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001. memo	VPOTUS to POTUS re: Environmental Assistance to Russia (2 pages)	05/23/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 9358

FOLDER TITLE:

Chron Files: Monday, May 26, 1997 [2]

2019-0774-S

rs3383

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE
WASHINGTON

Date

5/26

To:

Don Kerrick

From:

The Staff Secretary

A 2nd "original" copy of
McKinney letter on Congo.

Thought you should have one.

PM

From Oval 5/22

Sent to
Don Kerrick
NSC is replying
to his
letter

CYNTHIA A. McKINNEY
4TH DISTRICT, GEORGIA

COMMITTEE ON BANKING
AND FINANCIAL SERVICES
FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
GENERAL OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON INTERNATIONAL
RELATIONS
INTERNATIONAL OPERATIONS AND HUMAN RIGHTS
WESTERN HEMISPHERE



Congress of the United States

House of Representatives
Washington, DC 20515-1011

May 21, 1997

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cymck@hr.house.gov

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

'97 MAY 22 AM 10:45

Dear Mr. President:

My recent trip to the Democratic Republic of Congo (DRC) led to a very successful, frank and open discussion with the Alliance of Democratic Forces for the Liberation of Congo-Zaire leader, Mr. Laurent Kabila.

Mr. Kabila and I continue to have a very strong "working relationship" that could prove very beneficial and useful to meeting the objectives of your Administration for the DRC.

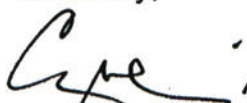
I realize that the verdict is still out on Mr. Kabila and the Alliance -- we are not certain whether or not he will institutionalize democracy. However, I believe that the relationship I have established with him can be propitious in moving him towards democracy and the goals of your Administration. Therefore, I would like to offer my services as an "Interim Emissary" to the new government for the Democratic Republic of Congo. The United States can take an active lead role in developing a coherent plan for aiding Mr. Kabila's new Administration.

It is my hope that you will give this request very serious consideration. I am a strong and active member of the House International Relations Committee and foresee future trips to the DRC. As your Interim Emissary on transitional issues, my future trips would incorporate your message to the leaders of the new republic.

In closing, the upcoming G-8 Summit in Denver, Colorado would be an excellent venue for addressing your goals and concerns for the DRC. I believe U.S.-led initiatives could include an immediate stabilization loan and the transfer of technical resources to the region. Furthermore, the direct involvement of Mr. James Wolfensohn, President of the World Bank could provide an organizing umbrella for assistance coordination. We only have a very short window of opportunity to define the U.S. position towards Mr. Kabila's government and to assist in the transition to a stable democratic regime.

With the warmest of personal regards, I remain

Sincerely,


Cynthia McKinney
Member of Congress

TO : CYNTHIA Mckinney, Congresswoman
FROM : Mr LAURENT DESIRE KABILA
DATE : May 16, 1997

Dear Cynthia,

I am so grateful to you for your contribution in the struggle of my peoples at this moment, when different forces with hidden Agende are busy distorting aims and objectives of our struggle.

My sister, I know that you full undestand our struggle which is tou liberate the mankind from ignorance, misery, diseases and dictataship, for us to achieve those objectives we need oncemore your contribution.

I say yes to your wonderful proposal.

Sincerly yours.

LAURENT DESIRE KABILA



Lawmaker sees hope in Kabila

McKinney is first member of Congress to visit rebel chief

By Gus Constantine
THE WASHINGTON TIMES

Laurent Kabila, virtually assured by the departure yesterday of Mobutu Sese Seko of becoming the next leader of Zaire, "has paved the way for a bright new beginning to create a prosperous Africa," said Rep. Cynthia McKinney. "If we remain engaged in Zaire, we can help steer this vitally important country toward the democratic reforms we have been advocating for the whole continent," she said.

Miss McKinney, a Georgia Democrat and the first black woman from her state to hold a congressional seat, met with Mr. Kabila at the rebel chief's headquarters in Lubumbashi last Saturday.

Now back in Washington, Miss McKinney is the first member of Congress to have met with Mr. Kabila.

Recently impressed by Mr. Kabila's campaign to end 32 years of dictatorial rule by Mr. Mobutu, Miss McKinney arranged a meeting with the rebel leader.

For years, the Africa subcommittees in Congress were divided

between those who supported Mr. Mobutu as an anti-communist bulwark in Africa and those who backed a number of politicians vainly pushing democratic alternatives.

But no one on Capitol Hill had sought out Mr. Kabila, the man who raised an army that has rolled across Africa's third-largest nation.

"Once I read what Mr. Kabila had written about popular struggle against the Mobutu dictatorship, I felt compelled to go there and add my voice to those who want to see democracy in Zaire," she said. "I put some hard questions to him."

She said daylong conversations with Mr. Kabila covered:

- The massive Rwandan refugee crisis in eastern Zaire, created before Mr. Kabila's uprising but intensified by his forces' attacks on the camps.

- The rebel chief's attitude toward an inclusive transitional authority, as sought by the United States in the interest of national reconciliation.

- Foreign military involvement in Mr. Kabila's war effort.

- The modalities of an election

as the crowning act in the creation of a popular-based government.

The Clinton administration, upon learning of her plans, gave her classified State Department and CIA briefings, apparently hoping that the trip would produce quality information on a man who thrust himself so suddenly onto the world stage.

Miss McKinney said that much of the discussion with Mr. Kabila would have to remain confidential for the time being because of the sensitivity of the ongoing negotiations between all parties to the conflict.

But the portrait that emerged is of a man who knows what the international community expects if it is to extend its support and who is flexible enough to reach an accommodation.

Mr. Kabila, oriented toward Marxism — though of a shade more in the style once followed by the leaders of Ethiopia, Eritrea and Uganda than doctrinaire communism — appeared to be going nowhere, even in his own locale, the mineral-rich province of Shaba, a hotbed of insurrection.

In some quarters, he is por-



Laurent Kabila

trayed as a savior about to bring an end to an era rich in a cosmetic nationalism, part of which focused on changing all the colonial names, but which drained the country of its wealth by diverting it to a dictator's personal use.

In other quarters, he is seen as the handmaiden of Tutsi-led forces from Rwanda, Burundi and Uganda that had scores to settle with Mr. Mobutu for his siding with the Rwandan Hutu refugees and against the Tutsi residents of his own country.

Wash. Times

5/17/97

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-1011

PUBLIC DOCUMENT

OFFICIAL BUSINESS

Cyril W. McKenney M.C.

President Clinton



TO DESK (1101)
FOR REPLY?

yes

Trinity Farm
1917 Fruitwood Ave.
BATAVIA, IOWA 52533
Home Telephone: (515) 662-2266
Office Phone and Fax: (515) 662-2626

Handwritten: See 3588 Reply

The Andersons: Art and Annie,
April, Hedvig, Mary, Gabrielle, Lucy and John-Marie

FAX TRANSMISSION COVER SHEET

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Date and time of transmission: May 22, 1997; 10:10 PM

Sent to: Name--Ms. Nancy Hernreich
Fax number--(202) 456-2883

97 MAY 23 PM 3:31

Number of pages including this cover sheet: 2

Comments: I first met a young Rhodes scholar named Bill Clinton at the the Little Rock home of a mutual friend, the late Justice Frank Holt. When Mr. Clinton was elected Attorney General, I ran the criminal justice component of his office and later did a criminal justice project for him during his first term as Governor. Since then my contact with him has been rather infrequent, although my father continued to be one of his most ardent and energetic campaigners in Arkansas.

Recently I left the practice of law and fulfilled a lifelong dream--I have been ordained a minister. But I am now deeply troubled by the partial birth abortion ban dilemma presently facing President Clinton. In addition to my conviction that this procedure is medically and morally indefensible, I also strongly feel that a second veto will cast a permanent shadow on Mr. Clinton's presidency.

I want to send President Clinton a brief, personal note of encouragement not to veto this bill; and a friend of mine contacted Ms. Ann McCoy to find out the route most likely to get my note to his attention. She suggested faxing it to you. It is included herewith. I trust this is not improper protocol, and I apologize if it is. But I urgently felt the need to contact President Clinton. Thank you for your help.

Sincerely,

Art Anderson
Art Anderson

Trinity Farm

1917 Fruitwood Ave.
BATAVIA, IOWA 52533

Home Telephone: (515) 662-2266
Office Phone and Fax: (515) 662-2626

The Andersons: Art and Annie
April, Hedvig, Mary, Gabrielle, Lucy and John-Marie

Thursday, May 22, 1997

President Bill Clinton
1600 Pennsylvania Ave.
Washington, D.C.

Dear Mr. President:

Deep down, I always wanted to be a minister. Annie and I decided it was time to do it. I left my rather lucrative Little Rock law practice behind, studied for the ministry and was ordained four years ago. We moved to Iowa, where I'm assigned to a small, rural church. We bought a farm, built a house on it and raise corn, beans and, most importantly of all, kids--Annie and I are expecting our seventh in September.

As a minister, a friend and someone you once trusted enough to run the criminal justice component of your office, I urge you to withhold your veto of the partial birth abortion ban. Everyone knows this procedure is not done for reasons of a mother's health or safety, but to get rid of an unwanted baby. It's gruesome, inhumane and medically indefensible. I believe a second veto will indelibly and irreparably mar your presidency.

We also all know that the medical data on the utility and frequency of this procedure was deliberately misrepresented at the time of your first veto. That alone justifies a different course of action now. One of your most noble and endearing characteristics has always been your ability to admit, with candor, grace and dignity, that you made a mistake. You have won hearts in the past by doing so, and will win more by doing so now. Especially in light of the misinformation that was initially circulated, it is very understandable that you would change your position at this time. I would be delighted to discuss this with you.

Thanks for doing the right thing. May God bless you, Hillary and Chelsea. We're proud of each of you and praying for you.

Sincerely,



Art Anderson

P.S. My Dad died during your first term. Talk about being proud of you--he really was!



2/2/97

R. L. Crandall
Chairman and President

May 23, 1997

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

TO 5/23
DOES KIND FOR
REPLY?
yes coord w/ NSC

'97 MAY 23 PM3:27

Dear Mr. President:

I write on an issue of great importance to the employees and shareholders of American Airlines, as well as to the many communities across the United States that would benefit from a new, liberal air transport agreement with the United Kingdom.

Negotiations between the U.S. and the U.K. on an Open Skies agreement to replace the existing bilateral, known as Bermuda 2, have been stalled for many months - in part because the former Conservative Government was distracted by the then-impending general elections, and, in part, because the U.S. Government has not moved aggressively to consider approval of the American-British Airways alliance, which the U.K. regards as a necessary precondition of an Open Skies regime.

I understand that you will be meeting Prime Minister Blair next week in Europe. The change of Government in the U.K., the strong mandate the new Prime Minister has been given, and the new Government's interest in promoting growth in the U.K. economy seem to us to create an opportunity for the U.S. to inject a new sense of urgency and purpose into these negotiations.

I have attached for your consideration a short briefing paper, which describes the desirability of an Open Skies agreement with the U.K. and recommends a way forward. (For your information, I have also enclosed a somewhat longer document which explains the benefits of the American-British Airways alliance and responds to the complaints lodged by our competitors.)

We would be most appreciative if you could lend your support to this initiative and raise this issue with the Prime Minister.

Very truly yours,

Attachments

cc: The Honorable Madeleine K. Albright
The Honorable Rodney E. Slater

AMERICAN AIRLINES-BRITISH AIRWAYS ALLIANCE

Introduction

1. The American Airlines/British Airways alliance was announced in June 1996. The alliance will result in more competition -- particularly between Heathrow and cities in the US -- and will thus assure consumers of better service and lower fares.
2. The alliance takes the form of a joint venture. Though the two companies would remain distinct and there would be no investment by one in the other, the two networks will be linked so that passengers will be assured of integrated, high quality service from all points on the American network to all points on the British Airways network. This linkage would be marked by a linked brand, and by codesharing.¹

The Air Transport Market is Becoming Increasingly Global

3. The importance of the alliance lies in the fact that the market is becoming increasingly global. Passengers seek integrated, high quality service provided by an integrated supplier network. Business customers are particularly focused on single suppliers who can offer a wide range of routes, throughout the world.
4. No airline can compete globally on its own. Air transport is subject to regulation that generally prevents airlines from offering service on routes that do not originate in their home country² - that is, American cannot fly from Europe to Africa or the Far East. Only a partnership of airlines can provide a global network. The future for competition lies in creating choice between networks.

The US-Europe Market

5. The prior approval of a number of alliances between carriers means that a major US airline that seeks to compete internationally must align itself with a major European carrier.
6. It has been a principal objective of successive US governments to negotiate "Open Skies" agreements with foreign governments, to give US carriers, which are the largest and most competitive in the world, the maximum opportunity to

¹ A device regulated by US and EC law that enables both airlines' codes to be put on linked flights in travel agents' computer systems.

² i.e., the country in which the airline has its main base and in which ownership and control lies.

penetrate foreign markets. To encourage governments to sign up, the US has approved three alliances between national airlines abroad and major US airlines, allowing each alliance to operate as a single entity. The alliances so far approved by the US Government³ are those between KLM and Northwest (1992); Lufthansa, SAS and United (1996); and Delta, Austrian Airlines, Sabena and Swissair (1996).

The American-British Airways Alliance Will Offer Large Benefits to Consumers and the US Economy

7. The principal consumer benefits as follows:
 - a. the coordination of schedules between American and British Airways would allow us to space out flights during the day, giving passengers a better range of choice. For example, for New York-London, we should be able to plan an hourly service for a significant part of the day.
 - b. links with British Airways' domestic and international network will enable American to offer convenient service to more destinations in the UK, elsewhere in Europe, and beyond to Africa and the Far East.
 - c. American's passengers will be able to use British Airways' lounges, ticket offices and other facilities around the world.
 - d. there will be substantial cost savings from reducing duplicated facilities, and integration of operations.
 - e. special offer fares would be extended to direct or connecting flights operated by both airlines.
8. A combination of the American-British Airways alliance with a new Open Skies agreement with the UK would result in more service, lower prices, and increased economic activity across the United States.

³ Approval takes the form of giving antitrust immunity that enables the two airlines concerned to coordinate schedules, prices and all other activities without fear of legal challenge.

Competition and Regulatory Issues

9. The alliance needs approval from three regulatory authorities:
 - a. the alliance needs antitrust immunity from the US Department of Transportation. The US Government requires, as a necessary condition of approval, the negotiation of an "Open Skies" air service agreement with the UK.
 - b. the previous UK Government referred the alliance to the UK Office of Fair Trading, which advised the then Secretary of State for Trade & Industry that it could be approved provided that the alliance disposed of enough slots at Heathrow, spread over an 18-month period, for 12 new services to the US to be started.
 - c. the European Commission has also claimed jurisdiction to investigate and rule on the American-British Airways alliance. While it claims jurisdiction over the other alliances as well, it conducted no investigation prior to their approval, and no observer believes it will offer any significant opposition to their continued operation.
10. The principal element of an Open Skies agreement is that all restrictions on the carriers of either country operating to the other should be removed. The agreement now in effect contains many restrictions, including limits on the number of US carriers that can operate from Heathrow, the number of airlines that can operate on certain routes from London, and the number of flights that can be operated.

Heathrow Slots

11. American's competitors have sought to focus attention on the scarcity of Heathrow slots, and have done all possible to promote the myth that new slots can only be made available if American and British Airways give them up. In fact, new slots are continually becoming available at Heathrow. Competitors have launched new US services from Heathrow and have announced three additional roundtrip daily flights for this summer. Moreover, the operator of Heathrow airport has confirmed that it expects new slots to become available at roughly one pair per hour each year, providing sufficient slots for the number of new services likely to be started following the signing of an Open Skies agreement. Airlines currently excluded from Heathrow would, under EC law, have priority in the allocation of new slots.
12. In any event, airlines do not need access to Heathrow to compete in the US-UK market. Gatwick, for example, offers an ever increasing number of connecting flights to an ever larger range of destinations, and accounts for more passengers flying to the US than any other European airports apart from Heathrow and Frankfurt. Equally, since one half of all passengers on US routes connect at London from other origin points, it is quite possible to offer

alternative choices at connecting airports served by other airlines. If the alliance failed to offer a competitive service, these would be the first passengers to be drawn away to our competitors.

Criticisms of the Alliance

13. The main criticisms for the alliance are that it will:
 - a. dominate certain routes, squeeze out the competition and be able to charge excessive fares;
 - b. have an excessive share of the US-UK market.
14. These fears are groundless for the following reasons:
 - a. American and British Airways overlap on only six routes. Even if there were no new competitors, existing competitors contest five of those routes: The exception is Dallas/Fort Worth to Gatwick, which is a relatively thin route served only by American and British Airways. However, since most Dallas/Fort Worth-London passengers are connecting at one end or the other, they have other travel choices;
 - b. over half the passengers flying between the US and the UK make connections at one end of the route or the other. The huge range of choice open to passengers prevents any company or joint venture from dominating the market.;
 - c. Open Skies with the UK will dramatically improve competition. American-British Airways' market share will fall, as the airlines of both countries develop their strongest routes;

Conclusion

15. Increasingly, competition in the world air transport markets is between alliances that each provide a comprehensive worldwide network with integrated services and competitive fares. The American-British Airways alliance is merely a response to the competitive challenge of alliances already formed, and is the best way to prevent passengers, shippers, and the development of commerce from being held hostage by them.

THE AMERICAN AIRLINES-BRITISH AIRWAYS TRANSACTION: AN HISTORIC OPPORTUNITY

Introduction

- On June 11, 1996, American Airlines and British Airways announced the formation of a global alliance that will enable them to offer their customers better service and lower prices. American and British Airways took this action as a competitive response to the formation of three other alliances that have already been approved by the U.S. Government, the most formidable of which includes United Air Lines, the largest air carrier in the world, and Lufthansa German Airlines.
- The American-British Airways alliance, when implemented, will benefit consumers by introducing a fourth competitor for the three U.S.-European carrier combinations already in operation. Further, the American-British Airways transaction presents the United States with a unique opportunity to replace a restrictive air transport agreement with the United Kingdom.

Background: The U.S.-U.K. Travel Market

- The United Kingdom is the largest overseas travel destination for U.S. citizens. The number of travelers between the United States and the United Kingdom is roughly twice the number traveling between the United States and the next largest European market, Germany. However, the air transport agreement with the United Kingdom -- known as Bermuda 2 -- is highly restrictive.
- Bermuda 2 limits the number of routes between the U.S. and the U.K. on which any U.S. or U.K. airline can offer nonstop service, the number of flights those airlines are allowed to operate, and the ability of the carriers to set whatever prices they choose. It also permits only two U.S. airlines -- American and United -- to serve Heathrow airport, and other U.S. carriers are required to use another London airport.
- As a consequence of its restrictive nature, Bermuda 2 has been roundly criticized by many Administrations since it took effect in 1977. In recent years, liberalizing the U.S.-U.K. bilateral has been a priority goal of U.S. aviation policy.

An Historic Opportunity

- British Airways, and the U.K. Government, have resisted prior U.S. efforts to achieve an Open Skies bilateral. However, British Airways has now joined with American Airlines in asking the U.S. Department of Transportation (DOT) to grant our proposed alliance the same antitrust immunity it has previously granted to United/Lufthansa/SAS and to two other U.S.-European airline combinations. Both the U.K. Government and British Airways know that U.S. policy will preclude such immunity unless, and until, the United Kingdom agrees to replace Bermuda 2 with an Open Skies agreement.
- Hence, the proposed American-British Airways alliance represents an opportunity to replace Bermuda 2 with the more liberal agreement the U.S. has long sought.

U.S.-U.K. Negotiations Have Been Stalled

- The United States and the United Kingdom held several unsuccessful rounds of Open Skies negotiations in 1996. Another set of negotiations, in February of this year, also failed.
- The central problem has been that the DOT has refused to move forward on the American-British Airways alliance until an Open Skies accord has been fully negotiated, and the U.K. Government has refused to agree to the U.S. template for Open Skies without first securing a firm indication from the U.S. that it will approve the American-British Airways alliance. Thus, the two governments have been stalemated from the very beginning of negotiations. Further, since February 1997, the Major government was distracted by the then-impending general election.
- Although bilateral negotiations have made no progress, DOT and the Department of Justice, the U.K. Office of Fair Trading, and the Competition Directorate of the European Union have all devoted substantial resources to studying the proposed alliance.

European Union Involvement

- The European Union has long sought, unsuccessfully, to persuade its Member States to grant it the authority to negotiate air service agreements with the United States. Karel Van Miert, Competition Commissioner of the E.U., has apparently decided to intervene in the American-British Airways alliance as a mechanism for moving towards his goal of exerting greater E.U. influence in the international aviation affairs of the Member States. In a related development, Van Miert has also objected to the proposed Boeing-McDonnell Douglas merger.
- In contrast, the E.U. had not involved itself in any of the earlier U.S.-European airline alliances.

A Chance For Progress

- We hope that the new Labour Government, which has a strong mandate, a desire to expand the U.K.'s economy, and an interest in assuring the continued competitiveness of British Airways, will support a vigorous effort to achieve prompt approval of the American-British Airways alliance and the simultaneous adoption of a new, more liberal aviation agreement.
- An Open Skies agreement between the United States and the United Kingdom would be a boon for both nations. An open market will provide consumers with more service and lower fares, while increasing economic growth in the two countries. Open Skies with the United Kingdom would also have a positive impact on the Administration's efforts to achieve liberal, civil aviation agreements with all its major trading partners.
- To forestall the new competition promised by the American-British Airways alliance, a number of U.S. and European carriers, including those already in previously approved alliances, have raised objections to the American-British Airways alliance. We have attached a paper that describes the benefits of the American-British Airways alliance and refutes the complaints of those airlines that oppose it.

Requested Course of Action

- In the upcoming meeting between the President and Prime Minister Blair this month, American asks that the U.K. Prime Minister be urged to instruct his Transport and Competition officials to proceed promptly to complete negotiations with the United States on an Open Skies air transport agreement. At the same time, we ask that the U.S. DOJ and the U.K. OFT be directed to coordinate with one another and with American and British Airways to conclude a Consent Order that would allow DOT to grant the antitrust immunity the two airlines seek.
- Additionally, we request that the Administration and the U.K. Government take steps in concert to insure that the E.U. does not obstruct the conclusion of an Open Skies aviation agreement with the United Kingdom by making excessive demands of American-British Airways.

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



THE WHITE HOUSE
WASHINGTON

Storero
Sec

May 21, 1997

5-23-97
TO DORSKIND
FOR REPLY?

'97 MAY 23 PM3:26

TO: The President
First Lady
Mrs. Gore

FROM: Ann McCoy
EW 101
66306

AKC

Yes

Babbie Lovett, an Arkansas friend and long-time supporter of the Clinton's, wants to share information about this project, "Horses in the Hood".

Babbie Lovett
P.O. Box 403
McCrory, AR 72101
501-731-2208 home
501-731-2515 office



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FREE TRIAL ISSUE

June 9, 1997

These Are the Good Old Days

Business is booming, inflation is falling, jobs are plentiful, and American industry is way out in front. The U.S. economy is stronger than it's ever been before.

Kim Clark

with reporting by Ed Brown, Ani Hadjian, and Lenore Schiff

Look around you and savor this moment, because it's a very special one. Job prospects are terrific. Unemployment is lower than it's been in nearly a quarter century. Business sales and profits are growing handsomely. Inflation has almost disappeared. The financial markets are booming. The U.S. is the world's preeminent industrial power and--even more important--the unchallenged leader of the technological revolutions of our age. Today's prosperity may turn out to be just another business-cycle peak, to be followed by recession or stagnation, or it may turn out to be the beginning of an unprecedented epoch of opportunity and wealth. But it's something you'll want to remember. Because someday, somebody will ask you what it was like in 1997, when the U.S. economy was stronger than it had ever been before.

That's right, the best economy so far. Better than the swinging Sixties or the earnest Fifties or even the roaring Twenties--eras people often think of as golden ages. It's now: 1997. The best measure to begin with is the towering chart immediately to the right: total U.S. output per capita--the broadest measure of a nation's economic well-being. Even adjusted for inflation, it's far higher today than in past periods of prosperity.

Not that it's a perfect economy. Eleven percent of America's families live in poverty. Many others have suffered a decline in real income since 1989. And most American individuals and companies still have legitimate economic complaints, such as too-high taxes or overly restrictive regulations.

You can also quibble that

2-212-41
This is a great
free - we know
it is and get
excited about
but to know how
+ throughout country
Bx

5-26-97
Copied to...
Rahm
Baer
COS



You can also quibble that earlier eras were better by some measures. The U.S. had a higher share of world trade after World War II, for instance. Gross domestic product growth was in fact better in some years in previous decades, the unemployment rate was lower, and wealth was more equitably distributed in others. But as Victor Zarnowitz—one of the nation's best-known

business cycle economists--notes, people tend to forget the problems of past expansions. The Twenties, for example, were not only wildly inequitable but also interrupted by three recessions. Compared with prior booms, "things are very, very good today," Zarnowitz says. In the past, Mark Zandi, chief economist at Regional Financial Associates, always held up the Sixties as the archetype of economic strength. But that expansion--the longest in U.S. history--was artificially fueled by spending on the socially destructive Vietnam War, which initiated the inflationary spiral that nearly crippled the economy in the late Seventies. Today, he says, "we're better positioned now than we were 30 years ago. The Sixties laid the foundation for the Seventies, one of our darkest periods in history. The Nineties outlook is brighter." Says Allen Sinai, a longtime Wall Street economist who describes himself as a fairly cautious guy: "I think this may be the best economy in U.S. history and probably the world."

Sure, some of today's terrific economic news is the result of the latest business cycle upswing. But some--perhaps even most--reflects more fundamental improvements in the American economy. American companies are more competitive than ever because they are the creators and leaders of the information technology revolution. They are also being managed better than they have been in living memory. Some of the credit should even go to Washington, both for what it has done--whittling down the budget deficit and finally getting inflation under control--and for what it hasn't done. The "gridlock" that politicians bemoan has had the happy side effect of preventing the government from launching any grand schemes that could potentially destabilize the economy, such as President Clinton's ambitious health care reform plan. Finally, whether you give the credit to Ronald Reagan or the larger forces of history, the U.S. finds itself the unchallenged military superpower again, meaning fewer of its future economic resources will have to be diverted to defense.

But before analyzing the reasons for the

But before analyzing the reasons for the economy's present strength, it's worth dwelling for a while on its happy consequences. Never before, for example, has a job market provided so many opportunities for so many people. With the economy generating an abundance of new jobs--213,000 per month, on average, in 1997--some employers are literally chasing after prospects. In Omaha, where a telemarketing boom has driven the unemployment rate below 3%, the mayor gave out his telephone number on national TV last year, asking anyone who was looking for work to give him a call. IBM sent recruiters to Daytona Beach, Florida, for spring break, looking for vacationing college seniors. True, the latest unemployment level of 4.9% is above the high-3% range of the late Sixties boom, and higher than the all-time low of 1.4% reported in 1919. But today's job market is far more inclusive. Sixty-four of every 100 American adults is working today, compared with 52 in 1929 and 55 in 1967.

*

And although discrimination continues, women and minorities have far more opportunities than ever before. Blacks, for example, now have 7% of the nation's management and executive jobs. There aren't even good records of what that number was in the Sixties. Tyra Mariani, this year's valedictorian at Howard University, turned down job offers from Chase Manhattan Bank, GTE, Andersen Consulting, and A.T. Kearney before signing on with McKinsey. Her father, a switchman for the CSX railroad, and her mother, a retired insurance customer-service representative, didn't have such chances. "It was their generation that began making inroads into corporate America for our generation," she says.

Wages have stagnated--the often-quoted Department of Labor figures show that the average hourly wage today is worth only \$7.50 in 1982 dollars, down from a peak of \$8.63 in 1973. But those numbers reflect only the cash compensation of hourly workers. More benefits are being paid out, and those who receive salaries have done better. Average family income has grown robustly, due in part to millions of wives who've taken jobs. The average was a record \$51,353 in 1995, up \$11,000 in inflation-adjusted dollars from the Sixties boom. That's meant there are lots of people like Ted Moore, general manager of the Albera Bros. Jeep/Eagle dealership in San Francisco, whose prosperous family is pictured at the beginning of this article. Investment income has helped Moore to buy his children luxuries his parents couldn't dream of: "I went to Disneyland for the first time when I was 24," he says, "but my kids have gone there every year. We definitely have it better than my parents."

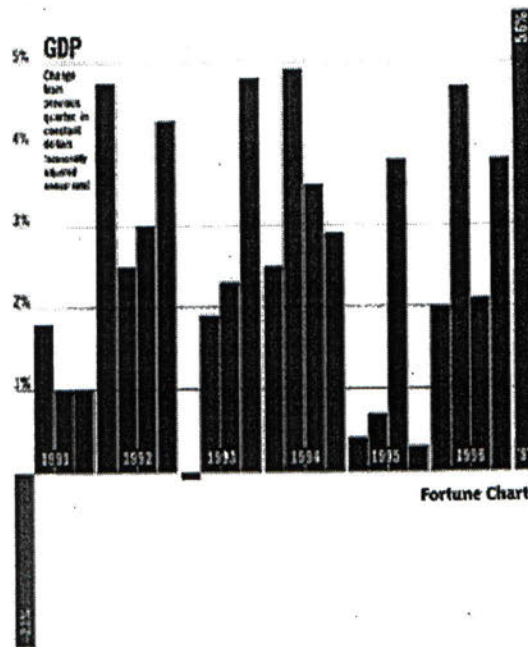




Such confident and free-spending consumers make for unprecedented levels of growth and profitability in the business world. Corporate after-tax profits hit a record \$378 billion last year (in 1992 dollars)--triple the level of the Sixties. And executives expect business to keep improving. The FORTUNE Business Confidence Index (a monthly poll of big-company chief financial officers) is at record levels; the latest survey of the National Federation of Independent Business (small companies) found the highest levels of optimism in the history of the 23-year-old poll. For many high-tech companies, the biggest problem today is keeping up with demand. After starting from scratch in 1989, Alameda, California-based Ascend Communications finished last year with \$550 million in sales of its remote networking devices. It expects to top \$900 million by year-end. Fueling the explosive growth: the Internet. CEO Mory Ejabat says Ascend is benefiting from a virtuous circle: "A strong economy has led to more people using the Internet," which creates more demand for remote networking equipment--his and his competitors'--and workers, who then use the Internet even more.

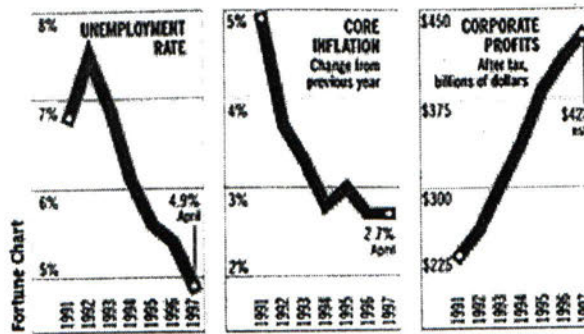
Plenty of older companies, of course, are quick to say they had it better in the past. Many manufacturers, for example, look back at the Sixties as the golden age, says Gordon Richards, economist for the National Association of Manufacturers. But some of that gold came from rising military spending. Some manufacturers simply yearn for the days when there was little foreign competition. Thirty years ago, hard as it is to recall, imported cars were still a curiosity in the U.S. In fact, Richards says, today's low inflation and stable growth environment "is the best possible situation for manufacturing."

Bob Strudler, chairman of U.S. Home, remembers the Eighties as the glory years for housing construction. But that pace, as we found out in the early 1990s, was unsustainable. This time around, he says, while increased competition has the entire industry in fighting trim, construction firms have had "four years of decent and consistent margins." And this time "there's no drop-dead market out there." Instead, he says, there's every sign that the current steady pace will continue for the next several years.



The record-setting business climate has translated into a record-setting investment climate. One broad measure: Those who bought a Standard & Poor's 500 index fund at the beginning of the expansion in 1991 earned a 91% return on their investment by year-end 1996--the best six-year performance since 1960. Even those who bought the index late in the expansion--say, January 1, 1995--would have earned 55% in just two years. "All things considered, this has been the best of times in this generation" to invest, says Shelby Davis, manager of the Davis New York Venture mutual fund. One way to gauge the impact of the booming stock market on the economy is the total value of shares on the New York Stock Exchange per capita: It stands at \$27,500 today compared with \$15,000 in 1967.

One of the foundations of the economy's unusual strength--and a reason to be optimistic about its future--is the impact of computerization. According to W. Michael Cox, an economic adviser at the Federal Reserve Bank of Dallas, the invention of the microprocessor in 1971 has had the biggest impact on the economy since the advent of electricity more than 100 years ago. And American companies are reaping an inordinate share of the benefits because they were the first to realize the importance of computers and invest massively as a result. Better still, the U.S. is continuing to invest and solidify its lead. Americans account for more than 40% of the world's investment in computing. Americans spent a world-leading \$850 per person on infotech in 1995, eight times the global average of \$98 and more than twice the level of Western Europe, according to industry consultant International Data Corp.



The gains in efficiency and productivity from this investment are surely reflected in the economic data for manufacturers--manufacturing productivity is rising at a far-above-trend rate of 3.9% per year. But the statistics for the service sector are mysteriously low, leading many economists to question the quality of the data itself. "Where we can measure productivity [in manufacturing], it is doing very well," says Allan Meltzer, an economist at Carnegie Mellon University. "Where we can't, it isn't." But the evidence of the real world, Meltzer maintains, proves that service productivity must be higher.

It is obvious, for example, that computers have dramatically improved the efficiency of service companies, such as Federal Express, the Memphis-based overnight shipping service. Two-thirds of FedEx's orders come in via its point-of-sale hardware and software. Without it, the \$10.3 billion giant would have to add another 20,000 employees and generate an additional two billion pieces of paper, says chief information officer Dennis Jones.

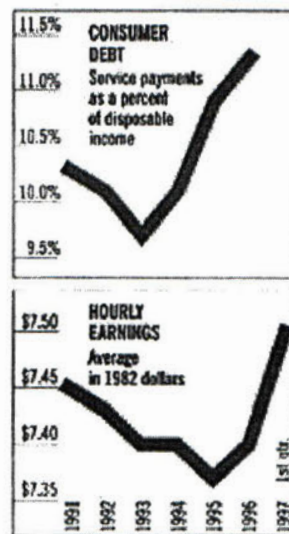
Even apart from the benefits of the infotech revolution, American companies are better managed today than in previous decades. A major impetus was the arrival of foreign competition in the Eighties, which forced all kinds of companies to cut costs remorselessly and keep a hard-eyed focus on the bottom line. Ask Bethlehem Steel CEO Hank Barnette what his company has been up to since the Eighties, and he reels off statistics about improvements in technology, work force utilization, and training. "Over the past ten to 15 years we've invested something on the order of \$6 billion to modernize and maintain our facilities," says Barnette. The payoff: Over the past eight years, Bethlehem's productivity has doubled. A ton of steel that used to require at least seven man-hours to produce now requires only three.

The economy also has benefited from relative peace around the world and, strangely enough, in Washington. Ten years ago the idea that the U.S. should--or could--balance its budget was highly controversial. Similarly, the notion that the Federal Reserve should drive the inflation rate down below 3% was considered radical. Today, after several hard-fought battles over deficit reduction--led most recently by the Clinton Administration--and a decade's worth of Alan Greenspan's

consistently smart management of the Fed, both of those ambitious ideas are becoming reality. Although there are still critics of both fiscal and monetary policy, a broad, bipartisan consensus now exists that favors sound, conservative macroeconomic policy.

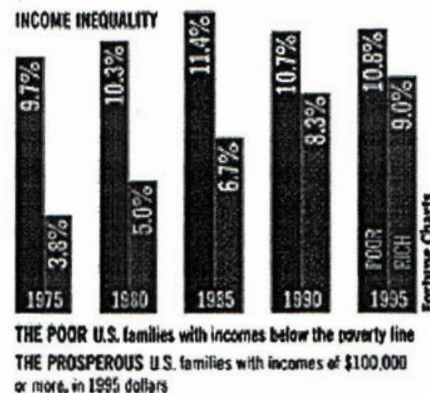
Back in the late Eighties, the fondest wish of many a corporate CFO was that the U.S. just leave tax policy alone, following the violent shifts made from 1980 through 1986. That's in fact what happened. Ideological battles between the Democratic Administration and Republican-controlled Congress have created a providential--for most businesses--stalemate. The balance of power has prevented either side from passing any but the most popular--or most innocuous--legislation. As longtime Washington observer Norman Ornstein, a resident scholar at the American Enterprise Institute, puts it: Politicians are acting "only where they need to. The government is not crashing around and can't inadvertently put an elbow to the nose of the economy."

Pro-business moves like the opening of international commerce via the North American Free Trade Agreement and the General Agreement on Tariffs and Trade--both of which had been undertaken in the Eighties and were pushed through Congress early in the Clinton Administration--have aided the U.S.'s remarkable export boom, which has been an important source of the economic expansion. Exports have doubled in real terms over the past ten years, to \$826 billion (in 1992 dollars).



Danger signs

Even the best-ever economy isn't perfect. Income inequality is rising, as is consumer debt. And there may even be incipient signs of wage inflation.



And finally there's the "peace dividend." The economy seems to be benefiting from the end of the Cold War at last: Only 3.2% of the nation's gross domestic product is expected to be spent on the military this year, down from the Reagan buildup high of 6.1% in 1987. That's released millions of workers and billions of dollars for more productive uses. In 1987 at Wellesley, Massachusetts-based EG&G, for example, about 70% of revenues came from defense contracts for such things as nuclear weapons components. As military expenditures dropped, EG&G

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exited those businesses and concentrated on developing products for commercial applications. In one case, EG&G turned military technology into an improved kind of flash bulb; it now makes all the flash lamps on Kodak disposable cameras and 60% of Fuji's. Today government work accounts for only 30% of EG&G's business.

So there you have it: The nation is more prosperous than it's ever been, and American businesses seem to be especially healthy and competitive--it's not such a stretch to say they've got the world at their feet. And there appears to be little sign that Washington politics or some nasty overseas conflagration will poke a stick in the spokes of the continuing economic expansion. What's there to worry about?

Some pessimists fear that the U.S. stock market may mimic the Japanese market of the Eighties--rising far above fundamental values and then crashing. Remember just a couple of months ago when the stock market dropped, suddenly and unexpectedly, and then wobbled worrisomely before booming back upward?

Many economists are concerned that recent real wage gains indicate inflation is finally poised to take off. "The signs are there," says David Wyss, research director at DRI/McGraw-Hill. One reason to fear inflation: If the Federal Reserve becomes convinced that the threat of rising inflation is real, it will raise interest rates as high as it needs to in order to cool off the economy--and that, in fact, is how most recessions have begun.

Some also fear that this expansion may have been purchased on borrowed cash. Consumers are charging up record levels of debt, alarming many informed observers. Deputy Treasury Secretary Lawrence Summers says complacency is as great a danger as any facing the U.S. economy. Says he: "An excess of complacency leads to credit extension, which leads to excess leverage, then overextension."

But perhaps the single biggest long-term danger for the U.S. economy isn't one that will much affect the normal economic measures or pose any immediate threat to the current expansion: the growing gap between rich and poor, and between those who have the education and skills to benefit from the emerging high-tech economy, and those who don't. While millions of Americans have marched into comfortable prosperity, at least as many--perhaps even more--have fallen back. A study by Rand Corp. economist Lynn Karoly, for example, found that those in the top 10% of the income distribution saw their wealth rise 11% between 1973 and 1993. But the real income of families in the bottom tenth of income distribution fell almost 16% in the same period. The main reason: Changes in technology have left behind those without the skills to adapt.

While inequality has certainly widened during this expansion, there is hope, at least, that this rising tide is finally beginning to lift all American boats. The booming job market, for example, appears to be brightening the prospects of high-unemployment groups such as black males, whose unemployment rate has fallen from 15% in 1992 to below 10% today. And depending on how one slices the data, it's possible to argue that Americans are

starting to get real raises again. Per-capita income for both whites and blacks, for instance, has made slow but real progress throughout the Nineties.

Where do we go from here? All the economic indicators point to continued expansion--at least through this year and maybe even the next. After that? Well, there's no law that says an economic expansion must end--though it's always happened before. Eventually we no doubt will enter a period of stagnation or even recession. This is where our recent history offers signs of hope. Since 1982 we've had only one recession, short and mild. What we can hope for--and what certainly seems within the realm of the possible--is that the current expansion will continue, and that the forces that have produced the powerful, stable economy of 1997 will help ensure that future fluctuations will be less extreme and less harmful than those of the past.

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THE PRESIDENT HAS SEEN

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Text of General Marshall's Nobel Lecture

OSLO, Norway, Dec. 11 (AP)—Following is the text of the Nobel lecture delivered by Gen. George C. Marshall today at the Oslo University Festival Hall:

I have been greatly and surprisingly honored in the past twenty-four hours, and in return I have been requested to speak here tonight. While no subject has been suggested, it is quite evident that the cause of peace is preeminent in your minds.

Discussions without end have been devoted to the subject of peace, and the efforts to obtain a general and lasting peace have been frequent through many years of world history. There has been success temporarily, but all have broken down, and with the most tragic consequences since 1914. What I would like to do is point our attention to some directions in which efforts to attain peace seem promising of success.

I will try to phrase my views or suggestions in the simplest possible terms, though I lack the magic and artistry of that great orator whom the Nobel committee in Stockholm so appropriately honored yesterday (Sir Winston Churchill, winner of the Nobel Prize for Literature). In making my statement I will assume your familiarity with the discussions and efforts of the past eight years and also with something of the conditions which have governed each long-continued peace in world history.

I would like to make special mention of the years of the Pax Romana, which endured through almost all the first two centuries of the Christian era. I do so because of a personal incident which made a profound impression on me in the spring of 1919. Arriving late at night in Chaumont, the American headquarters in France, I sought shelter for the night in the house of a group of friends. I found they were temporarily absent, so I selected an unoccupied room and looked about for a book to read as I waited for sleep to come.

A Parallel of Gaul

The books available were mostly in French or German. Since I was unable to read them with facility, I looked further and finally found an English textbook on the history of Gaul. Casting about for an interesting portion, I landed on a description of the famous Roman peace.

Included in this description was a statement of the dispositions of the Roman troops during this prolonged period, a legion at Cologne, another at Coblenz, a third at Mayence, and the reserve at Trier. Now those happened to be the identical dispositions of our Allied forces some eighteen hundred years later, with the peace commission sitting in Paris and evolving the policy of the League of Nations.

I would not wish to imply that the military deployment I have just described corresponds to the protective NATO deployment of today. The threat today is quite different, but I do think that this remarkable historical repetition does suggest that we have walked blindly, ignoring the lessons of the past with, in our century, the tragic consequences of two world wars and the Korean struggle as a result.

In my country my military as-

Nobel Prizes Awarded in Medicine and Literature



Prof. Fritz Albert Lipmann, right, of Harvard Medical School, co-winner of the 1953 Nobel Prize in medicine and physiology, receives the award from King Gustaf Adolf of Sweden. Dr. Lipmann, German-born biochemist, shared the prize with another German-born biochemist, Dr. Hans Adolf Krebs of Sheffield, England. The presentations were made Thursday in Stockholm.



Lady Churchill, wife of the British Prime Minister, accepts from King Gustaf the 1953 Nobel Prize in literature in behalf of Sir Winston. The Prime Minister, just returning from Bermuda conference, was unable to attend ceremony himself.

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and man to be so honored

we Americans have learned our lesson. I completely disagree with this contention and point to the rapid disintegration between 1945 and 1950 of our once vast power for maintaining the peace. As a direct consequence, in my opinion, there resulted the brutal invasion of South Korea, which for a time threatened the complete defeat of our hastily arranged forces in that field. I speak of this with deep feeling because in 1939 and again in the early fall of 1950 it suddenly became my duty, my responsibility, to rebuild our national strength in the very face of the gravest emergencies.

New Solution Needed

These opening remarks may lead you to assume that my suggestions for the advancement of world peace will rest largely on military strength. For the moment the maintenance of peace in the present hazardous world situation does depend in very large measure on military power, together with allied cohesion.

But the maintenance of large armies for an indefinite period is not a practical or a promising basis for policy. We must stand together strongly for these present years, that is in this present situation, but we must—I repeat, we must—find another solution, and that is what I wish to discuss this evening.

There has been considerable comment on the awarding of the Nobel Peace prize to a soldier. I am afraid this does not seem as remarkable to me as it quite evidently appears to others. I know a great deal of the horrors and

tragedies of war. Today, as chairman of the American Battle Monuments Commission, it is my duty to supervise the construction and maintenance of military cemeteries in many countries overseas, particularly in Western Europe.

The cost of war in human lives is constantly spread before me, written neatly in many ledgers whose columns are gravestones. I am deeply moved to find some means or method of avoiding another calamity of war. Almost daily I hear from the wives, or mothers or families of the fallen. The tragedy of the aftermath is almost constantly before me.

I share with you an active concern for some practical method for avoiding war. Let me first say that I regard the present highly dangerous situation as a very special one, which naturally dominates our thinking on the subject of peace, but which should not, in my opinion, be made the principal basis for our reasoning toward the manner for securing a condition of long-continued peace. A very strong military posture is vitally necessary today. How long it must continue I am not prepared to estimate, but I am sure that it is too narrow a basis on which to build a dependable, long-enduring peace.

The guarantee for a long-continued peace will depend on other factors in addition to a moderated military strength, and no less important.

Perhaps the most important single factor will be a spiritual regeneration to develop good will, faith and understanding among nations. Economic factors will undoubtedly play an important

part. Agreements to secure a balance of power, however disagreeable they may seem, must likewise be considered. And with all these there must be wisdom and the will to act on that wisdom.

In this brief discussion, I can give only a very limited treatment of these great essentials to peace. However, I would like to select three more specific areas for closer attention.

Role of the Schools

The first relates to the possibilities of better education in the various factors affecting the life of peaceful security, both in terms of its development and of its disruption. Because wisdom in action in our Western democracies rests squarely upon public understanding, I have long believed that our schools have a key role to play.

Peace could, I believe, be advanced through careful study of all the factors which have marked the breakdown of peace in the past. As an initial procedure our schools, at least our colleges but preferably our senior high schools, as we call them, should have courses which not merely instruct our budding citizens in the historical sequence of events of the past, but which treat with almost scientific accuracy the circumstances which have marked the breakdown of peace and have led to the disruption of life and the horrors of war.

There may perhaps have been a "last clear chance" to avoid the tragic conflagrations of our century. In the case of World War II, for example, the challenge may well have come in the

early thirties, and passed largely unrecognized until the situation was unlikely to be retrieved.

We are familiar with specific events such as the march into the Rhineland or aggression in Ethiopia or Manchuria. Perhaps there was also a last clear chance to begin to build up the strength of the democracies to keep the military situation in equilibrium. There may also have been a last clear chance to penetrate to the spirit of the peoples of the nations threatening the peace, and to find ways of peaceful adjustments in the economic field as well.

Certainly, had the outcome of the war, with its devastation and disruption, been foreseen, and had there been an understanding on all sides of the problems that were threatening the peace, I feel sure that many possibilities for accommodation would have been much more thoroughly explored.

It is for this reason that I believe our students must first seek to understand the conditions, as far as possible without national prejudices, which have led to past tragedies and should strive to determine the great fundamentals, which must govern a peaceful progression toward a constantly higher level of civilization.

There are innumerable instructive lessons out of the past, but all too frequently their presentation is highly colored or distorted in the effort to present a favorable national point of view. In our school histories at home, certainly in years past, those written in the North present a strikingly different picture of our Civil War from those written in the South. In some portions it is hard to realize they are dealing with the same war.

Such reactions are all too common in matters of peace and security. But we are told that we live in a highly scientific age. Now the progress of science depends on facts and not fancies or prejudices. Maybe in this age we can find a way of facing the facts and discounting the distorted records of the past.

I am certain that a solution of the general problem of peace must rest on broad and basic understanding on the part of free peoples. Great single endeavors like a League of Nations, a United Nations, and undertakings of that character, are of great importance and in fact absolutely necessary, but they must be treated as steps toward the desired end.

We must depend in large measure on the impartiality of those who teach. Their approach must be on a scientific basis in order to present the true facts. The scientists, no matter of what nationality, make a common approach to their problems.

On National Attitudes

For my second suggestion, I would like to consider the national attitudes that bear on the great problem of peace. I hope you will not think me amiss if I turn to my own country and certain rather special circumstances found there to illustrate my point.

Despite the amazing conquests of the air and its reduction of

distances to a matter of hours and not days, or minutes instead of hours, the United States is remote in a general sense from the present turbulent areas of the world. I believe the measure of detachment, limited though it is, has been of help in enabling us on occasion to take an impartial stand on heated international problems.

Also, my country is very specially constituted in terms of population. We have many families of Norwegian ancestry in our population. My country also includes large numbers of former citizens of many of the other countries of Europe, including the present satellite states.

I recall that when the first polar flight was made by the Russians from Moscow over the top of the world to land on the little airfield of the post-I commanded at Vancouver on the Columbia River in the State of Washington, my home was surrounded within a few hours by hundreds and hundreds of Russians, all presumably citizens of the United States.

Italians, Turks, Greeks and many, many others who came to our country now constitute an organic portion of our population.

From this fact we have acquired, I think, a feeling and a concern for the problems of other peoples. There is a deep urge to help the oppressed and to give aid to those upon whom great and sudden hardship has fallen.

We, naturally, cannot see a problem in the exact terms as peoples like yourselves or the Danes, or the Dutch, or the French, for example, people living in the closest contact with each other, yet widely differing in national heritage. I believe there is, however, a readiness to cooperate which is one of the great and hopeful factors of the world today.

While we are not in close contact with the details of problems, neither are we indifferent to them, and we are not involved in your historical tensions and suspicions.

If I am correct in thinking that these factors have given us as a nation some advantage in the quest for peace, then I would suggest that principles of cooperation based on these factors might contribute to a better understanding amongst all nations.

I realize fully that there is another side to this picture. In America we have not suffered the destruction of our homes, our towns and cities. We have not been enslaved for long periods, at the complete mercy of a conqueror. We have enjoyed freedom in its fullest sense. In fact, we have come to think in terms of freedom and dignities of the individual more or less as a matter of course, and our apparent unconcern until times of acute crisis presents a difficult problem to the citizens of the countries of Western Europe, who have seldom been free from foreign threat to their freedom, their dignity and their security.

I think nevertheless that the people of the United States have fully demonstrated their willingness to fight and die in their terrible struggle for the freedom we all prize, to sacrifice their own men in large numbers for this

common cause, and to contribute vast sums for the general benefit of the Western countries.

I recognize that there are bound to be misunderstandings under the conditions of wide separation between your countries and mine. But I believe the attitude of co-operation has been thoroughly proven. I also believe that the participation of millions of our young men and women in the struggle in Western Europe, in the closest contact with your people, will bring as its result less of misunderstanding on our side of the Atlantic than perhaps on yours.

In my own case, for example, I spent two and one-half years in France in the first World War. Frequently I was quartered in the households of the French peasantry and spent long evenings by the kitchen fires, talking far into the night. I came to know them well, admired them, and in some cases came to love them.

Betterment for Poor

Now, how many do you suppose of the present citizens of Western Europe have had a similar look in on the homes of people in the farms and small towns of America? A few may know much of New York, Washington and Chicago, but those great cities do not represent the heart of America.

The third area I would like to discuss has to do with the problem of the millions who live under subnormal conditions and who have now come to a realization that they may aspire to a fair share of the God-given rights of human beings. Their aspirations present a challenge to the more favored nations to lend assistance in bettering the lot of the poorer.

This is a special problem in the present crisis, but it is of basic importance to any successful effort toward an enduring peace. The question is not merely one of self-interest arising from the fact that these people present a situation which is a seedbed for either one or the other of two great differing ways of life.

Ours is democracy, according to our interpretation of the meaning of that word. If we act with wisdom and magnanimity, we can guide these yearnings of the poor to a richer and better life through democracy.

We must present democracy as a force holding within itself the seeds of unlimited progress by the human race. By our actions we should make it clear that such a democracy is a means to a better way of life, together with a better understanding among nations.

Tyranny inevitably must retire before the tremendous moral strength of the gospel of freedom and self-respect for the individual, but we have to recognize that these democratic principles do not flourish on empty stomachs and that people turn to false promises of dictators because they are hopeless and anything promises something better than the miserable existence that they endure.

However, material assistance alone is not sufficient. The most important thing for the world today in my opinion is a spiritual regeneration which would re-establish a feeling of good faith among men generally. Discouraged people are in sore need of

the inspiration of great principles. Such leadership can be the rallying point against intolerance, against distrust, against that fatal insecurity that leads to war. It is to be hoped that the democratic nations can provide the necessary leadership.

The points I have just discussed are, of course, no more than a very few suggestions in behalf of the cause of peace. I realize that they hold nothing of glittering or early promise, but there can be no substitute for effort in many fields.

There must be effort of the spirit—to be magnanimous, to act in friendship, to strive to help rather than to hinder. There must be effort of analysis, to seek out the causes of war and the factors which favor peace, and to study their application to the difficult problems which will beset our international intercourse. There must be material effort—to initiate and sustain those great undertakings, whether military or economic, on which world equilibrium will depend.

A Dynamic Philosophy

If we proceed in this manner, there should develop a dynamic philosophy which knows no restrictions of time or space. In America we have a creed which comes to us from the deep roots of the past. It springs from the convictions of the men and women of many lands who founded the nation and made it great.

We share that creed with many of the nations of the old world and the new with whom we are joined in the cause of peace. We are young in world history, but these ideals of ours we can offer to the world with the certainty that they have the power to inspire and to impel action.

I am not implying in any way that we would attempt to persuade other people to adopt our particular form of government. I refer here specifically to those fundamental values on which our government, like many other democracies, is based. These, I believe, are timeless and have a validity for all mankind.

These, I believe, will kindle the imagination and arouse the spirit.

A great proponent of much of what I have just been saying is Dr. Albert Schweitzer, the world humanitarian, who today receives the Nobel Peace award for 1952.

I feel it is a vast compliment to be associated with him this year. His life has been utterly different from mine, and we should all be happy that his example among the poor and benighted of the earth should have been recognized by the peace award of the Nobel Committee.

I must not further complicate this discussion with the wide variety of specific considerations which will enfold the gradual growth of a sound approach toward some method of securing an enduring peace in the world. I fear, in fact, I am rather certain, that due to my inability to express myself with the power and penetration of the great Churchill, I have not made clear the points that assume such prominence and importance in my mind. However, I have done my best, and I hope I have sown some seeds which may bring forth good fruit.

MEMORANDUM FOR THE PRESIDENT

FROM: Sylvia Mathews *SM*
Maria Echaveste *ME*

DATE: May 23, 1997

RE: Reconciliation Outreach Efforts

THE PRESIDENT HAS SEEN

5-26-97

5-26-97

copied to
Mathews
Echaveste
COS

This memorandum updates you on the outreach efforts to date for your race initiative and our outreach plan for the next three weeks in preparation for your speech on June 14. The memo lists the people with whom White House staff have consulted and reflects their input. Please note that we solicited the input reflected here at a time when we were considering a large commission as the centerpiece of your initiative. At this point the emphasis has shifted from a large commission to creating a small advisory group that will work with you on these issues.

INTRODUCTION

In developing recommendations for your initiative on race and diversity, we consulted a number of individuals and national leaders who have spoken out on this issue in the past. We explained that you were considering a number of proposals that would speak to the unresolved issue of racial and ethnic discrimination, and would focus on the great challenge facing our country as we move into the next century. We solicited their views regarding the advisability of a Presidential initiative on race, whether such an initiative should take the form of a commission or some type of a White House summit, and asked for suggestions of who should be asked to serve on a commission, if that were to be established.

INPUT FROM CONSULTATIONS

Everyone we called supported the idea of a Presidential initiative; many speaking enthusiastically of your unique ability to speak to the nation on the subject of race and reconciliation and to move the country toward racial healing and tolerance. For example, Father Leo J. O'Donovan and Father Theodore Hesburgh both expressed strong support for your taking on the race issue. Father Hesburgh cited your success with the Memphis speech and said he felt America is ready to face this issue and suggested that you should try to build on the 1964 Civil Rights Act.

Several people expressed concern about creating a commission believing that it would run the

risk of being big on rhetoric and short on substance. Some argued that there has been enough study; that it was time for action. Among those cautioning against a commission were Al Fromm, Xavier Becerra and Hugh Price. Others such as Kwesi Mfume and Joe Lowery, while not opposing a commission, were more concerned about the potential lack of concrete actions. John Sweeney thought selecting a commission would be hard but supported your effort to engage the public on the issue. Senator Moseley-Braun thought a commission was an excellent idea and that you were ideally suited to leave a lasting legacy on the matter of race. She believes that you have the credibility and can give direction to the nation on this important issue

Hugh Price also suggested that the real challenge for the future is ensuring that what he called the "opportunity structure" be open to all populations in the country, and not just focus on past discrimination. He proposed that you convene a dialogue with mayors who have real life experiences with interactions among different people and the difficulty of governing diverse populations. Andrew Young argued that you would get much further by focusing on the issue of poverty and highlighting the common goal of economic security. He also thought consideration should be given to human relations and how we develop respect for all types of diversity.

Representative Patsy Mink said that the commission should have a name that was inclusive and that a commission on race was a very bad idea which conjured up very negative and divisive signals. Representative Bob Matsui agreed with the idea of a reconciliation commission and suggested several prominent Asian-Americans be considered. Becerra of the Hispanic Caucus also stressed the importance of going beyond a black and white dialogue. Ron Allen, a Native American leader, expressed great concern that racism was at the very heart of the problems besetting the Native American community but that a commission on race would not address the needs of this community. Substantial participation by Native Americans in this initiative will be required to allay those concerns.

Anna Devere Smith argued that the press should be challenged and included in the effort to bring about reconciliation.

We also had lengthy conversations with both Mayor Dennis Archer and Mayor Willie Brown; both were highly supportive and pleased to be asked for their advice. Mayor Brown was particularly interested in trying to identify new leadership -- younger people not already previously identified with the Civil Rights movement to participate in this effort. Both indicated they will applaud you when you make your speech.

Lastly, we have spoken with Rev. Jackson who stressed that vision, policy and politics must be connected. The key question for him is whether you are prepared to make some bold moves to advance this effort with particular emphasis on our criminal justice system and our economic structure. While he believes that you are deeply committed to the issue, the initiative must be more than dialogue.

CONSULTATIONS LIST

Attachment A is a list of the individuals with whom we spoke:

OUTSTANDING CONSULTATIONS

Before the initiative can be announced and before your speech, there are two critical calls that remain to be made: Rev. Jesse Jackson and Mary Francis Berry, Chair of the U.S. Commission on Civil Rights. We propose that you and your Commission consult with them regularly throughout this effort.

We recommend that you call Rev. Jackson and that the Vice President speak with Mary Berry. You should ask Rev. Jackson for his input as we're finalizing this project and indicate our desire to consult with him regularly. The U.S. Civil Rights Commission, in particular, has addressed aspects of this issue of race as part of their ongoing work and one question that will have to be answered is why create another commission. Certainly there are opportunities to use some of the Commission's findings and research as we do our work.

We have also prepared a list of calls to be made in the next three weeks in preparation for your speech. ATTACHMENT B is the list, along with notes indicating when those calls will be made.

ATTACHMENT A

Archer, Mayor Dennis
Becerra, Cong. Xavier
Branch, Taylor
Brown, Mayor Willie
Christopher, Warren
Cisneros, Henry
Devere Smith, Anna
Edley, Chris
Fromm, Al
Galston, Bill
Henderson, Wade
Hesburgh, Father Ted
Jackson, Rev. Jesse
Jordan, Vernon
Kennedy, Sen. Ted
Lewis, Cong. John
Lowery, Rev. Joseph
Matsui, Cong. Bob
Mfume, Kwesi
Mosley-Braun, Cong. Carol
O'Donovan, Father Leo
Pena, Secy. Frederico
Price, Hugh
Richardson, Amb. Bill
Slater, Secy. Rodney
Stephanopoulos, George
Sweeney, John
Waters, Cong. Maxine
Wenger, Michael
Wilson, William Julius
Winter, Govr. William

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	VPOTUS to POTUS re: Environmental Assistance to Russia (2 pages)	05/23/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 9358

FOLDER TITLE:

Chron Files: Monday, May 26, 1997 [2]

2019-0774-S

rs3383

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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can't we
get them?

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KRASNOURALSK, Russia—Inside Little Flower School No. 7, preschool children awake from an afternoon nap and scamper about the playroom, the boys happily fastening plastic blocks together, the girls cooking an imaginary lunch over a toy stove.

But the little flowers of Krasnouralsk are ill. They suffer from chronic respiratory ailments, and, according to tests, many of them have high levels of lead in their blood, which can lead to brain damage, mental retardation and behavioral problems.

"People are getting more and more sick every year," said Rima Yermakova, headmistress of the preschool, perched on a chair in the infirmary.

"We do what we can. But there is no improvement, and the level of sickness is growing."

According to Russian analysts, the source of the sickness is the tall smokestacks of the Krasnouralsk Copper Works, a smelter built in the days of Joseph Stalin's drive to industrialize the Soviet Union.

For 65 years, the smokestacks have been raining pollution on Krasnouralsk, a town of 33,000 in Russia's heavily industrialized Ural Mountains heartland. High levels of lead have accumulated in the soil, tests show, and many young children may already be suffering from lead poisoning.

The town is not alone. A white paper published recently by Russian specialists concludes that lead contamination is blanketing the country, another in a long list of environmental disasters in the former Soviet Union that have been acknowledged in recent years.

"A large part of the territory of Russia is experiencing lead fallout loads that exceed the level critical for the normal functioning of the ecosystem," said the document, prepared with help from the U.S. Agency for International Development.

The chief source of lead is auto emissions, since half of

See LEAD, A13, Col. 1

LEAD, From A1

Russia still uses leaded gasoline, but metals factories, such as the copper smelter, are also a major cause of contamination.

Although the report calls for urgent measures to reduce lead pollution, it comes at a time when Russia's economic crisis has overshadowed environmental concerns. Now in the sixth year of industrial depression, Russia lacks

"If this situation existed in the West, the factory simply would not operate."

— Vladimir Gurvich,
deputy chief regional physician

money to clean up the pollution of earlier generations. And if the economy begins to recover and factories go back to work, the pollution is expected to get worse.

The conflict between economic needs and ecological hazards is starkly evident in Krasnouralsk, located in pine and birch forests 132 miles north of Yekaterinburg, the regional capital. The Svyatogor Joint Stock Co., which runs the copper works, is the town's biggest taxpayer, its biggest employer—and its biggest polluter.

Vladimir Gurvich, deputy chief physician of the regional health inspectorate, said the lead contamination

to do. You can only do one thing with the people—move them out," he said. "What does that mean? A population left without work or income? It wouldn't be a problem if it was only one town, but towns like this are many."

"If this situation existed in the West," he added, "the factory simply would not operate. It would not be profitable, because of fines it would have to pay." But the factory cannot realistically be closed, he said. "The people living on that territory are hostages. They have jobs. The jobs feed them. Where can they go?"

They are people like Lena Pigalova, 26, a mother of two whose father and husband work at the smelter. "Our city lives on the factory," she said. "It's on the basis of them that we hold on."

The Krasnouralsk smelter employs 4,500 workers and produces 60,000 tons of unfinished copper a year. Sergei Litovskikh, the general director, said the company earned \$3.6 million profit last year on sales of \$61.8 million.

But the smelter uses equipment dating back to 1932. Extracting copper from the ore releases dangerous elements, including lead and gases. New antipollution equipment is to be installed later this year, but in the meantime the factory is spewing about 150 tons of lead into the air each year.

The company acknowledges some responsibility for the town's plight, Litovskikh said, but the whole region

is polluted. "It's a problem, but not only the factory is to blame. There are other factories. . . . Overall, the ecology is not so good." In the town, he added, "We have not seen any serious studies of how polluted the earth is."

However, recent tests show the soil is badly polluted. According to Vyacheslav Lupin, chief physician of the town's health inspectorate, soil sampling at 27 locations shows lead levels far in excess of the maximum allowed by Russian standards. The soil samples are important because experts believe children often absorb lead from playing outside—in sandboxes, for example—and from eating foods grown in contaminated soil.

The town has long suffered other pollution problems. For example, in spring and summer, the winds sometimes blow a blue smog from the smelter to the center of town, and schools rush to bring children inside.

Lupin said. Vegetable gardens often wilt in the smog, and the factory paid \$36,000 in compensation last year to residents who lost their gardens.

In recent months, health specialists here have started to measure the effects of lead poisoning, which often does not have immediate symptoms. Lead poisoning is especially risky for young children, since it affects the developing brain and nervous system. Last October, a study was begun on about 180 Krasnouralsk children. It checked their overall medical conditions, their blood lead levels and their mental abilities.

Ural Regional Center for Environmental Epidemiology, who oversaw the research. "And those with a lot of lead are in poorer health."

According to the U.S. Centers for Disease Control and Prevention, "some adverse health effects" occur in children with lead levels in their blood of 10 micrograms per decaliter. The Krasnouralsk children averaged 13.1 micrograms per decaliter. Half those tested had levels between 10 and 20, which the U.S. defines as mild lead poisoning, and 14 percent had levels above 20, which is considered moderate lead poisoning.

Also, a group of children was tested for mental abilities using Raven's Progressive Color Matrices, a tool developed in England. According to Privalova, 75 percent of the children tested showed some signs of mental retardation, far higher than the Russian population as a whole, although she cautioned that a direct link to lead contamination was not proven.

The children also suffered from other maladies, especially respiratory ailments. "As a doctor, I think the problem is very serious," said Lupin.

nin. "There are practically no healthy children."

Yermakova, the preschool headmistress, said her students' parents are poor. "People do not have money for medicine and less money for food."

Glina Gusakova, a children's health specialist, said the preschoolers do not get enough milk every day; their parents cannot afford it.

The recent test results in Krasnouralsk have not yet been made public here, and several officials said they are unsure what kind of reaction will follow.

Mayor Gennady Voroshilov said the town has few alternatives, and he does not expect the factory to contribute more money for cleanup. "They won't do more," he said. "We all know how to count our money. They are a joint stock company, and any investor who demands they spend money on the environment—that is difficult. No one will do it voluntarily. We also can't push them too hard."

Voroshilov at first questioned the results of the latest research, saying mental problems in children might be traced back to "criminals" whom Stalin forced to build the smelter. Later, he said of the tests, "The methods used were not definitive. There might be a reason to doubt them." He urged a reporter not to "dramatize" the situation.

"For local residents, these will be very serious, troubling results," said Gurvich, the regional health inspector. "Since the 1930s, generation after generation has been living in a very bad, polluted environment."

5-26-97

Barbour's National Policy Forum . . .

When he founded the National Policy Forum in 1993, Republican Party Chairman Haley Barbour trumpeted it as a place where Republicans could exchange ideas, debate policy and publish a conservative-leaning magazine.

But the National Policy Forum was a lot more than the policy think tank it professed to be.

Internal fundraising and planning documents from the organization indicate that it operated more like a political committee, except that

it had the advantage of offering donors secrecy

for their large contributions. Claiming tax-ex-

empt status allowed the

National Policy Forum

to seek funds to further

the Republican Party's

cause from corpora-

tions such as Philip

Morris Companies and

wealthy individuals

such as Denver industri-

alist Orin L. Benton, while

keeping their names off

the Federal Election Commission (FEC) rolls.

The memos obtained by Congressional Quarterly offer a

glimpse into the inner workings of the forum, shedding

light on why the Internal Revenue Service denied its tax-ex-

empt status nearly four years after it first applied, appar-

ently because it worked too directly as a spinoff of the Re-

publican National Committee.

The organization has been in the spotlight because it ap-

peared to solicit money from foreign sources, despite Bar-

bour's repeated claims that the GOP's donations were free

of illegal foreign contributions.

Barbour turned down several requests for an interview,

citing a subpoena from the Senate Governmental Affairs

Committee, the main investigatory panel examining

fundraising tactics. A Republican close to Barbour, insisting

on anonymity, said the National Policy Forum has "done

nothing illegal. It was not political, nor was it partisan," he

said, noting that the group did not run ads promoting candi-

Secondly, Team 100 members are very interested and knowledgeable about national policy issues. The RNC is creating the National Policy Forum (NPF) to help develop and articulate a positive Republican agenda for America and provide a pro-active forum for Republican participation at the grassroots level. It will consist of several policy councils focused on critical national issues. NPF will help the Party regain its rightful position in this country as a party of principle, a party of ideas and a party of inclusion.

A fundraising memo to donors of \$100,000 or more.

the group tax-exempt status earlier this year on the grounds that it was "too Republican." Barbour is now appealing the decision to the IRS. If it loses, the group will be held accountable for back taxes on income between 1993 and when it closed its doors in December of 1996, said Marcus S. Owens, director of the IRS exempt organization division.

Such denials are rare. Of the 1,648 organizations seeking approval in 1996 in the same category, 32 were denied tax-

exempt status. Owens

said the IRS makes deci-

sions about most appli-

cations in three or four

months. The forum's ap-

plication dragged on for

3-1/2 years.

The main attraction

of tax-exempt status is

providing a shield for

donors who prefer to re-

main anonymous, said

Lee Sheppard, a tax

lawyer who has written

about tax-exempt organiza-

tions. Like soft-money con-

tributions to parties, these gifts can come directly from corporations and can be of any amount, unlike contributions directly to campaigns.

"Politicians have been abusing tax-exempts for years," Sheppard said. "The Republicans have been much more creative about using these. It fits the needs of their targeted donors because they get anonymity."

Republicans respond that the forum, which had a board of directors that included Senate Assistant Majority Leader Don Nickles, R-Okla., and former House Minority Leader Robert H. Michel, R-Ill., is no different than the Democratic Leadership Council, a tax-exempt group with strong ties to Democrats, particularly President Clinton.

The National Policy Forum is one of six Republican groups to be subpoenaed by the Senate Governmental Affairs Committee, principally because of its apparent ties to foreign donors. The RNC and two GOP political committees announced on May 8 that they were returning \$122,400 to donors after discovering that the money came from a Hong Kong company with little or no assets in the United States. That company, Young Brothers Development-Hong Kong, guaranteed \$2.2 million in loans through its Florida-based subsidiary to rescue the financially ailing National Policy Forum. (Weekly Report, p. 1007)

The loan guarantee, first reported by Time magazine in its May 5 issue, made it possible for the policy forum to in-
fuse the RNC with \$1.6 million three weeks before the 1994 elections that gave Republicans control of Congress.

Contributors: Who's Who

The forum appeared to target some of the country's biggest donors. On their list of "hard commitments," fundraisers listed Philip Morris for \$50,000 in 1993 and \$150,000 in 1994. Coca-Cola Company was down for \$25,000 for each year and Benton was on the list for \$50,000 and

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... More Like Political Committee

THE PRESIDENT HAS SEEN

\$100,000, respectively. Also included were United Parcel Service, Edison Electric, the Prudential Insurance Company of America and AT&T.

"There was no promise with the money we gave that there would be a specific [return] with it," said Jim McGann, a spokesman for AT&T. "But clearly if there was going to be a national policy, we wanted to have a say." AT&T gave \$40,000 to the forum in 1993 and another \$25,000 in 1995 as part of a coalition of telephone companies. The company participated in a national telecommunications policy forum sponsored by the group in March 1995 just before passage of a new telecommunications law.

In a 1994 memo, fundraiser Kelly Quesnier suggested Art Modell, the owner of the Cleveland Browns football team (which later became the Baltimore Ravens), as a possible target for \$250,000.

"Art said he would not give 250K — he would help give us a dollar amount soon, however, we would not see anything until March. However, if the Browns win the Super Bowl — we have a million in the bank!" The Browns, unfortunately for the group, did not make the 1994 playoffs.

The group wanted \$250,000 from Rabbi Milton Balkany, a major fundraiser for conservative issues from Brooklyn, N.Y. "I am going to ask him for all of the 250K asap. If he can't do it all now, I'll ask for half in August, the other in Sept.," Guesnier wrote.

A list of those who are described as being able to "easily give a million" include: Frederick W. Smith of Federal Express; Norman Braman of Miami; Blockbuster Entertainment Group chief Wayne Hutzenga of Ft. Lauderdale; Tad Arison of Carnival Cruise Lines and Bernard Marcus of Home Depot, based in Atlanta.

Another internal memo indicates that the forum actively sought foreign donations. Barbour has repeatedly criticized the Democrats for raising funds from foreign contributors in violation of the law, asserting that "none of the [forum] money came from overseas — period."

Close Cousins

Other documents show the closeness of the group's ties to the RNC. "The RNC is creating the National Policy Forum to help develop and articulate a positive Republican agenda for America and provide a proactive forum for Republican participation at the grass-roots level," Barbour stated in a June 10, 1993, memo to the Republican Party's top donors.

The document described the connection between the RNC and the forum thus: "NPF operations will dovetail with



NPF's Pennsylvania Avenue headquarters near the Capitol are locked and empty.

and complement the work of Republican leaders in Congress as they work to develop legislative strategy."

In a draft memo with the same date, Barbour termed the organization a "development subsidiary" of the RNC — a phrase that was excised on an attorney's advice, according to the Republican source.

The National Policy Forum promoted several platforms, according to the documents, including strengthening the family, improving schools, reforming health care and maintaining military strength.

Republicans Respond

Republicans say the group operated in the same way as the Democratic Leadership Council, a 501(c)(4) founded in 1985. It raised about \$3 million in 1996. Over the forum's 3-1/2 years, it raised \$5 million to \$7 million, the GOP source said.

Former National Policy Forum board member Nickles, who also sits on the Senate investigative committee, said that the forum promoted public policy, not politics. When asked whether the panel should widen its subpoena to include Barbour, Nickles responded: "Do we

have a subpoena for Chris Dodd and Mr. Fowler?" in reference to Don Fowler, the former national chairman of the DNC, and the Democratic Connecticut senator who was general chairman of the DNC.

"The idea that they are analogous is ludicrous," said Chuck Alston, executive director of the Democratic Leadership Council. The council was founded by Democrats in 1985 who felt out of touch with the Democratic Party, he said, with no connection to the DNC other than they both share Democratic members. The leadership council received tax-exempt status within one year after it incorporated, IRS records show. It did not make loans or gifts to the DNC, Alston said.

"A lot of Democrats would just as soon see us go away," Alston said. "We've largely been defined by our battles with the Democratic Party."

Democrats on the Senate committee sneered at the suggestion of a similarity. Said Sen. Robert G. Torricelli, D-N.J., "With each new revelation, it's becoming more and more apparent that the National Policy Forum was essentially a criminal enterprise, not a legitimate think tank, erected solely to funnel otherwise illegal funds to the Republican party and to Republican candidates."

Barbour is preparing documents to submit to the committee to answer its subpoena and to pursue his appeal to the IRS. The GOP source close to him said that in the end, the evidence will show that the forum did everything above board.

— Rebecca Carr

THE WHITE HOUSE

WASHINGTON

May 24, 1997

'97 MAY 26 AM 11:45

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

SAMUEL BERGER

SUBJECT:

Assessment of Chris Hedges' Article

THE PRESIDENT HAS SEEN
5-26-97

You sent me Chris Hedges' article on Brcko in the Sunday Times, saying you found it disturbing. Jock Covey, who knows the players very well, has provided the following comment.

Our view is that the Hedges' story was a good deal darker than circumstances warrant. Hedges searched out an indiscreet SFOR officer (possibly an American from our sector, by the sound of it) willing to blame everything on the civilian side. He quoted out of context the quite solid British Deputy of the U.S. supervisor, Bill Farrand. And he gave space to an infamously vituperative local Serb journalist -- whose own colleagues in the local media regularly apologize for her excesses.

In contrast with the wrangling over Brcko as a strategic asset, the on-the-ground implementers have actually experienced a certain civility among local leaders -- rare in other parts of Bosnia, and an important asset to the work that lies ahead in Brcko.

So long as the international community has provided the forum, the three Mayors of Brcko (the appointed Serb, and the Bosniak and Croat in exile) have generally worked together constructively.

Under the aegis of the American Battalion, they and their townspeople created the famous "Arizona Market" on the Inter-Entity Boundary Line outside of town. Working with the Office of the High Representative, these three negotiated a local arrangement for Muslims to return to their homes in the Zone of Separation abutting Brcko -- an arrangement which later evolved into the formalized "ZoS Return Procedure" that is still one of the few available tools for managing tensions elsewhere along the IEBL.

The three often have to "blame" the international community for making them cooperate. The Serb is particularly vulnerable in

cc: Vice President
Chief of Staff

this regard. There certainly are a lot of other things that can go wrong in a place like Brcko. But for now, local attitudes arguably give us a better chance in Brcko than in most other parts of Bosnia. For perspective, one only needs to think about the intractable situation in Mostar.

At the same time, the vocabulary of "implementation" plays into the hands of critics, lending itself to the portrayal of Dayton as little more than a checklist, while ignoring the extremely ambitious peace process that lies within the scope of "implementation." We need, among many other things, to find ways to shift the terms of public discussion. After all, even though our own constraints compel us to force the pace, the Bosnia process is moving rather quickly compared to any other peace process in a recent regional conflict (e.g. Central America, Cambodia, Africa), where the war-to-peace process unfolded over several years.

Attachment

Tab A Incoming Correspondence

5-19-97

Handwritten: Sunday, 5-19-97, Brcko, Bosnia



Handwritten: → Jack - What is your assessment of this article? Am I wrong that it is too dark? Let's discuss @

Handwritten: Copied Berger Cos



Opening Ni

From Tiffany's extraordinary collect "Deco" bracelet of brilliant-cut diamonds set in platinum.

As bombed-out buildings around Brcko illustrate, civilian administrators have been unable to rebuild the multi-ethnic society destroyed by war.

For Bosnia, Peace Is Coming Up Empty-Handed

By CHRIS HEDGES

BRCKO, Bosnia and Herzegovina — Robert W. Farrand, the American diplomat who is this town's international supervisor under the Balkan peace accord, sat in his new office overlooking the Sava River recently talking about peace, brotherly love and tolerance. Down the street, at an outdoor rally to celebrate the Serbian Orthodox patron saint of the town, Bosnian Serb leaders issued calls for vengeance, war and annihilation.

The civilian administrators who arrived in Bosnia after the signing of the Dayton peace agreement in December 1995 were supposed to cajole local communities into rebuilding a multi-ethnic society obliterated by war. But the starkly different visions proffered by Mr. Farrand and the Bosnian Serb leadership here highlighted what many now see as the failure of the international diplomats to move the Bosnian Serbs, Croats and Muslims one inch forward. And scenes like the outdoor rally have left NATO commanders, who successfully established a cease-fire and now patrol boundary lines with some 30,000 troops, in despair.

"It would be a mistake to say there is peace in Bosnia," said a top NATO commander who spoke on condition of anonymity. "We have only the absence of war. We gave the civilian officials the time and space to carry out the Dayton agreement, but they failed. Nothing has been accomplished. The moment we pack up and leave next year the war could well start all over again."

Mr. Farrand, a 31-year veteran of the State Department who was appointed to administer the disputed town of Brcko (pronounced BURCH-ko) earlier this year, is typical of the small army of diplomats, bureaucrats and aid workers who descended on Bosnia with lofty goals but little idea of how to carry them out.

Mr. Farrand was appointed by the chief international civilian administrator for Bosnia, Carl Bildt of Sweden, to supervise Brcko until its fate is decided by international arbitra-



In the town of Brcko, the Dayton accord has not brought peace.

tors sometime before next March. But he has no money to carry out reconstruction programs. He cannot force the Serbs to accept the return of the 20,000 Muslims driven from the town at the start of the war, and he has no technical staff to jumpstart the furniture, shoe and palm oil factories that limp along at about 10 percent of prewar capacity.

When a senior member of Mr. Farrand's staff was asked what tools were available to the office to push through the demands of the Dayton accord, he answered, "Our wit."

Mr. Farrand said: "It is the responsibility of the entities here to meet their commitments under the Dayton agreement. I can only encourage them to fulfill these commitments."

Many civilian administrators, while acknowledging their failures, say the refusal by NATO leaders to arrest people indicted on charges of war crimes or to protect refugees who want to return, has left them without the coercive power to make the parties respect the peace agree-

ment, which calls for all refugees to be allowed to go home. They also fault international aid donors for refusing to provide adequate money and help to build a viable economy.

The World Bank has spent only one-third of the \$1.8 billion it raised for Bosnia because of the failure by all sides to make economic reforms that the bank says are needed to insure responsible use of the money. And contributions to international relief agencies have plummeted because of "donor fatigue."

Brcko, a dilapidated collection of houses with terra-cotta roofs and boxy concrete apartment buildings on the banks of the Sava River, is in the three-mile-wide corridor that links the two parts of Serb-held Bosnia. If Brcko is handed to the Muslims, the Serbian entity in Bosnia created under the peace agreement will be cut in two. The Muslims, who made up 55 percent of the town before the war, want Brcko to gain access to the river traffic along the Sava, linking them to trade routes.

Each side in the conflict — both the Serbs and the Muslims argued so bitterly over Brcko that its fate could not be decided at the peace talks — has threatened to go to war again if the arbitration does not go its way.

The town is patrolled by American soldiers, who guard both ends of the bridge linking Brcko to Croatia across the river. The bridge is closed to civilians.

American troops, sweating under the weight of helmets and green flak jackets, moved slowly past a park along the riverbank the other day. Before the war, the park was the site of one of the town's three mosques. The building was dynamited into rubble in 1992, and the local Serbs removed every stone to obliterate any trace of the structure.

The Muslims fled at the start of the fighting to territory under their control, south of the town. Many now live in poor conditions just a few miles from their old homes. When a group of about 100 Muslims from Brcko arrived in buses in front of Mr. Farrand's office on May 1 to protest

seeking the return of their homes, leering Serbs attacked them with bricks, stones and bottles.

"To destroy the mosques was to destroy cultural monuments because Muslims have no culture," said Anica Savic, the local correspondent for Tanyug, the Serb-run Yugoslav news agency. "They are Serbs who were converted by the Turks during the occupation because they were weak. We just published a book of 200 years of Serb journalism. The Muslims couldn't fill a book with even two years' worth of journalism."

The rally for the Serbian patron saint, which took place under a cloudless sky and bright sun, was yet another opportunity for the Bosnian Serb leaders to display their disdain for the Dayton accords. Florid poems were read calling on all Serbs to hold back the "Muslim hordes" that threatened Serb freedom. Serbian folk singers performed, and military leaders vowed to defy any decision against them by the arbitration.

It is hard to believe that fighting could start again after a war that destroyed over 80 percent of all homes in Bosnia, wiped out most factories and businesses, created 2 million refugees and plunged tens of thousands of families into destitution and unspeakable grief.

But the stagnation, poverty and hopelessness that infect Bosnia, coupled with the hatreds whipped up by the savage fighting, leave many young people ready to pick up guns again. After 18 months, peace has not offered them much. Brcko is filled with destitute Serbs displaced from other parts of Bosnia. The war, in the end, gave many young men a purpose, a sense of self-worth and the intoxication of power.

Jakob Pejic, 32, a former Bosnian Serb soldier, and his friend Savo Markovic, 18, sat blinking into the bright sunlight not far from the rally. They said they had no work and little money.

"We just wait for the war to start again," said Mr. Pejic. "It's what the Muslims want."

TIFFANY

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LEARNING

Tribal Colleges: Gains for 'Underfunded Miracles'

By Kirsten A. Conover
Staff writer of The Christian Science Monitor

WHEN the native-American community makes the news, all too often it is portrayed with a sense of plight.

But a story of renewal and hope has been waiting to be told: native-American colleges.

From North Dakota to Arizona, tribal colleges have been steadily and quietly making a positive difference in native-American communities.

Documenting their determination is a report released yesterday by the Carnegie Foundation for the Advancement of Teaching.

The report, titled "Native American Colleges: Progress and Prospects," revisits a study done eight years ago by Carnegie and offers evidence of how these colleges, sometimes referred to as "underfunded miracles," have grown and succeeded against great odds.

"Without question, the most significant development in American Indian communities since World War II, was the creation of tribally controlled colleges, institutions of higher learning founded by tribes and governed by Indians," writes Paul Boyer, author of the report, who has studied the colleges for more than a decade. "More than any other single institution, they are changing lives, and offering real hope for the future."

Mr. Boyer and his colleagues make the case that today:

- Tribal colleges establish a learning environment that supports students who had come to view failure as the norm.
- They celebrate and help sustain native-American traditions.
- They provide counseling and recreation services that enrich surrounding communities.
- Tribal colleges are centers for scholarship in such areas as prairie-grasslands management and mental-health services.

The first tribal college was founded in 1968 on the Navajo Reservation in Arizona. Today, there are 27 tribally controlled colleges in the United States, mainly concentrated in the northern Plains and in the Southwest. For the most part, they are two-year community colleges. Resources are limited: Facilities, while deemed "adequate," are often in poor shape and lack updated equipment. Yet more of these colleges are adding four-year and even graduate degrees to their curriculums.

While much of the faculty is American Indian, two-thirds is non-Indian. According to the report, most graduates stay on the reservation, share their knowledge, and serve as role models. Health care and education are popular concentrations.

The colleges' greatest challenge, according to the report, is funding. Native-American col-

leges do not have a high profile within the higher-education system. And while foundation support has grown in the past 10 years, student populations are rising rapidly. In 1989, enrollment hovered at about 10,000; by 1995 it had doubled to more than 20,000.

Janine Pease Pretty-On-Top, founder and president of Little Big Horn College on the Crow Reservation in Montana, says the Carnegie report presents an exciting opportunity. "It's a voice that adds to ours that is strong and credible."

The first Carnegie report of almost a decade ago was "a new day for us," she explains in a phone interview. Few people - from the general public to Congress - had ever heard of native-American colleges before.

Faculty from tribal colleges had the opportunity to meet with individuals from institutions, foundations, and the private sector - "people who care about other people, community development, and equal access to higher education," Ms. Pretty-On-Top says. "Within that eight-year period we have really grown and come into fruition." She says she

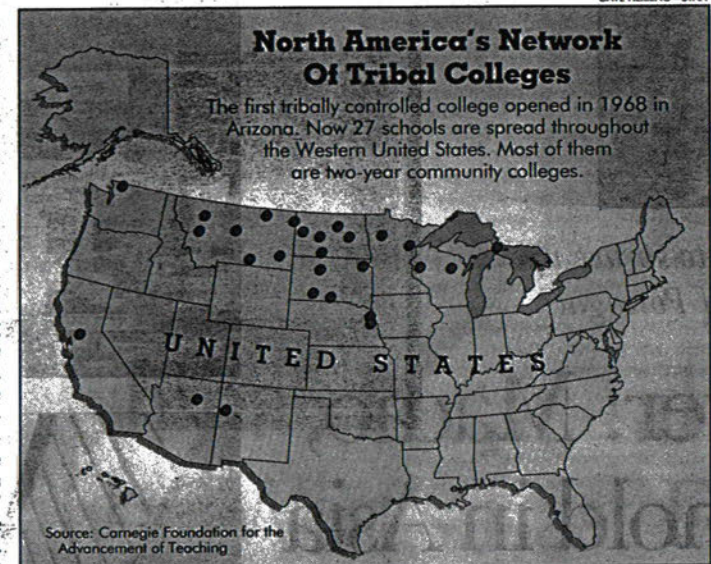
hopes to see similar impact with this study.

The Carnegie report makes recommendations for continued and increased support from the federal government and the private sector. At a press conference yesterday, the Kellogg Foundation announced a \$22.2 million grant to help tribal colleges and mainstream institutions that enroll a significant number of native American students.

"One has to put this in a context of Americans' historical and

moral responsibility," says Bob Hochstein, a Carnegie Foundation spokesman. He recalls asking one Native American student what his college needed, and the student responded, "heat."

Another recommendation from Carnegie and leaders like Pretty-On-Top is that mainstream schools partner with tribal colleges. "We also have the potential to contribute to the scholarship in the world," she says, "and be rightful members of that academy."



UNITED STATES

US Wants a Tougher Biological Arms Ban

Some 15 nations may be building microbe arsenals

By Jonathan S. Landay
Staff writer of The Christian Science Monitor

WASHINGTON
THE United States is looking to put teeth into a global biological warfare ban. It is convinced that Iran and other states are secretly working to add lethal microbes to their military arsenals.

The initiative to bolster the 1972 Biological Weapons Convention (BWC) moved into high gear after the Clinton administration won Senate approval in April of a global chemical weapons ban, over fierce GOP objections.

The new effort reflects mounting US concern over the spread of advanced biotechnologies that can be diverted from legitimate civilian uses to illicit biological warfare programs. Some officials are also frustrated by the reluctance of some countries, such as France, Germany and Switzerland, to curb sales of "dual-use" technologies to Iran and other states the US suspects of creating biological weaponry.

The relative low cost and ease of secretly producing huge amounts of lethal bacteria, viruses, or other microbes have convinced the administration that such weapons are major post-cold-war threats to US security.

"You can put one of these things [bio labs] in your kitchen practically and make enough of whatever to wipe out a city," says a US official, who notes that directions for making crude biological weapons are available on the Internet.

But building on the success of the Chemical Weapons Convention (CWC) vote will not be easy. Not only will administration officials have to fight another bruising battle with Republican hard-liners who put little faith in multilateral arms control, but they will first have to iron out disputes among themselves over how far to push enforcement of the BWC.

"There are a number of issues ... over which there are differences of opinion," notes a senior administration official involved in the policy review.

Furthermore, in devising ways of strengthening adherence to the BWC, US officials will have to satisfy the reservations of the politically powerful US pharmaceutical industry. It worries that overly intrusive enforcement of the accord could put proprietary secrets worth billions of dollars at risk.

"This has to be done in such a way that industry's rights are protected," says an industry source knowledgeable about the new effort.

Unlike other arms control accords, the BWC was enacted without any legally binding mechanisms to ensure that its 136 member states adhere to a ban on the production, storage, and use of microorganisms for military

purposes. In other words, it is little more than a gentlemen's agreement.

Since taking effect in 1976, Russia and Iraq have admitted violating the treaty. They claim their programs have been terminated, but US officials say both may still be secretly pursuing offensive biological warfare capabilities. As many as 13 other countries, including Iran, Libya, Syria and North Korea, are suspected of trying to develop the ability to produce biological arsenals.

Despite the dangers, the US - which halted its offensive biological warfare program in 1969 - showed no enthusiasm through the Reagan and Bush presidencies to join other BWC members pushing for an enforcement mechanism. That attitude changed with President Clinton. The US joined a study group that last November recommended negotiating an enforcement protocol.

The protocol is expected to require BWC members to declare facilities working with lethal microbes that have both medical and military applications. As with the CWC, the disclosures would be filed with a new international organization that would ensure com-

'You can put one of these [biological weapons labs] in your kitchen ... and make enough ... to wipe out a city.'

- a US official

pliance with the BWC through inspections of suspect facilities. The details of the system and sanctions for violators must still be worked out in negotiations expected to open in July in Geneva, and last about one year.

Drafting a US protocol position is a delicate balancing act. On one side is designing enforcement measures that increase protection from weaponry that can be mass-produced with equipment that can be purchased legally.

On the other side of the equation is the defense establishment's demand for protection against intrusive inspections of its labs working to develop protective measures for US troops.

Perhaps even more critical is addressing the concerns of the US pharmaceutical industry. The administration will need industry support to get the Senate to ratify the protocol.

Industry officials back the concept. But they insist that the administration ensures that their firms are protected against unwarranted inspections stemming from spurious charges of running biological warfare programs.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

5-26-97

May 26, 1997

97 MAY 26 PM 12:55

MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREET ~~SS~~
SUBJECT: SCHEDULING DECISIONS
CC: JOHN PODESTA & SYLVIA MATHEWS

5/26/97
Copied to
Street
COS

ACCEPT

Date of Event:

Description of Event:

6/3/97	Departure Photo with Lieutenant Commander June Ryan, U.S. Coast Guard, and her husband <i>Staff Contact: Jodie Torkelson, Al Sullivan</i>
6/4/97	Bill Signing Ceremony for the Reauthorization of the Individuals with Disabilities Education Act, South Lawn <i>Staff Contact: John Hilley, Maria Echaveste</i>
6/3/97 - 6/4/97	Meeting with National Gay and Lesbian Leaders and Key Gay Supporters During Gay Pride Month (June) <i>Staff Contact: Maria Echaveste, Craig Smith</i>
6/11/97	Meeting with Amir Hamid bin Khalifa Al Thani of Qatar <i>Staff Contact: Samuel Berger</i>
6/11/97	Attend Department of Justice Conference on Juvenile Justice <i>Staff Contact: Bruce Reed, Rahm Emanuel</i>
6/12/97	Keynote Speech at the Business Roundtable's 25th Annual Meeting, JW Marriott Hotel <i>Staff Contact: Maria Echaveste</i>

6/17/97	Event to Celebrate the 25th Anniversary of Title IX, White House TBD <i>Staff Contact: Maria Echaveste</i>
6/17/97	Brief Meeting and Event with the Co-Sponsors of the African Trade Legislation, Rose Garden <i>Staff Contact: Daniel Tarullo, Samuel Berger, John Hilley</i>
June TBD	Satellite Appearance for Kaiser Permanente <i>Staff Contact: Bruce Reed</i>
	You will participate in the launch of Kaiser Permanente's commitment to spend \$100 million over five years to insure uninsured children in California.
June TBD	Meeting with Gerald McEntee, President of AFSCME <i>Staff Contact: Craig Smith</i>
June TBD	Meeting with Sen. Daschle, Sen. Bob Kerry and Governor Roy Romer <i>Staff Contact: Craig Smith</i>
	The purpose of this meeting is to discuss the possibility of Governor Romer running for the Senate.
June/July TBD	Campaign Finance Reform Event <i>Staff Contact: Rahm Emanuel</i>
	This will be done as a radio address before July 4.
7/2/97	Announce the Design of the American Heritage Rivers Program, Mount Vernon <i>Staff Contact: Kathleen McGinty, Kitty Higgins</i>
	The American Heritage Rivers Program, announced in the State of the Union, will be ready to be launched in June. You will announce the details of the program, and also challenge communities across the country to begin nominating outstanding stretches of river for American Heritage River designation.
7/28/97	Address the National Governors Association Annual Meeting, Las Vegas, NV <i>Staff Contact: Marcia Hale</i>

OPTION

THE PRESIDENT HAS SEEN

5-26-97

Date of Event:

Description of Event:

5/30/97

Drop-by Going Away Party for Bill Small of UPI Radio,
WH Press Lobby

Staff Contact: Mike McCurry

6/3/97 - 6/4/97

Announce the National Small Business Person of the Year

Staff Contact: Kitty Higgins

We are working on securing one of the other principals to do this event. It will appear on your schedule as an option.

PENDING

Date of Event:

Description of Event:

6/3/97

Meeting with CEOs of Leading Technology Companies

Staff Contact: Rahm Emanuel

We are waiting to see which CEOs will be attending this meeting before a decision is made.

Before 6/11/97

Interview with *Business Week* Editor-in-Chief, Steve Shepard, Washington Bureau Chief, Lee Walczak, and White House Correspondent, Rick Dunham

Staff Contact: Mike McCurry

6/23/97 - 6/28/97

1997 Presidential Scholars Event

Staff Contact: Kitty Higgins

This group has been most "uncooperative" in past years. Given your full travel schedule this week, the current proposal is to invite this group to the taped radio address on June 27 in the East Room.

REGRET

THE PRESIDENT HAS SEEN

5-26-97

Date of Event:

6/3/97 - 6/4/97

Description of Event:

White House Event for the New York Yankees

Staff Contact: Maria Echaveste

The recommendation from the senior staff was that this event was not a priority given your already full schedule on these days.

*Don't know
* for the
in the
on the
on the*

6/6/97

Cocktails in Honor of Dottie Lynch's Promotion to Senior Political Editor at CBS News

This is the day of Chelsea's graduation.

*can't do
still
Mama*

6/7/97 - 6/14/97

Participate in Homeownership Week Activities

Staff Contact: Gene Sperling

Secretary Cuomo will be participating in several activities for Homeownership Week. Due to your heavy schedule this week, the recommendation was for you to tape a Homeownership Week radio actuality, to be distributed nationwide, rather than participate in an event.

*Refused
Mama - & then
a good one*

6/9/97 - 6/11/97

Address Edison Electric Institute CEO Conference Philadelphia Marriott Hotel

Staff Contact: Mack McLarty

Due to schedule conflicts, travel to Philadelphia on these days is not possible. A message will be sent.

OK

6/10/97

Speak at the Release of the Fourth Grade Results from the Third International Mathematics and Science Study

Staff Contact: Kitty Higgins

This is the day we are holding for a possible press conference.

*Mayor
Mama
Mama
Mama
Mama*

6/10/97

Alliance to Save Energy Reception and Dinner

Staff Contact: Sylvia Mathews

The recommendation from the Senior Staff was that this dinner was not a priority for you.

5-26-97

6/11/97 - 6/13/97

Must to
keep going
from Ed's point

Event to Honor the Elementary Teacher Recipients of the
1996 Presidential Awards for Excellence in Science and
Mathematics Teaching
Staff Contact: John Gibbons

**This proposal is being forwarded to the other principals
for consideration.**

6/16/97 - 6/18/97

Participate in the Department of Education's Office of
Elementary and Secondary Education Invitational
Conference
Staff Contact: Kitty Higgins

**You currently have the day off on June 16, and both
June 17 and 18 are full.**

6/17/97

Why? It was
my
conference

Reception in Honor of Abner and Zoe Mikva

Lou Ivey has requested that you serve as an Honorary
Co-Chair for this event, and that you attend the
reception at the National Education Association in
Washington DC. The Staff Secretary's office has
regretted the request for an Honorary Co-
Chairmanship, but is drafting a message to be sent.
*This is the evening of the WETA In-Performance at the
White House, therefore we need to regret this invitation.*

6/18/97

Reception Honoring Members of the Friends of Art and
Preservation in Embassies (FAPE)
Staff Contact: Ann Stock

 The group informed the Social Office that they were no
longer available to do this event as scheduled on June
16. The event has been rescheduled as a brunch with
the First Lady.

June TBD

What a bunch
of fools

Sperling Group Breakfast/Luncheon
Staff Contact: Mike McCurry

This proposal will be resubmitted for a date in July.