sarin.

In early 1992, he said, the manufacturing equipment and chemicals were moved to Serbia from a storage area near Sarajevo, the capital of Bosnia and Herzegovina. Human Rights Watch said that it had obtained General Binenfeld's paper at a symposium on chemical weapons in Poland in 1993.

White House Explores Baltic Security Pact

No Commitment Made to Estonia, Latvia and Lithuania About Future NATO Membership

By Michael Dobbs
Washington Post Staff Writer

The Clinton administration is offering to negotiate a security agreement with the three Baltic nations in an attempt to ease concerns that they might be left out in the cold after the proposed expansion of NATO, according to U.S. officials and Baltic diplomats.

So far, however, Washington has stopped short of making any commitment that the three—Lithuania, Latvia and Estonia—eventually will be granted NATO membership, a step that would particularly irritate Russia.

The issue of how to deal with the Baltic countries is taking on new importance for Washington now that Russian President Boris Yeltsin has signaled that he is prepared to accept the admission of several former Soviet Bloc countries into NATO, albeit under protest. Russian officials have made clear that they will be much more assertive in opposing NATO membership for countries that formerly were part of the Soviet Union itself, such as the Baltic states.

The first round of candidates for membership in the North Atlantic Treaty Organization is due to be announced at a summit meeting in Madrid in early July.

While U.S. officials have refused to name the countries involved, it is widely assumed that the list is headed by Poland, the Czech Republic and Hungary. That in turn raises the question of what will happen to the countries that fail to make the first cut.

"What we fear is that either the door will be slammed shut [after the first round of admissions] or the whole issue will be pushed back for another 10 years," said Ojars Kalnins, the Latvian ambassador to Washington.

U.S. and NATO officials accept that the Baltic states, which the Soviet Union annexed at the beginning of



World War II, have made as much progress toward democracy and free markets as their southwestern neighbors since the collapse of communism. But their aspirations of joining NATO and otherwise exercising full autonomy on the international stage have been complicated by their sensitive strategic position on Russia's northwestern border.

To reassure the Baltic nations, and the politically influential network of Baltic ethnic groups in the United States, the Clinton administration has said repeatedly that the first wave of new entrants into NATO will not be the last.

But last September, then-Defense Secretary William J. Perry bluntly told

Baltic leaders that their countries were "not yet ready" for NATO membership, partly because they did not have the military capabilities needed to fulfill obligations to other members of the alliance. His comment provoked concern in the region that Washington was not prepared to risk a political confrontation with Russia over the Baltic states, which have a combined population of about 7.5 million and regained their independence in 1991 following the breakup of the Soviet Union.

Since last September, the Clinton administration has taken several steps to reassure the Baltic nations, including the announcement of a Baltic action plan to accelerate their political and economic integration with Western Europe. The plan includes support for a joint Baltic battalion and assistance in building a regional air-space control center for both civilian and military purposes that meets West European standards.

According to U.S. officials and Baltic diplomats, the United States also has been drafting a bilateral charter setting out its future relationship with all three Baltic countries. While work on the draft is largely complete, it still has not been shown to Baltic governments. U.S. officials explain the delay by saying that they have not decided exactly when to present the document.

In the meantime, Baltic governments and their supporters in the United States have been lobbying furiously to extract some concrete commitment from Washington on their NATO eligibility. The Joint American Baltic Committee, which claims to represent almost 1 million Baltic Americans, has organized a letter-writing campaign to support NATO membership for the three countries. A congressional resolution in support of the Baltic position sponsored by Rep. Gerald B.H. Solomon (R-N.Y.) is circulating on Capitol Hill.

"We need to have some commitment that the United States will help to prepare our membership into NATO," said Alfonsas Eidintas, the Lithuanian ambassador to Washington. "This is very important to us."

Until now, U.S. officials have not provided the Baltic nations with the specific assurances they have been seeking. The furthest they seem prepared to go in the proposed draft charter is recognizing the "aspiration" of the Baltic states to NATO membership.

Some Baltic officials have reacted skeptically to the proposed charter on the grounds that it amounts to little more than a political fig leaf for avoiding the hard issues involved in bringing their countries into NATO. The Lithuanians, in particular, have been insisting that the charter have real meaning and have hinted that they may be unwilling to go along with a purely symbolic document.

After talks with Secretary of State Madeleine K. Albright yesterday, Estonian Foreign Minister Toomas Hendrik Iivess said that he was "encouraged" by American assurances on the eligibility of the Baltic states for eventual membership. He said that he had been told that President Clinton rejected an attempt by Yeltsin in Helsinki last week to exclude the Baltic states from NATO membership.

Fears that the Helsinki summit would turn into a "Yalta II" turned out to be "unfounded," said Iivess, referring to the World War II meeting between Josef Stalin and Franklin D. Roosevelt that led to the division of Europe into opposing blocs.

U.S. officials say it will take four to six weeks to complete negotiations on the proposed draft charter. One possibility under consideration is for Clinton to invite the three Baltic presidents to sign the document with him in Copenhagen in early July after the Madrid NATO summit.

Italy Reformulates Budget To Qualify for Euro Currency

Fiat car empire, said he found "worrying" one measure included in the package that requires large firms to pay certain taxes in advance. Other key savings would be realized by delaying severance payments to government employees who leave or retire from their jobs.

Prodi earlier had secured approval of the budget package from powerful union lobbies and the Communist Refoundation, a party outside his coalition but on whose support he depends in the Chamber of Deputies, by agreeing not to touch pension and health benefits. He said, however, that he plans to begin talks with political parties in May on reforming the country's social welfare system.

Center-right opposition leader Silvio Berlusconi said he viewed the package "very negatively... because it does not cut privileges, waste, abuses and injustices" in public spending.

The so-called 'mini-budget' is an insult to the intelligence of Italians," said Rocco Buttiglione, leader of the small centrist Christian Democratic party, which is part of the opposition. "It's like a family that spends more than it earns and then to make ends meet decides not to pay its bills—to put it off until next year."

The center-right opposition was unlikely to affect the package's passage in Parliament because Prodi's coalition holds a majority in the Senate and has support from the Communist Refoundation in the Chamber of Deputies.

By Vera Haller
Special to The Washington Post
ROME, March 27—The Italian government today took what it said was a decisive step toward joining Europe's single currency when it adopted a supplemental 1997 budget designed to trim an additional \$9 billion from its deficit.

Prime Minister Romano Prodi said the move would allow Italy to meet a key requirement for joining European Monetary Union at its planned 1999 start: bringing the deficit within 3 percent of Italy's gross national product this year.

The 15.5 trillion lire package is primarily a mix of advance tax collection and delays in spending. It was met by immediate criticism from business leaders, whose companies will carry most of the burden, and from opposition politicians, who said it does nothing concrete to rein in government spending.

Prodi, leader of a center-left coalition, has made qualification for the euro, as the currency will be called, his government's top goal despite doubts expressed by some European partners, particularly Germany, that Italy will be able to put its public finances in order.

Business leaders warned that the budget unveiled a day after government statistics showed unemployment rising to 12.4 percent in January from 12.2 percent three months previously, could depress Italy's economy further.

Giovanni Agnelli, patriarch of the

The Washington Post

THURSDAY, MARCH 27, 1997

THE PRESIDENT HAS SEEN
3-31-97

THE WHITE HOUSE
WASHINGTON

March 28, 1997

On discuss by
regret
another meeting two

MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREETT

SUBJECT: SCHEDULING DECISIONS

CC: JOHN PODESTA & SYLVIA MATHEWS

ACCEPT:

Date of Event:

Description of Event:

4/1/97

Meeting to Discuss Ambassadorial Appointments
Staff Contact: Samuel Berger

4/3/97

Keynote Address at Memorial Event for Brown Crash
Staff Contact: Kitty Higgins

4/3/97

Photo-Op to Commemorate National Student-Athlete Day
Staff Contact: Maria Echaveste

4/11/97

Remarks to American Society of Newspaper Editors (ASNE)
Annual Meeting
Staff Contact: Mike McCurry

Apr. TBD

Briefing on Quadrennial Defense Review
Staff Contact: Samuel Berger

We are working with the NSC to find a date that works for
Sec. Cohen and Gen. Shalikashvili.

copied
Streett
COS

Apr. TBD

NBC Radio Interview to Preview Dodgers v. Mets Game Honoring Jackie Robinson
Staff Contact: Mike McCurry

Apr/May TBD

NBC Radio will be broadcasting a special on Jackie Robinson.

Off-the-Record Dinner with Journalists
Staff Contact: Mike McCurry

This group includes Al Hunt, Jules Witcover, Bob Healy, Gerry Seib, and Jack Nelson.

5/1/97

Photo-Op with the Boys and Girls Club of America's 1996 Youth of the Year Finalists
Staff Contact: Rahm Emanuel, Maria Echaveste

5/2/97

FDR Memorial Dedication Ceremony
Staff Contact: Maria Echaveste

5/16/97

Meeting with Ukrainian President Kuchma and Vice President Gore
Staff Contact: Samuel Berger

5/26/97

Memorial Day White House Breakfast and Wreath Laying Ceremony at Arlington Cemetery
Staff Contact: Kitty Higgins

6/27/97

Meeting with Australian Prime Minister Howard
Staff Contact: Samuel Berger

This visit will reciprocate the November Australia trip. Prime Minister Howard wants to build on the relationship initiated in November and consult on Asia Pacific security and economic issues. He will be facing a difficult trip to the United Kingdom to relate to the Queen that Australia may withdraw from the Commonwealth.

PENDING:

Date of Event:

Description of Event:

3/27/97 - 5/15/97

OK

Interview with Sander Vanokor for the History Channel's Special on JFK's Legacy

Staff Contact: Mike McCurry

This request was not a priority for McCurry, but he thought you might have an interest in this interview.

4/22/97 - 4/25/97

OK

Remarks with the First Lady at Reading is Fun Event

Staff Contact: Don Baer, Ann Lewis, Bruce Reed

The week of April 21 is Reading Is Fun Week.

Apr. TBD

OK

Meeting with Trevor Birney and Julian O'Neill

Staff Contact: Samuel Berger, Mike McCurry

Birney and O'Neill are the authors of a forthcoming book about your trip to Ireland in late 1995.

5/5/97

*Don
Shelley*

Interviews to Preview Trip to Mexico

Staff Contact: Mike McCurry

The Los Angeles Times and the Dallas Morning News have expressed interest in interviewing you before you travel to Mexico. This joint interview will focus on your agenda for the trip, as well as the overall US/Mexico relationship.

May TBD

*Why
then?*

?

Deliver Campaign Finance Reform Speech in Kentucky

Staff Contact: Rahm Emanuel, Susan Brophy

TBD

Osama

Meeting with Reverend Jesse Jackson

Staff Contact: Craig Smith, Minyon Moore

Rev. Jackson recently met with Erskine Bowles, and expressed a desire to meet with you to discuss the outcome of his education summit held in Chicago, IL, February 23-25.

REGRET:

Date of Event:

Description of Event:

3/28/97

Phone Call to Disabled Veterans Winter Sports Clinic in Crested Butte, CO

Staff Contact: Kitty Higgins

Mar. TBD

Photo-Op Presentation of the Papers of George C. Marshall

Staff Contact: Maria Echaveste

Another proposal will be submitted closer to the 50th anniversary celebration of the Marshall Plan.

4/13/97 - 4/19/97

National Crime Victims Rights Week Event

Staff Contact: Rahm Emanuel

The Department of Justice is scheduled to host an event in honor of National Crime Victims Rights Week.

Communications recommended the Justice Dept. handle this event due to time constraints on your schedule.

4/30/97

White House Reception for New York Delegation of the American Federation of Teachers

Staff Contact: Craig Smith

This is the same day as the lunch with Spanish Prime Minister Aznar and the Library of Congress Gala Dinner. We have recommended that a new proposal be submitted for an event with the national group.

Apr. TBD

Speech to Conference on American Global Leadership

Staff Contact: Samuel Berger

The NSC is not ready to move forward with this conference. The proposal will be resubmitted when appropriate.

6/18/97 - 6/21/97

Attend the Annual American Symphony Orchestra League Convention

Staff Contact: Maria Echaveste

March 1997
VP PUBLIC BLOCK

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1 Note: Colorado JJ / CT JJ
2	3 Arafat Visit/Globe Brfg Harris/Klain/Fuerth/ McGinty/Gibbons/ Wallman/Kamarck NACO remarks POTUS Cong Meeting Prep for Urban Dinners	4 Klain/Tilley/Hopkins/ Simon KS Call Time (60m) POTUS Cloning Event Sasser/McEntee/Interns	5 Cincinnati, OH Falmouth, KY Huntington, West Virginia Portsmouth, OH WV, KY, OH	6 Camp.Fin Reform Brfg Education Seminar -90m Hold 1 hour + RK Mtg. Klain/Tilley/Harris/Pink Sec. Daley Mtg/Romer Mtg.	7 Alvarez/Lieberman SwearingIn Chinese Scholars NCSL Remarks/Trumka Mtg	8 OH, WV, KY, TN Travel Note: House bipartisan retreat, PA
9 Anni of Cal NetDay Note: House bipartisan r...	10 Cal speech prep/Spriggs Recep Congressional Meeting Evening off Klain Time League of Cities Speech Mubarak working visit-3h	11 Chin Scholars / Japanese Am Ed Seminar-90m / Videos Fuerth/Tilley/McGinty/ Mason POTUS DC Evt/Eco Brfg. USCOMayors meeting	12 Democratic Lt. Govs' Mtg Hold 1 hour + RK Mtg. Mubarak Meeting 2 hours Natural Resource Def Cl POTUS Lunch Simon Party	13 Cal State Legislature - Sac State Party Fundraiser/ Ed Board/CEO's /Labor State Sen Dem Ldrshp mt California, RON San Bernadino	14 San Bernadino School Event	15 Gridiron dinner Gridiron prep day TX special election - Tejeda's seat
16 Phone call to Boston St. Patrick's Day breakfast	17 Campaign finance ref anc Chin Schol 90m EZ Conference prep 30 POTUS PMBruton Mtg/ Recep St. Patrick's Day	18 Albright meeting Asia Scheduling meeting Com Workers of America T Hilley meeting Justice Kennedy Asia Mtg	19 Gov Rntbl Asia 60m/ Shali 30 Hold 60-RK Megan Quinn Swearing In PNGV photo Urban dinner prep 30m	20 Asia Congressional mtg Education event Fam conf staff mtg 1hr Guggenheim meeting NA A's G in DC Event Speaker Call Yellen Swearing In (20)	21 Carter / Bush Asia Calls Event TBD Pena Swearing In POTUS Yeltsin meeting...	22 Easter Recess Asia travel
23 Arrive Tokyo / RON Tokyo Palm Sunday	24 Arrive Beijing / RON Beijing	25 RON Beijing	26 RON Beijing	27 RON Shanghai Visit Xian	28 Good Friday RON Seoul	29 Return NAVOBS apx. 9:00pm
Easter Recess						
Asia travel						
30 Easter Sunday No helo activity 3/31-4/3 Easter Recess	31 AGJ Bday/WH Egg Roll Dinner Prep/DGI Mtg NOTE: Goals 2000 Anniv Pension Evt/PNGV Evt					

February

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April 1997
VP PUBLIC BLOCK

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		1 Baseball Opening Day FCC Evt/Hussein Mtg. Hold 1 hour + RK Mtg. No helo activity 3/31-4/3	2 Amb Bagley meeting Enviro Mtg/Eco Brfg Note: Velasco last day POTUS Lunch/CA Annet Stroyev Mtg Urban dinner Prep	3 Mule Day-Columbia, TN 4/3-4/5 POTUS Auto Exec Mtg POTUS Guterres Lunch RB/Commerce Memorial	4 Chemical Weapons Event DC Net Day event (T) Note: CA Dem Pty Conv Portuguese reception	5																																																																													
		Easter Recess																																																																																	
6 AIPAC DC Dinner Daylight savings time 2:00 am <u>NOTE: Mule Day (Colu...</u> <u>Easter Recess</u>	7 Remarks to NIH Reinven- tion Conf Urban dinner Prep	8 PM Chretien State visit	9 Agutha Israel OEOB AIDS Action Comt Eve Chretien breakfast Hold 1 hour + RK Mtg.	10 EZ Conference Brfg (T) POTUS Lunch SEA Reception/Dinner	11 POTUS Schedule TBD/No VP Schedule	12 Illinois Dem Party Dinner -Springfield <u>Illinois, 2 stops tbd</u>																																																																													
13 Mikulski Fundraiser Nat'l Donor recognition event <u>Baltimore, MD</u>	14 EZ Conf Press/Brfg -T Foreign Policy Mtg 5-10	15 <u>EZ Conference Detroit</u>	16	17 Gore Sr's Annivary Hold 1 hour + RK Mtg. Intergov. Big 7 mtg-T WH Conf on Early Child- hood development	18 POTUS Lunch	19 Anniversary of Waco and OK City Net Day '97 w/POTUS																																																																													
		Ntl CRIME VICTIMS week																																																																																	
20	21 Note: Reiner children's event airs Sundown - Passover	22 Earth Day Enviro reception NAVOBS (T) Passover	23 Hold 1 hour + RK Mtg. Official working visit of Chirac (T)	24 Note DBC in Miami Note: anni Anti-terrorism signing POTUS Lunch	25 Official working visit w/Japanese PM Hashimoto	26 POTUS WH Correspon- dent's Assoc Dinner																																																																													
			Note: National Conf of Black Mayors, St. Louis, MO																																																																																
27 Philly's own service day <u>Note: National Conf of ...</u> <u>Citizens Service Summit Philadelphia, PA</u>	28 Service Summit opens 10am	29 Carter/Ford Latin Ameri- can Summit Service Summit closes 2pm <u>Atlanta, GA</u>	30 Hold 1 hour + RK Mtg.	March <table> <tr><td>S</td><td>M</td><td>T</td><td>W</td><td>T</td><td>F</td><td>S</td></tr> <tr><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td></tr> <tr><td>9</td><td>10</td><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td></tr> <tr><td>16</td><td>17</td><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td></tr> <tr><td>23</td><td>24</td><td>25</td><td>26</td><td>27</td><td>28</td><td>29</td></tr> <tr><td>30</td><td>31</td><td></td><td></td><td></td><td></td><td></td></tr> </table> May <table> <tr><td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>3</td></tr> <tr><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td><td>17</td></tr> <tr><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td><td>23</td><td>24</td></tr> <tr><td>25</td><td>26</td><td>27</td><td>28</td><td>29</td><td>30</td><td>31</td></tr> </table>			S	M	T	W	T	F	S	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31										1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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April 1997

HILLARY RODHAM CLINTON

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6	7 Tallahassee Chil- dren's Week	8 Chretien State Visit	9 New York, NY	10 Cherry Blossom Tree-Planting Diane Rehm (T) Radio & TV Corre- spondents' Dinner	11	12																																										
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13	14	15	16 Adoption Dinner (T)	17 White House Early Childhood Conf.	18 Beth Dosoertz Tea Mary Pipher- drop-by WLF Reception	19																																										
20 Mother/Daughter Banquet The King and I	21 Skip Rutherford	22 Earth Day Passover Bill Moyers & James Dunn (T)	23	24 Kentucky Author Forum	25 GMA Princeton Symposium	26 WH Correspon- dent's Dinner X-mas in April																																										
27 Gala	28 Awards Lunch Plenary	29 Carl Anthony Event Folger Library Event Larry King Volunteerism Lunch	30 Endowment Dinner [New York, NY] Library of Congr- ess Dinner [T]	May <table> <tr><td>S</td><td>M</td><td>T</td><td>W</td><td>T</td><td>F</td><td>S</td></tr> <tr><td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>3</td></tr> <tr><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td><td>17</td></tr> <tr><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td><td>23</td><td>24</td></tr> <tr><td>25</td><td>26</td><td>27</td><td>28</td><td>29</td><td>30</td><td>31</td></tr> </table>			S	M	T	W	T	F	S					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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National Service Summit, Philadelphia																																																

May 1997

HILLARY RODHAM CLINTON

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4 Eleanor Tiding Ditzen Party (T)	5 Interaction Reception	6	7	8	9	10 Sidwell Auction
11 Mother's Day	12	13	14 Senate Spouse's Lunch	15	16 Senior Breakfast	17
18 CA Endowment \$\$	19 Gov's Children's Conference	20	21 Congressional Club Lunch Women's Maga- zine Editors	22 Green Bay Packers Parents Magazine SAIS, John Hopkins	23	24
Los Angeles, CA						
25	26 Memorial Day	27 No School	28	29	30	31 85th Anniversary of Girl Scouts
Netherlands (T)				HOLD (poss travel)		

June 1997

HILLARY RODHAM CLINTON

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Rory Eakin's Potluck Dinner	2	3	4	5 Upper School Awards Ceremony/ Closing	6 Sidwell Commence- ment 10:30am	7
8	9	10	11	12	13	14
15 Father's Day	16 Arts & Embassies (T)	17	18	19	20 G-7 Summit Denver	21 G-7 Summit Denver
22 G-7 Summit Denver	23	24	25 Gore Family Conference Kellogg Foun- dation Confer- ence (T)	26	27	28
29	30 Georgia O'Keefe (T)	May S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 July S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31				

March 28, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Craig Smith *CS*

SUBJECT: 1997 and 1998 GUBERNATORIAL RACES

1997 GUBERNATORIAL RACES

NEW JERSEY	Christine Todd Whitman (R)
Filing Deadline:	April 10
Primary:	June 3
General:	November 4

Governor Christie Todd Whitman (R) is seeking reelection and is the favorite in this race. Whitman has already raised her state-imposed limit for the primary and will face no primary opposition. The Democratic primary on June 3rd will be between Rep. Rob Andrews (D-01), State Senator and Woodbridge Mayor James McGreevey (D) and former Morris County Prosecutor Michael Murphy (D). The primary is finally leaving the organizational stage and moving to the full campaign phase. During the organizational stage, Andrews received the early endorsements but McGreevey captured the late momentum by winning key organizational county votes. It now appears that the primary will be a tight contest between Andrews and McGreevey decided by media and organization in the key Democratic counties. Whitman was once considered a lock for reelection, but recent polling shows her below 50% in a match up against a generic Democratic challenger and indicates that 58% of New Jersey residents believe their taxes have risen under her leadership. Whitman must still be considered a solid favorite, however, because the economy is good and she is a great campaigner.

VIRGINIA	Open (R)
Republican Primary:	June 10
Democratic Convention:	May 10

Governor George Allen (R) is term-limited. The general election match up is already set because the filing deadline passed with only one candidate on each side. Lt. Governor Don Beyer (D) will face Attorney General James Gilmore (R) this November. Beyer and Gilmore have both raised about the same amount of funds and it appears that this race will be very close. A January Mason-Dixon poll showed Beyer leading Gilmore by a statistically irrelevant 1% (41%-40%), but the Beyer campaign maintains that its internal polling shows Beyer with a wider lead.

*Copied
Smith
CS*

1998 GUBERNATORIAL RACES

ALABAMA

Fob James (R)

Primary:

June 2

Governor James' (R) popularity has increased over the past two months due to his defense of a local judge's right to display the Ten Commandments in his courtroom. Currently, the judge's practice is being challenged in court, and Gov. James has pledged to use the national guard, if necessary, to protect the Ten Commandments. Lieutenant Governor Don Siegelman (D) is looking closely at the race, but he is unlikely to give up his safe seat unless James' approval rating tumbles. James may be opposed in the primary by 1994 Republican gubernatorial candidate and wealthy Montgomery businessman Winton Blount. James will be tough to be beat in the primary or the general election, however, because of the strong support he will receive from the religious right community in the state and across the country.

ALASKA

Tony Knowles (D)

Primary:

August 25

Governor Tony Knowles (D) will not face primary opposition but is expected to face stiff opposition from state Republicans and to encounter strong criticism of his handling of the oil exploration of the Arctic National Wildlife Refuge (ANWR). Republicans interested in the race are Senate President Mike Miller, former Senate President Drue Pearce and State Senators Robin Taylor and Loren Leman. The Republican nomination will likely go to Miller or Pearce. While the Republican legislature has been tough on the Governor, internal polls indicate that he remains popular and will likely be reelected.

ARIZONA

Fife Symington (R)

Primary:

September 8

Governor Fife Symington, who is facing trial on financial fraud charges, announced this week that he'll fight to keep his job and plans on running for a third term in 1998. If he survives the trial, it is likely that he will be challenged in the Republican primary by Secretary of State Jane Dee Hall. Hall, who served 16 years in the State House before being elected to her current post has been positioning herself since Governor Symington's financial problems surfaced four years ago. School Superintendent Lisa Graham Keegan (R) was the first statewide official to call for the Governor to resign. She has begun to reach outside of the education community in preparation for a possible bid. Another possible candidate is freshman Rep. Matt Salmon (R), who has said he would like to return to Arizona for family reasons but not leave the political arena.

State Democrats are hoping to capitalize on your historic win in the state and feel more confident about their chances of winning the gubernatorial seat than trying to unseat Senator John McCain (R). Former Phoenix Mayor Paul Johnson (D) and 1994 gubernatorial nominee Eddie Basha (D) are exploring the race. Much will depend on the Governor's trial, which should be completed by early fall. If the Governor is convicted, he is required by law to resign and the Secretary of State would succeed him. (There is no Lt. Governor post.) Both Basha and Johnson have indicated they would

run against Hall. A 3/1/97 poll by Bruce Merrill of the Cronkite School at Arizona State University shows the primary races to be wide open at present.

Republicans	Gov. Fife Symington	15%
	Sec. Of State Jane Dee Hall	11%
	U.S. Rep. Matt Salmon (R)	11%
	School Sup. Lisa G. Keegan	9%
	State Rep. Tom Patterson	6%
	Undecided	45%
Democrats	Grocery Chain CEO Eddie Basha	34%
	Former Phoenix Mayor Paul Johnson	21%
	Undecided	45%

ARKANSAS **Mike Huckabee (R)**
Primary Election: **May 21**

Governor Mike Huckabee (R) is generally perceived to have a high approval rating although there is no real sense that his support is very deep. The last private poll was done in February and showed him with a 74% job approval rating. Since then, he has been involved in a lackluster legislative session and has been involved in a controversy following a recent disclosure that one of the biggest vendors of his Lt. Governor's campaign was actually a company that he and his wife owned. The local newspaper is starting to make an issue of this.

The most likely Democratic candidate is James Lee Witt, who has not made a final decision. Other potential candidates are in a holding pattern. It is anticipated that a local interest group will be doing a poll sometime next month and better information will be available then.

CALIFORNIA **Open Seat (R)**
Primary: **June 2**

The Democratic primary is still undefined. Sen. Dianne Feinstein (D) is the big question, and she has said that she will not decide on the race until this summer. If she runs, other potential candidates, including Leon Panetta, will not run. If she does not run, the Democratic field is likely to be crowded and contentious. Odds are that she will run. In a 2/25/97 Field poll, the Democrats sorted out as follows:

Sen. Dianne Feinstein	37
Leon Panetta	17
Lt. Gov. Gray Davis	12
'94 Gub. cand. John Garamendi	8
Comptroller Kathleen Connell	5
NW Airlines Exec. Al Checchi	0

It appears that Republican Attorney General Dan Lungren will be unopposed in the Republican

primary. If so, he will enjoy a primary season free of negative campaigning and have the opportunity to define himself while the Democrats slug it out. Lungren is polling in the mid-30s with low negatives.

*Leo
Lungren
beat him*

This race is likely to be very expensive. In 1992, Wilson and Brown spent a total of about \$55 million for the primary and general elections. Feinstein and Dick Blum are considered competitive fund raisers; Davis currently has \$3.9 million on hand; Al Checchi is worth \$550 million. The other potential candidates are not known for having ready war chests. If Lungren runs against anyone besides Feinstein, he probably wins. However, Checchi, if he can get the nomination, will give Lungren a run for his money. If Feinstein runs, most people think she is the most likely to beat Lungren. Whether anyone can beat Lungren depends in part on how contentious the Democratic primary is and how much money Lungren raises.

COLORADO

Open Seat (D)

Primary:

August 11

Lt. Gov. Gail Schoettler (D) has indicated that she will run for governor in 1998. She may be challenged in the primary by State Senate Minority Leader Mike Feeley (D). She realizes the need to avoid a primary battle and has been actively raising money. The Lt. Governor is a great candidate but could use more visibility. Being a woman should be a plus in this race. The Republicans are going to run against 24 years of Democratic governors and a theme of "time for a change." A woman candidate would represent "change" without having to change parties. The leading Republican candidate, State Treasurer Bill Owens (R) is said to be a very good campaigner. While he represents a rural area, he has been preparing for this race for some time. He is very conservative, but has successfully portrayed himself as a moderate. The race is currently considered a toss-up.

CONNECTICUT

John Rowland (R)

Primary:

September 15

Governor Rowland was elected with only 36% of the vote in 1994 -- narrowly defeating Bill Curry (D) who received 33% of the vote. A February Quinnipiac poll showed Rowland with a 63% job approval rating. Rowland is in very good shape currently, but he could be vulnerable against a strong Democratic candidate. The field of Democratic candidates is beginning to take shape. Bill Curry, the '94 Democratic nominee, and little known real estate executive John Nussbaum have formed exploratory committees. Other prospective Democrats are Attorney General Richard Blumenthal, Secretary of the State Miles Rappoport, House Speaker Tom Ritter, ex-Senate President Pro Tem Jon Larson, who lost to Curry in the '94 primary, Bridgeport Mayor Joe Ganim, and Rep. Barbara Kennelly. The prospect of a multi-candidate primary could leave the winner too poor to seriously challenge a well-funded Rowland. Kennelly and Blumenthal are believed to be the most formidable opponents to run against Rowland.

FLORIDA

Open Seat (D)

Primary:

September 9

Governor Lawton Chiles (D) is term-limited. The only announced Democratic candidate is Lt.

✓ Governor Buddy MacKay (D). MacKay has started to raise money and has received a lot of positive press for his handling of the City of Miami bankruptcy crisis. It appears that conservative State Senator Rick Dantzler (D) will oppose MacKay in the primary. The only question on the Democratic side is the status of the very popular Attorney General Bob Butterworth (D). Though Butterworth has said that he will not run against MacKay, he has yet to announce his intentions because he is hoping that MacKay will drop out of the race. The Republican nomination was thought to be a lock for 1994 Republican nominee Jeb Bush (R), but there is now talk of State Senate President Toni Jennings (R) and State Sen. Mario Diaz-Balart (R) running as a ticket in the primary. The combination of Jennings, a Central Florida pro-choice woman, and Diaz-Balart, a Cuban from South Florida, could provide Bush with a real challenge in the Republican primary. The general election promises to be very close no matter who is on the ballot. An *Orlando Sentinel*/Mason-Dixon poll of 810 people conducted March 21-24 confirmed how close the race is likely to be. The poll showed Bush ahead of MacKay 45% to 43% with 12% undecided.

General Election Match up

Bush	45%
MacKay	43%
Undecided	12%

Favorability Comparison

	Favorable	Unfavorable	Total Name Recognition
Bush	43%	33%	86%
MacKay	40%	17%	57%

While Bush would still be considered a slight favorite, this poll demonstrates that Bush has much higher negatives and that the two candidates' favorability ratings are very close even though MacKay has much lower name recognition. The key factor for MacKay will be whether or not he can raise the necessary funds to raise his name recognition and take advantage of Bush's negatives.

GEORGIA

Open Seat (D)

Primary:

July 21

Governor Zell Miller (D) is term-limited. The Democratic primary for governor will be a dogfight with several major office holders running for the nomination. Lieutenant Governor Pierre Howard (D), State Representative Roy Barnes (D) and state Secretary of Labor David Poythress (D) are all planning to run. Howard and Barnes are considered the favorites. For the Republicans, Attorney General Mike Bowers is expected to run. It is also possible that Guy Millner, who lost to Max Cleland in the U.S. Senate race last fall and to Governor Zell Miller in 1994, might make one more attempt at elective office. The general election will be very close regardless who the two party's nominate.

HAWAII

Ben Cayetano (D)

Primary:

September 19

Governor Ben Cayetano (D), whose current approval rating is at a four-year low, has announced that he will run again in '98 and has begun local outreach meetings. Cayetano reluctantly cut spending

IDAHO **Phil Batt (R)**
Primary: **May 26**

ILLINOIS	Jim Edgar (R)
Primary:	March 17

U.S. Attorney General Jim Burns (D) is considered to be a possible sleeper in the race. Burns was Neil Hartigan's running mate in his 1990 gubernatorial bid and has fairly good name recognition. Although he would have a hard time winning a primary battle because of his "law and order" position, he would make a viable candidate in the general election. Former Attorney General Roland Burris is also considered a likely candidate. Burris has been spending a great deal of time courting Jesse Jackson and attending the Operation PUSH/Rainbow forums. Burris could be a viable candidate in a crowded field but will need to shore up his base in Chicago. This race currently leans Republican.

IOWA	OPEN (R)
Primary:	June 2

Gov. Terry Branstad (R) recently announced that he will not seek a fifth term and endorsed Sen. Chuck Grassley (R). This puts considerable pressure on Grassley, who state Republicans feel is the

only other candidate who can beat Sen. Harkin (D). Grassley has said he will make his plans for '98 known by the end of April. Before Branstad's announcement, most observers were predicting that Grassley would seek reelection next year. Sen. Harkin is very interested in the gubernatorial race but his wife, Ruth, is not a fan of the idea. If Harkin is successful in forcing Grassley out of the race, he might drop the idea of a run next year. At that point, Branstad may reconsider the race. David Oman, a wealthy businessman and former chair of the state Republican Party, has indicated that he will run no matter who is in the race. Several Democratic state legislators will enter the race if Harkin does not. Even if Grassley and Branstad stay out of the race, Harkin is still the Democrats' only hope of winning this seat.

KANSAS

Primary:

Bill Graves (R)

August 4

Though Governor Bill Graves (R) has very high approval ratings, he is very unpopular with the right wing of his party because of his actions on abortion and taxes. His most recent call for a truce between Republican Party conservatives and moderates has drawn a deeper line in the sand. It is possible that he will be challenged in the primary by Speaker Tim Shallenburger (R). State Insurance Commissioner Kathleen Sebelius (D) has expressed her interest in the race to party leaders.

MAINE

Primary:

Angus King (I)

June 9

Governor Angus King (I) is very popular and is likely to seek reelection. King is such a heavy favorite that Democratic party leaders are worried that their candidate may be unable to get the 5% necessary to retain their major party status. The possible Democratic candidates are House Speaker Libby Mitchell and State Rep. George Kerr. The possible Republican candidates are former GOP State Chair Ted Amero (R) and State Senator Phil Harriman (R).

MARYLAND

Primary:

Parris Glendening (D)

September 15

Governor Parris Glendening (D) will seek reelection and has raised over \$1 million in order to scare off any possible primary challengers. After his narrow election (6,000 votes) and accompanying election investigation, the Governor had a series of problems that left his approval rating below 30% during the summer of 1996. Since October 1996, Glendening has improved his situation by fighting against gambling and fighting for education and an income tax cut partially funded by a raise in the state cigarette tax. The state's economic interests based in Baltimore have never liked Glendening. In recent months, they have tried to promote four possible Democratic primary challengers: Rep. Ben Cardin (D-03), Hartford County Executive Eileen Rehrmann (D), Baltimore County Executive Dutch Ruppersberger (D), and Speaker of the House of Delegates Cas Taylor (D). Cardin, who has tempted Maryland Democrats before with talk of a gubernatorial run, is hesitant to leave his safe seat, but has said he will consider running if it means keeping the Republicans from capturing the governor's mansion. Rehrmann would have a difficult time raising the necessary funds, but reportedly she plans on running in order to promote joining the Cardin ticket if he runs. Taylor has

had problems with his agenda this legislative session and does not have a base of support for a statewide Democratic primary. Ruppertsberger has announced he is running for reelection as County Executive. Therefore unless things get worse for Glendening, he will most likely be the Democratic nominee in spite of all his problems. 1994 Republican nominee Ellen Sauerbrey (R) is expected to get a rematch with Glendening, but it now appears that she will have to battle Howard County Executive Chuck Ecker (R) in the Republican primary. If the moderate Ecker wins the primary, Glendening would have real problems in the general election. If Sauerbrey wins the primary as expected, the race will be very close but Glendening will likely prevail. Last summer, Sauerbrey was the only major political figure in the state with approval numbers as low as Glendening's.

MASSACHUSETTS **Bill Weld (R)**
Primary: **September 15**

Governor Bill Weld (R) has consistently said he would seek only two terms but is now reconsidering a bid for a third term. Weld is the key factor in the race, and many Democrats in Massachusetts would like to see him move to another position. If Weld seeks reelection, it would most likely set up another gigantic race in Massachusetts (much like Kennedy-Romney in 1994 and Weld-Kerry in 1996), this time against Rep. Joe Kennedy (D). Kennedy has not yet announced his candidacy, but would be heavily favored to defeat the other possible Democratic candidate, Attorney General Scott Harshbarger (D). If Weld does not seek reelection, there will be a Republican primary contest between State Treasurer Joe Malone (R) and Lt. Governor Paul Cellucci (R). Malone would be the favorite in this primary. In a general election without Weld, Kennedy would be the favorite over Malone.

MICHIGAN **John Engler (R)**
Primary: **August 11**

Governor John Engler (R), who has not yet announced whether he will run again, received mixed reviews in an EPIC/MRA poll of 600 registered voters conducted 3/11-3/12.

ENGLER JOB		IF ENGLER RUNS AGAIN WOULD YOU	
Excellent	15%	Vote to reelect	34%
Pretty Good	39%	Consider someone else	27%
Just Fair	27%	Vote to replace	28%
Poor	17%	Undec./DK	11%

ENGLER JOB APPROVAL IN....

	TOTAL POSITIVE	TOTAL NEGATIVE
Reforming welfare	60%	33%
Improving education	37%	53%
Addressing crime & drugs	31%	57%
Controlling taxes & spending	39%	55%
Maintaining roadways	7%	89%

Engler's total positive rating is 54% -- up from 50% a month ago and down from 62% last July.

Engler has refused to push an increase in gasoline taxes to rebuild roads and bridges, a fact that seems to be reflected in his extraordinarily low approval ratings on maintaining the state's roadways. He continues to receive high marks for his handling of welfare reform. Former East Lansing Mayor Larry Owen, former U.S. Department of Labor official Doug Ross, State Senator Jim Berryman, and State Representatives John Agee and Karen Willard have begun organizing their campaigns for the Democratic nomination. Former Senator Don Riegle and State Rep. John Freeman are considering the race as well. None are considered particularly strong candidates against the incumbent or in an open race. If Engler decides not to run, State Senate Majority Leader Dick Posthumus would become the Republican frontrunner though other local officials and members of the congressional delegation would consider the race as well.

MINNESOTA

Open Seat (R)

Primary:

September 8

Popular liberal Governor Arne Carlson (R) is retiring. State Sen. Roy Terwilliger (R) became the first Republican (of many to come) to announce his candidacy for governor. Terwilliger is unlikely to win the right-wing state party's endorsement. Lt. Gov. Joanne Benson and St. Paul Mayor (and recent party switcher) Norm Coleman are the two top Republicans most often mentioned for this race. Four Democrats have begun assembling their campaigns: former State Sen. Ted Mondale, Attorney General Skip Humphrey, Hennepin County Attorney Mike Freeman and former State Auditor and multi-millionaire Mark Dayton. Though most observers now give Humphrey the edge in the Democratic primary, the race could change significantly with a party endorsement or if a woman enters the race. It is possible but unlikely that former Rep. Vin Weber will run.

NEBRASKA

Open Seat (D)

Primary:

May 12

Governor Ben Nelson, the Democratic nominee for U.S. Senate in 1996, is term-limited. Lt. Governor Kim Robak has been raising money and polling in anticipation of a gubernatorial run. Robak stresses the need to rebuild the state party and field organizations in order to prevail. Republican frontrunner State Auditor John Breslow (R) has been very busy attacking the Governor and Lt. Governor and raising funds for the last two years. Other Republicans interested in the race include Secretary of State Scott Moore and former U.S. Senate nominee Jan Stoney.

NEVADA

Open Seat (D)

Primary:

September 1

Governor Bob Miller (D) is term-limited. Attorney General Frankie Sue Del Papa (D) is polling and assembling a professional campaign staff in anticipation of a run for governor. Republican investment banker and former UNLV president Kenny Guinn announced his intention to run for governor two years ago and has been actively campaigning since then. Lt. Gov. Lonnie Hammargren (R) may enter the race. While the Lt. Governor has statewide name recognition, he has not been able to raise money because Guinn has locked up the financial support of business leaders and the gaming industry in the state. While the early line is that Del Pappa is the more

popular, the concern is that she will be badly out spent, making this a toss-up.

NEW HAMPSHIRE **Jeanne Shaheen (D)**
Primary: **September 8**

Governor Jeanne Shaheen (D) is having moderate success moving her legislative agenda through the heavily Republican legislature. Shaheen's approval rating is above 70%, and New Hampshire traditionally reelects first term governors because they have only two years to get anything done. The Republican primary is likely to be a very negative battle, much like 1996. Likely candidates are State Senator Jim Rubens (R), 1996 primary candidate and former Congressman Bill Zeliff (R) and 1996 nominee Ovide Lamontagne (R). Though no Democrat can be a sure bet in New Hampshire, Gov. Shaheen is a favorite to win reelection.

NEW MEXICO **Gary Johnson (R)**
Primary: **June 2**

Governor Gary Johnson (R) is expected to seek reelection. Though he will likely face opposition in his primary from 1994 Republican Senate nominee Colin McMillan, Johnson will prevail. Albuquerque Mayor Martin "Marty" Chavez (D) is expected to enter the race and win the Democratic primary. In public and private polls Chavez has held a 5-7-point lead over the incumbent governor. Other possible Democratic candidates include Attorney General Tom Udall, House Speaker Raymond Sanchez, state Auditor Robert Vigil, former Governor Toney Anaya, former Governor Jerry Apodaca, former Lt. Governor Casey Luna, Gary King, son of former Governor Bruce King and Cate Stetson, an attorney and party activist. If Chavez comes out of the Democratic primary strong, he could unseat Johnson.

NEW YORK **George Pataki (R)**
Primary: **September 8**

Gov. George Pataki (R) is unopposed in the Republican primary and has over \$5 million in the bank, much of it funneled from committees controlled by Senator D'Amato. However, a Marist College Poll conducted March 17-19 of 603 registered voters showed Pataki below 50% in matchups against some possible Democratic opponents.

General Election Matchups:

Pataki	46%	Pataki	49%	Pataki	54%	Pataki	55%
M. Cuomo	46	Schumer	28	McCall	30	LaRocca	20

Pataki Job Approval:

	<u>NOW</u>	<u>3/96</u>
Excellent	6%	6%
Good	41	33
Fair	38	40
Poor	12	17

OHIO **Open Seat (R)**
Primary: **May 5**

OKLAHOMA	Frank Keating (R)
Primary:	August 5

OREGON	John Kitzhaber (D)
Primary:	May 19

PENNSYLVANIA	Tom Ridge (R)
Primary:	May 19

Governor Tom Ridge (R) is seeking reelection in 1998. He will face no Republican primary challenge and has raised over \$5 million. However, according to a February poll his approval rating is only 53%, and he has been far from dynamic. Unfortunately, Democrats have been unable to find a formidable candidate. Philadelphia Mayor Edward Rendell (D) said he will not run because he

promised the city he would finish his term as mayor. The only Democrat talking of running is the 1994 Democratic nominee, former Lt. Governor and current Democratic State Chair, Mark Singel. Ridge would be the favorite against Singel, especially with his financial advantage.

RHODE ISLAND **Lincoln Almond (R)**
Primary: **September 15**

Governor Lincoln Almond (R) appears to be running for reelection. However, some observers believe that he is trying to set up his Lt. Governor, Bernie Jacvony, to be the Republican nominee. Almond appointed Jacovny, his old friend and financial supporter, Lt. Governor when Bob Weygand left the post earlier this year to become a member of Congress. Promoters of this theory point out that Almond's schedule is very light and that he is rumored to be tired and suffering a great deal from arthritis. Former State Senator and 1994 Democratic nominee Myrth York (D) and State Senate President Paul Kelly (D) are running for the Democratic nomination. Former Warwick Mayor and two-time gubernatorial candidate Frank Flaherty (D) and U.S. Attorney Sheldon Whitehouse (D) are also considering running. York will be the favorite in the primary, but will continue to be labeled by her opponents as a liberal because of a welfare reform bill she sponsored in the State Senate that stressed training, day care, and health insurance. If Almond seeks reelection he would be a slight favorite (his approval rating is only 50%) because the state's economy is finally recovering, which has made budgetary decisions easier.

SOUTH CAROLINA **David Beasley (R)**
Primary: **June 9**

Governor David Beasley (R) is seeking reelection. Beasley has used the issue of the confederate flag atop the state capitol to move back and forth from the conservative wing of his party to a more moderate position for the general electorate. When he ran for governor in 1994, he promised not to remove the flag and marshaled the support of the state's right wing to victory. In 1996, when it appeared that he would be facing a formidable Democratic opponent, Mayor of Charleston Joe Riley (D), Beasley switched and supported a proposal to remove the flag. After Riley announced he was not running, Beasley pulled his support for the proposal to appease the right wing of his party. It appears that this flip-flopping has angered the conservatives, and Attorney General Charlie Condon (R) is considering challenging Beasley in a primary. Furthermore, the leader of the pro-flag group, State Senator Glenn McConnell (R), is talking about punishing Beasley by creating a conservative third party. Beasley is still likely to survive all these problems within his party, but hopefully he will be wounded by it. This week South Carolina Democrats lost a second strong gubernatorial candidate when Charleston College President Alex Sanders announced he would not run in 1998. The remaining Democrats considering running are former SBA Director Phil Lader, State House Minority Leader Jim Hodges, former State House Speaker Bob Sheheen, and former Lt. Governor and 1998 gubernatorial nominee Nick Theodore. Hodges would be the favorite to win the nomination if he runs. Unless Beasley is badly bloodied by the Republican infighting, it is unlikely that any of these Democratic candidates will be able to defeat him.

SOUTH DAKOTA **Bill Janklow (R)**
Primary: **June 2**

Popular Governor William Janklow will likely seek and win reelection. He has boosted his significant favorable rating by following through on his campaign pledge to reduce property taxes. While a tough race for Democrats, State Senator Bernie Hunhuff (D) and former State Senator Lars Herseth (D) have expressed interest in challenging Janklow.

TENNESSEE

Don Sundquist (R)

Primary:

August 6

No Democrat has announced a challenge to Governor Sundquist (R). There are several prospective Democratic candidates including Rep. Bob Clement, Clayton McWhorter and Bill Purcell. Governor Sundquist's latest numbers are not good (low 40's), and many people think he can be beat. However, no Democrat currently considering the challenge has money or a statewide organization. The State Party, under Houston Gordon's direction, is trying to find a consensus among the prospective candidates.

TEXAS

George Bush (R)

Primary:

March 10 (legislation pending to move date)

It is widely believed that Governor George W. Bush (R) will run for reelection in 1998, but he has not officially announced his candidacy. Bush will face no opposition in the Republican primary and will be a strong opponent in the general election. It is estimated that Bush currently has about \$11 million in campaign funds, and many believe he is positioning himself for a presidential run in 2000. He has recently traveled to South Carolina, Oklahoma and Florida for Republican party events. Bush's widely-criticized tax reform bill was dead on arrival in the state legislature, but this has not yet had a negative impact on his approval rating. In February, his favorability rating was about 70%. On the Democratic side, Land Commissioner Garry Mauro (D) and State Comptroller John Sharp (D) plan to open campaign offices soon. Mauro has held the Land Commissioner position for 16 years. Sharp has been State Comptroller for eight years. Both will have to give up their seats to challenge Bush. Sharp will not run, however, unless Bush comes out of the session more vulnerable than he is now. If Sharp and Mauro both run, Sharp has the fundraising advantage whereas Mauro has a field/grassroots advantage. Most believe that the superior field organization has the edge in a primary contest. The primary is usually held in March but there is a bill in the legislature to move the primary from March to May. It has strong support on both sides.

VERMONT

Howard Dean (D)

Primary:

September 8

Governor Howard Dean (D), chairman of the Democratic Governors Association, will be seeking his fourth full two-year term in office. Dean is still immensely popular in Vermont with an approval rating around 70%. It is unlikely that Dean will face any primary opposition but if he does, it will most likely come from the left. There has been no discussion of Republican challengers.

WISCONSIN

Tommy Thompson (R)

Primary:

September 9

Governor Thompson is well-positioned for reelection. He remains popular and has already amassed \$1 million for his campaign. Dane County Executive Rick Phelps is considering this race and the open House seat in Madison, which is being vacated by Rep. Scott Klug (R). Milwaukee Mayor John Norquist and state legislative leaders are trying to draft Senator Herb Kohl for the gubernatorial race, but some who know Kohl well think it is unlikely that he will get in the race.

WYOMING

Primary:

Jim Geringer (R)

August 18

Governor Jim Geringer will seek reelection and is expected to face Democratic State Senator Guy Cameron (D) in the general election. Cameron is expected to announce his candidacy late this summer. In the 1994 race, Geringer easily prevailed over then-Secretary of State Kathy Karpan (D), carrying all but one county.

THE PRESIDENT HAS SEEN
3-31-97

THE WHITE HOUSE
WASHINGTON

March 28, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
JACK LEW

U.S. Gov
Nawley

SUBJECT: Report on Budget Meetings

Following up on your budget meeting last week, we spent much of this week in meetings with House and Senate budget staff, both Democrats and Republicans, to explain our budget proposals on a broad range of issues and to begin to explore the areas of disagreement between us in preparation for meetings with the members and our budget team after the congressional break.

While the meetings were very preliminary and did not launch any true negotiations, they have been very positive and helpful. In each area, there have been suggestions about alternative approaches that warrant consideration, and we agreed to take back these items for analysis and further discussion next week. Overall, the meetings have been as productive as preliminary conversations can be. On both sides, work on numerous follow up items will hopefully frame the discussions for members and the full budget team when the principal level meetings resume. We will have a much better sense of how much progress we are really making when those meetings begin the week after next.

The meetings this week covered Medicaid, expanded health care coverage for kids, welfare, and the defense and international components of discretionary spending. Next week the meetings will cover Medicare, non-defense discretionary spending and other mandatory issues (such as spectrum).

Administration participation at the meetings has been limited to ourselves, White House Legislative Affairs, and White House/OMB policy experts in each area. Congressional participation in all but the health sessions is limited to budget committee staff. For the health meetings, the authorizing committees have also been represented. All of the meetings have been kept confidential and there have been no substantive leaks.

The highlights of the meetings are briefly summarized below:

- Republicans -- particularly Dominici's staff -- have sought to frame the issue in a way that puts a strong onus on us to justify any new program or benefit expansions, nonetheless, the Republican staff was clearly concerned that they are vulnerable on kids health. They made several alternative suggestions to expand coverage which we are following-up on to discuss further with them. Even if the specific suggestions turn out not to be productive, the direction of the conversation was encouraging.

-  -- There is an encouraging openness to discussing legal immigrant restorations. Opposition to the food stamp restorations appears to be much deeper from Kasich's people, particularly on Welfare-to-Work issues involved and whether our money shouldn't come later because TANF has funds now, and concern over the creation of new programs on top of TANF. *↳ But can they be used for food stamp*
- Senate Republicans are more supportive of our Medicaid per-capita cap than the Democrats; yet it is also clear Republicans will be unlikely to give Medicaid expansion for children's coverage without a Medicaid budget constraint.
- There is support from Republicans for our Welfare-to-Work tax credit.
- Defense spending in the out years appears to be bounded by our budget, which is greater than the congressional level from last year's budget resolution. It will be difficult to reconcile their desire for higher spending in the short term on congressional adds with our desire to fund a long term defense program. When we discuss non-defense discretionary spending next week the very difficult issue of total discretionary spending will be joined more fully.

On the technical question of how to score defense outlays, which will be crucial to producing a declining deficit in FY 98 under the new CBO baseline, we made good progress and agreed to OMB/CBO technical meetings with the budget committees.

 On foreign affairs spending we had a very useful discussion on the UN and MDB arrearages. While they in no way accepted our proposed levels, they devoted a good deal of time to pursuing technical questions about how to guarantee that funds allocated for arrearages might be "fenced" both to ensure that reforms are accomplished and to ensure that appropriators did not reallocate the resources.

 The issue of "firewalls" within discretionary spending will be a significant issue. We should keep quiet on this and work internally to see if this can or cannot work to our advantage.

THE PRESIDENT HAS SEEN

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Economic Scene | Peter Passell

How much is the environment worth? A step toward answers.

HOW much, in dollars and cents, is the environment really worth?

No, this isn't a column about some bean counter who has found a clever way to put a price tag on sea otters or redwoods. Nor, for that matter, is it a tree-hugger's essay on the ineffable value of spaceship earth. Rather, it's about the pioneering efforts of some practical ecologists who are eager to make common cause with economists to create self-sustaining markets for "environmental capital."

The idea, explains Gretchen Daily, a biologist at Stanford University and the editor of "Nature's Services" (Island Press), is "to assess what we know about the tangible value of environmental resources" like watersheds and pollinating insect species. That, she argues, should set the stage for creating revenue-producing institutions — public or private — that make it profitable to invest in environmental resources, much the way one invests in physical infrastructure.

Ask your typical environmental activist how much a first-growth forest should sell for and you're asking for a fight. After all, there's much more to a stand of ancient trees than their value for recreation and lumber.

But the reflexive answer, that first-growth forests (or endangered species or pristine air over the Grand Canyon) have value beyond measure, is no answer at all. "Whether we know it or not," Ms. Daily argues, "we set implicit values" by choosing to preserve some portions of the environment and letting others go by neglect or economic development. So Ms. Daily, who has hugged a tree or two in her day, favors a less confrontational strategy.

The authors of "Nature's Services," which was largely underwritten by the Packard and W. Alton Jones Foundations and the Pew Charitable Trusts,



lay out the basics of how big ecological systems protect everyday human activities and, in particular, how relatively small changes can cause devastating losses. "There are big-time non-linearities here," confirms Donald Kennedy, a former commissioner of the Food and Drug Administration and a contributor to the book.

But the nitty-gritty of "Nature's Services" consists of a dozen overview essays on the tangible value of services from various sorts of environmental capital. Gary Nabham of the Arizona Sonora Desert Museum and Stephen Buchmann of the Department of Agriculture survey research on insect pollination, finding that the substitution of domesticated pollinators for wild pollinators would reduce the value of 62 crops in America by \$1.6 billion annually. Katherine Ewel of the United States Forest Service found that specially constructed wetlands — in plain-speak, swamps — can treat waste from small towns at one-third to half the cost of steel and concrete. Norman Myers, a British researcher, documents the multibillion-dollar insurance value of preserving wild feed grains that offer resistance to plant diseases.

More often than not, Ms. Daily concludes, "modern technology is an expensive substitute" for

environmental systems that have evolved over very long periods. Hence, she argues, it usually pays to protect (or enhance) natural systems, even if one ignores their intangible benefits.

In some cases, this knowledge alone should be enough to transform world-weary politicians into environmentalists. Graciela Chichilnisky and Geoffrey Heal, economists at Columbia University's Program on Information and Resources, estimate that New York City's investment of some \$660 million in development rights in the Catskills watershed will spare the city the \$4 billion cost of building and operating new water purification plants over the next decade.

Environmental capital for drinking water sits on the easy end of the spectrum. Governments are already comfortable with the idea of investing in clean water and covering the costs by charging by the gallon. What about the tougher cases, like insect pollination, where everybody benefits and there is no customary way of recouping outlays?

Ms. Chichilnisky and Mr. Heal would take the general approach a step further, selectively "privatizing the biosphere" by writing contracts with private corporations to invest in conservation and sell the services. Some obvious candidates: flood control, eco-tourism, marine fisheries, carbon sequestration in trees and plant and insect species diversity to assist agriculture and pharmaceutical synthesis. "If Enron can compete with the old regulated utilities in energy sales," Mr. Heal asks, "why couldn't they sell watershed services?"

Hard-line environmentalists are right in the sense that markets can't be expected to price intangible environmental services — wilderness preservation, species survival — according to society's long-term values. On the other hand, the authors of "Nature's Services" argue, the best need not be the enemy of the good. And privatization may be an answer where tangible environmental services complement the intangible.

"Why not pick the low-hanging fruit first?" Ms. Daily asks.

THE PRESIDENT HAS SEEN

3-31-97

Stanley B
What do you make of this
BC

Copied
Berger
COS

Victor Gilinsky and Henry Sokolski

Korea: How Long Do We Live With Blackmail?

In this year's State of the Union address, in Secretary of State Madeleine Albright's confirmation testimony and in other statements, the administration has reemphasized the importance of its 1994 nuclear deal with the North Koreans under which they quit their indigenous nuclear program in return for two modern U.S.-type nuclear power reactors. Unfortunately, the deal gradually has changed into something even less desirable than the questionable proposition that was negotiated in 1994. At a minimum, we should get back to the original arrangement.

Two years ago, when the White House was selling the "Agreed Framework" to Congress, its chief virtue was said to be reciprocity. It was a safe arrangement, the administration said, because the U.S. steps—site construction, shipping of key nuclear components, start of operation of the first plant and so on—would be matched by North Korea's steps in dismantling its plutonium production complex. This complex still includes a small operating reactor and its fuel, a reprocessing plant for extracting plutonium from irradiated fuel and two reactors under construction.

The State Department insisted two years ago that we could terminate the deal at any point if the North Koreans did not reciprocate. But the way the deal is now interpreted, the North Koreans don't have to do anything to reduce their weapon potential until nearly the time when we supply the first of the two large modern power reactors and much of the equipment for the second.

To qualify for the deal, the North Koreans certainly do not have to tone down their terrorism against the South. The killings by submarine commandos and the more recent assassination of a North Korean defector have demonstrated that. South Korea, which is supplying the reactors and footing most of the expense, halted work on the project and asked for an apology from the North. The North Koreans had stopped work on "canning" the irradiated fuel from the small power reactor, a kind of flick of the dragon's tail reminding everyone that the weapon potential is

still there. The U.S. administration quickly fell into line, let out that the South's approach was naive and made clear it was impatient to get on with the nuclear project.

The way things stand now, the North Koreans do not have to ship the plutonium-laden fuel out of the country until the first of the two large reactors is built and before it goes into operation—at least six years from now. And the North does not have to dismantle anything until the second of the two reactors is built (but before it goes into operation). That could be 10 years from now, or never. That means that, barring some political change in the North, we will continue to

be blackmailed by the threat of a restart of the weapons program.

One of the selling points of the "Agreed Framework" was that before any "key" nuclear components are shipped, which by law require a U.S.-North Korean agreement for cooperation, the North will let the International Atomic Energy Agency (IAEA) inspect two disputed waste sites to check on the possibility of North Korean cheating on the Nuclear Nonproliferation Treaty. It was the North's refusal to allow such inspections that started the entire nuclear imbroglio.

North Korea still refuses to allow such inspections, and likely by the time the IAEA gets to carry them out (if it does at all) the information

will be stale and inconclusive. The agreement requires only that North Korea satisfy the IAEA, not that we find out what happened. We can be sure this hold point will not amount to much. The unspoken universal assumption that this is so constitutes a reinterpretation of the agreement in favor of North Korea.

To pay too much blackmail is also dangerous. The only way to make sense of the arrangement as negotiated is to reemphasize the element of reciprocity. We propose that the United States read the agreement to require Pyongyang to dismantle its plutonium production complex in step with the construction of the large modern power plants. The North should:

- Dismantle its reprocessing plant and begin shipping its irradiated fuel out of the country before the United States signs a nuclear cooperation agreement.
- Tear down its small operating reactor and complete shipping of its spent fuel by the time the first new power reactor is finished.
- Dismantle its two partially completed indigenous "power" reactors in step with the construction of the second U.S.-type reactor.

It would be hard for North Korea to argue that it still needs the power from its tiny "research" reactor after the first (200 times larger) new reactor is operating. And why would it then need the reprocessing plant except to threaten a restarting of the nuclear weapon program? This observation contains the answer to the obvious criticism of our proposal; that is, how are we going to get North Korea to agree to dismantle its plutonium production plants in step with the construction of the new reactors? Well, how are we going to get North Korea to do it when the two reactors are built and we have even less leverage?

Victor Gilinsky is a former U.S. Nuclear Regulatory commissioner. Henry Sokolski is executive director of the Nonproliferation Policy Education Center and was deputy for nonproliferation policy in the Pentagon during the Bush administration.



3-31-97
But to NSC for reply
and cc: to Meek Melady

Phil Caplan
3/31

THE WHITE HOUSE

DH -

cc:

~~George~~
~~John~~
~~Mike~~
Hack
Mc
Larty

Havnt set this to the
President. FYI. Havnt is
going to be our new
Executive Director for
Committee on Arts &
Humanity.

Thanks,
This is a
Good idea. Jashe

Harriet Mayor Fulbright
11 Monument Lane
East Hampton, New York 11937

March 16, 1997

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

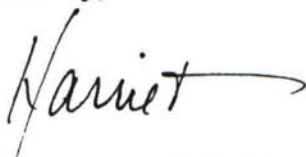
Dear Mr. President:

While in Brazil to attend an excellent Fulbright Conference and receive "The Order of the Southern Cross" on behalf of my husband, I had a conversation with President Cardoso about your visit in May. The President was most impressed with your emphasis on education in the State of the Union address and would like to announce a joint U.S.-Brazil education initiative at that time. Ambassador Melvyn Levitsky warned him that there was not enough time to create a comprehensive proposal but felt that a broad outline could be drawn up and endorsed by both countries, leaving the details for later. The Ambassador asked me to pass the idea on to you upon my return.

Several Brazilians were good enough to give me information about education in Brazil, and I have attached information about an interesting development at the K-12 level as well as some remarks about the situation in general.

You have my best wishes for a speedy recovery. Crutches are not my favorite mode of transportation!

Sincerely,

A handwritten signature in cursive script, appearing to read "Harriet", with a long horizontal flourish extending to the right.

Harriet Mayor Fulbright

enc.

Educational System in Brazil
from several Brazilian experts and
"Brazil in Brief"

The Brazilian educational system includes both public(federal, state, and municipal) and private (parochial and secular) institutions, ranging from pre-school, elementary and secondary to university and post-graduate levels. Education is compulsory for ages seven through fourteen. Public education is free at all levels, including university. Non-profit private schools are also eligible to receive public funding. The 1988 Brazilian Constitution allocated 25 percent of state and local tax revenues to education.

Significant advances have been made in the Brazilian educational structure in the last 25 years. In 1964, there were 10 million students attending school at all levels. In 1991, there were 37.8 million students: 3.6 million in pre-school; 28.9 million at the elementary level; 3.7 million at the secondary; and 1.6 million in university. Despite this progress, less than 40 percent of the high-school-aged population are enrolled in school. Because of this record, Governor of the Federal District, Professor Cristovan Buarque, former President of the University of Brasilia, established an ingenious scholarship program (description attached), and it seems to be working well. Teachers, parents, the director of *Ecola Classe #01* in Brazlandia, a half-hour drive from Brasilia, were unanimously enthusiastic about the program. Professor Paulo Brasileiro do Valle Filho, Deputy Secretary of Education of the Federal District, accompanied us and gave me the facts and figures to support his assertion that it was a success. Claudio de Moura Castro of the InterAmerican Bank said that for 20 years he saw no improvement in Brazilian education, but in the last 5 years there has been progress.

The Ministry of Education has ultimate control over virtually all of higher education. Its principal standard-setting agency is the Federal Council of Education. The reputations of the public institutions are generally significantly higher than those in the private sector. This creates the ironic situation that graduates of private schools are more likely to gain entrance in the more prestigious public universities. The federal government maintains at least one federal university in each state. Due to the great demand for higher education and the lack of places, colleges and universities in Brazil, both public and private, require an entrance exam called *vestibular*. Upon completion of a full academic course of study, university students may obtain the *bacharel* degree or, with an additional year spent in teacher training, the *licenciado* degree.

Twenty years ago there were few post-graduate courses in Brazil. In 1994 there was a total of 873 tertiary institutions, including 114 universities. More than 1,000 post-graduate courses are available, most of which benefit from highly capable faculties, on a par with similar institutions in the more advanced countries. The highest priority in the past two decades has been science and technology. The Brazilian government has put large numbers of scholarships and research grants in this area, and Brazilian industry is reaping the benefits.

SCHOLARSHIP PROGRAMME

**SAVINGS ACCOUNT-
SCHOLARSHIP PROGRAMME**

**BRASÍLIA IS CHANGING
BRAZIL**

THE SCHOLARSHIP PROGRAMME HAS REDUCED THE DROPOUT RATE IN THE FEDERAL DISTRICT TO ALMOST ZERO

During the 1995 school year, only 20 (0.2%) of the 12,095 children who received scholarships from the Federal District Scholarship Programme dropped out of school. Formerly, the average school dropout rate for grades 1-8 in the public schools system was 7%.

Also, the grade-advancement rate of scholarship students was higher than the historical average in Brasília. In 1995, the advancement rate of students enrolled in the scholarship programme was 10% higher than the 1994 rate (70.2%). Overall, 9,652 students (79.8%) enrolled in the scholarship programme went on to the next grade.

Not only does the Scholarship Programme keep children in school, but also ensures good academic achievement, proving the success of this initiative.

BRAZIL CAN FOLLOW IN THE FOOTSTEPS OF THE FEDERAL DISTRICT SCHOLARSHIP PROGRAMME

It is a simple and practical idea. Using less than 1% of the overall government budget, the People's Democratic Government of the Federal District shows that it is possible for any government to keep children at school.

The Scholarship Programme pays one minimum monthly wage to deprived families whose children ageing 7-14 are registered in public schools, provided the children do not miss more than two days of class per month.

In order to join the programme, the family must prove that it has lived in the Federal District for a minimum of five consecutive years. Only families whose monthly income does not exceed half a minimum wage per family member are eligible.

In August 1996, almost 16,500 families had already joined the programme. That means that close to 30,000 children have left the streets - and child labor - to attend class.

THE SCHOLARSHIP PROGRAMME GOALS

- To foster enrollment in the public school system and ensure

good academic achievement of children ageing 7-14, from economically and socially deprived families.

- To help improve the quality of life of such families and ensure the education of their children, by combining the actions of various governmental agencies and non-governmental organizations.

TARGET-GROUP

The target groups are those families whose monthly income does not exceed half a minimum wage per family member, who have lived in the Federal District for at least five consecutive years (a provision to discourage migration), who live in towns with scarce educational and social resources and deficient infrastructure, and whose children ageing 7-14 are enrolled in the public school system and attend school at least 90% of school days.

RATIONALE

The Scholarship Programme created by the People's Democratic Government of the Federal District is based on a very simple idea: if children do not attend school because they have to work, or because their families are bonded into poverty and do not assign due importance to education, society can attract such children to the schools by paying them wages.

Therefore, poor families receive a monthly allowance to keep their children at school, with a minimum income that allows them to conclude lower school (grades 1-8) by attending classes regularly.

Since the Government requires proof of the monthly class attendance of all children ageing 7-14 in the family, child labor is discouraged in both rural and urban areas, regardless of such labor being remunerated or not, while it fights dropouts and poor academic achievement in lower school.

PROGRAMME IMPLEMENTATION

The State Secretary of Education manages the Scholarship Programme by means of an Executive Committee, an Executive Secretariat and a Local Committee, which are in charge of all planning, coordination, supervision, and decision-making on the establishment and operation of the programme. The Local Committee has full participation of community representatives.

The implementation of a pilot project began in March 1995, in the city of Paranoá. The implementation of the Paranoá pilot project and subsequent expansion of the programme to other cities in the Federal District was preceded by comprehensive studies of the socio-economic profile of the population, by administrative region or city, as well as a careful study of day-time, lower-school enrollment data. The execution of the programme includes several different stages, as follows:

- Dissemination of information about the programme to the community by schools and regional administrations;
- Registration of eligible families in previously selected schools;
- Selection of eligible families according to preestablished criteria;
- Publication of the names of the families who will participate in the programme;
- Monthly payment made through the Bank of Brasília (BRB), after checking the scholarship holders' attendance record;
- Full report on the health, educational level and employment status of the family members sent to governmental and non-governmental organizations, which will assign priority to these families in their actions and programmes.

SCHOOL/COMMUNITY RELATIONS

In addition to the specific benefits, participation in the Scholarship Programme is attracting the families back to the schools their children attend, as well as strengthening the ties between deprived communities and their schools and, most important of all, between the families and the teachers of their children.

In order to ensure their children's academic achievement, the families participate in meetings promoted by teachers and also attended by the school's administrators, to monitor academic achievement and to plan and execute complementary activities.

The Scholarship Programme enabling poor children to get an education, also redistributes income, improving the quality of life of the families and their children.

SAVINGS ACCOUNT-SCHOLARSHIP PROGRAMME

The Savings Account-Scholarship Programme was created by the People's Democratic Government of the Federal

District as a further incentive for the children of families who benefit from the Scholarship Programme to continue in school even after they are no longer eligible for the previous programme.

The Savings Account-Scholarship Programme credits one monthly minimum wage to each student joined to the Scholarship Programme, at the end of each school year, until graduation from high school. The rules of the programme are the following:

- When the student concludes the fourth grade of lower school, he/she may withdraw half of the money credited to him/her by the government;
- When the student concludes lower school (eighth grade), he/she may again withdraw half of the money in his/her name;
- When the student finally concludes high school (equivalent to the eleventh grade), he/she may withdraw the whole balance in his/her name.

During the whole process, interest is paid and the money is fully protected against inflation, exactly as in a bank's saving account. Thus, students who join the Scholarship Programme in the first grade of lower school will have a credit of at least R\$600, plus interest and inflation adjustments.

Any students who drops out of school forfeits his/her credits and the money is transferred back to the Government of the Federal District.

The funds credited to the students in the Savings Account-Scholarship Programme constitute the Federal District's Solidarity Fund, whose purpose is to finance income-generation and job-creation loan programmes, targeting young men and women, from 17 to 27 years old, who wish to establish a small business.

FIRST DEPOSITS

On the basis of the results of the 1995 academic year, the People's Democratic Government of the Federal District has already made the first deposits of the Savings Account-Scholarship Programme. Out of 12,095 students registered in the Scholarship Programme, 9,652 went on to the next grade and will be credited a minimum monthly wage.

In 1995, 1,487 eligible students finished either the fourth or eighth grades and, therefore, will be able to withdraw half the amount credited to them.

EXECUTING UNIT:

Secretariat of Education
Cabinet Advisory Group
Executive Secretariat of the Programme

INTERFACE:

Cabinet of the Governor of the Federal District
Secretariat for Social Development
Social Service Foundation of the Federal District
Secretariat of Labor
Educational Foundation of the Federal District
Secretary of Agriculture
Council on the Rights of Children and Adolescents
Street Children Movement

FAMILY SCHOLARSHIP PROGRAMME

AUGUST 1996

Information	PARA N OÁ	VAR JÃO	BRAZLÂNDIA	S.SEBAST IÃO	R.EMAS	PROJECTS	CEILÂNDIA	SAMAMBAIA	TOTAL
Families Registered	3,141	247	1,848	1,138	1,659	37	6,158	5,686	19,914
Families Selected	2,798	225	1,554	956	1,456	36	4,821	4,833	16,679
Families Not Selected	324	14	239	156	173	1	1,251	812	2,970
Families Dropped from the programme	71	7	55	25	30	0	79	34	301
Scholar ship students (ages 7-14)	5,049	456	2,844	1,762	2,615	58	8,635	8,593	30,002

SECRETARY OF EDUCATION



**The Role of The Fulbright Vision
In Developing
Citizenship Values in Democratic Societies
Fulbright Conference in Brasilia, Brazil
11 March 1997**

*for your files,
my keynote
speech*

Harriet Mayor Fulbright

It is a pleasure to be here with you on the occasion of this important Fulbright conference and my first visit to Brazil. While I wish that I had come earlier and for longer, it seems particularly fitting to be here now when Brazil has recently acknowledged the centrality of its relationship with the United States, when the United States is finally recognizing the critical importance of its neighbors to the south, and when the Fulbright Commission in Brazil is, in its role as a vital and visionary force, committed to educational exchange as a "touchstone" for United States-Brazil relations. On behalf of the Fulbright Foreign Scholarship Board, I would like to express our deep appreciation for the steadfast commitment of this country and the Commission, and for all your efforts to ensure the high standards of those who receive the scholarships.

It has been a long and fruitful exchange. In the 40 years since the bi-national agreement was signed between the governments of Brazil and the United States, over 3,500 students and scholars have felt the exhilarating mind expansion that comes from a prolonged view of another culture. They have researched and lectured in every major discipline offered by academia. Those who came to this country have received the wise and sensitive guidance of Marco Antonio da Rocha and his staff - a truly superior introduction to a distant land. When all is said and done, it is the people like Marco Antonio who make the program outstanding by taking Fulbright's vision to heart and living it.

And what is that vision? It is important to review the history and development of Senator Fulbright's ideas fifty years later to understand his motives and review their present value. Senator Fulbright, horrified by the findings on the long-term effect of the atomic bomb explosions in the Japanese cities of Hiroshima and Nagasaki, reviewed human history as well as the events which had influenced his own life. He became convinced that if potential leaders the world over were to experience a different culture and exchange ideas with its people, they would be more understanding of differing values, less likely to order the exchange of bullets. He therefore focused on the basic requirement for a meaningful and satisfying life everywhere on this planet - one that had been absent for most of the twentieth century. That requirement was simply **peace**.

This realization is essential to an understanding of his international exchange program. It was developed as a "...positive method of adjusting the endless conflicts inherent in the nature of restless and energetic men:" the Fulbright definition of peace. Fulbright students, scholars and teachers are sent off for an academic year not only to complete an academic project but to become immersed in an alien culture for long enough to realize that there are other equally valid ways of looking at the world; Fulbright also hoped that his Fulbrighters would convince some

members of the *other* academic community of the validity of *their* views. This ability to empathize with others will continue to shape the future and will continue to influence world history.

The second important aspect of the Fulbright vision was to train future potential leaders *irrespective* of economic circumstance. Senator Fulbright often emphasized that his scholarship was openly and blatantly designed for an intelligent elite. He wanted the most alert energetic potential leaders in all disciplines and walks of life to experience the development and expansion of mind that one cannot avoid when studying in another culture.

The Fulbright Program is also unique in its sharing of responsibility. In over fifty countries there are bi-national commissions composed of equal numbers of host country and United States citizens who shape the program for that country and choose its participants. Much of the loyalty to Fulbright comes from this fact - that it is not a Big Brother looking down and making all the decisions. There is an ownership which carries with it a special pride.

One more element which has existed from the beginning cannot be separated from the fabric of the program: geographic distribution. Fulbright students from abroad study in all fifty states and the District of Columbia, and U.S. students have fulfilled their grants in over 140 different countries around the globe. This is a different picture from the one found fifty years ago. When international educational exchange was voluntary and dependent upon parental purse strings, it involved the wealthy going to few countries outside Europe, and little interaction with the rest of the world. The amount of ignorance and prejudice arising out of this situation was downright dangerous.

These are the eternal truths of the Fulbright Program: its mission of peace, intellectual excellence, leadership training, shared responsibilities, and global distribution. While they remain its core, the world has radically changed since its inception, and the changes have been and will continue to be reflected in its operation. For instance, more and more countries share the cost of the program, making it one of the most economical efforts ever undertaken by the U.S. Government. In fact, 50 years of the Fulbright Program has cost the U.S. taxpayer less than 3 days of the Defense Department at today's spending level. Today a number of countries contribute more than the U.S. to their country's Fulbright exchange. I am delighted to report that Brazilian government has increased its contribution significantly over the past few years - another proof of its commitment. An increasing percentage of Fulbright Program funds now comes from the private sector, but representatives from all countries stress that the program must remain a government activity.

Technology has certainly had an impact on this visionary program and, in fact, on the whole field of education. Last October I was in Melbourne to attend a conference on "The Internationalization of Education: New Technologies and New Futures." It set me to thinking about the influence of the powerful tools available today and the comparison with tools of the past. There was a time when mass publishing was in its infancy and thought to be the cure for all human ills. It was only during the Second World War when one of our more eloquent writers admitted sadly that "Education has produced a vast population able to read but unable to

distinguish what is worth reading." Neither books nor computers automatically lead to the creation of utopia, so it is important to examine the emerging fundamental changes. In the words of writer Jessica Matthews:

"By drastically reducing the importance of proximity, the new technologies change people's perceptions of community. Fax machines, satellite hookups, and the Internet connect people across borders with exponentially growing ease while separating them from natural historical associations within nations. In this sense a powerful globalizing force, they can also have the opposite effect, amplifying political and social fragmentation by enabling more and more identities and interests scattered around the globe to coalesce and thrive. . . Information technologies disrupt hierarchies, spreading power among more and more groups. The range of these groups' work is almost as broad as their interests. They breed new ideas; advocate, protest, and mobilize public support; do legal, scientific, technical, and policy analysis; provide services; shape, implement, monitor, and enforce national and international commitments; and change institutions and norms... More and more groups promoting worthy but narrow causes could ultimately threaten democratic government."

In other words, international exchange remains a crucial element in the education of a country's leading citizens. That initial mind-expanding spark of real comprehension about a different way of thinking or a strange community ignites only through face-to-face interaction. People the world over must open their eyes, minds and hearts to adapt to rapid change with intelligence, understanding and a real commitment to a common good. The wealthy can no longer ignore the grinding poverty of those who live in the same city. War can no longer be considered an acceptable extension of diplomacy. Corporate profits can no longer take precedence over environmental concerns. In the words of former Senator Bill Bradley:

"Democratic government can and should express public opinion in a focused way, but unless the people themselves care enough to participate - as citizens, and not simply as voters - there can be no assurance that government will be effective. We need to pursue our collective future with the excitement that galvanized the explorers of the New World centuries ago. [The Americas] are still the New World - a world that requires bold thinking, along with a clear idea of right and wrong, in the face of thorny issues raised by inexorable advances in such areas as biotechnology and computer science. And we need to pursue our collective future with the self-awareness of a people who know their considerable strength, eager to write the next chapter of our story."

The Fulbright experience adds insight to bold thinking and enhances creativity by removing the blinders of parochialism. Together we can make sure that the next chapter is written in rainbow colors. Thank you

THE WHITE HOUSE
WASHINGTON

Date

3/31

To:

Jim Dornstine.

From:

The Staff Secretary

Marcia Hale and T.J. Glavinier
are working on the issues this
State Sen from NC has raised, but
Marcia has asked that Sen. Basnight
get a brief "we're working on it"
letter.

Phil

my D

THE PRESIDENT HAS SEEN
3-18-97



NORTH CAROLINA GENERAL ASSEMBLY
PRESIDENT PRO TEMPORE
SENATOR MARC BASNIGHT
RALEIGH 27601-2808

*Send to
N.C. -
+ send to*

1ST DISTRICT
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27601-2808
PH: (919) 733-6854
FAX (919) 733-8740

The Hon. William Jefferson Clinton
United States President

HAND DELIVERY
March 13, 1997

Dear Mr. President,

I am humbled and honored to be able to present this request to you on behalf of the people of the state of North Carolina and the residents of my home district, the Outer Banks of North Carolina.

I approach this topic because it is urgent, and because I believe it is a national interest as well as state and local interest to preserve our heritage. North Carolina stand in danger of losing one of our most precious historic landmarks, the Cape Hatteras Lighthouse.

This historic structure and its uniquely striped exterior has come to symbolize what Americans see when they picture a lighthouse, and thus the seafaring trade that helped develop our country two centuries ago. The lighthouse guided merchant ships through the treacherous Diamond Shoals so its sailors could reach our ports and our homes with their goods.

But now this world-renowned structure is in grave danger. Thunderous storms and a rising ocean have brought waves to within one hundred feet of its base. If its base of wooden timbers is breached, the foundation could dissolve; if a serious storm hits our coast, the lighthouse likely will fall.

The federal Park Service has told me repeatedly that the only solution is to move this structure. Though I have reservations about such a dramatic step, I am convinced that this is the only alternative for a long-term solution.

However, the federal budget does not contain funds for the project.

Mr. President, I am told that we have not got much time. A hurricane could wipe this historic structure from our coast, and from the minds of the 150,000 citizens who are expected to visit it each year. A small piece of America's history will crumble into the ocean.

It has taken me many months to reach a conclusion on this issue. We have exhausted every other solution. I ask you now to have your staff work with me to find a solution to save this project, and to help secure the \$12 million necessary to save this national treasure in the 1998-99 federal budget.

Sincerely,

Marc Basnight

Saving the Cape Hatteras Lighthouse

Narrative summary

Cape Hatteras is home to the country's tallest lighthouse, standing an estimated 200 feet high. Designed to warn sailors of the uniquely treacherous seafaring around Diamond Shoals, it was originally planned in 1794, went into use in 1803, and then replaced in 1870.

The lighthouse is one of many that dotted the Outer Banks two centuries ago. The convergence of a bitterly cold Labrador current with the warm Gulf Stream at North Carolina's easternmost peak wreaked havoc on sailors, giving the coast the distinction as the "graveyard of the Atlantic," where more than 2,300 ships were lost.

But the 127-year-old lighthouse is in peril, according to the National Park Service.

In recent years the sea has moved dangerously close to this national historic monument, bringing water to within 120 feet of its mortar base. The shoreline around the Cape Hatteras Lighthouse continues to retreat at a rate of about 10 feet per year.

State and federal efforts to protect the lighthouse began in the 1930s, and have been varied. The most significant were three steel groins constructed perpendicular to the shore in 1969. They modified erosion at the point, but exacerbated the erosion south of the lighthouse.

Other emergency efforts have included dumping several asphalt parking lots into the breach, packing nylon sandbags around the lighthouse's base, and repairing breached groins. A fourth groin has been considered but dismissed, because the fix would prove to be temporary and because North Carolina coastal policy forbids hardened structures on the coast.

The short-term efforts have been to little or no avail in reaching a long-term solution.

The most immediate problem is the threat of storm surges and high winds as a result of a violent storm. Hurricane and northeaster storms are common to North Carolina and the Outer Banks.

- In 1986, the National Academy of Sciences conducted a study of the sight and concluded that the only way to save the lighthouse was to move it inland, away from the encroaching sea.

- In 1993, the National Park Service authorized an advisory committee to assess the risk, and it concluded that a Class 3 hurricane or Class 4 northeaster, or two less powerful hurricanes, would likely topple the structure. The Park Service studies calculate the risk of loss at 80 percent.

- In 1997, a group of NC State University professors who are experts in erosion, engineering and construction reexamined the National Academy of Science study, and concluded that the lighthouse remained in a precarious position.

Reaction from residents around Hatters and the Outer Banks has been mixed. Public sentiment to save the lighthouse is high; the landmark is ubiquitous to life there and has come to symbolize not only the Outer Banks but also North Carolina, as is evidenced on realty company signs, toy figurines, state highway markers and the town seals.

Some residents fear the lighthouse will be damaged in a move; others fear the point will erode if the lighthouse is no longer there to provide a reason for protecting it. But reaction statewide and nationwide has been overwhelming as well. A local lighthouse society is soliciting opinions from its 700 members around the world, all of whom want the lighthouse to be saved.

And a majority of residents fear that inaction will cause it to fall into the sea.

The Cape Hatteras National Park Service Superintendent, Russ Berry, states that moving the structure is the only recourse.

Senate President Pro Tempore Marc Basnight, who represents the First Senatorial District, has weighed the experts' opinions, the Park Service recommendation, and local residents' thoughts. He agrees that pursuing funding for the move is the best way to save the Cape Hatteras Lighthouse.

This would require federal funding for the move, which is estimated at \$12 million. He is prepared to call on North Carolina's senators and Congressional delegation to consider funding in the 1998-99 budget.



NORTH CAROLINA GENERAL ASSEMBLY

PRESIDENT PRO TEMPORE

SENATOR MARC BASNIGHT

RALEIGH 27601-2808

1ST DISTRICT

STATE LEGISLATIVE BUILDING

RALEIGH, NORTH CAROLINA 27601-2808

PH: (919) 733-6854

FAX (919) 733-8740

The Hon. William Jefferson Clinton
United States President

HAND DELIVERY

March 13, 1997

Dear Mr. President,

I am humbled and honored to be able to present this request to you on behalf of the people of the state of North Carolina and the residents of my home district, the Outer Banks of North Carolina.

I approach this topic because it is urgent, and because I believe it is a national interest as well as state and local interest to preserve our heritage. North Carolina stand in danger of losing one of our most precious historic landmarks, the Cape Hatteras Lighthouse.

This historic structure and its uniquely striped exterior has come to symbolize what Americans see when they picture a lighthouse, and thus the seafaring trade that helped develop our country two centuries ago. The lighthouse guided merchant ships through the treacherous Diamond Shoals so its sailors could reach our ports and our homes with their goods.

But now this world-renowned structure is in grave danger. Thunderous storms and a rising ocean have brought waves to within one hundred feet of its base. If its base of wooden timbers is breached, the foundation could dissolve; if a serious storm hits our coast, the lighthouse likely will fall.

The federal Park Service has told me repeatedly that the only solution is to move this structure. Though I have reservations about such a dramatic step, I am convinced that this is the only alternative for a long-term solution.

However, the federal budget does not contain funds for the project.

Mr. President, I am told that we have not got much time. A hurricane could wipe this historic structure from our coast, and from the minds of the 150,000 citizens who are expected to visit it each year. A small piece of America's history will crumble into the ocean.

It has taken me many months to reach a conclusion on this issue. We have exhausted every other solution. I ask you now to have your staff work with me to find a solution to save this project, and to help secure the \$12 million necessary to save this national treasure in the 1998-99 federal budget.

Sincerely,

A handwritten signature in dark ink, appearing to read "Marc Basnight", is written over a horizontal line.

Marc Basnight

ALLPHIN AGENCY

"SINCE 1928"

REAL ESTATE APPRAISALS - REALTORS
STATE CERTIFIED RESIDENTIAL APPRAISERS

JOHNNIE ALLPHIN, BRA

924-9940
432 N. LOBDELL AVENUE
BATON ROUGE, LOUISIANA 70806

FAX TRANSMITTAL

Date:

TO:

PRESIDENT Clinton

Company:

FAX #:

FROM:

ALLPHIN AGENCY
432 N Lobdell Avenue
Baton Rouge, LA 70806

This transmittal consists of 3 pages including this cover letter. Please call 924-9940 if you do not receive these pages or have trouble reading the document. FAX# 924-9941.

3-31-97

Comments:

Comment on our fax
Send to Doriskind?

Yes

ha

C.

ALLPHIN AGENCY

"SINCE 1928"

REAL ESTATE APPRAISALS - REALTORS
STATE CERTIFIED RESIDENTIAL APPRAISERS

JOHNNIE ALLPHIN, SRA

924-9940

432 N. LOBDELL AVENUE
BATON ROUGE, LOUISIANA 70806

March 31, 1997

President Bill Clinton
1600 Pennsylvania Avenue
Washington D.C. 20500

Dear President Clinton,

My 5 year old daughter, Lacey talks about you all of the time and she drew this picture for you and wanted to wish you a Happy Easter. I realize you receive thousands of these letters every week and you will probably never actually see this letter; however, it would mean so much to my daughter if you or your staff could send her some type of response.

The picture she drew is of herself with President Clinton and Socks the presidential cat. Thank you for your time.

Sincerely,



Johnnie Allphin
Lacey's Dad

The letter should be addressed to:

Lacey Allphin
2345 Dove Hollow Lane
Baton Rouge, LA 70809

In case her writing is unclear, her letter reads as follows:

I love you
Dear Bill Clinton,
This letter is for you.
HAPPY EASTER
My phone number is 504-924-3305
Love, Lacey

I LOVE YOU.

Dear Bill Clinton,

This letter is for you.

HAPPY EASTER
FROM MY PHONE

743-305

Love Lacey. 3

