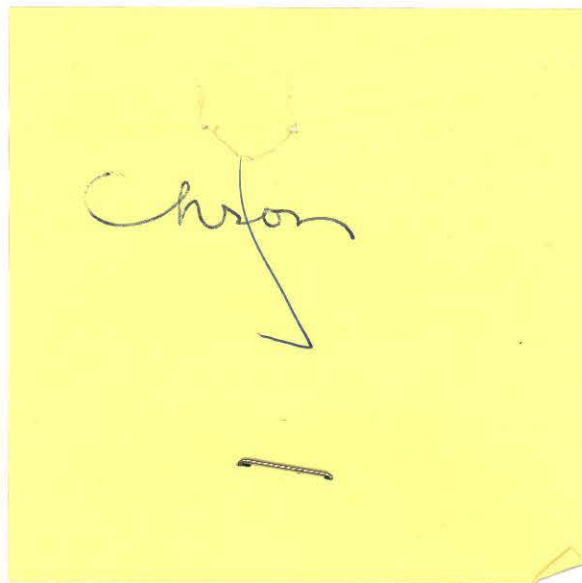


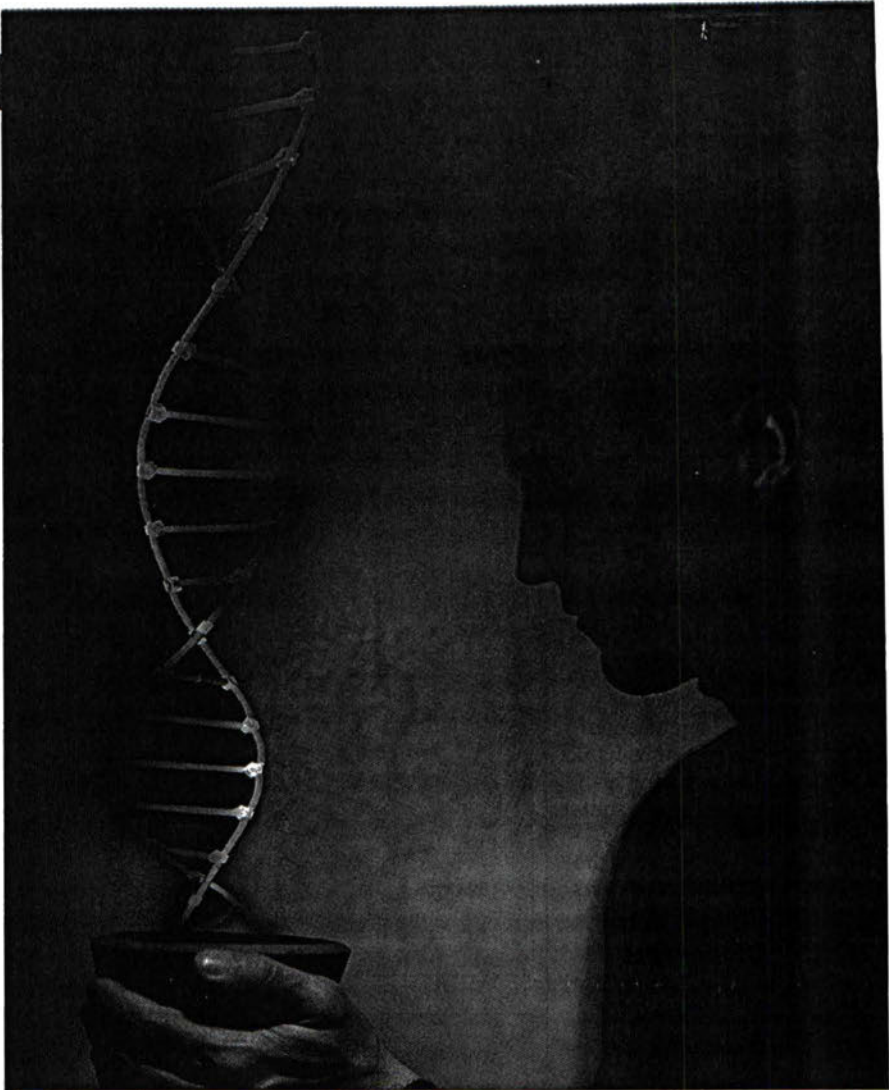


How the nature vs. nurture debate shapes public policy—and our view of ourselves

BY WRAY HERBERT

Laurie Flynn uses the technology of neuroscience to light up the brains of Washington lawmakers. As executive director of the National Alliance for the Mentally Ill, she marshals everything from cost analysis to moral pleading to make the case for laws banning discrimination against people with mental illness. But her most powerful advocacy tool by far is the PET scan. She takes a collection of these colorful brain images up to Capitol Hill to put on a show, giving lawmakers a window on a "broken" brain in action. "When they see that it's not some imaginary, fuzzy problem, but a real physical condition, then they get it: 'Oh, it's in the brain.'"

The view of mental illness as a brain disease has been crucial to the effort to destigmatize illnesses such as schizophrenia and depression. But it's just one example of a much broader biologizing of American culture that's been going on for more than a decade. For both political and scientific reasons—and it's often impossible to disentangle the two—everything from criminality to addictive disorders to sexual orientation is seen today less as a matter of choice than of genetic destiny. Even basic personality is looking more and



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ILLUSTRATIONS BY KEVIN IRBY FOR US&W

more like a genetic legacy. Nearly every week there is a report of a new gene for one trait or another. Novelty seeking, religiosity, shyness, the tendency to divorce, and even happiness (or the lack of it) are among the traits that may result in part from a gene, according to new research.

This cultural shift has political and personal implications. On the personal level, a belief in the power of genes necessarily diminishes the potency of such personal qualities as will, capacity to choose, and sense of responsibility for those choices—if it's in your genes you're not accountable. It allows the alcoholic, for example, to treat himself as a helpless victim of his biology rather than as a willful agent with control of his own behavior. Genetic determinism can free victims and their families of guilt—or lock them in their suffering.

On the political level, biological determinism now colors all sorts of public-policy debates on issues such as gay rights, health care, juvenile justice, and welfare reform. The effort to dismantle social programs is fueled by the belief that government interventions (the nurturing side in the nature-nurture debate) don't work very well—and the corollary idea that society can't make up for every unfortunate citizen's bad luck. It's probably no coincidence that the biologizing of culture has accompanied the country's shift to the political right, since conservatives traditionally are more dubious about human perfectibility than are liberals. As Northeastern University psychologist Leon Kamin notes, the simplest way to discover

F BIOLOGY

someone's political leanings is to ask his or her view on genetics.

Even so, genetic determinism can have paradoxical consequences at times, leading to disdain rather than sympathy for the disadvantaged, and marginalization rather than inclusion. Cultural critics are beginning to sort out the unpredictable politics of biology, focusing on four traits: violence, mental illness, alcoholism, and sexual orientation.

The nature of violence. To get a sense of just how thorough—and how politicized—the biologizing of culture has been, just look at the issue of urban gang violence as it is framed today. A few years ago, Frederick Goodwin, then director of the government's top mental health agency, was orchestrating the so-called Federal Violence Initiative to identify inner-city kids at biological risk for criminal violence, with the goal of intervening with drug treatments for what are presumed to be nervous-system aberrations. Goodwin got himself fired for comparing aggressive young males with primates in the jungle, and the violence initiative died in the resulting furor. But even to be proposing such a biomedical approach to criminal justice shows how far the intellectual pendulum has swung toward biology.

The eugenics movement of the 1930s was fueled at least in

part by a desire to get rid of habitual criminals, and many attempts have been made over the years to identify genetic roots for aggression, violence, and criminality. A 1965 study, for instance, found that imprisoned criminals were more likely than other people to have an extra Y chromosome (and therefore more male genes). The evidence linking this chromosomal aberration to crime was skimpy and tenuous, but politics often runs ahead of the evidence: Soon after, a Boston hospital actually started screening babies for the defect, the idea being to intervene early with counseling should personality problems become apparent. The screening was halted when further study showed that XYY men, while slightly less intelligent, were not unusually aggressive.

As with many psychopathologies, crimi-



nal aggression is difficult to define precisely for research. Indeed, crime and alcohol abuse are so entangled that it's often difficult to know whether genetic markers are associated with drinking, criminality—or something else entirely, like a personality trait. A 1993 National Research Council study, for example, reported strong evidence of genetic influence on antisocial personality disorder, but it also noted that many genes are probably involved. Getting from those unknown genes to an actual act of vandalism or as-

recession, unemployment, and urban ill as possible contributors to serious emotional disturbance. A whole branch of psychiatry known as "social psychiatry" was dedicated to helping the mentally ill by rooting out such pathogens as poverty and racism. There is no longer much evidence of these sensibilities at work today. NIMH now focuses its studies almost exclusively on brain research and on the genetic underpinnings of emotional illnesses. The decision to reorder the federal research portfolio was both scientific and political. Major advances in neuroscience methods opened up research that wasn't possible a generation ago, and the research has paid off in drug that very effectively treat some disorders. But there was also a concerted political campaign to reinterpret mental illness. A generation ago, the leading theory about schizophrenia was that this devastating emotional and mental disorder was caused by cold and distant mothering, itself the result of the mother's unconscious wish that her child had never been born. A nationwide lobbying effort was launched to combat such unfounded mother blaming, and 20 years later that artifact of the Freudian era is entirely discredited. It's widely accepted today that psychiatric disorders are brain disorders, probably with genetic roots.

VIOLENCE. How can an act of vandalism or a bank robbery be rooted in DNA? There are a lot of choices involved in living a life of crime.

part by a desire to get rid of habitual criminals, and many attempts have been made over the years to identify genetic roots for aggression, violence, and criminality. A 1965 study, for instance, found that imprisoned criminals were more likely than other people to have an extra Y chromosome (and therefore more male genes). The evidence linking this chromosomal aberration to crime was skimpy and tenuous, but politics often runs ahead of the evidence: Soon after, a Boston hospital actually started screening babies for the defect, the idea being to intervene early with counseling should personality problems become apparent. The screening was halted when further study showed that XYY men, while slightly less intelligent, were not unusually aggressive.

As with many psychopathologies, crimi-

sault—or a life of barbaric violence—requires at this point a monstrous leap of faith.

Yet it's a leap that many are willing to make. When geneticist Xandra Breakefield reported a possible genetic link to violent crime a few years ago, she immediately started receiving phone inquiries from attorneys representing clients in prison; they were hoping that such genetic findings might absolve their clients of culpability for their acts.

Mutations and emotions. Just two decades ago, the National Institute of Mental Health was funding studies of economic

But this neurogenetic victory may be double edged. For example, family and consumer groups have argued convincingly that schizophrenia is a brain disease like epilepsy, one piece of evidence being that it is treatable with powerful antipsychotic drugs. Managed-care companies, however, have seized upon the disease model, and now will rarely authorize anything but drug treatment: it's efficient and justified by the arguments of biological psychiatry. The American Psychiatric Association just this month issued elaborate guidelines for treating schizophrenia, including not only drugs but an array of

psychosocial services—services the insurance industry is highly unlikely to pay for.

The search for genes for severe mental disorders has been inconclusive. Years of studies of families, adoptees, and twins separated at birth suggest that both schizophrenia and manic-depressive illness run in families. But if that family pattern is the result of genes, it's clearly very complicated, because most of the siblings of schizophrenics (including half of identical twins, who have the same genes) don't develop the disorder. Behavioral geneticists suspect that several genes may underlie the illness, and that some environmental stress—perhaps a virus or birth complications—also might be required to trigger the disorder.

On several occasions in the past, researchers have reported "linkages" between serious mental illness and a particular stretch of DNA. A well-known study of the Amish, for example, claimed a link between manic-depression and an aberration on chromosome 11. But none of these findings has held up when other researchers attempted to replicate them.

Even if one accepts that there are genetic roots for serious delusional illnesses, critics are concerned about the biologizing of the rest of psychiatric illness. Therapists report that patients come in asking for drugs, claiming to be victims of unfor-

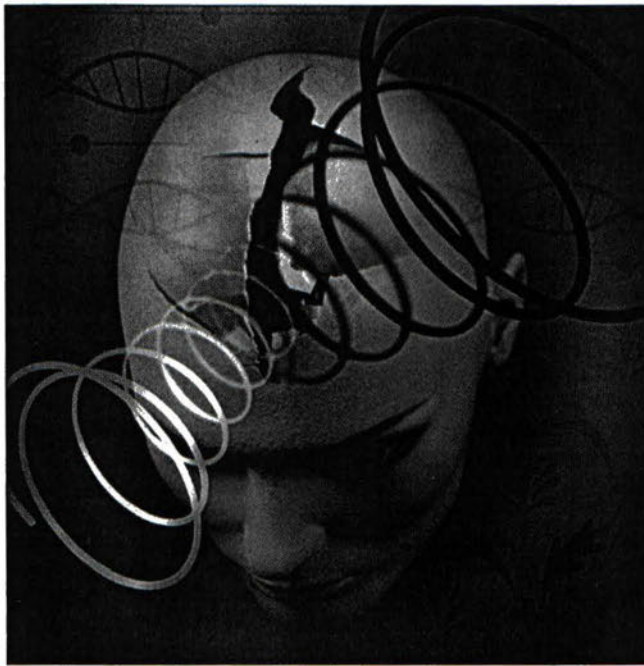
hasn't stopped people from using genetic arguments for political purposes. The disease model for alcoholism is practically a secular religion in this country, embraced by psychiatry, most treatment clinics, and (perhaps most important) by Alcoholics Anonymous. What this means is that those seeking help for excessive drinking are told they have a disease (though the exact nature of the disease is unknown), that it's probably a genetic condition, and that the only treatment is abstinence.

But the evidence is not strong enough

fining alcoholism. Some researchers identify alcoholics by their drunk-driving record, while others focus on withdrawal symptoms or daily consumption. This is what geneticists call a "dirty phenotype" people drink too much in so many different ways that the trait itself is hard to define, so family patterns are all over the place, and often contradictory.

Given these methodological problems researchers have been trying to locate an actual gene (or genes) that might be involved in alcoholism. A 1990 study reported that a severe form of the disorder (most of the subjects in the study had cirrhosis of the liver) was linked to a gene that codes for a chemical receptor for the neurotransmitter dopamine. The researchers even developed and patented a test for the genetic mutation, but subsequent attempts to confirm the dopamine connection have failed.

The issues of choice and responsibility come up again and again in discussions of alcoholism and other addictive disorders. Even if scientists were to identify a gene (or genes) that create a susceptibility to alcoholism, it's hard to know what this genetic "loading" would mean. It certainly wouldn't lead to alcoholism in a culture that didn't condone drinking—among the Amish, for example—so it's not deterministic in



MENTAL ILLNESS. Are psychiatric disorders diseases?

fortunate biology. In one case, a patient claimed he could "feel his neurons misfiring"; it's an impossibility, but the anecdote speaks to the thorough saturation of the culture with biology.

Some psychiatrists are pulling back from the strict biological model of mental illness. Psychiatrist Keith Russell Ablow has reintroduced the idea of "character" into his practice, telling depressed patients that they have the responsibility and capacity to pull themselves out of their illness. Weakness of character, as Ablow sees it, allows mental illness to grow. Such sentiment is highly controversial within psychiatry, where to suggest that patients might be responsible for some of their own suffering is taboo.

Besotted genes. The best that can be said about research on the genetics of alcoholism is that it's inconclusive, but that

The answer influences everything from insurance coverage to new research funding.

to support these claims. There are several theories of how genes might lead to excessive drinking. A genetic insensitivity to alcohol, for example, might cause certain people to drink more; or alcoholics might metabolize alcohol differently; or they may have inherited a certain personality type that's prone to risk-taking or stimulus-seeking. While studies of family pedigrees and adoptees have on occasion indicated a familial pattern for a particular form of alcoholism (early-onset disorder in men, for example), just as often they reveal no pattern. This shouldn't be all that surprising, given the difficulty of de-

a strict sense. Even in a culture where drinking is common, there are clearly a lot of complicated choices involved in living an alcoholic life; it's difficult to make the leap from DNA to those choices. While few would want to return to the time when heavy drinking was condemned as strictly a moral failing or character flaw, many are concerned that the widely accepted disease model of alcoholism actually provides people with an excuse for their destructive behavior. As psychologist Stanton Peele argues: "Indoctrinating young people with the view that they are likely to become alcoholics may take them there

more quickly than any inherited reaction to alcohol would have."

Synapses of desire. It would be a mistake to focus only on biological explanations of psychopathology; the cultural shift is much broader than that. A generation ago, the gay community was at war with organized psychiatry, arguing (successfully) that sexual orientation was a lifestyle choice and ought to be deleted from the manual of disorders. Recently the same community was celebrating new evidence that homosexuality is a biological (and perhaps genetic) trait, not a choice at all.

Three lines of evidence support the idea of a genetic basis for homosexuality, none of them conclusive. A study of twins and adopted siblings found that about half of identical twins of homosexual men were themselves gay, compared with 22 percent of fraternal twins and 11 percent of adoptees; a similar pattern was found among women. While such a pattern is consistent with some kind of genetic loading for sexual orientation, critics contend it also could be explained by the very similar experiences many twins share. And, of course, half the identical twins did not become gay—which by definition means something other than genes must be involved.

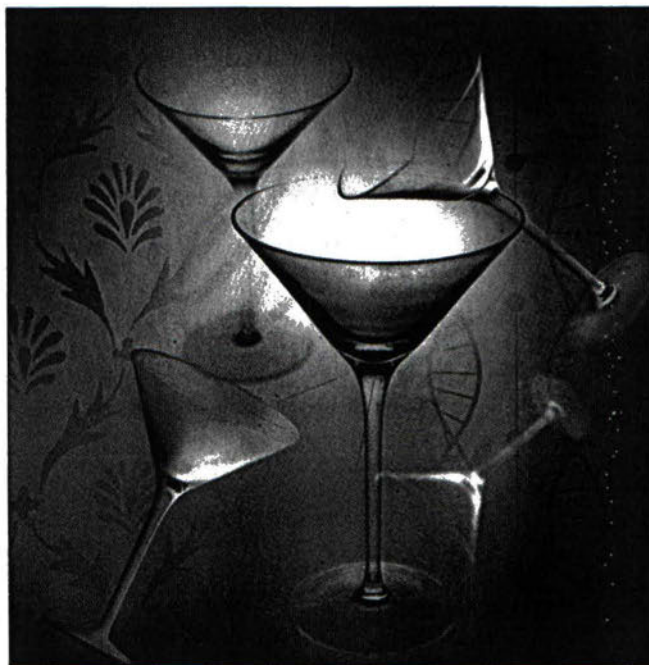
A well-publicized 1991 study

known, and subsequent research has not succeeded in duplicating Hamer's results.

Homosexuality represents a bit of a paradox when it comes to the intertwined issues of choice and determinism. When Hamer reported his genetic findings, many in the gay community celebrated, believing that society would be more tolerant of behavior rooted in biology and DNA rather than choice. LeVay, himself openly gay, says he undertook his research with the explicit agenda of furthering the gay cause. And Hamer testified as an expert

theories that held Eastern Europeans to be genetically inferior to Anglo-Saxon stock, Congress passed (and Calvin Coolidge signed) a 1924 law to restrict immigration, and by 1940 more than 30 states had laws permitting forced sterilization of people suffering from such conditions as "feeble-mindedness," pauperism, and mental illness. The ultimate outcome of the eugenics craze in Europe is well known; homosexuals were not given extra sympathy or protection in the Third Reich's passion to purify genetic stock.

Allen is concerned about the possibility of a "new eugenics" movement, though he notes that it wouldn't be called that or take the same form. It would more likely take the form of rationing health care for the unfortunate. The economic and social conditions today resemble conditions that provided fertile ground for eugenics between the wars, he argues; moreover, in Allen's view, California's Proposition 187 recalls the keen competition for limited resources (and the resulting animosity toward immigrants) of the '20s. Further, Allen is quick to remind us that eugenics was not a marginal, bigoted movement in either Europe or the United States; it was a Progressive program, designed to harness science in the service of reducing suffering and misfortune



ALCOHOLISM. Heredity might be involved in some kinds of alcoholism. But no gene can make you buy a bottle of Scotch, pour a glass, and toss it down.

reported a distinctive anatomical feature in gay men. Simon LeVay autopsied the brains of homosexual men and heterosexual men and women and found that a certain nucleus in the hypothalamus was more than twice as large in heterosexual men as in gay men or heterosexual women. Although LeVay couldn't explain how this neurological difference might translate into homosexuality, he speculates that the nucleus is somehow related to sexual orientation. The hypothalamus is known to be involved in sexual response.

The only study so far to report an actual genetic connection to homosexuality is a 1993 study by Dean Hamer, a National Institutes of Health biologist who identified a genetic marker on the X chromosome in 75 percent of gay brothers. The functional significance of this piece of DNA is un-

witness in an important gay-rights case in Colorado where, in a strange twist, liberals found themselves arguing the deterministic position, while conservatives insisted that homosexuality is a choice. The argument of gay-rights advocates was that biological status conveyed legal status—and protection under the law.

History's warning. But history suggests otherwise, according to biologist and historian Garland Allen. During the eugenics movement of the 1920s and 1930s, both in the United States and Europe, society became less, not more, tolerant of human variation and misfortune. Based on racial

and to help make society more efficient.

These concerns are probably justified, but there are also some signs that we may be on the crest of another important cultural shift. More and more experts, including dedicated biologists, sense that the power of genetics has been oversold and that a correction is needed. What's more, there's a glimmer of evidence that the typical American may not be buying it entirely. According to a recent *U.S. News/Bozell* poll, less than 1 American in 5 believes that genes play a major role in controlling behavior; three quarters cite environment and society as the more powerful shapers

of our lives. Whether the behavior under question is a disorder like addiction, mental illness, or violence, or a trait like homosexuality, most believe that heredity plays some role, but not a primary one. Indeed, 40 percent think genes play no role whatsoever in homosexuality, and a similar percentage think heredity is irrelevant to drug addiction and criminality. Across the board, most believe that people's lives are shaped by the choices they make.

These numbers can be interpreted in different ways. It may be that neurogenetic determinism has become the "religion of the intellectual class," as one critic argues, but that it never really caught the imagination of the typical American. Or we may be witnessing a kind of cultural self-correction, in which after a period of infatuation with neuroscience and genetics the public is becoming disenchanted, or perhaps even anxious about the kinds of social control that critics describe.

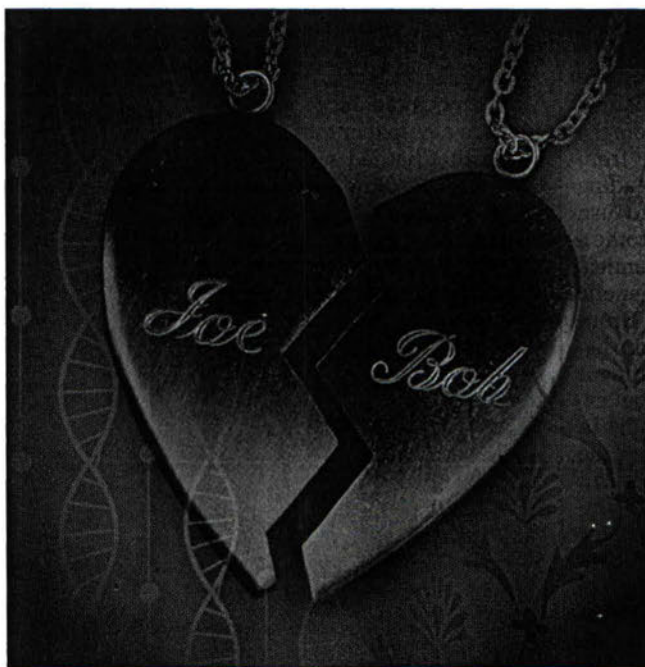
Whatever's going on, it's clear that this new mistrust of genetic power is consonant with what science is now beginning to show. Indeed, the very expression "gene for" is misleading, according to philosopher Philip Kitcher, author of *The Lives to Come*. Kitcher critiques what he calls "gene talk," a simplistic shorthand for talk-

if the environment changes significantly; that is to say, the environment has a strong influence on whether and how a gene gets "expressed."

It's hard to emphasize too much what a radical rethinking of the nature-nurture debate this represents. When most people think about heredity, they still think in terms of classical Mendelian genetics: one gene, one trait. But for most complex human behaviors, this is far from the reality that recent research is revealing. A more accurate view very like-

ence; that's the old view, no longer credited. Nor is it true that full genetic expression happens once, around birth, after which we take our genetic legacy into the world to see how far it gets us. Genes produce proteins throughout the lifespan, in many different environments, or they don't produce those proteins, depending on how rich or harsh or impoverished those environments are. The interaction is so thoroughly dynamic and enduring that, as psychologist William Greenough says, "To ask what's more important, nature or nurture, is like asking what's more important to a rectangle, its length or its width."

The emerging view of nature-nurture is that many complicated behaviors probably have some measure of genetic loading that gives some people a susceptibility—for schizophrenia, for instance, or for aggression. But the development of the behavior or pathology requires more, what National Institute of Mental Health Director Stephen Hyman calls an environmental "second hit." This second hit operates, counterintuitively, through the genes themselves to "sculpt" the brain. So with depression, for example, it appears as though a bad experience in the world—for example a devastating loss—can actually create chemical changes in the



HOMOSEXUALITY. Gay-rights advocates once argued that homosexuality was a matter of lifestyle choice. Now they stress genes and destiny.

ing about genetic advances that has led to the widespread misunderstanding of DNA's real powers. He suggests that public discourse may need to include more scientific jargon—not a lot, but some—so as not to oversimplify the complexity of the gene-environment interaction. For example, when geneticists say they've found a gene for a particular trait, what they mean is that people carrying a certain "allele"—a variation in a stretch of DNA that normally codes for a certain protein—will develop the given trait in a standard environment. The last few words—"in a standard environment"—are very important, because what scientists are *not saying* is that a given allele will necessarily lead to that trait in every environment. Indeed, there is mounting evidence that a particular allele will not produce the same result

ly involves many different genes, some of which control other genes, and many of which are controlled by signals from the environment. To complicate matters further, the environment is very complicated in itself, ranging from the things we typically lump under nurture (parenting, family dynamics, schooling, safe housing) to biological encounters like viruses and birth complications, even biochemical events within cells.

The relative contributions of genes and the environment are not additive, as in such-and-such a percentage of nature, such-and-such a percentage of experi-

body that affect certain genes, which in turn affect certain brain proteins that make a person more susceptible to depression in the future. Nature or nurture? Similarly, Hyman's own work has shown that exposure to addictive substances can lead to biochemical changes at the genetic and molecular levels that commandeer brain circuits involving volition—and thus undermine the very motivation needed to take charge of one's destructive behavior. So the choice to experiment with drugs or alcohol may, in certain people, create the biological substrate of the addictive disorder. The distinction be-

tween biology and experience begins to lose its edge.

Nurturing potentials. Just as bad experiences can turn on certain vulnerability genes, rich and challenging experiences have the power to enhance life, again acting through the genes. Greenough has shown in rat studies that by providing cages full of toys and complex structures that are continually rearranged—"the animal equivalent of Head Start"—he can increase the number of synapses in the rats' brains by 25 percent and blood flow by 85 percent. Talent and intelligence appear extraordinarily malleable.

Child-development experts refer to the life circumstances that enhance (or undermine) gene expression as "proximal processes," a term coined by psychologist Urie Bronfenbrenner. Everything from lively conversation to games to the reading of stories can potentially get a gene to turn on and create a protein that may become a neuronal receptor or messenger chemical involved in thinking or mood. "No genetic potential can become reality," says Bronfenbrenner, "unless the relationship between the organism and its environment is such that it is *permitted* to be expressed." Unfortunately, as he details in his new book, *The State of Americans*, the circumstances in which many American children are living are becoming more impoverished year by year.

If there's a refrain among geneticists working today, it's this: The harder we work to demonstrate the power of heredity, the harder it is to escape the potency of experience. It's a bit paradoxical, because in a sense we end up once again with the old pre-1950s paradigm, but arrived at with infinitely more-sophisticated tools: Yes, the way to intervene in human lives and improve them, to ameliorate mental illness, addictions, and criminal behavior, is to enrich impoverished environments, to improve conditions in the family and society. What's changed is that the argument is coming not from left-leaning sociologists, but from those most intimate with the workings of the human genome. The goal of psychosocial interventions is optimal gene expression.

So assume for a minute that there is a cluster of genes somehow associated with youthful violence. The kid who carries those genes might inhabit a world of loving parents, regular nutritious meals, lots of books, safe schools. Or his world might be a world of peeling paint and gunshots around the corner. In which environment would those genes be likely to manufacture the biochemical underpinnings of criminality? Or for that matter, the proteins and synapses of happiness? ■

Snake! In search of the wild anaconda

They're not cuddly. But they're shy

BY TRACI WATSON

The anaconda has never gotten good buzz. In the 1600s, a Jesuit in Venezuela wrote that the snake blew poisonous vapors from its mouth. In the 1940s, a newspaper told of a 156-foot anaconda that battled soldiers and knocked over buildings. And in the new movie *Ana-*

Grouchy in captivity, wild anacondas are shy, hiding in mud and vegetation. Scientists hunt them with their feet. Two or more researchers waded through a pond, probing with their toe for anything snakelike, and shuffling toward off stingrays. Anacondas do not resist being handled. But grab its neck and the snake's composure snaps. "A snake the

size of the ones we're dealing with can tear tendons, nerves and arteries," says team member William Holmstrom of the Wildlife Conservation Society.

By measuring the snakes, the scientists learned that what they thought were baby anacondas were actually adult males. Captured males run 6 to 9 feet she-snakes, 10 to 17 feet. Bulk—not length—is the snake's star quality. A 500-pound female anaconda holds the record for the world's heaviest snake.

Llanos anacondas are fast swimmers, and scientists found that they roam large territories. They are not poisonous, and kill by sinking their teeth into an animal, throwing coils around it and squeezing. They eat almost anything, from turtles to white-tailed deer. Reliable reports of people being eaten are rare. "I am actually surprised it doesn't happen more often," says team leader John Thorbjarnarson. Humans, he says, seem "very

low on the list of preferred prey."

For Thorbjarnarson, one of the most spellbinding sights is the "breeding ball," a female wrapped by one to 12 males. Balling lasts four to six weeks and still baffles researchers. Does a female choose which male will be allowed to fertilize her eggs? Does a male wrap himself around the female to block rivals? How many males fertilize one female? DNA tests may answer the last question. But if other researchers don't take over when the Llanos study ends this year, answers to additional questions may slither out of the realm of science and back into the sphere of myth. ■



An anaconda can be handled. But don't grab its neck!

conda, a snake as big around as a subway tunnel chases a man up a ladder.

Giant snakes have always fascinated humans. Like dinosaurs, they're large, dangerous, and uncuddly. But scientists have known little about their habits. Now, the first prolonged study of the anaconda in the wild is dispelling some of the mystery.

Venezuela's remote Llanos, a swampy region teeming with wildlife, is nirvana for a water snake with a large appetite. It's also perfect for research: Since 1992, a team from the Wildlife Conservation Society and Venezuela's wildlife department has studied the anaconda there.

THE PRESIDENT HAS SEEN

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Egypt clones a Nile

Making the desert bloom—or making the wells go dry

BY ALAN COOPERMAN

Eyes a painful pink from the blowing sand, mouth and nose wrapped with a white cloth, Mohammed pauses politely in the agony of Egypt's Western Desert and describes himself as "a slave building a modern pyramid." He earns \$8 for a workday that stretches from 5 a.m. to 7 p.m., sleeps in a trailer with nine other men, and never goes to the latrine after dark without at least two companions to fend off wolves.

The leathery, 23-year-old bulldozer driver belongs to a small army of Egyptians excavating the New Valley Canal, a

concrete trough across one of the hottest, driest places on Earth. At one end, an enormous pumping station will suck 3.6 billion gallons per day out of Lake Nasser, the reservoir created from the Nile by the Aswan High Dam. Hundreds of miles away, planners say, the water will spill forth in the middle of the desert, turning a string of ancient oases into a lush new valley and creating a million acres of farmland out of dust.

Not only Mohammed but many other Egyptians have come to think of this

Subsidized water, wasteful farming: rice, a hugely water intensive crop, being planted on a farm in the Nile delta

megaproject as President Hosni Mubarak's pyramid—the monument by which the Egyptian leader will be remembered. The only debate is whether it will testify to his foresight or his folly.

Improving on nature. Proponents grow lyrical with superlatives: The world's longest canal will bring water from one of the world's largest man-made lakes through the most forbidding terrain to the most ambitious land-reclamation project ever. "Since history started, Egyptians have stuck to the Nile. Now we will have a new Nile," gushes Hussein Mukhtar, head of the government information office in the nearest point of civilization, Abu Simbel, about 60 miles

REZA / SYGMA—NATIONAL GEOGRAPHIC IMAGE COLLECTION



Virtual water

Virtual water imports in 1996-97 (in trillions of gallons)

Country	Virtual water imports (trillions of gallons)
Egypt	2.4
Iran	2.1
S. Arabia	1.6
Israel	1.3
Turkey	0.6
Yemen	0.5
Iraq	0.4
Libya	0.3
Jordan	0.2
Lebanon	0.1

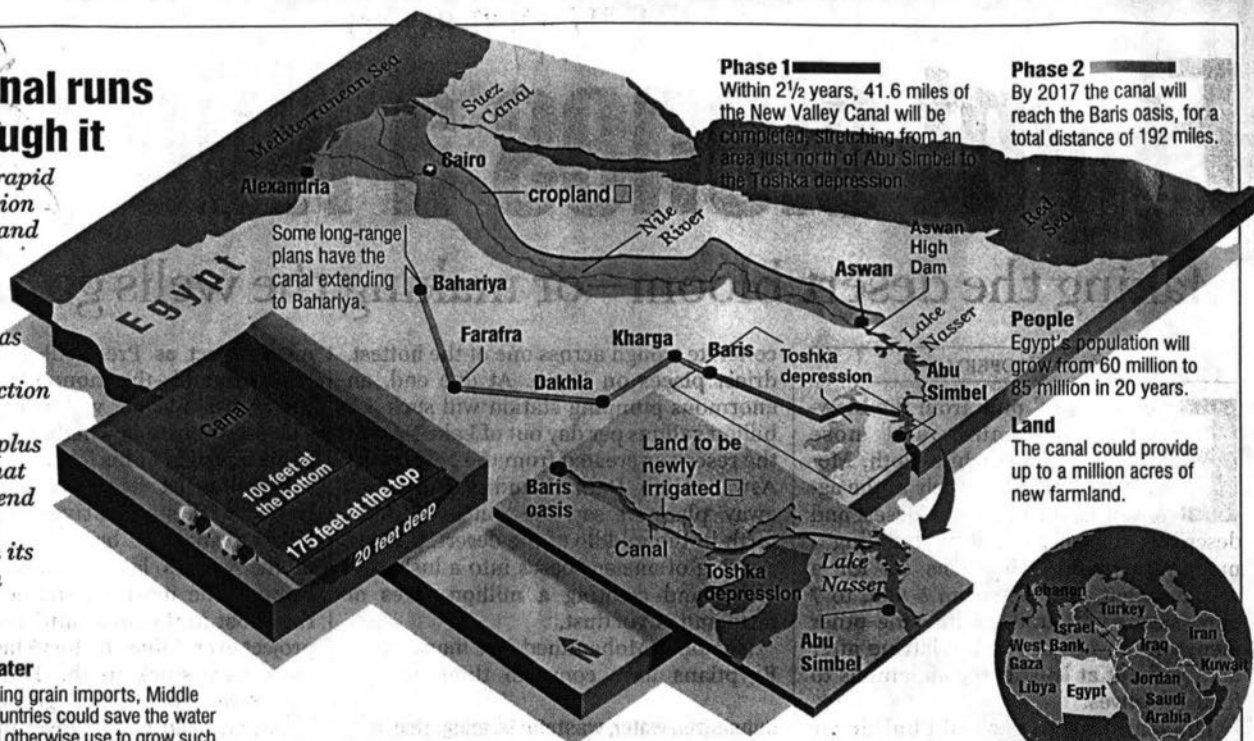
Sources: *Rivers of Eden: The Struggle for Water and the Quest for Peace in the Middle East* by Daniel Hillel, Egyptian Ministry of Public Works; International Grains Council; *CIA Handbook of International Economic Statistics*, 1995; University of London, School of Oriental and African Studies

But many resource experts say the project only shows how essential it is, and how difficult, to persuade individuals and governments to think of water in a new way—as a scarce commodity and not the freebie for farmers it has been around the world. The last thing that Egypt needs, they argue, is a \$2 billion boondoggle that will give water to farmers virtually for free in an unsustainable attempt to turn the desert green. “With the Nile in front of us, Egyptians can’t stop the sensation that we have a luxurious water situation. But it’s a false sensation,” says

Egypt already uses all the Nile water it is allocated by international treaty, mostly for irrigating crops. Yet it still imports more than half of its food, including about 10 million tons of grain annually. Since it takes 1,000 tons of water to grow a single ton of grain, that means Egypt already brings in about 10 billion tons of "virtual water" per year, according to Prof. Tony Allan, a water expert at the University of London's School of Oriental and African Studies.

world's largest exporter of oil—no surprise there—but also the largest importer of virtual water, a fact that many of its people and governments do not seem to realize. “More water flows into the Middle East each year embedded in grain than flows down the Nile to Egyptian farmers,” Allan says. He calculates that the Mideast “ran out of water”—became unable to feed its expanding population with its limited water supplies—around 1972 and has been supplementing its needs with imported virtual water ever since.

This has been relatively painless for Egypt and its neighbors because the Unit-



Minimum annual requirements of water per person

Growing food:
250,000
gallons

Washing:
25,000
gallons

Drinking:
250
gallons

Supply and demand

The average person needs about 300,000 gallons of water per year. Countries with a per capita supply of less than about 150,000 gallons a year face severe economic growth limits.

Annual renewable water available, per capita

- Each cube represents 250 gallons of water.

Kuwait:	Libya:
16,000	56,000
gallons	gallons

Jordan:	West Bank, Gaza:
10,000 gallons	64,000 gallons

Saudi Arabia:	77,000 gallons
Israel:	95,000 gallons

Egypt:
343,000
gallons

Iraq:
750,000 gallons

North
5,150

North America:
5,150,000 gallons

Note: Saudi Arabia and Kuwait supplement their supplies with extensive desalination.

STEPHEN ROUNTREE—USNAW

ed States, Canada, and the European Union have long subsidized grain exports. During the 1980s, the big grain producers sold wheat, on average, for \$100 a ton when it would have cost \$200 a ton to produce without direct export subsidies, Allan says.

Liquid capital. But the price of virtual water is rising—grain hit \$250 a ton last year—and so are Middle Eastern water needs, mainly from rapid population growth. The result will be a water crunch, with the ever present potential for conflict. A small reminder came last week, when Jordan angrily canceled a meeting between Crown Prince Hassan and Israeli Prime Minister Binyamin Netanyahu in a dispute over sharing water supplies.

Easing the crunch through desalination is no panacea. It can provide water for drinking but is far too expensive for irrigating crops, the biggest use of water in the arid Mideast. So Western advisers have been urging Arab countries to stop chasing the holy grail of food self-sufficiency. Instead, the experts say, Mideast nations should import the grain they need, banding together and using their muscle in the market to reduce the price. Their own agriculture could then focus on crops that produce a high value per unit of water, such as vegetables, and they should gradually raise the price of water to encourage conservation and more efficient irrigation.

But it's a hard sell in many countries where food self-sufficiency remains a politically popular goal. Saudi Arabia, for example, cultivates wheat in the desert with desalinated water at an estimated seven times the world price per bushel. Jordan, which has the most dire water shortage in the region, provides water to its farmers almost for free. Libyan leader Muammar Qadhafi has spent \$30 billion and more than a decade on a gargantuan irrigation project, drilling thousands of deep wells through the desert into the Nubian Sandstone Aquifer, a reservoir that was created during the Ice Age, more than 30,000 years ago, and has no source of replenishment. The result is what he calls "the Great Man-Made River" but others have dubbed "the Great Madman's River" because it is drawing down a precious, finite source of so-called fossil water. Fearing that Qadhafi will deplete the ground water under both countries, Egypt plans to sink new wells of its own to supplement

the New Valley Canal. "No one knows exactly how much water is under there, but it's like two people drinking with straws out of the same glass. It could disappear pretty fast," says Nurit Kliot, a hydrogeologist at Israel's Haifa University.

So far, Israel is the only Middle Eastern country that has followed the prescription of Western economists. In the 1960s, then Prime Minister Levi Eshkol and his cabinet began reducing the amount of water available for agriculture. "It was a risky decision, believe me, to abandon food security. But they took it," says Saul Arlosoroff, an Israeli water expert and former World Bank executive. Israel gradually has raised the cost of water for farmers to an average of 80 cents per

years to the New Valley with tax breaks, cheap land, and plenty of water.

Egyptian planners say they can supply water to fill the canal by conserving 10 percent of the country's current water usage. Repairing leaking pipes and lining ditches, using new irrigation technology, and reducing the acreage of water-intensive crops such as rice, cotton, and sugar cane would produce the needed savings.

But that extra supply of water and the jobs it is supposed to create exist only on paper, even as the canal is under construction. Because water will continue to be provided at little or no charge, farmers may find little or no incentive to conserve. Hopes for new jobs may also be over-

blown. Mubarak's government says that private investors will build export-oriented farms in the New Valley. But to be competitive, private exporters need to use automated irrigation systems and hold down labor costs. "This project is going to employ thousands of people, not millions," predicts Rushdi Said, an Egyptian hydrogeologist with experience in desert farming. He and other critics believe it would be wiser to halt urban encroachment on the Nile valley and delta and to build new industrial cities around recently discovered coastal gas deposits.

Still, there is little doubt among Egyptians that Mu-

barak, Egypt's president since 1981, is determined to go ahead with the project. "Egyptians are always looking for their presidents and kings to do something with water," says Allam, the Cairo environmentalist. Muhammad Ali, Egypt's great 19th-century pasha, built the first big dam on the Nile as well as a canal from Cairo to Alexandria. Gamal Abdel Nasser built the Aswan High Dam with Soviet help, and Anwar Sadat began the Peace Canal to bring water to the Sinai.

Still unanswered is where Egypt will find \$2 billion to build the canal and pumping station, plus an additional \$15 billion for roads, schools, and other infrastructure in the New Valley. According to some reports, the oil-rich Sheik Zayed of Abu Dhabi, a major donor to Egypt, may fund the canal and have it named in his honor. But "this has not been determined," says Mahmoud Abu Zeid, president of the Egyptian National Water Research Center. "If you contribute to the construction and reclaim 200,000 acres, we'll name it after you."



"Mubarak's pyramid": the president and his canal

1,000 gallons, one of the highest rates in the world for irrigation water. Israel no longer raises much of its wheat or meat, concentrating on vegetables, fruits, and flowers. It is a leader in ultraefficient drip irrigation, and 55 percent of its sewage water is treated and reused, mainly on inedible crops such as cotton and flax.

But Egypt has many problems Israel does not, and Mubarak is pushing the New Valley Canal not least as a way to deal with his country's overcrowding and unemployment. Seen from above, Egypt is a vast arid plain with a thin green stripe—the Nile—running down the middle. Ninety-five percent of Egypt's 60 million people are jammed onto that stripe, just 5 percent of the land. Within two decades the population is expected to reach a staggering 85 million, and it is hard to imagine where those additional 25 million people will live or work, as the official unemployment rate hovers around 11 percent and estimates of the actual rate top 20 percent. The government hopes to lure 7 million people over the next 20

Clerk

'97 MAY 30 PM4:13

May 30, 1997

TO: MACK MC LARTY, COUNSELOR TO THE PRESIDENT

FROM: AMBASSADOR JAMES JONES *J*

Attached is a copy of my letter of resignation to the President. The original will be mailed with a copy to the State Department. I will appreciate your assistance in getting this letter to the President.

My plans are to leave Mexico on June 25 and I will be in Washington from June 26-30.

I hope it will be possible to make a brief farewell call on the President during that time. Any help you can give me to arrange that visit will also be deeply appreciated.

I also hope to be able to see you at that time.

5-30-97

Todd-

I was going to send a copy to:

☒ Exec Clerk

☒ Derskind

☒ NSC - Yes ☒ No ☐

☒ Scheduling Yes ☒ No ☐

okay?

Care?

Copies
Farrow
Wyman
Eckavente

THE WHITE HOUSE
WASHINGTON

May 30, 1997

MR. PRESIDENT:

The attached memo recommends that you inform the Governor of the Northern Mariana Islands of your intention to extend federal minimum wage and immigration laws to the Islands.

The U.S. has administered the Islands under a U.N. trusteeship since 1947. In 1976, the Islands became a commonwealth pursuant to a Covenant with the U.S., and its people became U.S. citizens. The 1976 Covenant did not extend U.S. minimum wage and immigration laws to the Islands, but provided that this could be done in the future.

There are significant labor problems in the Islands, with low wages (minimum wage of \$2.90), many alien workers, poor working conditions and a high local jobless rate. These problems are reviewed in a recent Reader's Digest article. An Interior/Justice/Labor program to address these problems hasn't been successful, and these agencies now recommend extending our minimum wage and immigration laws to the Islands.

The debate over applying the U.S. minimum wage is longstanding, with opponents claiming that it would hurt the economy, especially the garment industry. But the NEC points out that Guam, the Islands' closest neighbor, pays the U.S. minimum wage and still maintains a strong economy.

NEC concurs in extension of minimum wage and immigration laws to the Islands, as do the relevant White House offices.

If you approve, please sign the attached letter to the Governor, plus a short note to Rep. George Miller, who has a bill that would phase in the federal minimum wage law.


Todd Stern

THE WHITE HOUSE

WASHINGTON

May 21, 1997

MEMORANDUM TO THE PRESIDENT

CC: SYLVIA MATHEWS CHARLES RUFF GENE SPERLING
MARCIA HALE KITTY HIGGINS BRUCE REED
JOHN HILLEY RAHM EMANUEL

FROM: JEFFREY FARROW^{JF}
LUCIA WYMAN
MARIA ECHAVESTE

SUBJECT: NORTHERN MARIANAS LABOR LAW PROPOSAL LETTERS

JF MAY 22 PM 1:17

This is to recommend that you sign the attached two letters supporting application of Federal immigration, naturalization, and minimum wage laws to the Commonwealth of the Northern Mariana Islands in an appropriate manner. We join the Interior Department in recommending this policy, which has also been agreed to by the Justice and Labor Departments.

- The first letter would notify the islands' Governor and Representative to the Federal Government as well as the bipartisan leaders of the lead Congressional committees on insular affairs of this position.
- The second would compliment House Resources Committee Ranking Democrat George Miller for his work on the issue. Miller (with 43 other Members) has sponsored a bill that would extend the laws -- but do so more abruptly than the agencies feel advisable.

Further Background

The 1975-6 agreement by which the Northern Mariana Islands became U.S. territory did not immediately apply Federal immigration, naturalization, and minimum wage laws because islanders were concerned that 1) they could be overwhelmed by Asians who would want to be on U.S. soil but remain close to their homelands and 2) the U.S. minimum wage would strangle their economy. The agreement also, however, specified that these laws could be extended later.

The Commonwealth has developed a labor system which:

- imports aliens on a basis that it considers "temporary" (even though the periods last for years at a time) to perform the vast majority of its permanent jobs;

- includes a low minimum wage that practically only applies to these Chinese, Filipino, etc. workers and is far below the prevailing wage paid to island residents -- as well as the national minimum wage paid to all workers in the adjacent territory of Guam;
- has resulted in 'temporary' workers becoming a majority of the Marianas' 60,000 population without most rights in the community or any representation in its government;
- houses most aliens in segregated facilities and allows employers and foreign labor suppliers to require some to agree not to marry, unionize or express political views;
- has resulted in widespread financial and bodily abuse of these workers, inadequately enforces the rights that they do have, and enables workers who complain to be deported;
- has resulted in a 14% jobless rate among local residents;
- uses aliens to produce \$500 million a year (wholesale) in "Made in the USA" garments, unfairly competing with production elsewhere under the U.S. flag;
- undermines our expressions of concern about foreign labor conditions; and
- enables (according to the FBI and U.S. Attorney) criminals to enter U.S. territory.

Executive Branch officials and Members of Congress have urged insular officials to change the system for 12 years but it is getting worse. Local officials recently decided to admit 6,000 more garment workers and proposed canceling a 15 cent increase in the \$2.90 minimum wage.

The Interior, Labor, and Justice Departments initiated a program to assist the insular government in addressing the system's problems a few years ago. Unfortunately, it has not been very successful. Governor Tenorio, who promised to clean-up the situation after being elected in 1993, has increasingly resisted Administration efforts to obtain local reforms.

An annual report on the program to be completed soon will recommend the phase-in of Federal immigration and minimum wage law as well as a limit in the use of the "Made in the USA" label.

Rep. Miller's bill would require a quicker application of immigration law and a phase-in of the national minimum wage that is quicker than the agencies may ultimately recommend.

National attention to the problems will be heightened by a Reader's Digest article now being placed on newstands. A copy of this article is attached along with other clippings on the issue.

Finally, you should be aware that Tenorio and most local officials oppose extension of Federal immigration and wage laws -- even on a modified basis -- as does House Majority Whip DeLay.

THE WHITE HOUSE

WASHINGTON

Dear George:

Thank you for the work that you have done to correct the serious problems with the labor system in the Northern Mariana Islands. Your efforts represent a significant service to many of those living and working in the Commonwealth.

Enclosed is a copy of a letter that I have sent to Governor Tenorio on this matter. Please know that I look forward to working with you and other Members of Congress to enact legislation that will eliminate these alarming conditions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Clinton", written in a cursive style.

The Honorable George Miller
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

May 30, 1997

The Honorable Froilan C. Tenorio
Governor of the Northern Mariana Islands
Saipan, MP 96950

Dear Froilan:

As you know, the 1976 Covenant that established the political union between the Northern Mariana Islands and the United States did not immediately extend all of our Nation's immigration, naturalization, and minimum wage laws to the Commonwealth. The Covenant provided, however, that these laws would be extended at a later time.

I am writing now out of concern about certain labor practices in the islands that are inconsistent with our country's values. More than half of the people in the islands are temporary alien workers; these workers, who comprise an overwhelming majority of the islands' work force, are imported to fill permanent jobs, while the jobless rate among residents remains high; the minimum wage is plainly inadequate; there have been persistent incidents of improper treatment of alien workers and inadequate enforcement of their rights; and manufacturers using foreign workers unfairly compete with other production under the U.S. flag.

Federal officials have, for many years, strongly encouraged Commonwealth officials to rectify these problems and have provided substantial assistance for doing so, but the problems persist and, in some cases, are getting worse. I have, therefore, concluded that federal immigration, naturalization, and minimum wage laws should now be applied to the Commonwealth, as provided by the Covenant.

My Administration will work with the Congress to extend these laws in a reasonable and appropriate manner. We will, of course, consult with you and other representatives of the Commonwealth about how these laws should be applied.

I am dedicated, as I am sure you are, to protecting the rights and well-being of all who work and live in the Islands as well as to fulfilling our mutual Covenant responsibilities.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Clinton", with a long, sweeping horizontal line extending to the right.



97 MAY 28 AM 9:59

Representative

ED WILKINSON
P.O. Box 610
GREENWOOD, AR 72936-0610
501-996-4171 Business
501-996-4260 Residence
501-996-6700 FAX

STATE OF ARKANSAS
House of Representatives

DISTRICT 15
Part of Franklin County
Part of Sebastian County

May 20, 1997

COMMITTEE

VICE CHAIRMAN
House Affairs Subcommittee

MEMBER
Judicial
Aging and Legislative
Affair
Joint Performance Review

The Honorable Bill Clinton
President of the United States
The White House
Washington, D.C. 20500-2000

RE: MR. BEN BARKER, 240 NORWOOD, GREENWOOD, ARKANSAS 72936
APPLICATION TO THE UNITED STATES NAVAL ACADEMY

Dear President Clinton:

I am writing to seek your strongest support of Mr. Ben Barker's application for admission into the United States Naval Academy, Annapolis, Maryland.

Naval service is a rich tradition in the Barker family. His grandfather served as Seaman, First Class in combat aboard the USS ANTIETAM during World War II, and his six uncles served in the United States Marine Corps during World War II, the Korean War, and the Vietnam War.

Ben is an exemplary student and athlete at Greenwood High School. He and his much-loved and respected family are close personal friends of mine, and I without any hesitation whatsoever give him my strongest and most enthusiastic recommendation for admission into the United States Naval Academy.

Once again, I ask that Mr. Ben Barker of Greenwood, Arkansas receive your highest endorsement for admission into the United States Naval Academy.

Very respectfully,

Ed Wilkinson
Ed Wilkinson
State Representative

EW:tll

5/28/97

Send to Dorskind?

Yes ☒
No ☐



STATE OF ARKANSAS

House of Representatives

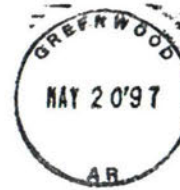
**YOU CAN
COUNT ON US**

Representative ED WILKINSON

Post Office Box 610

GREENWOOD, ARKANSAS 72936-0610

PRESORTED
FIRST CLASS



RECEIVED

21 MAY 23 AM 11:52

HOUSE OF REPRESENTATIVES
GREENWOOD, ARKANSAS

The Honorable Bill Clinton
President of the United States
The White House
Washington, D. C. 20500-2000

20500-2000



Merle F. PetersonP.O. Box 666
Dumas, AR 71639

Phone # 870-382-2144

FAX # 870-382-1038

PRESIDENT BILL CLINTON
THE WHITE HOUSE
WASHINGTON, D. C.

FAX 1-202-456-6703

'97 MAY 28 PM5:45

NUMBER OF PAGES ATTACHED

2

5-29-97

Send to Maureen Lewis?

Yes _____

no ☒ _____Send to Steve Silbermanto forward to DOT for
response.

Card

Stop Sec -
Close friend
of Pres but
prob. some
Pres could be
involved in

Peterson Enterprises

P. O. BOX 666

PHONE 501-382-2144

Phone # 870-382-2144

FAX # 870-382-1038

Dumas, Arkansas 71639

5/27/97

Dear Bill,

I know you are fully aware of I-69 and what it would mean to the Delta.

There are two crossings of the Mississippi River being considered Helena and Rosedale. The consultants are recommending Rosedale for several reasons. Either place would come through DeSha County. The Rosedale Crossing would save Arkansas several Million dollars in matching funds.

We want I-69 and we don't want to get into a tug of war with Miss and lose every thing -

We know you and Rodney will do your best to help us in Arkansas.

We appreciate the job you are doing for the whole country. I always knew you had the ability and the desire to be the best President we have ever had. Keep up the good work.

Sincerely
Merle

Nice
pp letter to Jody
Judy + letter to Jody
Dorothy a note for
letter to Dorothy

5-21-97

To Doriskind
for Reply?

yes

no

We should
probably draft
a letter -

Jim Doriskind -

Please have letter drafted +
cleared by McCurry --- per
McCurry.

Phm
6/2

I don't know how
the President got this
but Pres Jones should
do ^{or} approve letter to Jody

THE WHITE HOUSE
WASHINGTON

Date 5/22

To:

Mike McLumy

From:

The Staff Secretary

Does POTUS need to
respond to this, or
can your office handle.

Nancy Hernandez doesn't
know how/when POTUS got
it. Please advise. Thanks
Phil Caplan

May 19 1997

April 16, 1997

Trude:

Did you ever see this?

copy from the
Congressional Record
September 30, 1996

in the region, our trade will continue to grow, if we remember that military strength is respected, and it is upon this strength that American credibility is based. Our military must remain strong and visible in the region, and our security assurances to our allies must be carried out with the spirit, and not just the letter, of our arrangements in mind.

THE PRESIDENT AT 50

• Mr. LIEBERMAN. Mr. President, I rise today to acknowledge a recent piece of journalism that I believe has captured the true essence of political reporting. On August 1, 1996, an article was published in the Wall Street Journal by Trude B. Feldman in which she relayed excerpts from her exclusive one-on-one interview with President Bill Clinton a few days before his 50th birthday. In a time when civility and respect are often pushed aside by personal attacks and rumor and innuendo, Ms. Feldman has proven herself to be a journalist who has retained an exemplary style of reporting. Her article, entitled "The President at 50", sheds light on the President's personality in novel ways. Ms. Feldman presents an articulate and important account of the President, drawing from him new insights into the policies and politics of our day. In the end, Ms. Feldman produces a proud piece of journalistic work.

Mr. President, I ask that the text of this article be printed in the RECORD.

The article follows:-

THE PRESIDENT AT 50

(by Trude B. Feldman)

This month marks the 50th anniversary of the birth of the president of the United States. And today is the 50th anniversary of the Fulbright Scholarship Program, initiated by William Jefferson Clinton's mentor, who inspired the president to make a genuine contribution to global understanding. Eighteen days after President Truman signed Sen. J. William Fulbright's legislation into law, the boy who would become the 42nd U.S. President was born, one month ahead of schedule, by Caesarean section.

In an exclusive interview for his 50th birthday, President Clinton spoke of the two milestones, recalling what he had learned from his first political role model.

"Senator Fulbright had a profound impact on the way I now view the world," the President told me. "He taught that education is

May 19 1997

Mr President

I don't know if Erskine gave you enclosed Mother's Day feature...from Brian's paper..but here's a copy from that original plus Los Angeles and Florida papers which shortened same.

Since you are mentioned at the end with Mrs.Rodham "liking Hillary's choice" I thought you'd like to see all 3 versions.

You'll recall at the editors' meeting at the Marriott you said you'd "love it" if I did a mother's day on Hillary..and that you'd "contribute " to same. Yet, even when Marjorie Margolies "used up 1 1/2 minutes of her 2 minutes with you" in Philadelphia on same, still to no avail.

So I did the focus only on Mrs.Rodham about HRC and trust you like it this way????

What about Father's Day? May I discuss that feature with you...since nothing can be a surprise anymore?

I enclose my ' column on your last meeting with Bibi...and at the end I "prove" that you do CARE ABOUT EVENHANDEDNESS.... I send this now because of the ugly publicity last Friday and Saturday on Dennis Ross.

Did you get my Warren Christopher interview of last January? It was on that subject.

Here also the Governor Miller feature on education, etc... He is in my hometown today with HRC and I suggested to Brian and the Governor that they reprint this plus the Mother's Day and distribute them all in L.A. during the Demo Governors meeting on these two subjects.

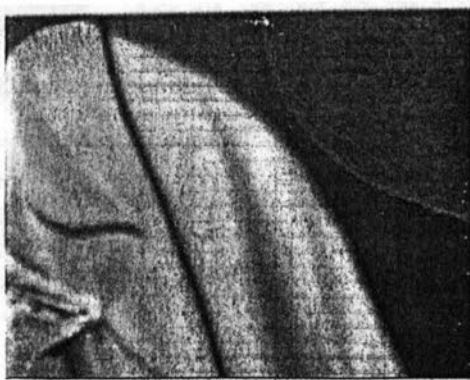
Please tell ~~Bibi~~ Erskine what you decided on Father's Day and my long-awaited foreign policy interview...(questions of which you have since last August...)

(I also sent you questions on HRC for last year's wedding anniversary...maybe they can be used for this year's?)

this week's phone:

202 785 2074
628 0337
659 9841

F



...day Elder, of KABC-AM (790) afternoon drive-time fame, is under relentless assault.

And what is Elder's big offense? According to him: "It's because, in my opinion, I've committed three 'sins.' I don't believe that white racism is the most serious problem facing the African-American community today. I strongly oppose discriminatory race- and gender-based affirmative action preferences, and I do believe that O.J. Simpson murdered two innocent people in cold blood."

They print up thousands of fliers and distribute them around town. The fliers accuse Elder, among many other horrific things, of being "without a doubt, the most racist, anti-black talk-show host in Southern California, who describes blacks as lazy, dumb, and stupid." They list specific advertisers and call for boycotts.

Elder read one of the fliers on the air one day to show how ridiculous it was. Well, lo and

Michael Owen Baker/Daily News
rative viewpoints on KABC-AM (790)

Advertisers have been

See GELMAN / Page 4

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Dorothy Howell Rodham expresses pride in Hillary Rodham Clinton's achievements.

Mother knows first lady best

Dorothy Rodham proud of her daughter, granddaughter

By Trude B. Feldman

ON this Mother's Day, the mom of America's first lady reflects on how she raised Hillary Rodham Clinton and the example her daughter is setting for mothers around the world.

In an exclusive interview, Dorothy Howell Rodham relates personal glimpses of Hillary's childhood. She also tells me of her satisfaction in seeing her efforts reflected in America's first daughter. Chelsea, 17, has just enrolled in Stanford University.

"Chelsea is also an academic achiever," Dorothy Rodham says. "I admire her. She is already trying to understand other people's struggles. She wants them to be able to fulfill their potential and wants

to help them do that. She is learning this from Hillary."

While Dorothy Rodham expresses pride in Hillary's various achievements, she laments the public's perception of her daughter, who, in her view, is working to make a positive difference in the world. She sees her daughter as the personification of the values by which Hillary was raised, but does not recognize her today — in what she hears and reads about the first lady.

Asked what she'd like the world to know about Hillary, Dorothy Rodham responds: "I wish everyone could know her like I do. Then people would know the depth of her character and the

See MOTHER / Page 4

NG PART OF LOS ANGELES — SEE PAGE 4

A mother's legacy

■ Dorothy Howell Rodham takes great pride in daughter Hillary Rodham Clinton, whom she raised with strong values that have served her well as a mother, as first lady and as a model for other women.

By TRUDE B. FELDMAN

On this Mother's Day, the mom of America's first lady reflects on how she raised Hillary Rodham Clinton and the example her daughter is setting for mothers around the world.

In an exclusive interview, Dorothy Howell Rodham relates personal glimpses of Hillary's childhood. She also tells me of her satisfaction in seeing her efforts reflected in America's first daughter. Chelsea, 17, has enrolled in Stanford University, where she plans to study pre-med and become a doctor.



Dorothy Howell Rodham

"Chelsea is also an academic achiever," Mrs. Rodham says. "I admire her. She is already trying to understand other people's struggles. She wants them to be able to fulfill their potential and wants to help them do that. She is learning this from Hillary."

While Mrs. Rodham expresses pride in Hillary's achievements, she laments the public perception of her daughter, who, in her view, is working to make a positive difference in the world.

She sees in her daughter the personification of the values by which Hillary was raised but says she often does not recognize Hillary in what she hears and reads.

"I wish everyone could know Hillary like I do," she says. "Then people would know the depth of her character and the sweetness of her nature. She has so much to give as a thoughtful, articulate and competent woman who listens to other people's viewpoints and cares about their problems."

"She has a sense of her own uniqueness and has always valued herself. She doesn't live for instant gratification. She cares about her spiritual as well as her physical being, and good health habits are important to her. She is well-trained academically and well-armed with good sense, self-esteem and wit."

Mrs. Rodham says that, unfortunately, Hillary's warmth and keen sense of humor come across better one-on-one or in small-group conversations.

"Some people seem to resent that she has it all," Mrs. Rodham says. "But she is capable of doing many things well, and maybe that brings envy. But her goal has always been to do something worthwhile with her life."

Hillary's main fault, her mother says, is that she expects a lot from others and she is sometimes disappointed because she assumes they have the same high standards and competence that she does.

"She is too tolerant about letting other people encroach on her time," Mrs. Rodham says. "They take her time for their own particular purposes and don't understand that she needs most of her time for the people's business. That leaves less time for personal or family matters. Although she has enormous patience and energy, I worry that even her vitality could be drained."

What other concerns does Mrs. Rodham have about her daughter?

"Well, I never worried about her until recently," she responds. "Why now? Because I am hurt by all the rumors and charges and ridiculous falsehoods spoken and printed about her. The exaggerated distortions about her are painful to me. How do opinion-makers know what she is like? The perception of her today is not reality. Those people who try to degrade her actually degrade themselves."

As one example, Mrs. Rodham cites the first lady's best-selling book, *It Takes A Village*, which earned her a Grammy Award for its narration.

"Some people have the audacity to say she did not write the book herself," Mrs. Rodham says. "I know differently. I remember walking past her office in the residence (of the White House), often late at night, seeing her work on that book. Through the book she wants others to understand the enormity of the challenge of raising children in today's world."

How has living in the White House changed Hillary?

"Living in the White House hasn't changed her, but it has changed our closeness and I miss that," Mrs. Rodham says. "We see each other less because she is so busy, in a sense, taking on the world."

At a young age, she adds, Hillary learned that life has its pitfalls and setbacks as well as its joys and satisfactions and that she needed to brace herself for the storms that would come along — and try again and again. Mrs. Rodham says that Hillary has learned to accept disappointments and seldom feels sorry for herself when things go wrong.

In retrospect, would Mrs. Rodham have done anything differently in raising Hillary?

"I would not change anything," she replies. "Hillary was easy to please and a most satisfactory child. I spent much time with her, particularly in her formative years. . . . A good portion of her youth was spent in church, Sunday school and social concern activities."

She says she taught Hillary that material things are not important and that she should not be influenced by peer pressure. For instance, she says, she told Hillary that she did not need her own car just because her peers owned one.

"Pretty clothes did not interest her," Mrs. Rodham says. "Looking good to Hillary was not as important to her as doing good. In school, she would focus on the issues of the day. Even as a child, she had interesting ideas and didn't hesitate to express them."

Mrs. Rodham recalls that "togetherness" was fashionable when Hillary was

growing up and their happiest times were doing things together as a family — dining, playing tennis and going to church. "I will remember," she says, "the homemade presents she would make for me on Mother's Day and the sentiments she wrote on cards."

Her mother, 77, says that when Hillary was naughty, she would try to reason with her and discipline her on the spot. To Mrs. Rodham, being naughty was when Hillary, now 49, would boss her little brothers (Hugh, 47, and Tony, 43) and spark a sibling squabble.

"Another thing which annoyed me was when Hillary didn't keep her toys in order . . . things like that," Mrs. Rodham recalls with a sheepish smile. "Bossing her brothers and scattering her toys were frustrating, but her most annoying habit was that — with so many things — she turned out to be right."

Mrs. Rodham says she raised Hillary with love and respect and tried to be consistent in what she did and said — to give her a sense of responsibility and stability.

"I wanted her to be herself and not try to change her natural instincts to please me or anyone else," she recalls. "I wanted her to have a sense of

integrity and she displayed this trait by her behavior in school and at home."

Every day, Mrs. Rodham would ask her daughter what she was learning in school and about her teachers and, if necessary, she'd help with her homework. She says she spent hours talking over things with Hillary, being straightforward with her, wanting to hear what was on her mind.

"I listened to her responses," Mrs. Rodham recalls. "I listened to her when she was 6 years old so that we could talk easily and openly with one another when she was 16 and even older. I would give her advice only when she asked for it."

"I did not spoil her. But I praised her when she achieved something special. I wanted her to have a good opinion of herself and an optimistic view of life."

Family affection and love in the Rodham household, coupled with the setting of good examples, played a significant part in Hillary's growth to maturity. Her mother believes that if there is love, respect and security in the home while children are growing up, they will, later on, be able to cope with almost anything.

"So the nurturing I gave Hillary as a child just might be one of the key reasons she has made good choices in her personal life and is able to cope so well during some of the more difficult days in the White House," she says.

Her mother also says she tried to give Hillary the confidence to make her own decisions and to be sure those decisions were well-thought-out because she would have to live with the consequences.

When Hillary was ready for college and marriage, she was able to make those critical choices, her mother says. She selected Wellesley College in Massachusetts and Yale Law School. Later, when she was ready for marriage, she didn't need her parents' approval.

"Of course, it was easy because I liked Bill Clinton and thought he would be good for her," Mrs. Rodham remembers. "But I also trusted her and would not have interfered with her choice."

"Some people seem to resent that she has it all. But she is capable of doing many things well, and maybe that brings envy. But her goal has always been to do something worthwhile with her life."

— DOROTHY HOWELL RODHAM

On her daughter,
Hillary Rodham Clinton

Hillary Rodham Clinton confirms her mother's comments and told me she remembers her mother saying, "Your father and I will always love you no matter what you do, even if we do— not always approve of or like what you do. We just hope you will share our values and want to live up to our expectations of you."

Mrs. Clinton adds: "My mother also taught me not to react to what other people say or do to me because I myself need to be the actor in my own life."

Hillary Rodham grew up in Park Ridge, Ill., in a typical family of the '50s — stay-at-home mother, breadwinner father, who died in 1993. She was not exposed to the public scrutiny that Chelsea has experienced, in Little Rock, Ark., when her father was governor, and in the White House as the daughter of the president.

"Yet," Mrs. Rodham notes, "both my daughter and granddaughter are caring, responsible and remarkable women. My greatest satisfaction today is when people come up to me and say, 'I hope my daughter grows up to be like Hillary' or 'I hope my granddaughter grows up to be like Chelsea.'"

I asked Mrs. Rodham if Mrs. Clinton has followed her philosophy in bringing up Chelsea.

"Oh, yes," she responds. "Hillary is so aware of what makes a meaningful life. She has raised Chelsea as I raised her, and that is so gratifying to me because I tried to be the kind of mother that I wanted Hillary to be when she became a mother. Just look at the results with her daughter. Chelsea is bright and has good common sense."

Mrs. Rodham adds that, obviously, Chelsea is living in a different world, a different era.

"The problems are more complex, but there is a right way and a wrong way to bring up a child," Mrs. Rodham says. "If you have a solid foundation and are equipped with the essential values, you will make good decisions and be able to withstand negative outside influences."

Mrs. Rodham also says that Chelsea reminds her in many ways of Hillary as she was growing up.

"I am seeing it all over again. I see how the shaping of ideas can be embellished and this is a special kind of legacy — passing from one generation to the next."

"So my contribution as a mother is being carried on by my daughter with her own daughter. This alone is a wonderful Mother's Day gift. But in Hillary's case, she is surpassing me since her contribution goes beyond our family to the entire world. This makes me very proud."

"What more could any mother want?"

Trude B. Feldman, an internationally syndicated feature writer, has covered the White House for the past 30 years.

SUNDAY, MAY 11, 1997 ■ THE TIMES

FLORIDIAN

St. Petersburg Times

By Trude B. Feldman

SUN WHITE HOUSE CORRESPONDENT

WASHINGTON, D.C. — On Tuesday afternoon, Gov. Bob Miller, chairman of the National Governors Association, closed the association's three-day annual winter meeting here. That evening, he was one of three governors seated with first lady Hillary Rodham Clinton and Tipper Gore, the vice president's wife, in the executive gallery of the House of Representatives for the president's State of the Union address.

"That invitation was a rare privilege," Miller said. "And the president's address was extra special for me because of his emphasis on education — the topic of my State of the State speech in Nevada last week."

On Sunday evening, the president and Mrs. Clinton hosted the White House's annual dinner for the governors, during which Miller was seated at the president's table and Mrs. Miller with Mrs. Clinton.

In his toast, Clinton said the NGA has been a unique and valuable institution for America because it gives the governors a chance, without regard to their regional and political differences, to reach common positions for the people of their states, and to bring those positions to life in their states and to Washington, D.C., where, too often, it is easy to forget about the real lives of real people.

"I know you will do that here," the president told the governors, "and I hope together we will be advancing those lives for four more years."

In his toast, Miller touched on the "children theme" and saluted the president and Mrs. Clinton for raising "a bright, ambitious and confident daughter," a feat the governor suggested was all the more remarkable given the fact that politicians "sometimes forget we have the task of raising our own families."

Role models

The president and Mrs. Clinton were visibly touched as Miller praised them for demonstrating "leadership, both by example and policy for the nation's children."

At Monday morning's session in the East Room of the White House, Miller thanked the president and Vice President Gore for inviting the governors to "discuss the issues and concerns of the moment." He then teased: "We appreciated last night's dinner here, and the fact that we're back today indicates that you haven't completed the inventory on missing silverware."

Miller also thanked them for the "wonderful weather," noting that Nevada recently had the "worst floods in its history." In lauding the response from James Lee Witt, director of FEMA, Miller said, "I think FEMA is a landmark of what cooperation should be between federal agencies and state and local government. I also appreciated the personal call from the president, assuring me that he would build bridges for people to cross. However, I think we will be dry again before the 21st century."

Miller went on to say that the relationship between the states and the federal government has been re-examined

Emphasis on education links Miller, Clinton



GOV. MILLER chats with President Clinton as Mrs. Miller muses with Mrs. Clinton at the White House's annual dinner for the nation's governors.

KARIN COOPER / SPECIAL TO THE SUN

added that the improvement in the operations of FEMA is a premiere example.

The state executives' meeting was held at the J.W. Marriott in Washington, D.C., and their agenda included education, children, welfare reform and Medicaid. One of the speakers was John Walsh, host of Fox Television's "America's Most Wanted," who told the governors, "Criminals have all the rights, and victims have none whatsoever."

Miller described Walsh, whose 6-year-old son Adam was murdered in 1981, as one of his heroes. "My admiration for him is enormous," Miller said. "He proves that one person can make a difference. He was once a developer. Now he spends every minute explaining the need for a constitutional amendment for victims of crime."

During a brief interview with Walsh, he told me that Bob Miller was the reason for his appearance at the NGA and

Las Vegas, and, ever since, we have worked together on children's and victims' rights issues. Bob Miller is an honest politician and a wonderful human being."

Walsh added that Miller asked him to speak to the governors because they "need to be more aware" of the amendment to the Constitution on victims' rights.

Children's campaign

Another speaker, Rob Reiner, a producer and director at Castle Rock Entertainment, pointed out that a new "I Am Your Child" campaign would enable the public to learn about the importance of a child's development from birth to age 3.

Miller said Reiner had energized the governors to meet the challenge of providing the positive environment each young child must have.

As to what he views as the highlight of the meeting, Miller said "Seeing my

are essential for our youngest children. Their futures depend, to a great extent than we knew earlier, on happens in the first three years. glad that the governors support constitutional amendment for victims' rights. We have worked more than 10 years to provide more justice for victims. We have come a long way. the governors now recognize that a constitutional amendment can address this issue.

"I am also pleased to see the governors work in a bipartisan way for sound policies relating to Medicare and Medicaid."

What most impressed Miller, said, was the commitment of the governors to take full advantage of the responsibilities and authority handed down to the state level by Congress and the president.

"Responsibility for welfare, Medicaid and other formerly federally controlled programs now rests largely with the states, either through legislation through waivers granted to the states," he said. "We asked for a greater role and the governors are going full out to provide better service at lower cost."

Asked how his chairmanship made a difference in the conference, Miller replied, "By my nature, I am not partisan. I always realized that to succeed in getting Democrats and Republicans to work together, I had to get my fellow governors to recognize that they truly believe in bipartisanship, and they generally respond in kind, whether they are Democrats or Republicans. NGA is fortunate that last year's chairman, Republican Tommy Thompson of Wisconsin, shares the bipartisan philosophy of my vice chairman, Gov. George Voinovich of Ohio, also a Republican."

He added that he has been a member of NGA for eight years and that that experience comes in handy when "we work for agreement on tough issues."

What is Miller's most important achievement for Nevada since he became an officer in NGA?

"Perhaps that came last year over the Medicaid issue," he responded. "The proposal before Congress would have clobbered growth states financially. The Medicaid-funding formula would have cost Nevada hundreds of millions of dollars because it did not account for population growth in a reasonable way. Democratic and Republican governors worked hundreds of hours, lobbying Congress to stop that bill. I was the Democratic lead governor. We were successful and the result for Nevada was a statewide disaster that we have busted our budget and jeopardized essential health care for needy citizens of Nevada."

Miller cited two reasons for the success of the NGA meeting: "First, I met with the president, and he reaffirmed his support for the governor's goals and for the schools for young children and for sound reform of education programs," he said. "In addition, I had the chance to discuss with him issues of concern to Nevadans, including education in Nevada, nuclear waste and gaming."

[later] review with the Palestinians the ground we covered."

Asked how dangerous is the standoff between Israel and the Palestinians, the president responded: "It's very important to get the peace process back on track. There is a pre-existing process, and many agreements. I've been heavily involved from the day I became president, and I would not rule out any reasonable opportunity to make a positive contribution. But we have to have the conditions and the understandings necessary to go forward."

He added that it is also important to create the environment in which steps can be taken to make peace possible. "One precondition of that is the absence of terrorism," he said. "The

(Continued on page 32)

(Continued from page 1)

other is the presence of a certain confidence on the part of both sides that peace is possible. I will do whatever I think is most appropriate to achieve that. We need to continue the peace process in an honorable way that will bring it to an honorable conclusion.

"... I think there is a fairly decent chance that we can get this back on track, but now it is important not to say things which will undermine whatever prospect we have of success later."

Presidential Press Secretary Michael McCurry described the meeting as "profoundly serious," and added that the President gave the Prime Minister "some serious things to think about ... and there is a great deal in play."

When McCurry was asked about any discussion on settlements and construction he declined to reply in detail, but noted that from the U.S. point of view, we need both sides to make clear the underlying commitment to the integrity of the process and to creating a greater sense of security. "That was conveyed," he said. "Also, the President has a very sophisticated understanding of where the peace process is, and a clear idea of what he wants to do to try to work through the issues and move the process forward."

pains to assist in the quest for peace with security. "And I think," he added, "both of us see eye to eye on the need to fight terrorism."

A day after the Clinton-Netanyahu meeting, the president held a joint press conference with Canada's Prime Minister Chretien in the White House Rose Garden.

The Canadian leader was asked if he and the President had discussed the Mideast dilemma. "Yes," he replied. "I agree with

President Clinton that only cooperation between the Israelis and the Palestinians will permit a solution to the problem. We (Canada) consider that building new settlements in places that were not contemplated by pre-existing agreements cannot be supported, because there will be a difficulty to achieve peace."

At one of his daily briefings, Mike McCurry was asked whether the Clinton Administration has any concern about a growing perception that the U.S. is no longer even-handed in its Mideast policy.

"The President understands that, ultimately, perceptions yield to reality, and his hard work at the moment on the peace process is aimed at getting the parties back in the course of dialogue that will resolve their differences, and that will ultimately prove the value of U.S. mediation efforts and the role we play as, we believe, an even-handed facilitator of the dialogue between the parties," McCurry responded. "That has been our historic role. It has been one that led to considerable success in the past for Arab countries that participated in the process, and for Israel as it deepens and nurtures its contacts with Arab nations."

"That is a process we are committed to. We do so delicately, given the delicate nature of the process. We were recently criticized within Israel by those who feel we have sometimes been too critical of its government's actions. So, there are, from time to time, roles we have to play that do raise some measure of criticism, both in the Arab world and Israel. We understand that, but we think we do what is necessary to advance the process we believe in that holds promise for both Arabs and Israelis."

April 11, 1997 Internationally Syndicated

First lady's strengths rooted in her upbringing

Hillary Clinton's mother reflects on how her daughter was raised and the example she sets today

By Trude B. Feldman
SUN WHITE HOUSE CORRESPONDENT

WHETHER you call your mother "Mom," "Mama," "Ma," "Mamacita," "E-mah" or "Okasan," the concept of mother is universal. Mother's Day reminds us of our roots and the role played by the mother in our lives.

On this Mother's Day, the mom of America's first lady reflects on how she raised Hillary and the example her daughter is setting for mothers around the world.

In an exclusive interview, Dorothy Howell Rodham relates personal glimpses of Hillary's childhood. She also tells me of her satisfaction in seeing her efforts reflected in America's first daughter. Chelsea, now 17, just enrolled in the Class of 2001 at Stanford University in Palo Alto, Calif., where she plans to take pre-med courses and become a doctor.

"Chelsea is also an academic achiever," Mrs. Rodham says. "I admire her. She is already trying to understand other people's struggles. She wants them to be able to fulfill their potential and wants to help them do that. She is learning this from Hillary."

While Mrs. Rodham expresses pride in Hillary's various achievements, she laments the public's perception of her daughter, who, in her view, is working to make a positive difference in the world. She sees her daughter as the personification of the values by which Hillary was raised, but does not recognize her today in what she hears and reads about the first lady.

"I wish everyone could know Hillary like I do," Mrs. Rodham says. "Then people would know the depth of her character and the sweetness of her nature. She has so much to give as a thoughtful, articulate and competent woman who listens to other people's viewpoints and cares about their problems. She has a sense of her own uniqueness and has always valued herself. She doesn't live for instant gratification. She cares about her spiritual as well as her physical being, and good health habits are important to her. She is well trained academically and well armed with good sense, self-esteem and wit."

Mrs. Rodham says that, unfortunately, Hillary's warmth and keen sense of humor come across better in one-on-one and small-group conversations. "Some people seem to resent that she has it all," Mrs. Rodham says. "But she is capable of doing many things well, and maybe that brings envy. But her goal has always been to do something worthwhile with her life."

Hillary's main fault, according to her mother, is that her expectations of others are sometimes disappointed because she assumes they have the same high standards and competence

as she does. "She is too tolerant about letting other people encroach on her time," Mrs. Rodham says. "They take her time for their own particular purposes and don't understand that she needs most of her time for the people's business. That leaves less time for personal or family matters. Although she has enormous patience and energy, I worry that even her vitality could be drained."

Mrs. Rodham says she has never worried about her daughter until recently.

"Why now? Because I am hurt by all the rumors and charges and ridiculous falsehoods spoken and printed about her," she says. "The exaggerated distortions about her are painful to me. How do opinion makers know what she is like? The perception of her today is not reality."

raising her daughter?

"I would not change anything," she is quick to reply. "Hillary was easy to please and a most satisfactory child. I spent much time with her, particularly in her formative years. A good portion of her youth was spent in church, Sunday School and social-concern activities."

She says she taught Hillary that material things are not important and she should not be influenced by peer pressure. For instance, that Hillary did not need her own car just because her peers owned one. "Pretty clothes did not interest her," Mrs. Rodham says. "Looking good to Hillary was not as important to her as doing good. In school, she would focus on the issues of the day. Even as a child, she had interesting ideas and didn't hesitate to express them."

Mrs. Rodham recalls that "togeth-

ness" was fashionable when Hillary was growing up, and their happiest times were doing things together as a family — dining, playing tennis and going to church.

"I well remember," she says, "the home presents she would make for me on Mother's Day and the sentiments she wrote on the cards."

Her mother says that when Hillary was naughty, she would try to reason with her and discipline her on the spot. To Mrs. Rodham, being naughty was when Hillary would boss her little brothers (Hugh, now 47, and Tony, now 43) and spark a sibling squabble.

"Another thing which annoyed me was when Hillary didn't keep her toys in order," Mrs. Rodham recalls with a sheepish smile. "Bossing her brothers and scattering her toys were frustrating, but her most annoying habit was that — with so many things — she turned out to be right."

The recent effort to promote voluntarism by the President's Summit for America's Future in Philadelphia was right in line with Hillary's upbringing. As a youngster, she was imbued with the spirit of volun-

tary and was encouraged to help others in need.

Mrs. Rodham believes that Hillary's spearheading efforts to reform America's health care system in 1993 was voluntarism.

"In her conscientious way, she brought the subject to the public's attention and people began to think more about it," Mrs. Rodham recalls. "She tried to bring to the forefront the abuses in health care. Instead, she herself became the victim of snide remarks and personal abuse."

Mrs. Rodham says she raised Hillary with love and respect and tried to be consistent in what she did and said, and to give her a sense of responsibility and stability. "I wanted her to be herself and not try to change her natural instincts to please me or anyone else," she says.

"I wanted her to have a sense of

choices in her personal life and is able to cope so well during some of the more difficult days in the White House."

Her mother also says she tried to give Hillary the confidence to make her own decisions, and to be sure those decisions were well thought out, because she would have to live with the consequences.

When Hillary was ready for college and marriage, she herself was able to make those critical choices. She selected Wellesley in Massachusetts and Yale Law School and later, when she was ready for marriage, she didn't need her parents' approval. "Of course, it was easy because I liked Bill Clinton and thought he would be good for her," Mrs. Rodham recalls. "But I also trusted her and would not have interfered with her choice."

Mrs. Clinton confirmed her mother's comments and also told me she still remembers her mother saying, "Your father and I will always love you no matter what you do, even if we do not always approve of or like what you do. We just hope you will share our values and want to live up to our expectations of you."

She adds: "My mother also taught me not to react to what other people say or do to me, because I myself need to be the actor in my own life."

While Hillary Rodham was raised in Park Ridge, Ill., and was then exposed to the searchlight of public scrutiny, her daughter Chelsea grew up in Little Rock, Ark., in the limelight of the governor's mansion and in the White House with all the fanfare and glare of national and international political life.

"Yet," Mrs. Rodham notes, "both my daughter and granddaughter are caring, responsible and remarkable women. My greatest satisfaction today is when people come up to me and say, 'I hope my daughter grows up to be like Hillary' or 'I hope my granddaughter grows up to be like Chelsea.'"

Has Mrs. Clinton practiced her mother's philosophy in bringing up Chelsea?

"Yes," Mrs. Rodham responds.

"Hillary is so aware of what makes a meaningful life. She has raised Chelsea as I raised her, and that is so gratifying to me because I tried to be the kind of mother that I wanted Hillary to be when she became a mother. Just look at the results with her daughter. Chelsea is bright and has good common sense."

Mrs. Rodham adds that, obviously, Chelsea is living in a different world, a different era. "The problems are more complex, but there is a right way and a wrong way to bring up a child," Mrs. Rodham says. "If you have a solid foundation and are equipped with the essential values, you will make good decisions and be able to withstand negative outside influences."

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"What more could any mother want?"



BOB MCNEELY / SPECIAL TO THE SUN

TRUDE FELDMAN, SUN White House correspondent, interviews first lady Hillary Rodham Clinton in the White House.

Those people who try to degrade her actually degrade themselves.

"I cannot fathom why they try to destroy those who are doing their utmost to improve the quality of life for all of us."

As one example, Mrs. Rodham cites Hillary's best-selling book "It Takes a Village," the narration of which won her a Grammy Award. "Some people have the audacity to say she did not write the book herself," she adds. "I know differently. I remember walking past her office in the residence (of the White House), often late at night, seeing her work on that book. Through the book, she wants others to understand the enormity of the challenge of raising children in today's world."

How has living in the White House changed Hillary Rodham Clinton?

"Living in the White House hasn't changed her, but it has changed our closeness and I miss that," Mrs. Rodham says. "We see each other less because she is so busy, in a sense, taking on the world."

In retrospect, would Mrs. Rodham have done anything differently in

her upbringing? "I would not change anything," she is quick to reply. "Hillary was easy to please and a most satisfactory child. I spent much time with her, particularly in her formative years. A good portion of her youth was spent in church, Sunday School and social-concern activities."

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"What more could any mother want?"

Children's home should provide warmth and stability

■ THIS COLUMN is reprinted from the Henderson Home News and Boulder City News.

RUNCH time is just around the corner at the 1997 Legislature meeting in Carson City. The only real crunch this year will be determining how large amounts of money

asking is that the present-day legislators don't fall into the same trap and destroy another valuable facility that's meeting special needs of families torn asunder. Don't let it become just a place to train future foster home employees but make certain that it provides a home where children can feel secure and actually plan for their graduation from a local grade school or Boulder

remembers her years at SNCH. "I remember your visits to the Children's Home when you were governor and appreciated it so much! I stay in contact with Virginia Lockhart a lot, and she has told me how supportive you are of the Children's Home and how there are some people trying to close it and put the children in foster care."

sounds like a show on TV.) Probably wrote it just for us! "My experience at the Southern Nevada Children's Home helped me become the well-rounded, nonjudgmental individual I have become. I am certain my caring for people and deep sensitivity for others was instilled in me by Virginia and Charlie Lockhart. I often wonder where I would be and if I would have gone so far

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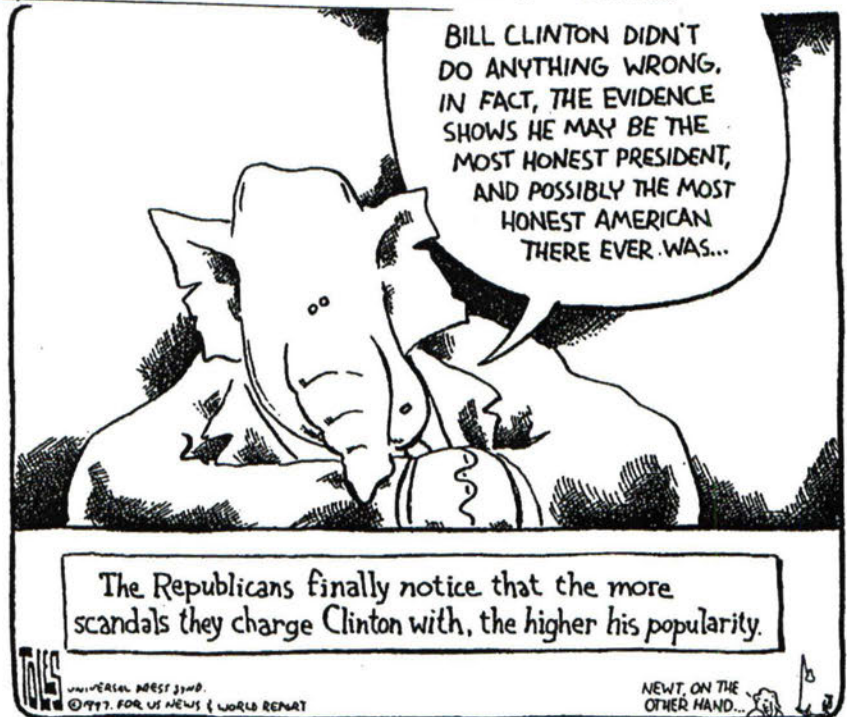
TOWER MEDIA INC

Jack Kent Cooke

Chairman of the Board, 1985-1997

Larry T. Beasley

President, Chief Executive Officer & Publisher



Whitewater and the media

Response to "It's inconceivable Clintons never asked about Hubbell" by A.M. Rosenthal, Opinions, May 7:

Oh dear, another article on how horrible those Clintons are.

Rosenthal laments how he, "like most Americans," is sick of the damage they have brought upon our country.

If it was true, President Clinton was having an affair while negotiating Whitewater and job hunting for Webster Hubbell all at the same time — it wouldn't faze me much.

I believe many Americans are tired of reporters looking under every rock for dirt. The press must take some

responsibility for this damage they complain of.

— Martin E. Moore
Woodland Hills

Concerning all those people bashing our president and his wife:

It's so un-American. Most of that stuff, if any of it, is not true anyway.

Look what happened to our country during the 12 years before Clinton took office from the other party. Unions were busted and people were forced to work for wages too small to support themselves, much less a family.

— Dorothy Arment
Rosamond

THE WHITE HOUSE
WASHINGTON

May 22, 1997

MS. CAROL CLEVELAND

Ms. Cleveland:

I was advised by the NSC Press
Office to forward this to you.
So here it is!

Thanks.

With respect,
April
x6-9291



'97 MAY 22 PM 8:05

Westinghouse
Electric Corporation

Michael H. Jordan
Chairman and
Chief Executive Officer

Westinghouse Building
11 Stanwix Street
Pittsburgh, Pennsylvania 15222-1384
(412) 642-5220

May 12, 1997

Mr. Robert D. Kyle
Special Assistant to the President
for International Trade and Finance
The White House
Washington, DC 20500

Dear Bob:

The U.S. - Japan Business Council will hold its Annual Business Conference with its Japanese counterpart on July 8-9, 1997.

I thought it would be great to kick off our opening plenary session with a short (about 2 minute) videotape message from the President. An alternative might be a letter from the President that could be read at the session.

Please let me know whether either of these options might be possible.

Sincerely,

5/12/97

Phil -

Send to Scheduling?

Yes _____

No ☒ _____

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EUROPEAN UNION, BROADER EUROPE, UNITED STATES
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Tel. (215) 438-3470 • Fax: (215) 843-3460

Paula Bradley Hoagland: Principal
Foreign Policy Analyst/ Consultant
European Union/ United States

MAY 28, 1997

'97 MAY 29 AM 11:59

PRESIDENT WILLIAM J. CLINTON
UNITED STATES

THE WHITE HOUSE

1600 Pennsylvania Avenue
Washington, D.C., 20500-02

**RE: 'REQUEST' TO PRESIDENT CLINTON FOR THE HONOR AND PRIVILEGE
OF A "BRIEF COMPREHENSIVE STATEMENT" ON THE MEANING AND
IMPLICATIONS OF THE NEWLY SIGNED "FOUNDING ACT"
NEGOTIATED BETWEEN RUSSIA AND NATO -- DEvised AND SIGNED
WITH REGARD TO NATO'S PLANNED ENLARGEMENT OF NATO.**

**PRESIDENT'S "STATEMENT" TO BE PUBLISHED BY INTERNATIONAL TRADE
AND FINANCE(IT&F) IN IT'S "FORUM" SERIES OF PUBLICATIONS.**

***** TO BE INCLUDED IN THE "FORUM" SERIES' MAJOR PROJECT ON NATO.
***[See 'Enclosed' Published 'Documents' and Information Booklets
on this 'Project' and 'Others' Recently Published and being
Expanded Upon in IT&F's "FORUM" Series.]**

PRESIDENT CLINTON:

Given your momentous accomplishments relative to NATO
which has culminated in the recent Signing of the 'Founding
Act' negotiated between Russia and NATO as a result of the major
efforts of the United States, IT&F desires the honor and privilege
of a 'Brief' But 'Comprehensive(Succinct) Statement on the matter
for Publication in its "FORUM" SERIES OF PUBLICATIONS.

5/29/97

To whom should we send
this?

Don't know
cont copy of POTUS'
ing.

*** "STATEMENT" would be from (1) Page to (5) Pages: Dependent Upon Your Convenience and Preference.

Given the primary part played by the United States at your direction, said 'Statement' would represent the 'Key' Written Contribution relative to the United States -- also representative of the United States position globally and especially vis-a-vis the matter of NATO Expansion.

*** See 'Enclosed Documents' already Completed and being Distributed on the matter of NATO Enlargement.

-- "STATEMENT" By DEPUTY SECRETARY OF STATE -- Representative of the 'General Official U.S. Position on NATO Enlargement Vis-a-vis Russia.

-- In-Depth 'DOCUMENT' on NATO 'Commissioned' by IT&F with DR. JONATHAN EYAL, Director of Studies at the Royal United Services Institute for Defence Studies(London).

In-depth, Substantive Delineation on NATO and NATO Enlargement with Succinct Delineation on 'Key' Aspects of Poland, the Czech Republic and Hungary, the primary countries of East and Central Europe expected to comprise the 'First Tier' of such nations to be invited(selected) to NATO Membership. (56 Pages of Text).

*** President's "Statement" would have especially reference to the 'Meaning' and 'Implications' of the "Founding Act".

***Brief 'Data' on the "FORUM" Series:

"Unique" due to the Level of International Government and Other Officials published -- and 'Especially' the In-depth Substantive Delineation of Issues provided by such Officials and Dignitaries.

READERSHIP:

Same Basic Level of Officials and Professionals who constitute the 'Writer/Participants' of the Series.

*** See 'Enclosed' Information Booklets: "Publication Agenda, 1997": Full Details: 'Topics', Authors, Titles, Prices, Subscription and Item-by-Item Purchase Arrangements.

Booklet: "Previous Publications" in the "FORUM" Series.

*** 'Time-Frame' for 'Response'('Yes' or 'No') to "Request".

-- *** Given the 'Pending' Madrid Summit for NATO July 8-9, 1997 -- You might wish to wait until the Conclusion of that Summit to write the 'Statement'. I.E.: During the latter part of July. *** Said 'Statement' would than include Remarks relative to the 'Outcome' of that 'Historic Summit'.*** (Please Advise).

*** IN "ANY" CASE: If 'Appropriate' and 'Convenient',
Your 'Response'('Yes' or 'No') would be Appreciated if possible, by 'No later than June 13th -- to June 30th, 1997.

*** 'Time-Frame' for 'Completion' of "Statement":

Basically: by the End of July, 1997. *** Or, at your 'Earliest Convenience' thereafter.*** (Please Advise).

*** IT&F is at the 'Convenience' of the President Relative to Time for 'Completion' Considering the 'Earliest Possible' Date for 'Appropriateness' of Timing for Relevancy of the Events in Question and for Notification and Release to the Public.

*** IT&F is at the 'Convenience' of the President and is available for any 'Clarification', etc. on the Enclosed.

Respectfully submitted,



(Ms.) Paula B. Hoagland: Consultant/Principal (Owner)
INTERNATIONAL TRADE & FINANCE (IT&F).

PBH/vpw.

ENCLOSURES.

*** KINDLY "CONFIRM" RECEIPT ***

Congress of the United States

Washington, DC 20515

May 15, 1997

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20515

POTUS READ

ORIGINALS

ORIGINALS

GIVEN TO EB OFFICE

Dear Mr. President:

We would like to take this opportunity to confirm important aspects of the Balanced Budget Agreement. It was agreed that the net tax cut shall be \$85 billion through 2002 and not more than \$250 billion through 2007. We believe these levels provide enough room for important reforms, including broad-based permanent capital gains tax reductions, significant death tax relief, \$500 per child tax credit, and expansion of IRAs.

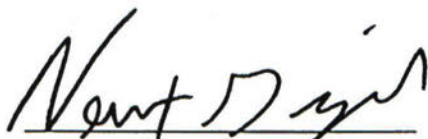
In the course of drafting the legislation to implement the balanced budget plan, there are some additional areas that we want to be sure the committees of jurisdiction consider. Specifically, it was agreed that the package must include tax relief of roughly \$35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

Additionally, the House and Senate Leadership will seek to include various proposals in the Administration's FY 1998 budget (e.g., the welfare-to-work tax credit, capital gains tax relief for home sales, the Administration's EZ/EC proposals, brownfields legislation, FSC software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional tax proposals.

In this context, it should be noted that the tax-writing committees will be required to balance the interests and desires of many parties in crafting tax legislation within the context of the net tax reduction goals which have been adopted, while at the same time protecting the interests of taxpayers generally.

We stand to work with you toward these ends. Thank you very much for your cooperation.

Sincerely,



Newt Gingrich
Speaker



Trent Lott
Senate Majority Leader

Congress of the United States

Washington, DC 20515

May 15, 1997

Mr. Erskine Bowles
Chief of Staff to
the President
The White House
Washington, D.C. 20502

Dear Mr. Bowles:

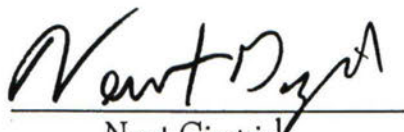
We are writing to express our desire for continued cooperation between Congressional staff and the staff of the various Administration agencies during the development of the current budget agreement.

Much of the most difficult work in connection with the budget agreement will involve the development of the revenue provisions that will satisfy the parameters of the agreement. Historically, the staff of the Joint Committee on Taxation has provided technical legal and quantitative support to the House and Senate. The Budget Act *requires* the use of Joint Committee on Taxation revenue estimates. Ken Kies and his staff are committed to facilitating our work on the tax provisions of this budget agreement. You can be assured that they will cooperate with Administration counterparts in receiving Administration input as they carry out their statutory responsibilities.

The revenue estimating staffs of the Joint Committee on Taxation and the Office of Tax Analysis at Treasury have a long history of cooperation and communication among analysts. It is our understanding that steps have already been taken to insure that the cooperative efforts of these two staffs will be intensified during the current budget process. It is also our understanding that the professional staffs at the Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences. The proposal shall not cause costs to explode in the outyears.

Now that we have agreed upon the overall parameters of this significant agreement, an inordinate number of details concerning specific provisions must be drafted and analyzed by the JCT and the committees of jurisdiction. We look forward to working with the Administration.

Sincerely,


Newt Gingrich
Speaker


Trent Lott
Senate Majority Leader

5130/97

Phil -

This came back from
Stephen Goodin - Should we
send to Legislative Affairs?

Yes ☒

No ☐

C

that despite regular visits from inspectors from the International Atomic Energy Agency (IAEA). The new checks are an effort to plug those old loopholes.

Countries that ratify the CWC (88 so far, out of 165 signers) agree not only to routine checks on their chemicals industry but also to short-notice challenge inspections of suspicious activities. International trade in some chemicals will now be banned, in others closely monitored. Those who refuse to ratify will find many chemicals hard to buy. The inspectors will have their work cut out: chemicals that can be combined to make deadly weapons often have ordinary civilian uses. But with proper policing of exports and timely intelligence tip-offs, it will be a lot harder for cheats to escape detection.

The new nuclear rules work to similar principles: governments will be obliged to give the IAEA far more details than before about their nuclear plans and activities, as well as their trade in sensitive equipment; inspectors will have a right to poke about as they please; new technologies that can pick up minute radioactive traces in soil, air and water—even at considerable distances—will make clandestine bomb-building a much dicier venture. However, unlike the chemical rules, the nuclear ones do not oblige members to cut off trade with countries, such as India, Pakistan and Israel, that refuse to sign up for full IAEA safeguards. That is because China, the least fussy nuclear supplier, will not go along.

The effectiveness of the new rules will depend on how many countries agree to be bound by them. But even the toughest, most universal treaty, using the most ingenious detection technologies, can only achieve so much. The new checks may be enough to deter some governments that might in the past have been tempted to cheat. But what to do about those—there are bound to be some—who cheat on regardless?

There's a way, if there's a will

The omens are not good. When the IAEA sounded the alarm because North Korea had produced more plutonium (from which nuclear bombs are made) than it had owned up to, America's calls for economic sanctions got little support. Though Iraq is supposedly still under a super-tough UN inspection regime, it is still hiding some weapons. Inspectors are routinely harassed, even threatened. In the early days the UN Security Council was ready to threaten military action to back them up. Now many countries, including some on the council, would rather get back to oil business as usual.

North Korea and Iraq demonstrate the flaw in the anti-proliferation cause. Uncovering a problem is one thing. Sustaining the will to do something about it—particularly if that something also entails real economic pain or military risks—is quite another. But it is not enough to write new arms-control rules. They have to be made to stick.

The lovebirds' budget

*Ben
Do we have
an answer to
this yet*



Agreeing to be nice does not solve America's problems

WHAT a civilised deal it was! Republicans billed, Democrats cooed, as both sides announced their plan to balance America's budget over the next five years (see page 25). American budget policy has indeed come a long way. In the 1980s, its massive deficits were seen as one of the most serious threats to the world economy; by last year, it had by far the smallest budget deficit as a percentage of GDP of the seven biggest industrial economies. But now is no time to relax in smug contemplation of the end of fiscal hostilities; a bad budget remains a bad budget, despite the hearts and flowers.

This was a deal made both easier, and worse, by the fact that, at the eleventh hour, plummeting deficit estimates from the Congressional Budget Office (CBO) gave the negotiators an extra \$225 billion in projected revenues over five years to play with. The budget arithmetic was already skewed, with the cost of tax cuts after 2002 ballooning hugely above the savings, many still unspecified, that were meant to pay for them. With the arrival of the CBO's windfall, even more fiscal rectitude evaporated. Suddenly, extra money was found for discretionary domestic spending; and, more lamentably, two small but sound proposals for long-term structural reforms were struck from the negotiators' lists.

The first was a suggested per capita limit for Medicaid, the federal/state health programme for the poor. In 1996, the federal government spent \$92 billion on this programme; it has been growing at an average annual rate of 14%. At present, if a state spends more on Medicaid, this is matched by more federal spending. Under the cap, the spending would have been

matched only up to a specific amount per person; if health costs soared, the government would not have had to keep step. The cap, though not a money-saver in the short term, was vital to controlling long-term costs. But it was hated by many state governors and was seen as a threat to a federal entitlement; when it was killed, neither party shed tears.

The second casualty, even more poisonous to its detractors, was a proposal for a legislated downward adjustment of 0.4% or 0.5% in the consumer price index (CPI). Most experts agree that the current CPI, which is used to calculate cost-of-living increases in benefit programmes as well as tax-bracket adjustments, overstates inflation. If it were nudged downwards, this would—at a stroke—begin to control entitlement spending, reducing the deficit by as much as \$634 billion over ten years; enhance tax revenue; and, not least, give a more accurate picture of the state of the economy.

Pain now, or worse to come?

Both parties toyed with this notion for a while, knowing that it would make their task easier. In the end, however, neither Democrats nor Republicans would touch it. Why not? Because it meant a slight decrease in the rate of increase of Social Security payments, and the grey-haired voting cohorts could not be offended. As soon as the CBO windfall came over the horizon, CPI adjustment vanished. All that remains is the assumption that, between now and 1999, the Bureau of Labour Statistics (which calculates the index) will make a minor fiddle to reduce it by 0.15%. And everyone is heartily relieved to

sue, the prime minister's first announcements have concentrated on strengthening the controls that his office and the Treasury will exert on the rest of the government.

But immovability will not suffice. The only hope of reconciling post-election expectations of better public services with low taxes and low interest rates is to embark on far-

reaching reform of the biggest spending programmes: education, health and social security. There was no sign of such a reform in the manifesto—but, you may well ask, what does that prove? If four days is all it takes Gordon Brown to transform Britain's monetary-policy regime, think what Harriet Harman could do to pensions in, say, a week.

All that glisters...

Yes, yes, but sometimes it really is gold. And risk takers, including those who snapped up the shares of Bre-X, should be applauded not jeered

FIRST the gold proved irresistible, and now that the gold has gone the story has become irresistible instead. As it turns out there never was much gold, if any: the only superlative likely to adhere to the patch of Borneo in which a small Canadian firm, Bre-X, claimed to have discovered one of the world's biggest-ever gold deposits is that it occasioned one of the world's biggest-ever frauds. The investors who piled into Bre-X's shares have tumbled quickly out, lots of them losing their shirts on the way (see page 63). Onlookers have delighted, as onlookers do, in the spectacle of the get-rich-quick merchants getting nothing but their just deserts.

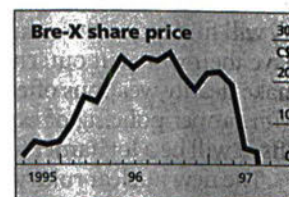
It is indeed an extraordinary tale, with many strokes of tragic-comedy, notably the alleged suicide of one of the company's geologists, Michael de Guzman, whose mysterious disembarkation from a helicopter in mid-flight was an early clue that all might not be quite as it seemed at the Busang gold reserve. Nonetheless, the *Schadenfreude* of onlookers is as misplaced as are many of the lessons that the world's instant moralisers have hurried to extract from the affair.

The Busang affair was not, first of all, a speculative frenzy such as the Dutch tulip mania of the 17th century or the South Sea Bubble of the 18th. A distinguishing feature of those episodes was that herds of investors persisted in a course of action which at a certain point, had it been subjected to careful thought, was evidently irrational. By contrast, the race of investors big and small to grab a piece of the Busang action was not the least bit irrational. As the eager participation of some of the world's leading mining firms attests, there was nothing

geologically implausible about there being a rich lode of gold at the Busang site, or its value as implied by the firm's share price. It just so happens that there was no such lode.

Nor was the Busang scam the product of laxity on the part of Canada's stock exchanges. Some of these exchanges have their defects, but Bre-X's shares were listed in the United States as well as Canada, and no stockmarket regulator could have been expected to uncover what an independent consultant described this week as the falsification of gold samples "on a scale and over a period of time and with a precision that to our knowledge is without precedent in the history of mining anywhere in the world." Although mining frauds are not uncommon, this one seemed almost to take even a firm as experienced as Freeport-McMoRan for a ride—not to mention the (all too) entrepreneurial government of Indonesia.

The Bre-X affair was not an example of popular delusion or the madness of crowds, nor the fault of a mismanaged stock exchange. It was a fraud, impure and complex, whose perpetrators remain elusive for the present. David Walsh, the company's newly rich chief executive, declares himself shocked; from the Cayman Islands its chief geologist protests his innocence. A posse of Canadian Mounted Police, Indonesian detectives and—most terrifyingly—American class-action lawyers, now wants answers. In the meantime, restrain the impulse to say of the small investors burnt in Busang that "fools rush in". They had little reason to suspect fraud. And nobody ever got seriously rich by sitting on their bottoms, awaiting their pay cheques and feeling wise after the event.



In praise of weapons controls

And the will to enforce them

IT IS only fitting—and prudent—that a century which has outdone all others in perfecting weapons that can cause unprecedented destruction should now outdo itself in efforts to control them. This week the Chemical Weapons Convention (CWC), which bans the production, stockpiling and use of one lot of horrific weapons, gets fully under way. Next week the guardians of the Nuclear Non-Proliferation Treaty (NPT) will be given new powers to hunt out secret bomb-builders and otherwise tighten nuclear controls. Meanwhile, work continues on ways to outlaw still more gruesome biological

weapons. Most governments agree that the spread of all such weapons is now the greatest threat to world peace. Swifter, more certain detection of rule-breakers is vital to the anti-proliferation cause. But the difficulties do not end there.

Work on these new controls has been driven by a combination of fear and technological wizardry. After the Gulf war, the forcible strip-searching of Iraq revealed a frightening array of chemical and biological poisons, many already in warheads ready for firing. Iraq's crash nuclear programme might also soon have provided it with a bomb or two. And



SPECIAL REPORT

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May 19, 1997 \$2.00

China
Takes
Over

CAN
HONG
KONG
SURVIVE?

Sandy
Maier's mission
was read —
BZ

THE PRESIDENT HAS SEEN
5/2/97

COS

Model at a
Hong Kong
Fashion
Show



HONG KONG



How China treats Hong Kong
will reveal its true face

BY MICHAEL ELLIOTT AND
DORINDA ELLIOTT

Why the World Watches

The flights have been booked; TV anchors have staked their places, ready to play supporting roles on one of the most dramatic natural stages in the world. A few licks of paint aside, all is prepared for a certified Big Media Event. At midnight on June 30, after 156 years of British rule, Hong Kong returns to China.

Why the fuss? Why have the best hotels been reserved for years? Why are thousands of journalists ready to fill





AFTER 150 YEARS OF BRITISH RULE, CHINA
REGAINS A NECKLACE OF PRECIOUS METAL.
CAN THE TERRITORY REMAIN UNTARNISHED?

IAN MACKILLOP - PROFILE PHOTO LIBRARY LTD.

acres of newsprint with words about a city with which few members of their audience will be familiar? It can't just be because Hong Kong is one of the world's magical places, its narrowed harbor ringed by skyscrapers above which tower impossibly steep green peaks. Perhaps the world will be watching because *The End of Empire*—and that's what this is—has a ring of romance. Prince Charles will be representing Britain, after all. (Just think how big this thing would have been with Diana along.)

Those are decent reasons for watching the spectacle

that will play out in Hong Kong this summer. But they don't get to the heart of the matter. The handover of Hong Kong to China reverses what has come to seem the normal course of events in the modern world. Since the late 1980s, totalitarian regimes have collapsed. Millions of people whose lives and prospects were long stunted have been given a chance at liberties and prosperity that those in the West have long defined as normal.

Hong Kong is one of the world's freest places—free not just in its exuberant markets but liberated also in the attitudes of its people. Now it is about to be taken over by China, a nation in transition, but hardly free. More than that: many of Hong Kong's people or their parents are refugees from China. And they remember that a scant eight years ago China met the demands for the kind of freedom that Hong Kong enjoys with bullets in Tiananmen



A WARY PRIDE AMONG HONG KONGERS

Square. After 10 years in which the bounds of liberty have been extended, it matters that 6 million people will be placed on the wrong side of the fence.

China—what it is, and what it will become—is at the heart of concerns about Hong Kong's survival. In a treaty called the Joint Declaration, signed with Britain in 1984, China committed itself to a formula that goes by the tag "one country, two systems." Hong Kong would revert to Chinese sovereignty in 1997. One hundred thirty-six years after Capt. William Elliot of the Royal Navy seized an island with fishing villages in the Pearl River delta in order to ship opium more easily into China, the shame of

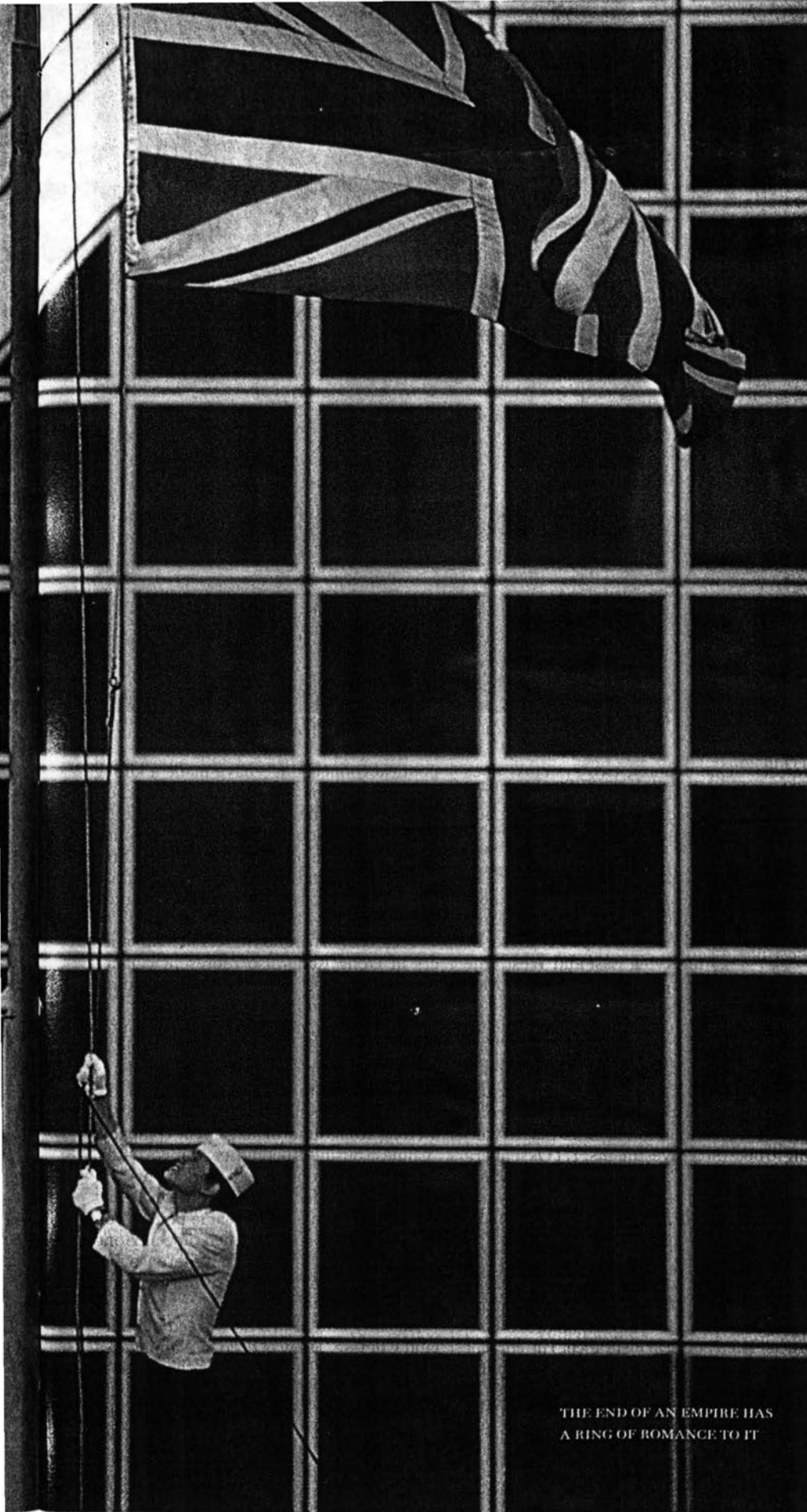
that humiliation will be lifted. But Hong Kong, the Joint Declaration said, would retain its free-market economy and its way of life. For 50 years after 1997, the territory would be run as a "Special Administrative Region" of China with a high degree of autonomy from Beijing. The question now is: will China keep its promise?

China, after all, is not just any nation. In the

next century, it will be a superpower, the largest economy on earth, with the ability to project its power far beyond its borders. Will it seek to rival the United States? Will it force Taiwan into its embrace? How China treats Hong Kong provides the best answers we are likely to get. Hong Kong, says Michel Oksenberg, senior fellow at the Asia-Pacific Research Center at Stanford University, "is clearly a litmus test of China's capacity to adhere to international agreements." China's handling of Hong Kong, he

argues, is not just a matter of commercial interests or human rights: "It will indicate what sort of power China is going to be."

Britain, because it is a signatory to the Joint Declaration, has some reason to keep an eye on how China behaves in Hong Kong. But Washington, too, has signaled that it will be watching. "The United States has to make it clear that Hong Kong is important to us," said President Clinton last month, after a meeting with Martin Lee, Hong Kong's most prominent democrat. Newt Gingrich, the speaker of the House of Representatives, was more blunt when he spoke in Hong Kong in March. "If Hong Kong loses the things in which its society is



THE END OF AN EMPIRE HAS
A RING OF ROMANCE TO IT

grounded," said Gingrich, "both American interests and American values will suffer."

With less than two months to go before the handover, things, on the surface, look better than ever. The stock market is at record levels, and property prices—even by Hong Kong's stratospheric standards—are up. A local tycoon recently put down \$70 million to buy the world's most expensive house on an aerie high above the highest skyscraper. At the handover, there won't be too many tears shed for the British. "Anyone who is Chinese," Chris Patten, the last British governor of Hong Kong, told *NEWSWEEK* recently, "will feel a totally legitimate pride at the end of what they regard as a humiliating episode left over from the 19th century." Hong Kong's people, moreover, are a resilient lot; many of them arrived in the territory with little more than the clothes on their backs, fleeing civil war in China or the horrors of the Cultural Revolution. After all that Hong Kong has gone through, says David Chu, a wealthy property developer who has given up his U.S. passport, "the next 50 years will be a piece of cake."

YET FOR ALL THE SURFACE bravado, there's an undercurrent of anxiety in Hong Kong. Democrats think they will be marginalized; local journalists worry about censorship. The political influence of Hong Kong's conservative, pro-Beijing business tycoons has increased. A Beijing-backed committee selected the chief executive and provisional legislature that will take office on July 1. (Beijing and London fell out over the composition of a legislature elected in 1992. New elections will be held sometime next spring.) C. H. Tung, the territory's new chief executive, is a Shanghai-born shipping magnate who epitomizes the conservatism of the business community. A believer in Confucian values, he prizes order, stability and shared obligations over individual rights. "We want freedom here, and it will be here," says Tung. But he adds he does not want to see a "Hong Kong that is permissive to the point where we start to surrender social order."

Not long ago, such sentiments defined Hong Kong's politics. But today's Hong Kong is not the politically quiescent place it once was. Hong Kong has come alive—it is no longer just an economic miracle but a center of arts and design, a place of all-night raves and fashion shows. The traditional deference to authority has been weakened. Says Yeung Wai Hong, publisher of *Next*, Hong Kong's most popular magazine, "When someone comes down as a family patriarch and throws stuff down our throats, it becomes hard to swallow. That's not the way we do things here."

Especially not after the summer of 1989. The massacre in Tiananmen Square may have shocked the rest of the world; it did a



DAY MEETS YESTERDAY: WOMEN FROM KAM TIN VILLAGE HOLD A PHOTO TAKEN IN 1919 OF VILLAGE ELDERS WITH A FORMER GOVERNOR

more than that in Hong Kong. A short time before the handover, Hong Kong saw the brutal face of Chinese communism and was appalled. Hundreds of thousands, weeping, marched in silent procession past the offices of the Xinhua News Agency, China's unofficial embassy in Hong Kong. Since then, democrats have defended their interests noisily in the legislature. Human-rights activists, religious groups, lawyers and labor organizations have all grown in visibility and bravery. They are still, by the standards of most places, remarkably well behaved—protesters stand obediently behind signs that say DEMONSTRATION AREA. But they have got enough of a taste of freedom to worry about any rollbacks.

And those rollbacks are coming. Tung has proposed tightening civil-liberties laws that were relaxed by the British after Tiananmen. He has suggested that protesters would have to get permission for demonstrations from the police in advance. And authorities could refuse to register political parties or organizations for reasons of "national security." Tung's aides bristle at criticism of these proposals. In their view, the laws do no more than restore the status quo as it existed before the British, anxious to be considered the defenders of democracy, changed the rules of the game just before the handover. And the Chinese have their own in-

terests. "One country, two systems" does not mean that Beijing is ever going to allow Hong Kong to become a base for subversion of the Chinese political system.

BYOND CIVIL LIBERTIES LIES the more fuzzy area of economics. Hong Kong became an economic powerhouse by marrying East and West. The entrepreneurship of the overseas Chinese, based on family and connections, was combined with the "invisible infrastructure" of "Western" societies, which provided sanctity of contracts, protection of property rights and an absence of corruption. Lose the last of these, and foreign companies will find there are other places willing to take their investments. Yet Oksenberg warns that the Chinese authorities have a "profound lack of appreciation of the links between the delicate political arrangements of Hong Kong and economic success."

In Hong Kong itself, there are signs of a new, and troubling, economic order. Hong Kong tycoons cozy up to powerful mainlanders who might provide lucrative contracts—and political insurance. The current crop of Chinese business leaders have imported some unsavory practices from the mainland. Many executives—Communist Party members who got their jobs through

political connections—have made a killing off stock options and insider deals. "Their ship's really come in," says a Western diplomat. "If you're looking for growth potential, who looks more promising?" says Lan Xue, a Shanghai-born Brandeis University graduate who works in the securities market. "Those who have connections."

Yet there is a paradox here. For mainlanders in Hong Kong also represent China's best and brightest, the educated new professional class who have pushed for China to open up. In fact, many of the mainland professionals are often closet liberals. "Because Hong Kong people haven't experienced turmoil, probably they don't feel the benefits like we do," says Robert Xie, an executive at a Hong Kong fund-management company. "Chinese business people feel this is a better system. They would like to work in this system, not transfer the old ways to Hong Kong." Patten makes the same point. "You don't have to spend too much time in Hong Kong teaching people the difference between the rule of law and arbitrary government. They know; they know."

Xie is typical of this new breed of mainland Chinese. He was born in Nanjing to a worker family. He grew up in the midst of the Cultural Revolution; his father brought home a large knife in case bloodthirsty Red Guards tried to bust into their tiny, one-

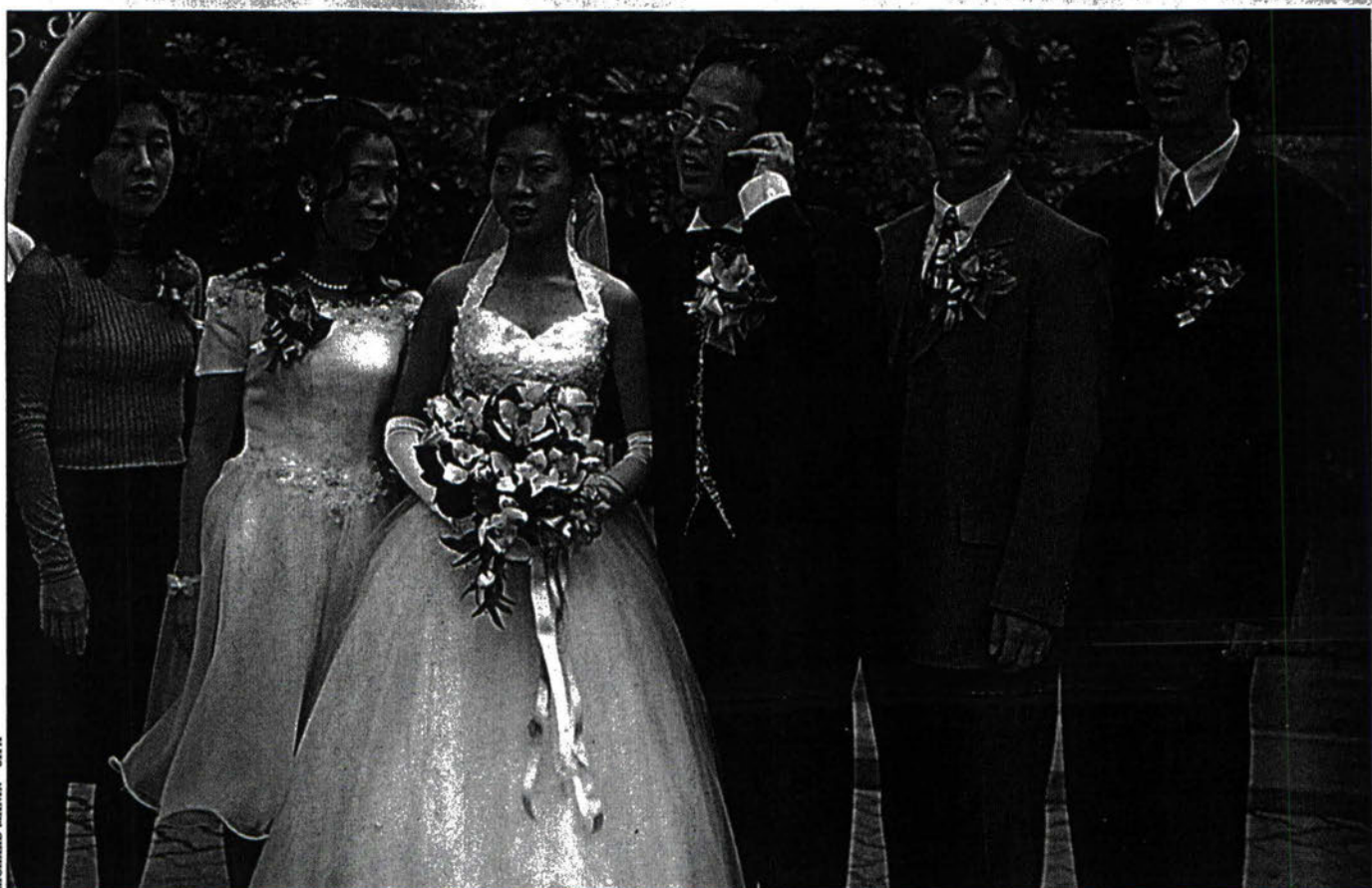
RICHARD MANTIN—SIPA

MARRYING

room home better. He attended a University school of government, back door, and regulated through the system come

In the most press politics, big grant child with their humanitarian immigrant each day. by China, riddled by the unfair have been year, brought smugglers

A sudden Hong Kong government population from the children in claim 1. Though border, co



MARRYING THE FUTURE: HONG KONG'S CITIZENS WONDER NOW WHETHER CHINA CAN KEEP ITS PROMISE OF 'ONE COUNTRY, TWO SYSTEMS'

room home. But Xie aspired to something better. He eventually made it to New York University's business school and Harvard's school of government. "In China, there is no transparency, so you have to go through the back door," says Xie. "Here, there are rules and regulations, so you feel you can see through the water. When Chinese companies come here, they feel free."

In the immediate future, Hong Kong's most pressing problem is not economics or politics, but people. A wave of illegal immigrant children sneaking in to be reunited with their Hong Kong parents has created a humanitarian crisis. Under British rule, 150 immigrants are allowed into Hong Kong each day. Exactly who gets to go is decided by China in a bureaucratic process that is riddled by corruption. Desperate to escape the unfair system, almost 1,000 children have been caught trying to sneak in this year, brought across the border by sleazy smugglers called snakeheads.

A sudden surge in population could crush Hong Kong's economy. Last week the government projected that by 2016, the city's population will jump by more than 2 million from the current 6 million. There are 90,000 children in Guangdong province alone who can claim residency in Hong Kong after July 1. Though China promises to control the border, countless other mainlanders hope

that after the handover, they, too, might get a chance to make a fast buck in China's richest city. Already, Hong Kong's school and housing systems are overburdened. Locals view the impoverished newcomers as nothing but trouble. "If Hong Kong doesn't deal with this issue adequately," says Nelson Chow, a sociologist, "it will affect the kind of society we have for years to come."

To even the professional mainland Chinese, Hong Kong can seem a cold and money-grubbing place. But despite the cultural difficulties, they love Hong Kong's freedoms. So will they fight for Hong Kong's democracy? The mainlanders don't wear their liberal values on their sleeve. But they will quietly support the continuation of democratic freedoms. "I hope Hong Kong will have a growing influence on China," says Frank Ning, managing director of China Resources, China's biggest company in Hong Kong. "I hope Hong Kong can be a political model for China. We experienced closed, bad times. We know the world can be different. That's why we should try to keep Hong Kong the way it is."

There are many tests of Chinese good intentions. Will the civil service be taken over by political factions? Will the press start censoring itself? And will Albert Ho, one of Hong Kong's most outspoken democrats, be able to erect a statue? Last week Ho an-

nounced plans to erect a dramatic, 21-foot-tall Pillar of Shame in Victoria Park in time for the June 4 commemoration of the Tiananmen Square massacre. Ho wants to find a place to plant the statue, built in Denmark, after the demonstration. He acknowledges that it won't be easy to find companies or organizations brave enough to make such a political statement. "I don't know what will happen," says Ho, "but we will continue the struggle with strong determination."

After Hong Kong's bells chime midnight on June 30, business will continue as usual—save for a fantastic burst of fireworks, plenty of parties, and powerful, mixed emotions. For China, this will be a proud moment, a reunion after the Opium Wars split the country. For Hong Kong's people, who have built one of the world's most amazing places with little outside assistance, it will be the beginning of a new, unknown era. With luck, they, too, will soon be able to look back at that stroke of the clock with pride. The rest of the world will be watching, fingers crossed. ■

Beginning Monday, May 19, NEWSWEEK INTERNATIONAL's special edition on Hong Kong will be available on the World Wide Web at www.newsweek-special.com. The site will also include frequent updates of news on Hong Kong and China.

HONG KONG

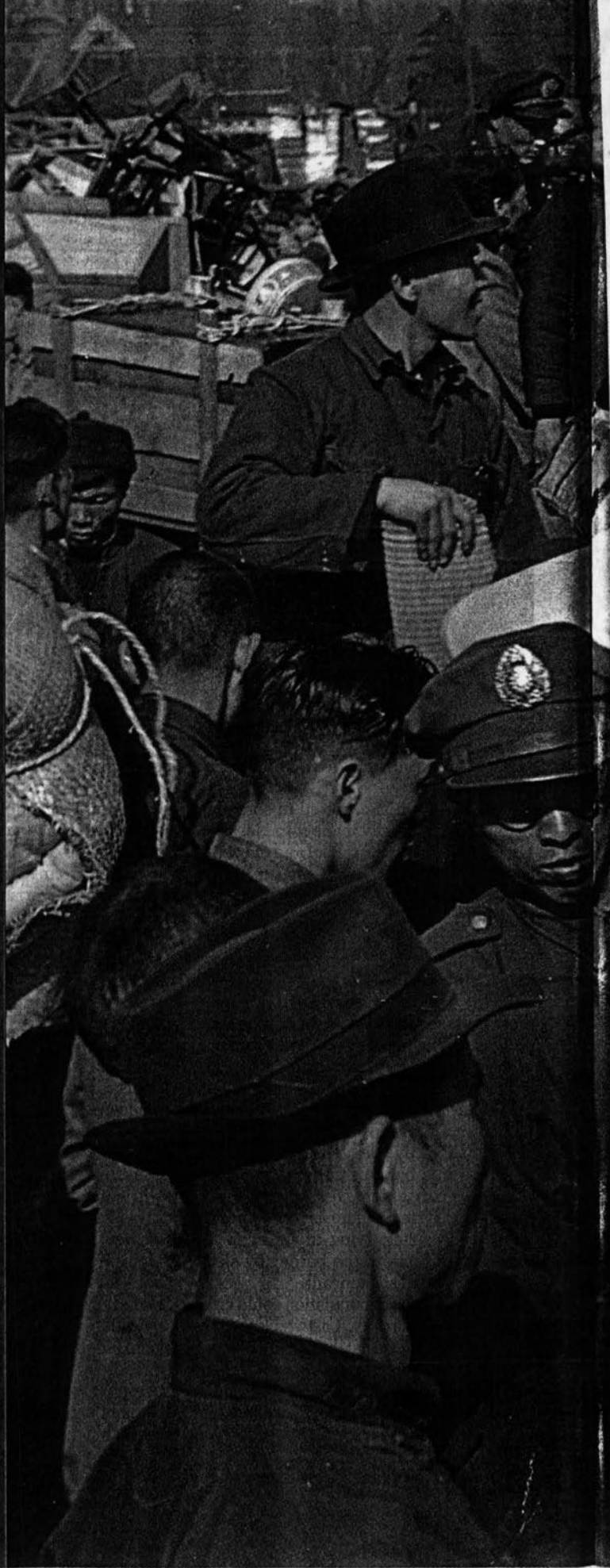


The Tungs and other Shanghai dreamers taught Hong Kong how to be grandly ambitious

BY MELINDA LIU

Revenge of the Refugees

AT A WINDSWEPT GRAVE OUTSIDE Shanghai, villagers still gossip about the day C. H. Tung came home. In 1990, more than four decades after the future leader of Hong Kong sailed away from the great port city at the age of 12, he returned to survey the damage inflicted on his ancestral home under a regime that had tried to destroy everything for which his capitalist family stood. The ancestral tomb had been reduced to a rock heap desecrated by grave robbers



(though a family retainer managed to save the moldering bones). The Tung villa in Shanghai was also in decay, festooned with laundry and shared by five families. As he looked at the remains of the old garden, Tung remembered the delights of a happy Shanghai childhood. "Remember how we lit incense to the Earth God here?" he asked one of his sisters. The gods have smiled on Tung ever since. He inherited his father's shipping empire, saved it from bankruptcy and rose to become one of the leading lights of Hong Kong's business society. Now he will be Hong Kong's first Chinese chief executive, overseer of a bold and jittery experiment as the British colony reverts to Beijing's control on July 1.

As Hong Kong prepares to reunite with China, the Shanghaiese are leading the way. Like Tung, all the major rivals for the post of chief executive had roots in Shanghai. His No. 2 in Hong Kong's new Chinese government, Chief Secretary Anson Chan, has Shanghai connections. And when Tung goes to Beijing, he can chat in the Shanghai dialect with President Jiang Zemin, the city's former mayor, and with Zhu Rongji, the economic czar from Shanghai.

In his new job, Tung will draw on the survival instincts for which Shanghaiese as a whole, and his family in particular, are famous. They were the elite of Hong Kong's post-war refugee society, energizing the sleepy colony with the scope of their dreams and ambitions. Long before ending up in the enclave, some of Shanghai's big industrial families had lost several fortunes—to the Japanese, to profligate sons, to civil war. They rebounded by constantly coping, morphing Eastern tradition with Western efficiency, street smarts with savoir-faire. Their style, in short, couldn't have made a better fit with Hong Kong. By 1949, hundreds of Shanghai firms had relocated to the territory, most of them assuming that their refuge in the colonial backwater would be brief. It was no coincidence that they included Hong Kong's great ocean barons, including Tung's father, C. Y. Tung. "Ships were floating assets," says Frank Chao, who inherited his father's Wah

Kwong shipping empire. "When you left, you took them with you."

AS FIRSTBORN SON OF A Shanghai shipping magnate, C. H. Tung came into a life of high expectations. His Chinese given name, Chee-hwa, means "Building China," and on the back of his photo taken at the age of 2 his father wrote, "Welcome the dawn of a great new generation!" C. Y. Tung loved the sea. He revered China's 15th-century eunuch admiral, Zheng He. At 21, C. Y. himself joined a shipping firm and married the daughter of a shipping boss.

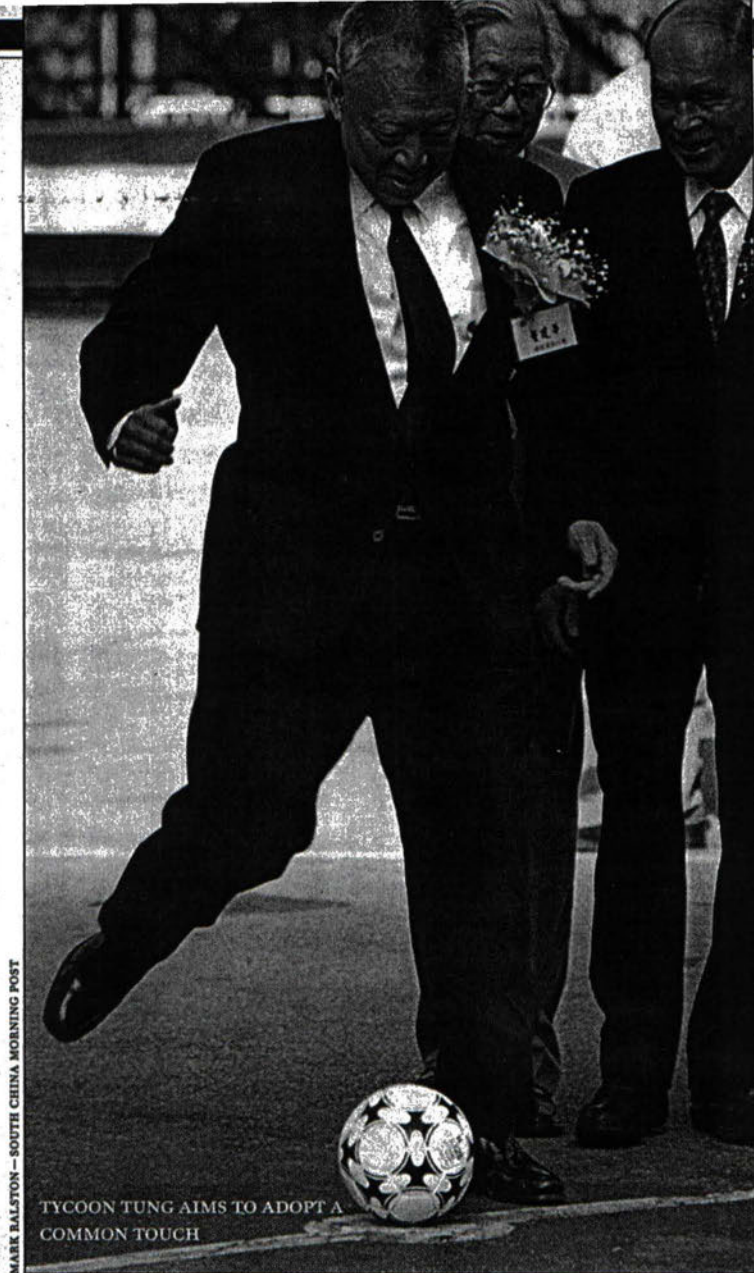
As his empire grew, so did his political connections. He became closely associated with the Nationalist government of Chiang Kai-shek, and his company shared the same plum-blossom logo as Chiang's Kuomintang party. As the tide turned against Chiang

during China's civil war, C.Y.'s own days in Shanghai became numbered. In early 1949, as Mao's communists were routing Chiang's forces, the elder Tung ordered the ships he controlled to flee Shanghai. Some steamed off to Hong Kong, where he had established himself in 1941. Others went to Taiwan, ferrying tens of thousands of defeated Kuomintang troops. Also on board, it's rumored in Taipei and Hong Kong, though denied by the family, were crates packed with some of the priceless imperial treasures now held by Taiwan's National Palace Museum.

Despite his links to Chiang, C.Y. was no Nationalist ideologue. In 1950, two British merchants reportedly persuaded him to use his vessels on runs between Hong Kong and Shanghai. That infuriated Chiang's KMT regime in Taiwan, which ordered C.Y.'s arrest on charges of "assisting banditry." The elder Tung did not return to Taipei until 1965 (his sister's marriage to the son of a Nationalist general helped clear up the misunderstanding). A decade later, the Beijing regime that he had fled made its own overtures. Government agents gave the Tungs' longtime Shanghai retainer, Xu Lianxiang, an exit permit for Hong Kong. "They wanted me to ask C. Y. Tung to come back to the mainland

and maybe invest," Xu, now 90, told NEWSWEEK. She did as instructed, but C.Y. never returned. The "Onassis of the East" passed away in April 1982, while hosting a dinner for Monaco's Princess Grace, and is buried in Hong Kong.

He left his elder son the inheritance of a true Shanghai dreamer: a huge, boldly constructed shipping empire wallowing in debt. Trying to save the Tungs' corporate dynasty in the mid-1980s—when the figures in red ink added up to \$2.68 billion—was like "debt restructuring for a small country," recalls Jeffrey Garten, dean of the Yale School of Management and C. H. Tung's financial adviser during the crisis. Tung's approach was "100 percent Chinese and 100 percent Western," says Garten. As 500 angry bankers prepared for one crucial meeting in Tokyo, Tung at first hesitated to show up himself: a fortuneteller had not yet determined whether it was a good day. Disbeliev-



TYCOON TUNG AIMS TO ADOPT A COMMON TOUCH

ing, an associate says he blurted out: "Are you aware this is the biggest day of your life?" Luckily for everybody, the fortuneteller deemed the day auspicious after all.

Like his father, Tung cared about profits more than politics. Seeking a financial bailout for his company, Tung was turned away by Taiwan. But Beijing came to his rescue. A pro-Beijing Hong Kong entrepreneur, Henry Fok, helped arrange a syndicated loan of \$120 million. Tung publicly recognized Beijing's role only last October. "Were there Chinese actors in the group?" he said. "I can say for sure there were."

C. H. Tung, who has donated funds to a mainland maritime institute and set up a soft-drinks factory near Shanghai, may now be living an old Chinese proverb: Falling leaves return to their roots. The old saying may also hold true for Hong Kong's most famous Shanghaiese dream spinner, legendary film producer Run Run Shaw, who began his career with his brother Runme in Shanghai's Chinese City in the 1920s. In the last 10 years, from his base in Hong Kong, Shaw has donated nearly \$195 million to philanthropic projects in China.

The Shaws left Shanghai in 1927, moving to Singapore and opening 139 theaters across Malaya. In 1941, three days before Singapore fell to the Japanese, Shaw and his brother buried their gold, jewelry and currency in the garden, and waited out the war. After the Japanese left four years later, the brothers started digging. "The pearls were no good; never bury pearls," says Shaw with a leprechaun's grin. "But everything else was OK: the jade, the diamonds, the paper money."

When he judged Singapore's film scene as too expensive, Shaw shifted to Hong Kong in 1959. His approach was bold—bigger budgets, longer movies—and his Cantonese audiences loved the results. Now a nearly mythical figure, the godfather of Hong Kong's Shanghaiese, Sir Run Run pointedly endorses C. H. Tung, son of his close friend, as chief executive. Tung mixes well with Westerners, he impresses Beijing, "and when his father's business was poor, he turned it around," says Shaw. "Those are strong qualities."

IN MEMORIES BURNISHED BY TIME, many of Hong Kong's Shanghaiese remember life in the pre-revolutionary city as a spectacle worthy of Sir Run Run. Lee Woosung, a gold trader since the age of 15, recalls the smoky jazz club above the Canidrome, where black American musicians played late into the night. He can still hear the all-night fireworks and street dancing that greeted the victory over Japan. And he remembers the wild-eyed inflation that struck Shanghai as Mao's forces drew near. In the end, stock traders simply left bulging stacks of worthless currency piled on the exchange floor because "there was too much to lock up," Lee says. In May 1949 he awoke to a strange silence. Peeking outside, he saw People's Liberation Army soldiers in baggy green uniforms, sitting quietly on the pavement. "They were extremely young and very polite," recalls Lee, "cooking rice in big pots."

A year later, Lee slipped over the border

into Hong Kong. He started trading gold again—at one point sharing an office with C. H. Tung's firm—and devised the hand signals that traders still use on the floor today. The Shanghaiese newcomers had a "long-term financial vision" that they passed on to the Cantonese locals, Lee says. "Together we made a success."

It was not only the shipping barons and textile tycoons who prospered. Shanghaiese who came to Hong Kong also found jobs as barbers, taxi dancers and tailors. North Point's "Little Shanghai" area teemed with nightclubs. One held Hong Kong's first beauty contest, won by a Shanghaiese beauty queen, of course. "They have a strong sense of self-importance," says Shanghai-born banker Simming Shaw, who recalls how his refugee family had to bribe their way out of trouble in 1952—after Hong Kong police barged into their flat to find his father smoking opium.

That superior attitude, so Shanghaiese, helps explain why the refugees who made it to Hong Kong, even those who have prospered mightily in their adopted home, still hold the great city of their roots in almost mystical affection. The Tung family's former two-story villa in Shanghai, with its winding staircase and hardwood floors, is a crowded mess of a communal home now. A spacious bathroom, with its elegant, cloverleaf-shaped windows, is adorned with dirty mops and cakes of soap. The Tung children and a nanny slept in the nursery, a room now occupied by the family of Zhu Ailian, 76, a schoolmate of Tung's aunt. "She asked me to move in a few months after the PLA entered Shanghai," says Zhu. "It seemed the Tungs weren't coming back."

Yet they have come back, spiritually at least. While visiting the family tomb in 1990, C. H. Tung had to determine the disposition of his ancestors' violated remains—no small matter for an eldest son and keeper of traditions. "Chinese superstition says moving ancestral bones can change a clan's entire fortune," says Xu Lianxiang, the retainer who kept the bones hidden for years. "Who dared disrupt the grave?" Tung dared. He asked for a renovation of the tomb. Two years later he returned to inspect the results and to burn incense before his grandfather's new, dragon-carved tombstone. In a gesture of filial piety, the future leader of Hong Kong kowtowed before the remains of his ancestors—enlisting the spirits in the cause of his future good fortune. So far, the spirits have obliged. ■



TUNG FAMILY RETAINER XU LIANXIANG, 90, IN CHINA

For Richer or for Poorer ...

Although the political wedding will finally take place on July 1, the economic marriage actually began years ago. The result: a new superpower of trade.

PONDERING THE FUTURE



Consumers in action

A survey reveals Hong Kongers are bullish on their economic future, but less certain of their political one.

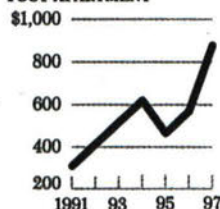
Bullish vs. Bearish

HOW DO YOU FEEL ABOUT THE FUTURE OF HONG KONG?

	ECONOMICALLY	POLITICALLY
Very optimistic	4%	2%
Optimistic	56	38
Pessimistic	13	21
Neither	25	32
No answer	2	6

Soaring Prices

PRICE FOR 800-SQUARE-FOOT APARTMENT



'Should I Stay or ...' WHICH PHRASE MIGHT BEST CHARACTERIZE YOUR ATTITUDE TOWARD REUNION WITH CHINA?

Consciously decided to stay or leave	29%
No choice but to accept reality	27%
Glorious for Hong Kong to return to China	20%
Won't affect me	9%
Excited, hopeful	9%
Nervous, a little afraid	6%
No answer	2%

A LINK TO THE MAINLAND AND THE WORLD

A \$20 billion development project, including the construction of an airport, will create new ties to the mainland and reinforce its links to the outside world. Most of the work will be done by 1999. 1 The new airport at Chek Lap Kok will relieve the overburdened Kai Tak, on Kowloon. It will operate round-the-clock and handle twice as much cargo. 2 Tung Chung New Town, the first municipality on an outlying island, will have housing for airport



THE PEOPLE



Smiles of the next generation

In 150 years, Hong Kong has developed traditions and traits of its own. Will they clash with China's?

Comparing Vital Statistics

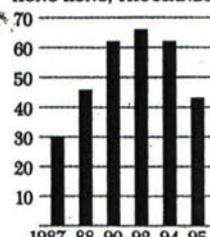
	HONG KONG	CHINA	UNITED STATES
Population, in millions	5.5	1,203	263.4
Population per sq. mi.	15,158	327	75
Literacy	77%	78%	97%
Births per woman	1.39	1.84	2.08
Life expectancy	80	68	76
Infant mortality*	5.8	52.1	7.9
People per telephone	1.5	36.4	1.3
Unemployment	2.8%	3.2%	5.2%
Economic freedom†	1	125	5
Per capita GNP	\$21,650	\$530	\$25,860

*PER 1,000 BIRTHS. †RANKING OUT OF 148 COUNTRIES.

The Exodus

Concerns for the future sparked a surge of emigration from the territory in the past decade.

EMIGRATION FROM HONG KONG, THOUSANDS



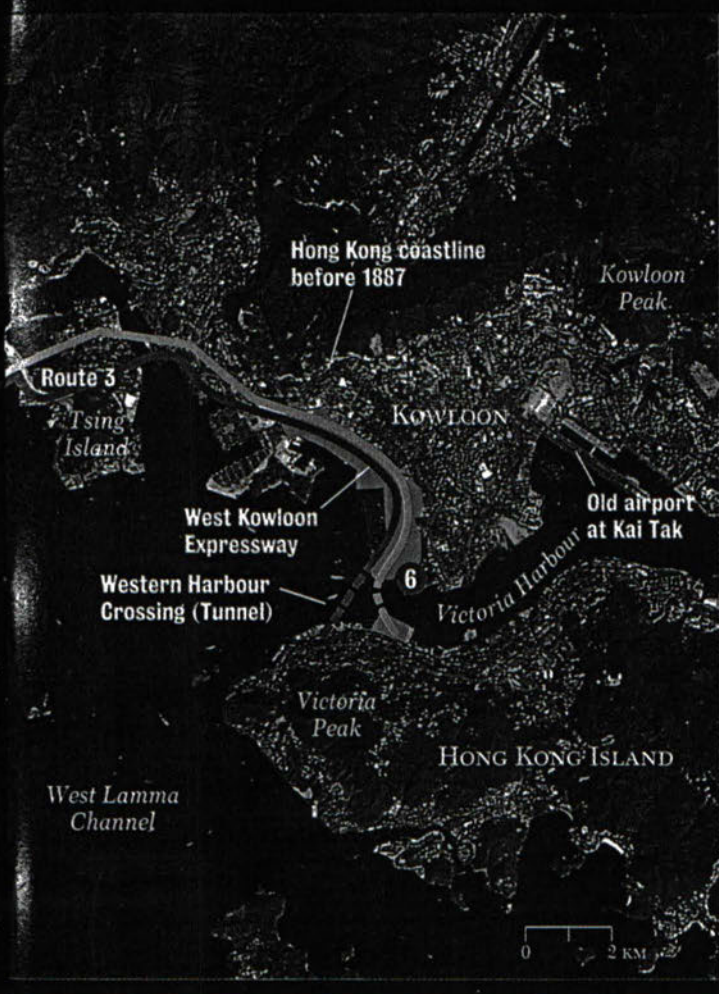
Fast Facts

Per person, Hong Kongers ...
 ... own the most Rolls-Royces
 ... drink the largest amount of cognac
 ... wager the most on horse races
 ... routinely work the longest hours
 ... still manage to have the world's second longest life expectancy (after those from sleepy San Marino)

SOURCES: HONG KONG ECONOMIC AND TRADE OFFICE, WORLD BANK, IMF, HONG KONG AIRPORT AUTHORITY, THE HERITAGE FOUNDATION INDEX OF ECONOMIC FREEDOM, HONG KONG TRANSITION PROJECT, MORGAN STANLEY PHOTOS, CLOCKWISE FROM TOP LEFT: ANDRES HERNANDEZ FOR NEWSWEEK, CNES—EXPLORER, GREG GIRARD—CONTACT, ANDRES HERNANDEZ FOR NEWSWEEK, JEFFREY AARONSON—NETWORK ASPEN

LET'S MAKE A DEAL

employees. 3 More than 20 miles of tunnels and expressways will ease traffic flow to and from the airport. 4 An express rail will speed passengers from Hong Kong Island to the airport in just 23 minutes. 5 Lantau Link, the world's longest road-rail suspension bridge, provides the first road connection to Lantau Island. 6 Chunks of the harbor are being "reclaimed" to allow for the expansion of business, housing and open spaces.



Fast Facts

... China has the fastest-growing economy and is the 11th largest trading nation
... Hong Kong is the world's eighth largest trading nation
... Goods shipped through Hong Kong (re-exports) account for eight tenths of total exports
... Nine tenths of the territory's re-exports come from or go to the mainland



At work in a Shenzhen factory

Trade between the two economies has boomed since China embarked on its modernization program in 1978.

Shaping Up and Shipping Out

Due to its lack of natural resources, Hong Kong is the world's most trade-dependent economy, with China supplying many of its raw materials. China profits, too, from the territory's manufactured goods.

China's Trade

PERCENT OF IMPORTED COMMODITIES SUPPLIED BY HONG KONG

Handbags	56%
Furniture	23
Prefab. buildings	18

PERCENT OF EXPORTED COMMODITIES DESTINED FOR HONG KONG

Live animals	87%
Beverages	63
Dairy products	58

Hong Kong's Trade

PERCENT OF IMPORTED COMMODITIES SUPPLIED BY CHINA

Footwear	91%
Clothing	89
Toys	88

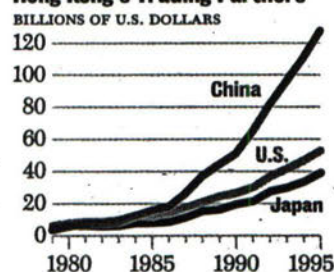
PERCENT OF EXPORTED COMMODITIES DESTINED FOR CHINA

Telecom. equip.	76%
Textiles	46
Tobacco	37

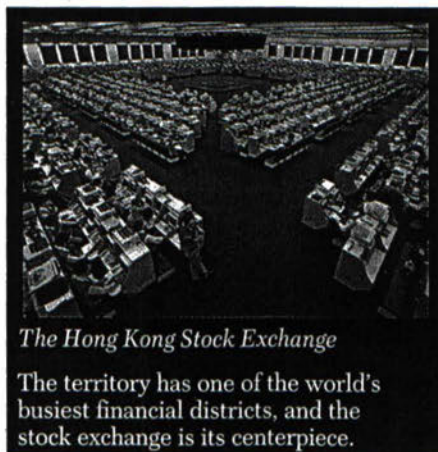
China's Trading Partners



Hong Kong's Trading Partners



THE INVESTMENT PICTURE



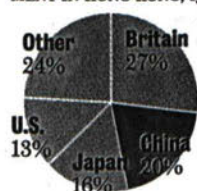
The Hong Kong Stock Exchange

The territory has one of the world's busiest financial districts, and the stock exchange is its centerpiece.

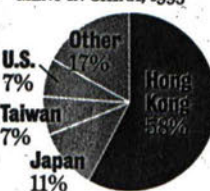
The Investment Turnstile

While Beijing sinks development money into infrastructure, Hong Kong invests largely in construction, property and manufacturing. Despite political friction over the years, Hong Kong hasn't shrunk from pouring money into the mainland.

TOTAL FOREIGN INVESTMENT IN HONG KONG, 1995



TOTAL FOREIGN INVESTMENT IN CHINA, 1995



ESTIMATED MARKET SHARES OF MAINLAND-BACKED COMPANIES IN HONG KONG



Banking
DEPOSITS



Transport
FREIGHT VOLUME



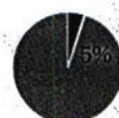
Foreign Trade



Tourism
FOR CHINA-
BOUND TOURS



Construction



Stocks
CHINA-
CONTROLLED LISTED
COMPANIES

PERCENTAGES MAY NOT ADD TO 100 DUE TO ROUNDING. RESEARCH BY ANNA KUCHMENT, GRAPHIC BY KARL GUDE—NEWSWEEK

Once, mainland China was a forbidding presence across the border. Now it is the wellspring of a new cultural identity. BY ORVILLE SCHELL

The Coming of Mao Zedong Chic

I CAN STILL REMEMBER MY BREATHLESS excitement in 1961 as I flew down the South China coast from Taipei to Hong Kong and for the first time saw the undulating hills of that most forbidden of countries, the People's Republic of China. Hong Kong itself was a ragged city swollen with refugees who chaotically littered its steep hill-sides and made headlines only when they attacked each other with meat cleavers or when their flimsy shacks slid to oblivion after tropical typhoons. Much of what made Hong Kong unique and exciting was the constant threat of that opaque, unpredictable and unapproachable behemoth lurking just over the border.

Now, as China casts an ever larger shadow over Hong Kong, public dramas on the colony's profitable economic reintegration with its mother country and its uncertain effort to maintain political autonomy have filled the newspapers. Yet another, equally important if more elusive drama has been playing itself out behind the scenes—the drama of intellectuals and artists in Hong Kong

trying to discover who they are and where they fit into the new scheme of things. Even though the territory is stuck like a barnacle to China, it has allowed itself to be defined by its differences with the communist mainland. As reunification draws near, the city must find some new cultural definition of itself. If Hong Kong people are not British and not mainland Chinese, who, then, are they?

It's not easy to say. Back when I first visited Hong Kong, it was enough for Chinese in this British outpost to define themselves in terms of what they were not. They were not communists, and such iconoclastic opposition seemed sufficient to give everyone a sense of identity. Few people thought much about their roots. Like the meaning of life, the question of who Hong Kongers "were" seemed irrelevant, especially as long as business was good.

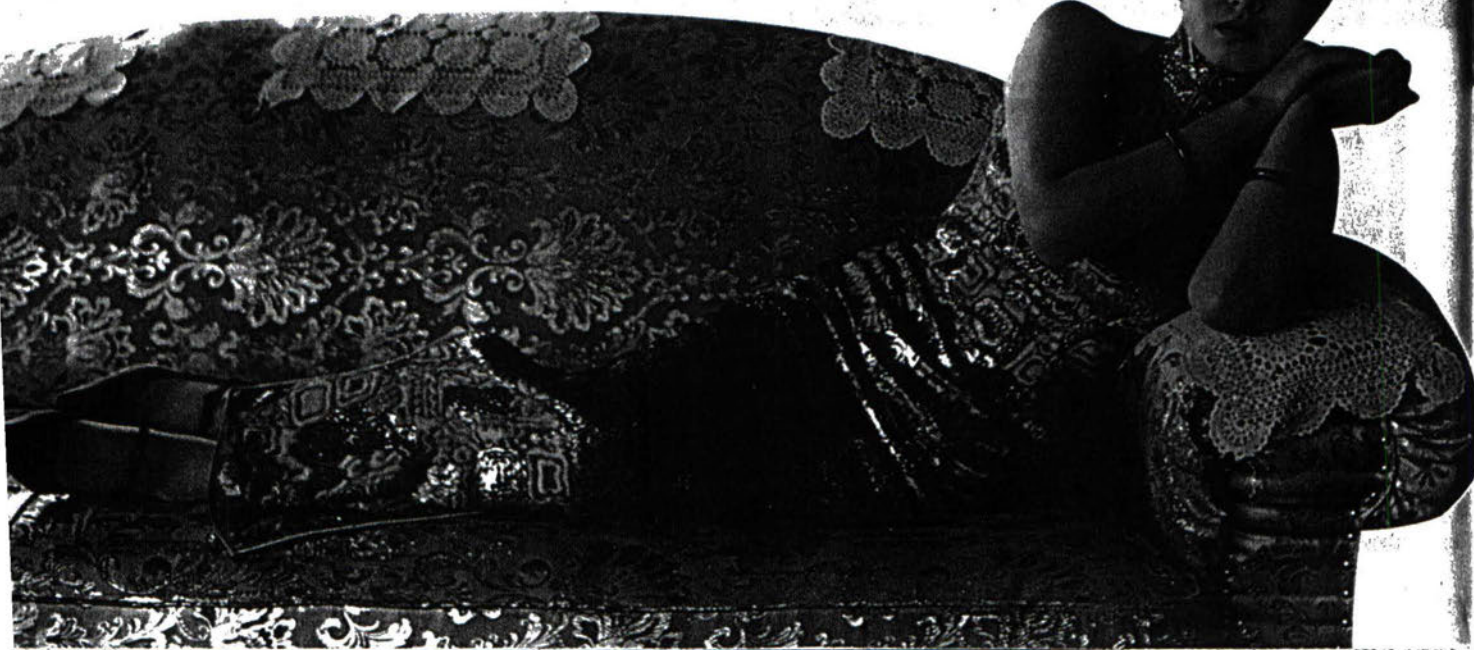
Only after it became obvious that British rule really would end did the colony, like it or not, begin looking at itself differently. To ensure the "high degree of autonomy" that the mainland promised, Hong Kong people began to take stock of their inherited cultural

and political institutions. What they hoped to find was some common strengths that would help fortify their city against a neocolonial encroachment from the north.

What they found was pretty modest. Once one gets past the fact that Hong Kong has more Rolls-Royces per capita than anywhere else on the globe, some of the world's most luxurious hotels and a flock of tycoons whose fortunes are as immeasurable as the infinitude of outer space, one is still left to ask: what lies at the heart of its cultural identity? Roger Garcia, a Portuguese-Chinese Eurasian who served as director of the Hong Kong Film Festival, suggests that maybe the answer has more to do with "a certain lifestyle" than with "high culture." When I ask him to explain, he pauses hesitantly. "Well, Hong Kong culture is more like entertainment," he says,

ICON: GONG LI
VISITS THE
CHINA CLUB

SHANGHAI TANG



Jap
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laughing—"eating, traveling, pop music, gambling, shopping and, of course, being free to get a good education."

There is indeed something artificial and even strained about Hong Kong's attempts to create cultural gravity. Yes, Hong Kong has a booming indigenous pop-music industry and boasts a good film festival and a vibrant action-film business. Chinese-American cellist Yo-Yo Ma and Beijing-born composer and conductor Tan Dun will appear together during the takeover to perform Tan's hourlong "1997 Symphony—Heaven Earth Man," scored for orchestra, cello, a 300-voice children's choir and traditional brass bells. But all these cultural offerings have a strangely borrowed quality that makes them seem disembodied from what really gives the city its distinctive energy—its singular fixation on business and its prodigious capacity for generating raw wealth.

Whatever else you can say about the new Hong Kong, it will be more Chinese. Liu Heung-shing, the editor of the new Hong Kong magazine *The Chinese*, says that "for any meaningful art and culture to take off here, Hong Kong must find somewhere to anchor itself. To find that anchor, people will have to go north." Indeed, formerly anti-communist business leaders have already become masters of contortion as they mend ties with Beijing's party cadres. Increasing numbers of Hong Kong's Cantonese speakers are studying mainland Mandarin, and it has even become fashionable to sprinkle their language with classical literary allusions.

David Tang, department-store magnate and godfather of the sensationally successful China Club, personifies the way Hong Kong's cultural force field is changing. A Hong Konger who was sent to public school in England as a boy, Tang is renowned for his Anglophile sentiments. He is a member of the Tory London club White's and regularly consorts with sundry royals. But in recent years he has found himself undergoing an unexpected Sinitification. Not only does he now attire himself in traditional Chinese robes, silk suits and slippers, he collects Chinese art, courts the top brass in Beijing and has become enamored with the ideal of the Confucian *junzi*, or gentleman.

Entering Tang's China Club is like walking into a Fabergé Easter egg inspired by 1930s Shanghai rather than czarist Russia. The décor is a perfect replica of the East-West design style and deco architecture that flourished in that famous city during its heyday. Tang has combined a mixture of European dark wood paneling, overstuffed chairs and Tiffany glass with a seasoning of Chinese art, dynastic vermilion columns and Chinese lanterns. The esthetic recalls China's treaty ports, the trading cities forced open to Western commerce and missionaries in the



THE EAST IS CHARTREUSE AND HOT PINK: A POP-ART MAO IMAGE AT SHANGHAI TANG

19th century. Call it "treaty-port chic."

An eclectic look is essential to the style. Tang has thrown a little Mao pop art into the mix. His club's Long March Bar, for instance, features a wonderfully campy sculpture of international proletarians fawning over the Great Helmsman. Reduced to kitsch, such revolutionary icons become politically defanged enough to serve as little more than well-known logos—not bad to have at your disposal if your department store, Shanghai Tang, sells chartreuse and hot-pink Mao jackets. As one of Tang's partners says sarcastically: "Let's face it, the one person who really gives modern China identity is Mao." Make that Mao and Gong Li, the mainland film star hired to be the store's Claudia Schiffer.

MORE THAN NOSTALGIA IS at work here. Old Shanghai, a city that managed to be modern, cosmopolitan and Chinese at the same time, represents something of a model for Hong Kong. More and more people are coming to think of Hong Kong as somehow personified by the club's blend of borrowed "retro" elements from London, Hong Kong and Shanghai. Proprietor Tang sees his role as a "broker" between East and West. "Those of us who feel inadequate as Chinese want to go back and find our roots," he says, "to attach to what we and China lost."

In Asia, hotels are never far behind new and fashionable design trends. When it recently opened a lounge called Club Shanghai, the five-star Regent Hotel in Kowloon gave

further proof that treaty-port chic may become the flood-tide fashion in Hong Kong. One could argue that tourist hotels are hardly seats of high culture. But in Asia, new hotels have become the cathedrals of the age. The Ritz-Carlton Millennium in Singapore, the Portman in Shanghai and the Grand Hyatt and Island Shangri-La in Hong Kong are the Chartres, Notre Dame and Westminster Abbey of the East. At the Club Shanghai, cocktail waitresses wear high-collared *qipao* slit to the hip. Fringed lampshades cast a sensually dim light on glass-topped tables displaying old snuff bottles, jade jewelry, fans and opium pipes. In short, the club is every Westerner's fantasy of what a Shanghai club must have looked like during the salad days.

Such décor does have a suggestion of blankness papered over with borrowed style. But Hong Kong always was a cultural tabula rasa. Mao once extolled the Chinese peasantry's blankness, observing that one could write beautiful things on a blank sheet of paper. So perhaps Hong Kong's cultural vagueness will allow for some new, innovative self-definition. But there is also a danger in blankness, especially for a small enclave like Hong Kong that is desperately searching for a way to keep its independence. At the same time that it must resist China to retain Britain's legacy of the rule of law, it knows that the most logical place for it to turn for commerce and culture is China. It is this contradiction that makes Hong Kong look to the north with such a confusing mix of attraction and repulsion.

SCHELL is dean of the Graduate School of Journalism, University of California, Berkeley.

A LACK OF HOUSING IS
THEIR PRIMARY WORRY

Without space and a culture of their own, the young create a scene. BY JOHN LELAND & LYNETTE CLEMETSON

Heirs to a Highly Uncertain Future

ACROSS THE BOTTOM OF HIS ART project, Chan Yan-kwong, 19, has placed a handful of Polaroids, snapshots of bananas. The work, called "Confused Am I," is about identity on the eve of the handover. At the top, a bird tries to soar upward but is held down by a length of red chain. Below are the Polaroid shots. Yan-kwong, a graphic-design student at Hong Kong Technical College, smiles shyly, unsure of his English. The bananas, he says, represent himself: yellow on the outside, white on the inside. "My mother always emphasized that I am Chinese," says Yan-kwong, whose family moved from the mainland when he was a year old. "But I liked to merge into Hong Kongese." He points to his baseball hat, by way of explanation; it bears a big Nike swoosh. "I hope when I wake up in July 1997," he says, "I can still be the same."

This is a tricky time to be young in Hong Kong. The challenges facing the colony after July 1—questions of identity, autonomy and community—are all playing out right here, right now for its young people. In a city that has produced great wealth but lit-

tle culture, the young are left to cobble lives and identities out of what their overworked parents have left to them: the malls and arcades, "The X-Files" and NBA broadcasts. They are the children of the economic boom, but also of Tiananmen Square: heirs to a hyperactively giddy present, an ominously uncertain future. "We cannot blame this generation [for its materialism]," says Rosa Mok, 23, a student at the University of Hong Kong. "People can get security from money. All the rest is uncertainty."

At the *feng shui*-correct Private I hair salon, stylists Suki Chan and Nicky Chow negotiate the complex cultural patchwork of Hong Kong life. Suki is 21; Nicky is 26, and does not, she will tell you, have a boyfriend. Like most people their age, they live at home, leaving them few expenses other than clothing. Suki shares a 400-square-foot flat with her parents and her brother; Nicky also lives, cramped, with her parents and a sibling. If she should meet a man at a party, she says—well, she doesn't know. "Good question. I won't take him to my house—I don't want to wake my father up. I don't go to hotels—we don't want to

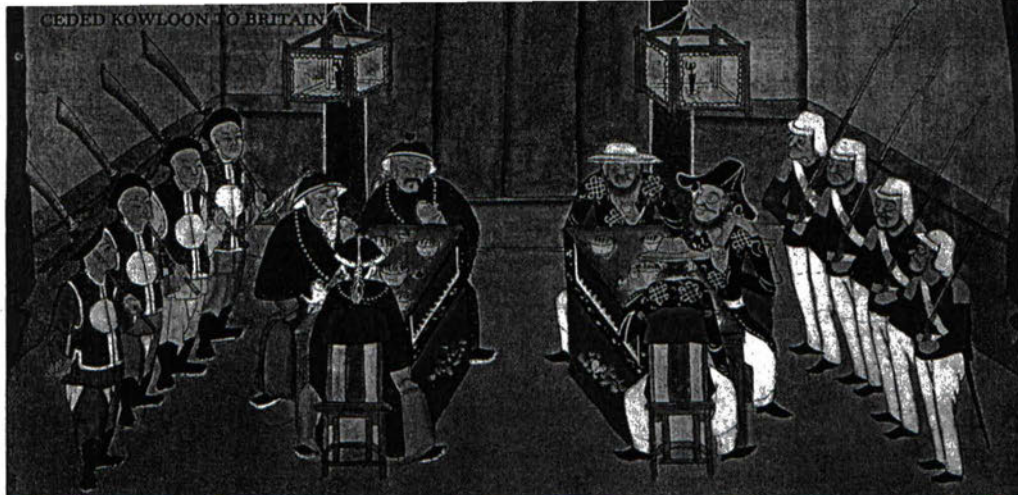
spend money." She laughs, a tiny explosion, as if she has just uttered the one extant truth more outrageous than the last. "I think we are spoiled," she says of her generation. "Anything you want you can get—but not a car or a house."

To spend much time around Hong Kong youth is to hear not about the handover but about the housing crisis. With rampant speculation, housing prices have doubled in the past six months. "Kids share rooms here," says Michael Lee, publicity director for Star TV's music-video station, Channel V. "Talk about having control over your environment. If you can't arrange your room, how do you manage your community?"

The answers play out in places like the towering Times Square shopping complex. These are the halls of Hong Kong's public culture. On a spring afternoon, groups of young people in clashing designer uniforms kill time with the same furious intensity with which Hong Kong does business. The Mandarina Duck backpack, a \$200 necessity a year ago, is already history; the Prada bag is ascendant. Mobile phones, beepers are everywhere. "Our generation gets very little support from our families or our culture," says

Anita Lam, 19. "[Young people] don't have a sense of belonging in the government or the family. They want to be a gang. So they fit themselves into a fashion trend. Right now it's the Prada bag."

On Easter evening, the Hard Rock Cafe has a two-for-one happy hour. Anita and a friend race through the hour at tempo, ordering in bulk, consuming on the fly. Anita wants to be a journalist, and worries about the future of Hong Kong's free press. But more immediately, she worries about the competition from all the incoming mainlanders. "I'm afraid I can't get money, I can't get a good future." She raises a question a foreigner once asked her, one she didn't know how to answer. "He asked, 'Why do people in Hong Kong walk on the escalator?'" She looks up, still baffled by the question. In a city that has neither time nor space for its young, sometimes the only comfort zone lies in acceleration. Hong Kong, she says, "is a place of tragedy and confusion. It is like my life." She doesn't need to obsess over the turbulence that may follow July 1. Like her peers, she's been living it all along. ■



From Empire to Empire, and Back Again

Hong Kong has come full circle. It was lost to Britain more than 150 years ago. Now it returns to China. In between, its unique culture of survival was shaped by upheaval and revolution on the mainland.

JANUARY 26, 1841 British naval Capt. Charles Elliot seizes Hong Kong, also known as Pirate Island, from the Celestial Empire and declares himself governor.



THE FIRST OPIUM WAR

AUGUST 29, 1842 The first opium war ends in the Treaty of Nanking, ceding Hong Kong Island to Britain.

OCTOBER 8, 1856 Chinese officials searching for pirates arrest the crew of the British ship *Arrow*, prompting the second opium war.

JANUARY 19, 1861 Victorious in the Opium Wars and seeking a foothold on the



THE SEAL OF HONG KONG

mainland, Britain forces China to cede the Kowloon Peninsula to Hong Kong.

JUNE 1898 China's imperial court cedes more land to the British in Hong Kong, this time in a 99-year "lease" on the New Territories, for which Britain pays nothing.

1911 Sun Yat-sen's Nationalist revolution topples the Ching dynasty and spills over to Hong Kong.

DECEMBER 8, 1941 Japanese soldiers attack and occupy Hong Kong. They hold Gov. Mark Young captive in the Peninsula Hotel, round up British civilians and deport 20,000 Chinese per month.

SEPTEMBER 16, 1945 Japan surrenders in Hong Kong; a BBC report says that as a Royal Marine band played the national anthem, "pandemonium broke loose in the harbor as every warship thundered a 21-gun salute."

OCTOBER 1949 Mao declares the

fare increases on the popular cross-harbor Star Ferry.

SEPTEMBER 22, 1982 British Prime Minister Margaret Thatcher visits Beijing and quarrels about imperialism with Deng Xiaoping.

DECEMBER 19, 1984 Signing of the Sino-British Joint Declaration, which establishes the "one country, two systems" principle: China will take control of Hong Kong on July 1, 1997, but will leave its freewheeling capitalist system in place for 50 years more.



BEIJING, JUNE 3, 1989

JUNE 4, 1989 Beijing troops attack the students occupying Tiananmen Square, killing hundreds. A brain drain ensues as wealthy Chinese flee the colony.

OCTOBER 7, 1992 The last British governor, Chris Patten, announces new democratic reforms; Beijing calls him "irresponsible."

DECEMBER 11, 1996 C. H. Tung, appointed future chief executive by a Beijing-backed committee, declares: "We are finally masters of our own house."

JUNE 30, 1997 As the midnight handover approaches, Patten will sail off on the royal yacht. China has agreed not to launch the fireworks until his ship is out of sight.



DENG AND THATCHER, DEC. 1984

founding of the People's Republic in Tiananmen Square, and the subsequent flood of refugees to Hong Kong forces the authorities to impose new controls along the borders.

APRIL 1966 Anti-colonial riots break out after local Chinese clash with the police over



C. H. TUNG (LEFT) TOASTS CHINESE OFFICIAL ZHOU NAN



Confused about whether to be bullish or bearish on Hong Kong? Here are the key things to keep an eye on. BY WILLIAM H. OVERHOLT

Twelve Tips for the Markets

ACCORDING TO MUCH OF THE Western media, Hong Kong is dying and its freedoms are lost. But in the financial markets, optimism is riding high. What is an investor to make of these conflicting signals? Here's a brief guide through the contradictions.

First of all, understand who is in charge of the new Hong Kong. Which leader did Beijing back to become Hong Kong's first Chinese chief executive? C. H. Tung, a capitalist businessman known for honesty. And what about Hong Kong's most popular leader, Chief Secretary Anson Chan? As head of the

vital civil service, she is everything local people want: a Democrat, an excellent administrator, tough enough to stand up to Beijing and sensible enough to negotiate nonconfrontationally. As one more assurance of stability, Tung reappointed virtually all top civil servants. Of course, the new team has yet to actually start governing. The people of Hong Kong are enthusiastic about these signals of continuity. Still, any foreign investor who wants to bet sensibly on Hong Kong should closely monitor how effectively Tung and Chan pass the key tests that await them after the handover. Among the most important of their challenges:

Protecting the rule of law. This is the foundation of Hong Kong's economic success and political freedom. The departing British say they fear that judges will become vulnerable to political pressure and civil liberties will be eroded. The Chinese promise that the British legal system will remain intact. Hong Kong's judges are to be chosen, as in the past, by a committee of sitting judges, distinguished lawyers and prominent citizens. Watch whether the committee maintains current legal protections. Beware of any proposal for Beijing's handpicked legislature to vet judges.

Guarding civil liberties. For business executives to operate in Hong Kong, they must have guarantees of freedom. China will reinstate tougher measures regulating demonstrations and ties to foreign political organizations. Gov. Chris Patten has convinced the Western press that China's real intent is to remove guarantees of basic civil liberties. But such liberties are included in Articles 26 to 41 of the Basic Law, which was written by China. In addition, the International Covenant on Civil and Political Rights is incorporated in Article 37. Tung says the laws requiring permission for a demonstration will be similar to those of Australia, Canada and Britain. And he says rules barring foreigners from financing local political groups will be like those in the United States. The key is implementation: see whether the first demonstration that might offend China is banned, and make sure that Amnesty International can still accept foreign donations.

Dealing with demonstrators. Anti-Beijing politicians like Martin Lee and Emily Lau will almost certainly promote disruptive demonstrations during the July 1 transition period. If they are handled firmly but fairly by Hong Kong police alone, all will be well. If they are handled very roughly, or if mainland forces are involved in suppressing the Democrats, Hong Kong's morale will crack.

Defining 'subversion.' The essence of Hong Kong's relations with China—"one country, two systems"—is that neither system is supposed to subvert the other. An effective antismob law is in Hong Kong's interest. (If Hong Kong starts subverting China, then China will certainly start subverting Hong Kong, and clearly China will win.) China will write a tougher law than Patten wants, and investors should ignore British denunciations so long as the law restricts only Hong Kong actions in China proper. If the law can be interpreted to restrict a wide variety of behavior confined to Hong Kong itself, run for cover.

Maintaining freedom of speech. More than 90 percent of Hong Kong's economy depends on services, and those services depend on a free flow of information. China is replacing a British law banning defamation of the royal family with a ban on defaming top Chinese leaders. The law will also prohibit the press from advocating independence for Hong Kong or Taiwan. These restrictions are troubling but can be lived

with. If such limitations proliferate, if Hong Kong journalists are prosecuted on national-security grounds for anti-Chinese stories or if businesses are punished for their executives' political opinions, then Hong Kong's success is at risk.

Nurturing democracy. Hong Kong does want democracy. Nonetheless, Washington's furor over the Provisional Legislature, which will be installed by Beijing to take the place of the current sitting legislature in July, is misplaced. Locals know that Beijing is taking this step because Patten broke the deal with China about the way many legislators would be elected. China reacted to Patten's breach by installing an unrepresentative temporary legislature



EXPATS SIT OUT A TIANANMEN SQUARE MARCH IN 1989

The first real test of China's commitment to civil liberties in Hong Kong will come when Beijing is asked to permit a demonstration it finds politically offensive

until 1998. The 1998 legislative elections are the real key. Hong Kong people will react if the voting is not as representative as China promises.

Preserving financial integrity. China has promised financial autonomy. Chinese banks will be treated as foreign institutions; the Chinese currency will not become legal tender; China will not touch the territory's huge reserves; local financial regulations will remain supreme, and China will continue to promote fiscal conservatism and oppose efforts to turn Hong Kong into a welfare state. None of the smart money doubts these mainland promises, but any about-face would certainly upset markets. For a litmus test, watch the tenure of Joseph Yam, the respected head of the Hong Kong Monetary Authority. His early resignation—or

Anson Chan's, even more so—would be maximum bearish.

Wiping out monopolies. Hong Kong has a reputation as a laissez-faire economy. In reality, British power was founded on monopolies and cartels. When colonialism goes, so should its cozy arrangements. Beijing's primary targets are the airline and telecommunications monopolies. The important thing is that the British monopolies disappear rather than give way to Chinese successors. The omens are auspicious, but monitor Chinese actions.

Combating corruption. Numerous Chinese and Hong Kong firms would undoubtedly like to use their mainland connections to special advantage after the hand-over. Tung says he is eagerly looking for the first big case so that he can crack down hard on the offenders. Trust but verify.

Watch U.S. politicians. Beware of congressional efforts to be helpful. When Congress threatens China's trading status as a most-favored nation, it is threatening Hong Kong, China's trading center, not Beijing. When it threatens to treat Hong Kong as an ordinary province of China unless Beijing behaves properly, it is threatening to kill Hong Kong. After the hand-over, the temptation to kick Hong Kong as the most vulnerable part of China's anatomy may prove irresistible. Let's see whether Congress can restrain itself.

Watch Chinese politicians. Beware, too, of overly helpful Beijing politicians. The first time the Hong Kong stock market crashes, Beijing should not intervene. But as in Washington, the desire to assist sometimes clouds judgment. Sell on intervention. Buy on respect for the market.

Also watch Martin Lee. For a general reading of Hong Kong confidence, monitor the popularity of the Democratic Party leader. He is a protest candidate who won a symbolic 1995 election by articulating anger at China and Britain. But he gets just 10 percent support in polls that ask who should actually run Hong Kong. If his popularity rises sharply, the message will be that Hong Kong people are frustrated. Markets will fare poorly—and C. H. Tung's time of testing will grow longer and more difficult.

OVERHOLT, managing director of Asia Research for Bankers Trust Co., is the author of "The Rise of China."

Hong Kong's handover to China has been widely misunderstood. There won't be a cataclysm, but freedom has been lost. BY JONATHAN ALTER

A Time of Long Goodbyes

WHILE THE CHINESE CELEBRATE THE YEAR OF THE OX and other creatures, they have no Year of the Termite. Yet that may be the future of Hong Kong—not sudden dismemberment by a mainland tiger; just a slow weakening of its foundations as corruption and connections eat away at its heart.

The momentousness of the handover is widely misunderstood. June 30 marks the first time since the 1945 Yalta Conference that any territory anywhere in the world has been turned over to a communist regime without a fight. The consequences are serious—to lose one for freedom after a decade of consecutive victories. Yet the anticipation of some cataclysm is misplaced. When the sun finally sets on the last major outpost of the British Empire, it won't be dark but twilight, a time of painful adjustments and long goodbyes.

As I was reminded on a recent visit, turning out the lights in

Hong Kong is virtually impossible. This is a city with 4 million phones, more than a quarter-million fax machines, 700 magazines and 59 newspapers. The problem is more insidious: self-censorship. Journalists and politicians of all stripes agree that it has already begun. With the exception of a feisty and extremely popular paper called *Apple Daily* and a couple of other independents, the local press is mouthing a form of political correctness in its attitude toward Beijing. C. H. Tung, chief executive of Hong Kong, recently warned his democratic opponents not to "bad-mouth" their city in the press, as if a little boosterism will see them all past the shoals.

Tung is in danger of entering toadyville. While the terms of the 1984 agreement outlining Hong Kong's future explicitly call for free speech and a free press, Tung, the dutiful Confucian son, has declared that criticism of Chinese leaders is not permissible. The shipping heir is already setting a precedent as Beijing's representative to Hong Kong, rather than the other way around. Yes, the British spent nearly 100 years violating the rights of Hong Kong Chinese, but that doesn't excuse anything that China—through Tung—might do now.

So forget all those condescending lectures about "Asian values" not including freedom. A free press is important on its own terms as a matter of basic universal human rights. *Apple Daily* is the canary in Hong Kong's mine shaft—if it's snuffed out, the world will know what the future holds.

But the more prosaic problem with both censorship and self-censorship is that they are bad for business. This is what American businessmen, who are optimistic about the future of Hong Kong (according to Chamber of Commerce surveys), apparently do not understand. They look admiringly at undemocratic Singa-

pore and comfort themselves that Hong Kong is moving in that direction.

But the Singapore comparison applies to yesterday's Asia. In the past 30 years, Singapore and several other Asian nations showed that authoritarianism could help them move from the Third World to the Second World. China is emphatic proof of that. So why have South Korea and Taiwan moved toward democracy? Because they are so humanitarian? A better explanation is that they now want to move from the Second World to the First World. Their growing business classes are insisting on more openness, just as Spain and Portugal went democratic in order to move up economically in Europe. Playing in the big leagues of the global economy demands no less. "We've learned that authoritarianism is a cul-de-sac," says one high-ranking British official, who is leaving Hong Kong a pessimist.

Democracy might be messy, but it is the only system that acknowledges its mistakes, that provides what business schools call "negative feedback." A free press, a freely elected legislature and a relatively uncorrupted bureaucracy are all essential to this self-cleansing system. Beyond democracy lies something called "transparency"—which in Asia means accountability, public access and public records, the rule of law and not of connections.

To understand why the rule of law is so superior to old-fashioned *guanxi* (connections), a visitor need

only cross the border into Shenzhen, the Chinese city that was Deng Xiaoping's pride. In 1980 Shenzhen was an empty field; today it is a gangly "Wild East" city of more than 3 million. It is also a pit, lacking not just Hong Kong's charm but its coherence. The capitalism there is so unbridled, so unanchored in law, that buildings erected only five years ago are already falling down. Hong Kong will not become Shenzhen, and Shenzhen will not become Hong Kong; instead, they will likely meet somewhere in the middle, which is somewhere on the shoddy, ugly, less workable side of where Hong Kong is today.

At the end of one chapter of his classic work "The City in History," Lewis Mumford wrote simply: "Come, hangman! Come, vulture!" It's always illuminating to recall how fast some cities can strut and fret their hour on the world stage, then disappear. This is not likely to be the fate of Hong Kong. Its people are too resilient, its claim to First World greatness too strong. But the instinct for early nostalgia goes beyond the retreating English colonialist toasting the Union Jack with one last glass of bitter. For all who have known and loved Hong Kong, something has died, and we don't quite know what is struggling to be born.



THE SUN SETS ON THE LAST MAJOR OUTPOST OF THE BRITISH EMPIRE

Sawley
Good Talk

THE PRESIDENT HAS SEEN
6/2/97

LOS

By MICHAEL DOUGES
Washington Post Staff Writer

Secretary of State Madeleine K. Albright had just emerged from a bruising session with Russian intellectuals who were viscerally opposed to NATO expansion.

Their message was stark: The Clinton administration plan to extend U.S. security guarantees to the border of the former Soviet Union would lead to a new East-West division of Europe.

"Your intellectuals have been berating me for the past hour," Albright told Russian Foreign Minister Yevgeny Primakov when she met with him May 2 for what turned out to be a crucial meeting in the long negotiations to hammer out a new relationship between NATO and Russia. "To use a phrase often used by President Clinton, 'I feel your pain.'"

Albright's quip got a laugh from the usually dour Primakov, according to U.S. officials who accompanied her on her trip to Moscow earlier this month. In some ways, the incident also captured the flavor of a diplomatic roller-coaster ride that preceded today's signing ceremony in Paris of a NATO-Russia charter that clears the way for the 16-member NATO to ask Poland, the Czech Republic and Hungary to join the alliance by 1999.

NATO expansion was always going to be a painful experience for Russian leaders, but they evidently concluded that they had no alternative than to grin and bear it.

For their part, Clinton administration officials see today's agreement between NATO and Russia as a vindication of their decision to stick with President Boris Yeltsin through good times and bad. They argue that the negotiating record of the past 2½ years—going back to September 1994, when Clinton first broached the idea of NATO expansion

to a suspicious Yeltsin—supports their view that the "Boris-Bill" connection was crucial.

"Yeltsin was the key to everything," said a Clinton foreign policy aide. "At critical moments, it was Yeltsin who provided the decisive leadership by giving indisputable signs of where he wanted to go."

The U.S. investment in Yeltsin has been reflected in the time Clinton has spent nurturing the relationship and the sensitivity American officials have displayed to his domestic political needs. On one occasion, according to an eyewitness account, they effec-

See NATO, A11, Col. 4

NATO, From A1

tively covered up for him when he had too much to drink.

Clinton became president by promising to "focus like a laser beam" on the domestic economy. But he made an exception for Russia, a country that had excited his interest ever since he visited Moscow as a Rhodes scholar in 1970.

Clinton "felt that what happened in Russia would be a key element of his foreign policy legacy," said former political consultant Dick Morris. "When [he] took office, he thought there was only one important state—California—and one important country—Russia."

For much of 1993, a debate raged within the administration over whether to expand NATO to include former Soviet satellites in Eastern Europe. Countries such as Poland and Hungary were clamoring to join the U.S.-led alliance, which they saw as their ticket to the Western club of affluent, democratic nations. In Russia, by contrast, NATO was still seen as the old Cold War enemy.

Russia experts in the administration joined forces with the Pentagon in opposing calls for rapid NATO enlargement, for fear of antagonizing Moscow. In the end, however, the bureaucracy coalesced around a more gradual approach that also provided for a parallel NATO-Russia track designed to address Russian concerns about being left out in the cold.

When Yeltsin came to Washington in September 1994, Clinton tried to convince him that NATO expansion was a good idea. He promised Yeltsin that the process would be open and transparent, and that there would be no surprises. Despite misgivings of some of America's European allies, he also held out the prospect of Russia's being admitted to NATO eventually.

Three months after the Washington meeting, Yeltsin shocked the Clinton administration by reneging on an apparent agreement to let Russia join a military cooperation program known as Partnership for Peace. At an international conference in Budapest, the Russian leader blasted the very notion of NATO expansion, arguing that there was a risk of transforming the Cold War into a "cold peace."

To repair the damage, Clinton accepted an invitation from Yeltsin to attend celebrations in Moscow in May 1995 to mark the 50th anniversary of the Allied victory over Nazi Germany. The Russian leader had just sent troops into the breakaway province of Chechnya and there was some opposition to the visit in the United States. White House officials fretted about photographs of Clinton paying tribute to an army tarnished by terrible atrocities.

But the decision to massage Yeltsin's political ego paid dividends. The Russian leader dropped his opposition to Russian participation in the Partnership for Peace and signaled that he was ready for discussions with NATO. Clinton aides look back to the May 1995 Moscow meeting as one of several occasions in which the "Bill-Boris relationship" was decisive.

Another such occasion occurred four months later, when Clinton invited Yeltsin to meet him at Hyde Park, N.Y., the birthplace of President Franklin D. Roosevelt.

The evocation of the wartime U.S.-Russia alliance appealed to Yeltsin. He presented Clinton with a pair of hockey jerseys labeled "Yeltsin 96" and "Clinton 96." During a long one-on-one session, he agreed that Russia would participate in a NATO peacekeeping force for Bosnia.

The Hyde Park summit was memorable for another reason. According

to several people present, Yeltsin got drunk, downing glass after glass of white wine at a luncheon in his honor. At a news conference, he chided the news media for predicting that the meeting might end up as a "disaster."

"Now, for the first time, I can tell you that you are a disaster," he told journalists, as he and Clinton doubled up in laughter.

Two days later, he suffered a heart attack.

Over the next year, U.S.-Russia relations were effectively put on hold as Yeltsin recovered from various illnesses and campaigned for reelection as president of Russia in July 1996. Shortly before the election, he had another heart attack. On Nov. 5, he underwent quintuple bypass surgery.

According to the White House, Clinton wrote to Yeltsin at the end of that month, following his own reelection as president. The letter stressed the need "to get together soon" and move forward on negotiating an agreement on future cooperation between Russia and NATO. A week later, the two presidents spoke on the phone and agreed to a meeting in early 1997.

The final stage of negotiations with Moscow began with the Russians making a strong pitch to prevent NATO from moving any military infrastructure eastward and agreeing to a de facto ban on former

Soviet republics joining NATO. Primakov received a tart response from Albright when he came to Washington in March, to pave the way for a Clinton-Yeltsin summit in Helsinki.

According to an aide, the Czech-born secretary told the Russian foreign minister that she had no intention of negotiating away the rights of Central and East European countries. "Neither history nor morality will permit it."

When Yeltsin met with Clinton in Helsinki a few days later, he tried a similar tack, suggesting a gentlemen's "understanding" barring the Baltic states of Lithuania, Latvia and Estonia from NATO membership. Clinton replied that such an understanding would be against Russia's "own interests."

"If you try to impose restrictions on who gets into NATO, you will impose a restriction on whether you yourselves get into NATO," he said.

U.S. officials came away from the Helsinki summit with the strong impression that Yeltsin had decided to make a deal. Although Russia would not drop its objections to NATO expansion, it would seek a political accommodation with the United States. In return for assurances that an expanded NATO posed no military threat to Russia, Yeltsin would sign a document agreeing to cooperate with the alliance.

The military chiefs had begun working on Primakov during his visit to Washington in mid-March. They invited him to the war room of the Pentagon and gave him a two-hour briefing on NATO's military capabilities.

U.S. generals used slides and other audiovisual aids to convince the former head of Russian intelligence that NATO troop levels were way down from the days of the Cold War.

Primakov, however, wanted more concrete guarantees that there would be no eastward movement in NATO's military infrastructure. Among other things, the Kremlin wanted Washington to agree to a "sufficiency" rule, setting a maximum limit on NATO holdings of certain military equipment.

Although Yeltsin and Clinton had agreed in principle to sign the NATO-Russia agreement in Paris on May 27, there was still no deal when Albright went to Moscow at the beginning of May. The first day of

meetings produced little movement. Albright was on the point of returning to Washington empty-handed when Primakov offered a new Russian proposal, dropping the "sufficiency" rule. In return, Albright hinted that the alliance was ready to make a statement ruling out the use of old Warsaw Pact nuclear storage sites by NATO.

NATO Secretary General Javier Solana traveled to Moscow two weeks later, to wrap up the remaining details. While Solana was negotiating with Primakov, the Russian foreign minister received two telephone calls from Yeltsin—after which, according to a Solana aide, there was a softening in the Russian position. Primakov's insistence on cast-iron guarantees ruling out any eastward movement in NATO's military infrastructure melted away.

The Washington Post

TUESDAY, MAY 27, 1997

THE PRESIDENT HAS SEEN

6/2/97

6/21/97

Clinton 'Hopeful' But Skeptical on New Iranian Leader

President Offers Terms for Reconciliation

By John F. Harris
Washington Post Staff Writer

LONDON, May 29—President Clinton called the election last week of a more moderate cleric as president of Iran a "hopeful" sign today but said he is still a long way from softening his views toward an Islamic state that the administration has accused of sponsoring terrorism.

"It's interesting and it's hopeful," Clinton said at a news conference here, in his first public remarks on the landslide victory of Mohammed Khatemi, who is to take office in August.

Clinton said "reconciliation" with Tehran would have to clear "three big hurdles": The country's leadership would have to demonstrate that it has transformed Iran into a country "that does not believe terrorism is a legitimate extension of political policies, that would not use violence to wreck a peace process in the Middle East and would not be trying to develop weapons of mass destruction."

Making a distinction between the government of Iran and its populace, he voiced the hope that the "estrangements" between the United States and the Iranian people "can be bridged."

Iran and the United States have been at odds since the 1979 revolution that toppled Iran's pro-American shah, and Washington has imposed an economic embargo on Tehran, citing its backing of terrorism.

In Tehran on Tuesday, Khatemi said at his first post-election news conference that the United States holds the key to any improvement in relations with the Islamic government.

Clinton, in other remarks at a joint news conference with newly elected British Prime Minister Tony Blair, warned that international efforts to bring stability to

Bosnia and rebuild its war-torn economy are behind schedule. He said the job may not be done by a June 1998 deadline for withdrawing NATO-led troops unless "we work like crazy in the next 13 months."

His remarks seemed to hold open the possibility that he would seek to extend the NATO mission in Bosnia beyond next summer, but administration officials later said this was not the case. The 30,000-strong NATO contingent includes 8,500 U.S. troops.

Clinton said that both he and Blair believe there has been too much attention paid to when troops will leave, and not enough to training a civilian peace force and other tasks necessary for long-term peace.

"What I want to do is stop talking about what date we're leaving on," Clinton said, "and start talking about what we're going to do on the only date that matters, which is tomorrow."

"I agree with that very strongly indeed," said Blair. His quick assent reflected a day in which the two leaders—who have similar backgrounds and even share some of the same political advisers—basked in each other's presence and showered each other with praise at every turn.

Clinton's statement seemed calculated to avoid putting either him or Blair on the spot as to exactly how the Bosnia mission will wind down.

Robin Cook, the foreign secretary in the new government here, recently warned that Britain has no intention of keeping troops in Bosnia if the United States pulls out. "One out, all out," Cook said.

Clinton's original commitment of U.S. troops to help enforce a Bosnia peace settlement was never popular in public opinion polls or in Congress, and an extension of their

See CLINTON, A28, Col. 4

CLINTON, From A27

mission could stir domestic political opposition.

White House deputy national security adviser James Steinberg said the president was merely trying to emphasize the urgency of speeding up Bosnia's peaceful development, not floating a trial balloon about keeping forces there past next summer.

On Northern Ireland, Clinton urged Irish Republican Army guerrillas to "lay down their guns for good," adding that his administration "will be there, active and involved, along the way."

In concert with Blair, Clinton said that Sinn Féin, the legal political arm of the outlawed IRA, should not be admitted to multi-party peace talks in the British-ruled province unless the guerrillas agree to a renewed, lasting cease-fire.

"You can't say, 'We'll talk and shoot; we'll talk when we're happy and shoot when we're not,'" Clinton said.

The Clinton administration is hoping Blair's election will help restart the stalled Northern Ireland peace process. Blair has more flexibility on the issue because of his large majority in Parliament, which his Conservative Party predecessor, John Major, lacked.

White House national security adviser Samuel R. "Sandy" Berger made calls across the Atlantic about Northern Ireland prior to Clinton's

departure for Europe this week, officials said. The initial "best-case scenario" hope was that Clinton would have been able to announce a breakthrough in London, one senior official said, but he concluded that this wasn't likely.

In other conciliatory remarks about Iran, Clinton emphasized that his suspicions of the country's leadership did not extend to its people.

"I have never been pleased about the estrangements between the people of the United States and the people of Iran," he said. "And they are a very great people, and I hope that the estrangements can be bridged. But those are three big hurdles that would have to be cleared, and we'll just have to hope for the best."

The Washington Post

FRIDAY, MAY 30, 1997

Handwritten:
This is about
right I think
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THE PRESIDENT HAS SEEN
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6/2/97

Clinton looks east to honor Marshall

But call for aid excludes money pledges

By Warren P. Strobel
THE WASHINGTON TIMES

THE HAGUE — President Clinton marked the 50th anniversary of the Marshall Plan yesterday by calling for a united Europe in which the nations of the former Soviet bloc enjoy the same prosperity and security as their neighbors to the west.

"America and Europe must complete the noble journey that Marshall's generation began, and this time with no one left behind," Mr. Clinton said in an address to dozens of European leaders gathered to commemorate the beginnings of U.S. aid to a Europe devastated by World War II.

But beyond his soaring rhetoric, the president had no new pledges of assistance or other initiatives to offer to the nations of Central and Eastern Europe, which are struggling with economic reform and knocking on the doors of such Western clubs as NATO and the European Union.

Aides said the speech was not meant to outline a Marshall Plan for Eastern Europe, but to sum up progress in integrating East and West since the Iron Curtain was lifted nearly eight years ago. Countries such as Poland and Romania, a U.S. diplomat said, want aid less than they want trade and admission to Western organizations.

Mr. Clinton urged the 15-nation European Union to expand east-

Secretary of State George C. Marshall proposed massive U.S. assistance to Europe, struggling with devastated economies and growing fear of Soviet domination, in a commencement speech at Harvard on June 5, 1947.

Between 1948 and 1952, \$88 billion worth of goods in today's dollars flowed to Europe. The program gave a huge psychological boost as well and helped plant the seeds of European unity after two world wars.

Soviet dictator Josef Stalin refused participation in the program — and forced Moscow's satellites to follow — because the United States insisted that those nations open their markets and political systems to get aid.

Mr. Clinton's address yesterday was given to leaders of the 54-nation Organization on Security and Cooperation in Europe, U.S. veterans of the Marshall Plan administration, and youths from across Europe. He spoke under a vaulted ceiling in the 700-year-old Hall of Knights in The Hague's Binnenhof Palace.

Mr. Clinton singled out German Chancellor Helmut Kohl, recalling how as a boy Mr. Kohl waited in a schoolyard for American trucks that brought soup and other goods to ravaged Germany. As he noted that Mr. Kohl went on to become the first leader of a reunified Germany, tears welled up in the chancellor's eyes.

"Our generation, like the one before us, must choose," the president said. "Without the threat of cold war, without the pain of economic ruin, without the fresh memory of World War II's slaughter, it is tempting to pursue our private agendas — to simply sit back and let history unfold. We must resist that temptation."

Defending the lack of new initiatives, U.S. officials said Mr. Marshall's legacy is not simply one of

money, but of a system that let trade flourish and prevented new European wars.

Mr. Clinton was asked about the Dutch plan for more financial assistance to Eastern Europe at a news conference after a meeting with EU leaders.

He said \$50 billion has already flowed to those nations through international financial bodies. But he acknowledged more can be done. "We can't simply say to these countries, 'We want you to be for democracy ... and we want you to support economic reform and

good luck.'"

The meeting between top EU and U.S. officials produced several developments, including:

- A breakthrough on negotiations on the Mutual Recognition Agreement, which would expand trade by eliminating duplicate testing procedures on about \$50 billion a year in goods such as medical equipment.

- Accession by the EU to the Korean Peninsula Energy Development Organization (KEDO). Currently made up of Japan, South Korea and the United States, the

KEDO is providing light-water nuclear reactors to North Korea in return for a freeze on its nuclear program.

- Cooperation on fighting drugs, in the form of an agreement to prevent the diversion of chemicals used in making drugs to narcotics traffickers.

- Increased cooperation to stop the practice of trafficking in women, particularly acute in Eastern and Central Europe, which Mr. Clinton called "almost a new kind of modern-day slavery."

The Washington Times
THURSDAY, MAY 29, 1997

see CLINTON, page A12

CLINTON

From page A1

ward, despite Western Europe's fears that cheap labor and products would flood its markets. "We support this historic process and believe it should move ahead swiftly," the president said, reflecting the U.S. view that EU expansion is moving too slowly.

He again offered membership in the North Atlantic Treaty Organization, which is scheduled to invite several nations to join at a July summit in Madrid. "The first new members will not be the last," he said. "NATO's doors must, and will, remain open to all those able to share the responsibilities of membership."

Dutch Prime Minister Wim Kok, whose country holds the rotating presidency of the European Union, was more specific than Mr. Clinton in proposing something like a Marshall Plan for the East.

"Assistance to these economies is needed on a massive scale," he said, estimating a need for as much as \$100 billion. He proposed a mix of private investment and public funds.

To Boris Yeltsin, Big Business Talks

Hopes for Trade With West Overcome Qualms About NATO Agreement

THE PRESIDENT HAS SEEN

6/2/97

By David Hoffman
Washington Post Foreign Service

MOSCOW—Andrei Kortunov, a Russian foreign policy analyst, said he recently bumped into an executive from Gazprom, Russia's powerful natural gas monopoly, which is raising billions of dollars on global markets to build a mammoth gas pipeline to Western Europe.

"Why are you guys so concerned about the enlargement of NATO to the East?" the executive asked. "I can assure you that the enlargement of NATO to the East will be more than compensated for by the enlargement of Gazprom to the West."

His comment helps explain why President Boris Yeltsin plans to sign a Founding Act in Paris today with the leaders of the 16-member alliance, clearing the way for NATO to invite Poland, Hungary and the Czech Republic to join by 1999.

Yeltsin is signing, grudgingly, because a deal with NATO is an essential step in his larger effort to integrate post-Cold War Russia into the exclusive clubs of the wealthy nations, according to Russian analysts and Western diplomats.

Despite criticism at home, Yeltsin has accepted the view of Russia's financial and industrial leaders that the country must keep its doors open to the West, they said. It is a view also championed by Anatoly Chubais and Boris Nemtsov, the deputy prime ministers now at the helm of Yeltsin's reinvigorated second-term reform drive.

"What we're seeing is the influence of Chubais and the financial elites," a Western diplomat said. "They are not interested in confrontation with the West. They want stability with the West, and they want to avoid remilitarization of the economy."

In public, Yeltsin has not made such an argument. Rather, he said NATO expansion is inevitable, and Russia has no choice but to "minimize" the risks. Foreign Minister Yevgeny Primakov, who negotiated the agreement, described it as "an optimal exit" from a difficult situation.

Under the charter, Russia will have a voice on a broad array of security and political issues through a new NATO-Russia joint council, and the alliance has promised to restrain troop deployments and nuclear weapons storage in the former Soviet Bloc states.

Many in the Russian political elite, ranging from moderates to hard-line nationalists and Communists, had urged Yeltsin to stand up to NATO. Some extremists had called for deploying tactical nuclear weapons to the west, in Belarus, in response. But Yeltsin chose instead to further cement ties to the West—ties that already included extensive loans from Western financial institutions.

Two days after the agreement with NATO was announced on May 14, the International Monetary Fund released a long-delayed and badly needed \$696.7 million installment of a three-year, \$10 billion credit to Russia. Last week, the lower house of parliament, the State Duma, tentatively approved the government's foreign borrowing plan, which includes raising another \$2.95 billion in Eurobonds this year, more than twice last year's total.

Increasingly, Russian businesses and the Russian government are popping up in world financial markets, selling shares and seeking loans. Gazprom, Russia's largest company, has sold stock abroad and is reportedly preparing to pay its \$1.2 billion in back taxes to the Russian government by borrowing from overseas.

While none of these financial deals is directly linked to NATO expansion, many would have been riskier, costlier or impossible had Yeltsin defiantly turned his back on the alliance and threatened a new confrontation with the West, according to analysts here.

Kortunov said that Russia's financial oligarchs, a powerful group of bankers and industrialists who are close to Chubais and who helped bankroll Yeltsin's reelection campaign, want to keep the door open to Western investment and business. "If they care at all about NATO," he

By coming to terms with NATO, Yeltsin has opened the door to the richest club of them all; the G-7 summit of leaders of the world's industrial democracies to be held in Denver next month.

said, "it's because they care about Eurobonds."

The role of the IMF—and the West in general—in Russia's economy is an extremely sensitive topic politically, and a hot button for criticism from nationalists and Communists, among others. But analysts say Yeltsin's basic direction is unmistakable, if unspoken.

By coming to terms with NATO, Yeltsin has opened the door to the richest club of them all, the Group of Seven summit of leaders of the world's industrial democracies to be held in Denver next month. Yeltsin is expected to attend some of the talks.

"There is no way Yeltsin could go to Denver... if he was not playing the game in Europe," the Western diplomat said, speaking on condition of anonymity.

In addition, Russia has expressed a desire to join the World Trade Organization and the Organization for Economic Cooperation and Development, among others.

"The real task is how to integrate Russia into the international community at the end of the Cold War," said Sergei Rogov, director of the Institute for U.S. and Canada Studies here, who has long argued for a permanent security structure that would include Russia.

The task is twofold. One is internal reform in Russia, because if there is no democracy and market economy, it is impossible to integrate Russia. And second is what

role Russia is assigned to in the post-Cold War settlement."

Rogov said the significance of the NATO enlargement deal is that the West has avoided taking another swipe at a weakened Russia.

"You are cleaning your own house," he said of the Western powers. "You are fixing the kitchen of the Western community for the 21st century.... You don't want Russia to be a threat, but you don't want Russia to be a power vacuum, you don't want Russia to become the sick man of the 21st century. So you want a predictable and reliable Russia."

The charter with NATO "is not an economic package of goods," he said, "but this is a geopolitical arrangement which allows Russia to avoid the status of a defeated nation."

Rogov said the charter also will take the wind out of those in Russia who wanted a bellicose, military response to NATO expansion.

"What is removed is a set of scenarios when Russia has to respond somehow militarily, by deploying tactical nukes or something equally stupid," he said.

Yeltsin comes to the Paris ceremony not out of strength, but out of weakness. At home, the idea of the alliance expanding into the former Soviet Bloc has rubbed raw the resentments and humiliations of the Soviet collapse.

That Russia's own military power is at a low ebb was demonstrated last week when Yeltsin fired the defense minister and the chief of the general staff. He insisted that their replacements trim the huge army, already demoralized by defeat in Chechnya, poor living conditions, lack of training and equipment, and hunger.

Russia's weakness runs through the debate here over NATO enlargement. Yeltsin claimed Russia will have a strong voice in NATO, but critics say he capitulated to the alliance. Yeltsin has promised to submit the NATO pact to the State Duma, which is dominated by Communists and nationalists. They may seek to add "reservations" to the pact, such as an escape clause if any former Soviet republic joins NATO.

"The charter will certainly be subject to a very massive attack," said Alexei Arbatov, a member of the centrist Yabloko bloc and a deputy chairman of the Defense Committee.

He predicted, however, that it might win "grudging" ratification, as long as the West does not aggravate Russia's sense of wounded pride by minimizing the country's role.

"The West has received everything it wanted," he said, "so it has to be wise and flexible, and not try to gain additional scores, but rather help Russia to save face after basically signing to the first tranche of NATO expansion."

FOR MORE INFORMATION

To read a NATO chronology of major milestones in NATO-Russia relations, click on the above symbol on the front page of The Post's Web site at www.washingtonpost.com

The Washington Post

TUESDAY, MAY 27, 1997

Handwritten note: *See the latest to the summit in Moscow*

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6-2-97

THE WHITE HOUSE

'97 MAY 27 PM 7:43

WASHINGTON

May 27, 1997

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

SAMUEL R. BERGER
KITTY HIGGINS
JACK GIBBONS
MELANNE VERVEER

SUBJECT:

Transmittal of the Supplemental Letter Report of
the Presidential Advisory Committee on Gulf War
Veterans' Illnesses

On May 15, 1997, the Persian Gulf Veterans Coordinating Board (PGVCB), comprised of the Secretaries of Defense, Health and Human Services, and Veterans Affairs, forwarded the April 30, 1997 Supplemental Letter Report of the Presidential Advisory Committee on Gulf War Veterans' Illnesses (PAC). The letter report addresses the adequacy of the ongoing investigations and the significance of recently-declassified documents. The transmittal document includes both the letter report and a joint response by the Department of Defense (DOD) and the Central Intelligence Agency (CIA).

The April 30, 1997 PAC letter report was quite critical of past efforts of both DOD and CIA. In your February 1997 memorandum to the PAC, you asked them to help us understand the significance of recently-released declassified documents with respect to two questions: (1) "When did we have sufficient evidence to conclude chemical munitions were present at Khamisiyah...?"; and (2) "What actions were taken by whom to investigate... and were those actions sufficient?" The PAC observed that the government had enough information to conclude chemical weapons were present at Khamisiyah by December 1991, and that prior to late 1995, no serious efforts to investigate the incident had been undertaken. DOD and CIA generally concur with the PAC's assessments. Their joint response also elaborates recent DOD/CIA progress in correlating operational events and intelligence information not reflected in the PAC report.

The PAC noted that all of the investigative efforts taken together can provide the answers needed to determine what happened and recommend corrective actions. However, they also

cc: Vice President
Chief of Staff

point out that no one has been formally tasked with integrating the outcomes of the various governmental investigations. The PAC suggested the need for a presidential-level entity to accomplish this integrating task. To meet that need, DOD and CIA have asked former Senator Rudman to advise them on the adequacy of ongoing investigations, and to integrate relevant "lessons learned" -- especially with respect to the intelligence community. Once completed, all of this will be reviewed through the normal interagency process chaired by NSC. B
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The PAC asked for clarification of the term "sufficiency" in your memorandum. While we remain focused on finding out the truth, we have emphasized that the overall approach of current Gulf War illnesses programs is two-fold: provide the best possible care and benefits for Gulf War veterans who are sick; and promote improved health preparedness for future deployments. Moreover, the inspectors general and other investigative personnel will document any evidence of wrongdoing for appropriate disposition at the agency level.

With respect to the modeling process, the PAC believes that DOD/CIA should do a "worst case" exposure model which would assume all chemical warfare agents were released in the pit demolition. Based on UN inspection reports, we know that not all CW agents were released. DOD and CIA are gathering additional data through ground testing. They will develop a model that reflects for the veterans as accurately as possible what happened in the pit taking into account all remaining uncertainty. Moreover, all veterans are regularly encouraged to register for health screening and have the same eligibility for medical care and compensation regardless of exposure or location in theater. We concur with DOD/CIA's approach.

In response to the PAC concern that overly rigorous courtroom standards of evidence were being used to evaluate possible detection or exposure incidents, DOD asserts that it is using a "common sense" standard. Once any determination of possible exposure is made, DOD will ensure all Gulf War veterans involved are notified individually. We will continue to monitor this issue to ensure that DOD's "common sense" standard remains satisfactory for the PAC.

The PAC asserts that DOD used the Privacy Act as a "shield" to withhold information. When the PAC requested information in Privacy Act-protected files, DOD determined that it could not provide the information without the consent of the individuals concerned. In reaching this conclusion, DOD consulted with the NSC staff, and through the NSC, OMB experts on the Privacy Act, to verify its interpretation of the law. DOD is taking the necessary steps to obtain the consent of the individuals

concerned and is also seeking a regulatory exception that would permit the sharing of the information in question with the PAC without consent. DOD will continue to meet with the PAC to confirm that access is not a problem. In short, while resolving the relevant Privacy Act issues should have been handled better initially, we believe the matter is now being addressed appropriately and will monitor.

Our overall assessment of the PAC report, viewed in the light of the DOD/CIA response and our own observations, is that there are two general criticisms: (1) the inadequacy of previous governmental efforts -- which have already been acknowledged and are the subject of systematic "lessons learned" efforts by DOD, CIA and OSTP through a Presidential Review Directive; and (2) the inadequacy of more recent process issues -- which have been addressed by DOD/CIA and are being monitored by NSC.

The next major milestone in terms of the PAC calendar is their October 30, 1997 deadline for the Supplemental Final Report. Given DOD and CIA's current posture, as well as the overall government-wide efforts being coordinated by the Persian Gulf Veterans Coordinating Board, we are reasonably confident that the October report will prove much more favorable.

Attachment

Tab A PGVCB Transmittal Letter

Persian Gulf Veterans Coordinating Board



Department of Defense



Department of Health and Human Services

Department of Veterans Affairs



MAY 15 1997

The President
The White House
Washington, DC 20500

Dear Mr. President:

The Departments of Defense, Health and Human Services, and Veterans Affairs appreciate the effort expended by the Presidential Advisory Committee on Gulf War Veterans' Illnesses in formulating its interim Supplemental Letter Report of April 30, 1997. We have reviewed the report and are transmitting it to you as an enclosure to this letter. In addition, the Department of Defense and the Central Intelligence Agency have prepared joint comments on the Supplemental Letter Report which are also provided as an enclosure.

We continue to implement our March 7, 1997 action plan with respect to the recommendations in the Committee's Final Report.

Respectfully,

WILLIAM S. COHEN
Secretary of Defense

DONNA E. SHALALA
Secretary of Health and
Human Services

JESSE BROWN
Secretary of
Veterans Affairs

Enclosures: Presidential Advisory Committee on Gulf War Veterans'
Illnesses Supplemental Letter Report of April 30, 1997
Department of Defense and Central Intelligence Agency
Response of May 14, 1997 to the Supplemental Letter
Report of The Presidential Advisory Committee on Gulf
War Veterans' Illnesses dated April 30, 1997



Presidential Advisory Committee on Gulf War Veterans' Illnesses

Chair

Joyce C. Lashof, M.D.

John Baldeschwieler, Ph.D.

Arthur Caplan, Ph.D.

Major Thomas P. Cross

David A. Hamburg, M.D.

James A. Johnson

Major Marguerite Knox, M.N.

Philip Landrigan, M.D.

Elaine L. Larson, Ph.D.

Rolando Rios, Esq.

Andrea Kidd Taylor, Dr.P.H.

Executive Director

Robyn Y. Nishimi

Deputy Director/Counsel

Holly L. Gwin

TO: Secretary William Cohen, Department of Defense
Secretary Donna Shalala, Department of Health and Human Services
Secretary Jesse Brown, Department of Veterans Affairs

FR: Presidential Advisory Committee on Gulf War Veterans' Illnesses

RE: Supplemental letter report

DA: April 30, 1997

On January 30, 1997, the President issued Executive Order 13034 (attachment A), which extended the tenure of the Presidential Advisory Committee on Gulf War Veterans' Illnesses and charged it with two tasks: continued oversight of the government's investigations related to possible chemical and biological warfare agent exposure incidents and implementation of the recommendations of our *Final Report*. On February 26, 1997, the President specifically asked the Committee to evaluate the adequacy of the government's response to his concerns about the implications of recently declassified documents associated with chemical munitions at the Khamisiyah storage depot (attachment B).

This supplemental letter report provides the Committee's response to the President's requests. It first addresses issues related to the President's February 1997 directive. A status report on the tasks specified by Executive Order 13034 follows.

THE PRESIDENT'S MEMORANDUM

The concerns expressed by the President in his February 1997 memorandum centered on recently declassified documents pertaining to the Khamisiyah Ammunition Storage Depot and U.S. troop demolition activities at this site. He posed the following questions:

- What is the significance of recently declassified documents regarding February 1991 warnings to the U.S. Army about chemical warfare agents (CW) at Khamisiyah and November 1991 suspicions of CW exposure of U.S. troops at Khamisiyah?
- When did we have sufficient evidence to conclude that chemical munitions were present at Khamisiyah and that U.S. forces conducting demolition activities may have been exposed to chemical warfare agents?
- Once we had that information, what actions were taken by whom to investigate this alarming possibility, and were those actions sufficient?

Beyond the Department of Defense's (DOD) broad inquiry into Gulf War illnesses via the Office of the Special Assistant for Gulf War Illnesses (OSAGWI), the Committee identified five ongoing investigations by various government entities that pertain to these questions. Attachment C summarizes the scope and nature of these five efforts; a later section of this report discusses the Committee's oversight of OSAGWI-related matters.

Based on its review of existing documents (classified and unclassified), briefings, and interviews, the Committee makes several findings regarding the adequacy of the government's response and answers to the President's questions.

The Evidence and Its Significance

- The recently declassified documents indicate substantial mismanagement and lack of communication among elements of the military and intelligence communities, but have no substantial impact on the findings and recommendations of the Committee's *Final Report*. We concluded that the evidence of chemical agent release at Khamisiyah was overwhelming. The documents do not alter that finding.
- The intelligence community (including CIA and DOD-based entities) clearly possessed information prior to and during the Gulf War that constituted reasonable cause for concern that Khamisiyah was a chemical munitions storage facility. Current evidence indicates this knowledge was obtained at least as early as the mid-1980s, during the Iran-Iraq war.
- Operational records reveal that concerns about the presence of chemical munitions at Khamisiyah were conveyed to some level of the military services prior to the March 1991 ground-based demolition activities. It is not clear whether the appropriate commanders were aware of the heightened concern about Khamisiyah compared to other storage depots. Currently, it appears the information did not pass from one command to another when responsibility for the Khamisiyah site changed hands.
- No later than December 1991, the intelligence community, military services, and any other U.S. government entity concerned about followup to the Gulf War had, or should have had, possession of classified and/or public documents that establish reasonable cause for concern that U.S. forces conducting ground-based demolition activities at Khamisiyah could have been exposed to chemical warfare agents. The U.S. government acquired additional information that substantiated those reasons for concern during 1992.
- Executive Branch departments and agencies made no serious effort to examine the possibility of chemical warfare agent exposure to U.S. troops at Khamisiyah until late 1995, despite inquiries prior to that time by Congress and DOD's Defense Science Board Task Force.
- In the face of substantial, credible evidence to the contrary, DOD's consistent denials to June 1996 of the possibility of exposure of U.S. troops to chemical warfare agents cannot be justified. Initially DOD forfeited opportunities to gain information with potential military significance and ultimately undermined its credibility with much of the American public.

Adequacy of Ongoing Activities

- The activities of the Inspectors General for the U.S. Army and Central Intelligence Agency, alone, cannot provide answers to the questions posed by the President.

- The effort of the Assistant to the Secretary of Defense (Intelligence Oversight) is likely to gather the data necessary to answer the questions posed by the President—up to the question of sufficiency. However, no entity has the clear action on integrating the data to provide a comprehensive assessment of the government-wide response to Khamisiyah and actions needed for the future.
- The scope of the question of sufficiency in the President's third question needs to be clarified—i.e., is the goal to ensure accountability by individuals and institutions responsible for chemical and biological warfare safety and service members' health, or is the goal to establish and to ensure implementation of more effective policies and procedures? Fulfilling the latter goal requires a means of integrating the multiple efforts.
- Presidential-level policy councils, such as the National Security Council or the President's Foreign Intelligence Advisory Board, should be well suited to the task of integrating the results of the multiple efforts into a comprehensive government policy. This Committee is not the appropriate entity to address this matter.

OVERSIGHT OF CHEMICAL AND BIOLOGICAL WARFARE AGENT INVESTIGATIONS

With respect to the Committee's mandate to oversee the government's chemical and biological warfare agent investigations, we address three issues in this letter report: exposure modeling of demolitions at the Khamisiyah pit area, the Committee's access to information held by DOD, and standards for assessing the credibility of reported detection or exposure incidents.

Modeling for the Khamisiyah Pit Area

Since Summer 1996, the Committee has requested exposure modeling of March 1991 demolition activities conducted by U.S. troops at the Khamisiyah pit area. CIA and DOD have testified to the Committee on multiple occasions about technical and logistical complications they believe are responsible for the lack of progress in this area.

The Committee fully appreciates the complexities of this issue, but it appears the passage of time has done nothing to improve the data inputs for the computer simulation of events at the pit. The expert review process (underway since November 1996) might help to establish a baseline for data collection to assist with future modeling efforts, but appears only to exacerbate problems with the lack of data from the pit (e.g., introducing a requirement for far more weather data than was collected at Khamisiyah). On April 18, 1997, DOD and CIA informed the Committee that modeling results for the Khamisiyah pit area will not be available until July 21 (attachment D) because they plan to conduct demolition tests to collect additional data on the amount and rate of agent release. According to a letter from DOD and CIA to the Committee, the small-scale tests are not designed to replicate conditions at Khamisiyah and will not eliminate uncertainties about agent release.

The Committee notes federal law requires civilian sector industries working with hazardous materials to perform exposure modeling as a routine matter to evaluate potential accidents and emergency responses. In particular, both the Superfund Amendments and Reauthorization Act of 1986 (SARA), Title III, Emergency Preparedness and Community Right to Know (42 U.S.C. 11003) and the Clean Air Act reauthorization of 1990 (42 U.S.C. 7412), have mandated this practice for at least a decade. Clearly, it is impossible to predict the exact nature of a large unintended release or when it might occur; such hazardous material modeling relies on the most general estimates of weather and amounts of material released. The Environmental Protection

Agency (EPA), which administers the laws, allows wide flexibility on which model to use. Under EPA rules, industries must model a range of scenarios, including a worst-case possibility. Modeling results are publicly available, enabling citizens to evaluate possible risks. The Committee believes veterans deserve a similar, though retrospective, opportunity.

Hence the Committee finds:

- None of the barriers raised to date by CIA and DOD presents insurmountable obstacles or in any way warrants the delay in completing modeling for the Khamisiyah pit. Uncertainties—including the number of demolition incidents, the number of rockets involved, or the stability of the agent and other characteristics of the chemical agent under specific demolition conditions—can be accommodated through modeling a range of scenarios, including a worst-case scenario.

Access to Information

Shortly after the President extended the term of this Committee and asked us to oversee the government's investigations of possible chemical exposure incidents, DOD raised the Privacy Act as a shield against the Committee's unfettered access to information held by DOD related to CBW incidents. Regulations published to implement the Act, including regulations published in December 1995 after this Committee's inception, have the effect of limiting our ability to oversee, monitor, or independently evaluate the quality of DOD's investigation of possible chemical or biological warfare agent exposures. We note for the record that the Committee's interpretation of the law and regulations is that ample ambiguity exists to allow us full access immediately. In April 1997, following our repeated requests, DOD finally took action that may eventually remove some barriers to the Committee's oversight activities. Currently we remain guarded in our assessment of DOD's willingness to provide access to information critical to our work.

Standards for Evaluating Detection or Exposure Incidents

OSAGWI has yet to articulate clear standards for determining the credibility of reported detection or exposure incidents, other than to assert reliance on the "best evidence" rule and to establish "preponderance of the evidence" as the standard of proof. The Committee believes that for matters involving the health of veterans, adherence to courtroom standards of evidence is inappropriate. As the Committee said in its *Final Report*, "In the face of credible evidence of the presence or release of chemical warfare agents, low-level exposure of U.S. personnel at the affected site must be presumed while efforts to develop more precise measures of exposure continue. . . . Troops within the presumptive exposure area should be notified and encouraged to enroll in the CCEP or Registry." Hence the Committee notes that

- DOD should move as quickly as possible toward conclusions about the incidents under investigation and, when in doubt, err in favor of targeted notification of troops about possible health risks and the availability of free diagnosis and treatment programs established by the government.

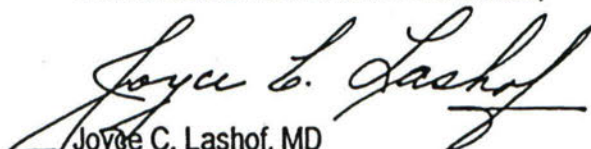
IMPLEMENTATION

The Committee appreciates the departments' efforts to develop and transmit their responses to the recommendations of our *Final Report* regarding outreach, medical and clinical issues, research, and chemical and biological warfare investigations. Over the coming months, we will monitor the implementation of these responses and report any new findings and recommendations related to them in the supplemental final report (hereinafter referred to as *Special Report*).

NEXT STEPS

The Committee will continue assessing the government's chemical and biological weapons investigations, chiefly the activities of DOD's OSAGWI, and implementation of the *Final Report's* recommendations in outreach, clinical issues, and research. In particular, we feel it important that we assess certain key detection incidents including, but not limited to, case reports under development by OSAGWI (attachment E). We believe this letter report addresses the President's tasks to the Committee in his February 26, 1997 memorandum, though the *Special Report* will summarize any new information derived from reports of the CIA Inspector General, DOD Inspector General, Army Inspector General, Assistant to the Secretary of Defense (Intelligence Oversight), and Director of Central Intelligence Persian Gulf War Illnesses Task Force. If—due to delays in resolving problems with the Committee's access to information—we foresee a need to request an extension of the *Special Report's* delivery date beyond October 31, 1997, we will of course inform you at the first opportunity.

Transmitted on behalf of the Committee,

A handwritten signature in cursive script, reading "Joyce C. Lashof". The signature is written in dark ink and is positioned above the printed name and title.

Joyce C. Lashof, MD
Committee Chair

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 30, 1997

EXECUTIVE ORDER

EXTENSION OF PRESIDENTIAL ADVISORY COMMITTEE ON GULF
WAR VETERANS' ILLNESSES

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

Section 1. Extension. The Presidential Advisory Committee on Gulf War Veterans' Illnesses (the "Committee"), established pursuant to Executive Order 12961 of May 26, 1995, is hereby extended for the purposes set forth herein. All provisions of that order relating to membership and administration shall remain in effect. All Committee appointments, as well as the President's designation of a Chairperson, shall remain in effect. The limitations set forth in section 2 (c) - (e) and section 4 (a) of Executive Order 12961 shall also remain in effect. The Committee shall remain subject to the Federal Advisory Committee Act, as amended, 5 U.S.C. App. 2.

Sec. 2. Functions. (a) The Committee shall report to the President through the Secretary of Defense, the Secretary of Veterans Affairs, and the Secretary of Health and Human Services.

(b) The Committee shall have two principal roles:

(1) Oversight of the ongoing investigation being conducted by the Department of Defense with the assistance, as appropriate, of other executive departments and agencies into possible chemical or biological warfare agent exposures during the Gulf War; and

(2) Evaluation of the Federal Government's plan for and progress towards the implementation of the Committee's recommendations contained in its Final Report submitted on December 31, 1996.

(c) The Committee shall provide advice and recommendations related to its oversight and evaluation responsibilities.

(d) The Committee may also provide additional advice and recommendations prompted by any new developments related to its original functions as set forth in section 2 (b) of Executive Order 12961.

(e) The Committee shall submit by letter a status report by April 30, 1997, and a final supplemental report by October 31, 1997, unless otherwise directed by the President.

Sec. 3. General Provisions. (a) The Committee shall terminate 30 days after submitting its final supplemental report.

(b) This order is intended only to improve the internal management of the executive branch and it is not intended to create any right, benefit or trust responsibility, substantive or procedural, enforceable at law or equity by a party against the United States, its agencies, its officers, or any person.

WILLIAM J. CLINTON

THE WHITE HOUSE
January 30, 1997.

#

THE WHITE HOUSE
WASHINGTON

February 26, 1997

MEMORANDUM FOR THE CHAIRPERSON OF THE PRESIDENTIAL ADVISORY
COMMITTEE ON GULF WAR VETERANS' ILLNESSES

SUBJECT: GULF WAR DOCUMENTS

I've made it very clear from the early days of my Administration that the welfare of Gulf War veterans is a national priority. My strong and continuing commitment, reflected in the establishment and recent extension of the Presidential Advisory Committee on Gulf War Veterans' Illnesses, is to leave no stone unturned on behalf of those who served in the Persian Gulf theater. This commitment entails ensuring both that sick Gulf War veterans receive the medical care they require and that all relevant information that may help us understand the risks they faced is brought to light.

As you are aware, the Central Intelligence Agency, working in cooperation with the Department of Defense, has recently declassified several documents relating to the ongoing investigation of possible chemical warfare agent exposure of U.S. forces during demolition operations at Khamisiyah after the Gulf War. These documents indicate that: (1) U.S. Army units were warned of the possibility that there were chemical munitions at the Khamisiyah ammunition depot prior to seizing that objective during the ground war in February 1991; and (2) in November 1991, the Central Intelligence Agency prepared a classified message documenting the possibility that U.S. forces conducting demolition operations at the Khamisiyah facility were exposed to chemical warfare agents.

While the many issues related to Gulf War illnesses are complex and entail consideration of massive quantities of information, there must be no question of this Nation's commitment to protecting its soldiers on the battlefield and then ensuring that they receive the care they require upon returning home. This is a joint bipartisan responsibility that my Administration and the Congress take very seriously.

Accordingly, in conducting your oversight of the ongoing investigation being undertaken by the Department of Defense, with the assistance of other executive departments and agencies, into possible chemical or biological agent exposures during the Gulf War, I am directing your attention to the recently declassified documents. You have a vital role in assisting me, the Congress, and the American public in understanding their full significance.

These documents have been provided to the Inspectors General of the United States Army and the Central Intelligence Agency, both of whom are conducting investigations relating to Khamisiyah. There are two important questions raised by these recently declassified documents that must be resolved by these investigations: (1) When did we have sufficient evidence to conclude that chemical munitions were present at Khamisiyah and that U.S. forces conducting demolition activities may have been exposed to chemical warfare agents; and (2) Once we had that information, what actions were taken by whom to investigate this alarming possibility and were those actions sufficient.

Your oversight efforts should take full account of the evidence disclosed by these ongoing investigations, as well as the information being developed by the Office of the Special Assistant for Gulf War Illnesses at the Department of Defense. Your preliminary assessment relating to the adequacy of the investigations concerning these issues should be provided as soon as possible within the next 60 days, and no later than April 30, 1997, the date specified in Executive Order 13034 for your interim status report.

Thank you for your continuing efforts and those of your fellow members and supporting staff. Your Committee's dedicated efforts are truly indispensable to ensuring that no stone is left unturned on behalf of Gulf War veterans.

William J. Clinton

EFFORTS ADDRESSING THE PRESIDENT'S CONCERNS IN FEBRUARY 26, 1996 MEMORANDUM

Army Inspector General

- Inquiry initiated 9/25/96 by Deputy Secretary of Defense John White in memo to the Secretary of the Army Togo West, followed by taskers to AIG on 9/25/96 and 10/18/96.
- Taskers focused on these issues: 1) was the presence of chemical munitions detected when the ammunition was destroyed [at Khamisiyah]; 2) was this presence reported, and to what level; 3) were appropriate force protection measures taken during the ammunition demolition operations; and 4) identify any other sites where the same or similar operations were conducted.
- Staffed by four full-time equivalents (FTE) conducting interviews and reviewing documents.
- Final report scheduled for delivery 5/31/97; expects to provide answers to all questions in taskers; until work completed, AIG is uncertain about the extent of recommendations.

CIA Inspector General

- Initiated 10/31/96 by former Director of Central Intelligence John Deutch.
- Scope focusing on four allegations made by former CIA employees Pat and Robin Eddington: 1) CIA has hidden, and continues to hide, evidence of the exposure of U.S. forces to CW agents during the Gulf War; 2) CIA officials sought to hinder the Eddingtons' inquiry about the exposure of U.S. forces to CW agents during the Gulf War; 3) CIA employees sought to avoid reviewing honestly the evidence the Eddingtons uncovered concerning the exposure of U.S. forces to CW agents during the Gulf War; and 4) the Eddingtons' careers with CIA effectively were destroyed because of their insistence on pursuing an inquiry about the exposure of U.S. forces to CW agents during the Gulf War.
- Following the President's February 1997 memorandum to the Advisory Committee, is reviewing the handling of Khamisiyah-related information in conjunction with the assessment of allegation 1.
- Nine FTEs conducting interviews and reviewing documents.
- No deadline for final report—data gathering complete on allegations 2, 3, and 4 but ongoing on 1; analysis incomplete; no conclusions currently available.

Assistant to the Secretary of Defense (Intelligence Oversight) (ATSD(IO))

- Initiated 9/25/96 by Deputy Secretary of Defense John White, followed by 9/27/96 data call from ATSD(IO) to the military departments and 11 additional entities.
- Questions to be addressed: 1) what information was available to DOD concerning Iraqi CW facilities, including Khamisiyah; and 2) what use was made of this information?
- Conducted chiefly via a \$2 million contract initiated on 12/2/96 with MITRE, principally for document review.
- Final classified report to be delivered by MITRE on 5/31/97; unclassified summary by MITRE planned; ATSD(IO) will review the report and forward his recommendations for any follow-up action and/or correction of procedures.

Director of Central Intelligence (DCI) Persian Gulf War Illnesses Task Force

- Initiated 2/27/97 by George Tenet, then Acting Director of Central Intelligence.
- Tasked to develop a strategy to: 1) provide intelligence support for inquiries from the Presidential Advisory Committee on Gulf War Veterans' Illnesses, DOD, National Security Council (NSC), and congressional oversight committees; 2) review previous search criteria used to identify intelligence related to possible CW and biological weapons incidents and conduct additional searches as necessary; 3) review all classified holdings to ensure timely and maximum declassification of documents related to such incidents; 4) ensure transmission of relevant material to all parties in task 1; 5) implement communications process to keep DOD, the Advisory Committee, NSC, appropriate congressional committees, the public, and the media informed; and 6) support modeling efforts.
- Staffed by 50 personnel from CIA, Defense Intelligence Agency, National Security Agency, National Imagery and Mapping Agency, and other DOD units.
- Duration intended to be 60 days, no reporting requirements specified, but *Khamisiyah: A Historical Perspective on Related Intelligence* released on 4/8/97—intelligence and operational failures are analyzed, and lessons to be learned regarding multiple databases, information sharing, "tunnel vision," and thoroughness in information retrieval are reported.

DOD Inspector General

- Initiated 3/3/97 by Deputy Secretary of Defense John White (following previous investigations by other DOD offices).
- Tasks: 1) follow all leads that can be developed on the location of the original CENTCOM Nuclear, Biological, and Chemical log or copies—both electronic or hard copy versions; 2) gather all originals and copies that can be located; and 3) if a full copy of the log cannot be located, explain why.
- IG has been instructed to use all resources necessary to get the job done quickly.
- Final report due as soon as possible.

Timeline

Khamisiyah Modeling Work

	<u>Projected Completion</u>
Transport rockets to DPG, Utah	28 Apr 97
Assembled, filled, & prepared rockets	15 May 97
Procure, construct, assemble test apparatus	30 May 97
Complete demolition tests	16 Jun 97
Incorporate test data and run models	7 Jul 97
Evaluate troop exposure and publish results	21 Jul 97

Chem/Bio Matrix

"INCIDENTS"

"ISSUES"

	Khamisiyah	Camp Monterey	Marine Breaching	Czech/French	Mustard Exposure	Al Jubayl	11th Marines	ASP/Orchard	Kuwaiti Girl's School	Tallil AB	Al Jaber	Post War Use on Iraqis
Fox Vehicle Cap.	X	X	X	X	X	X	X	X	X		X	
MOPP Guidance	X	X	X		X	X	X	X	X	X	X	
M8 Alarm Cap.	X			X		X			X			X
SCUD Chem/Bio Cap.						X	X				X	

First Interim Report to be Published

5/15*

5/30

6/30

7/30

First Interim Report to be Published 2/21 5/15* 5/30* 5/30* 5/30* 5/30 6/30 6/30 6/30 7/31 9/30 11/30

*per DOD, 4/28/97



**DEPARTMENT OF DEFENSE
AND
CENTRAL INTELLIGENCE AGENCY
RESPONSE**

MAY 14 1997

TO

**THE SUPPLEMENTAL LETTER REPORT FROM

THE PRESIDENTIAL ADVISORY COMMITTEE ON
GULF WAR VETERANS' ILLNESSES (PAC)**

DATED APRIL 30, 1997

Introduction

The supplemental letter report from the Presidential Advisory Committee (PAC) on Gulf War Veterans' Illnesses restated the PAC's findings previewed on March 18, 1997 at its hearing in Salt Lake City. However, since that time, DoD and CIA have made significant progress in our efforts related to Persian Gulf War operational events and intelligence information, which may in turn shed light on potential causes of Gulf War veterans' illnesses. Our efforts include the release of 41 DoD and intelligence documents and a detailed Intelligence Community paper on Khamisiyah which was very candid in its self assessment identifying areas where the Intelligence Community performed well, and those where it did not. These efforts also included quick DoD responses to personal information requested by the PAC. In its letter, the PAC made little reference to the recent DoD and Intelligence Community accomplishments.

DoD and CIA have worked closely with the PAC on several issues. We will continue to apprise the PAC, as well as veterans, the public and relevant government agencies of our progress.

Adequacy of Government Activities

The PAC notes several findings, with which we generally concur, regarding the adequacy of previous government efforts. In its discussion of the adequacy of ongoing activities, the PAC noted that Inspector General and DoD oversight efforts together could answer the President's questions about the significance of warnings and when we had sufficient evidence to determine possible exposure. However, on the issue of addressing the sufficiency of actions for the safety and health of service members in the future, the PAC notes the need for a single entity to integrate "multiple efforts into a comprehensive government policy."

We concur with the PAC's observation that no entity has clear action on integrating the data to provide a comprehensive assessment of the government-wide response to Khamisiyah. Both DoD and the Intelligence Community are developing recommendations drawn from the lessons learned through their efforts. We will work independently and jointly to evaluate the recommendations. Former Senator Warren Rudman has recently been asked by the SECDEF to provide outside review of the findings and the results of the many investigations, soon to become available, to further government efforts to learn the causes and cures of Gulf War Illnesses. In addition, Secretary Cohen and the Acting Director of Central Intelligence have asked Senator Rudman to suggest ways to improve the provision, handling and use of intelligence during wartime. We have high regard for the expertise and outside perspective that Senator Rudman will bring to this issue.

Once the recommendations are developed, they will be merged with others in the government into a comprehensive package. At that time, an interagency team will meet to do as the PAC

recommends—to integrate the multiple efforts into a comprehensive, more effective set of policies and procedures for the future.

Modeling for the Khamisiyah Pit Area

DoD and CIA are co-chairing a team of experts to settle issues over meteorology, the number and dates of explosions in the pit at Khamisiyah, uncertainties about release of chemical agent at the demolition and of appropriate models. Both DoD and the CIA have done this openly with the PAC although the responsibility to conduct experiments and select the models to use is jointly DoD's and CIA's. The PAC has been advised that a final report will be issued by 21 July 1997. Logistics for testing are complicated but the goal of the two departments has been to find what most likely happened. Neither DoD nor the CIA want to needlessly alarm those veterans not affected by the demolition at Khamisiyah.

The PAC mentions that government-administered guidelines for evaluating potential accidents and emergency responses should be used. DoD and CIA believe those guidelines are appropriate if facing an accident and determining evacuation needs. Evacuation is not the issue; determining a best estimate of what happened is. Ground testing is essential for this determination. One of the PAC's reasons for recommending a worst-case model is to warn veterans who were located further from Khamisiyah. Since all participants in the Gulf have been invited by DoD and CIA to come forward and indicate their concerns, a worst-case plume, other than being inaccurate and alarming veterans, does not add to that invitation. Once additional information becomes available as a result of modeling the plume, DoD and VA will ensure that any additional veteran notifications required will be made as appropriate. DoD and VA will continue to emphasize the availability of medical care to all Gulf War veterans regardless of their proximity to a suspected CW agent event.

Access to Information

The PAC's inference that the Privacy Act was used by DoD as a shield to prevent access to information is incorrect. The Privacy Act was established to protect individuals against unwarranted invasion of privacy. Within the constraints imposed by law, DoD has acted quickly to respond to the PAC's requests for personal information protected by the Privacy Act. DoD has also identified the specific legal prohibitions preventing it from sharing all information with the PAC and acted to carry out the procedural steps to remove them. We have conducted a thorough review to ensure maximum openness consistent with the law and intend to meet with the PAC staff to confirm that access is not a continuing problem. We will continue to apprise the PAC, as well as veterans, the public and relevant government agencies on our progress openly and forthrightly.

Standards for Evaluating Detection or Exposure Incidents

The DoD is moving as quickly as possible toward conclusions about the incidents under investigation. DoD is not using a courtroom standard of evidence. Rather, on a case by case basis it applies the common sense approach taken by a reasonable person to determine who might have been exposed. The DoD routinely informs all veterans about the availability of free diagnosis and treatment programs, established by the government, through its various outreach programs such as by publishing information on GulfLINK (its world-wide web), discussing available programs during nation-wide townhall meetings, communicating to veterans and other interested parties through correspondence and two-way electronic mail, publishing brochures and hand-outs, and publishing a new bi-monthly newsletter, GulfNEWS. Targeted notification, as accomplished by the Khamisiyah survey, will be conducted once we have confirmed reports, those with corroborating evidence, of possible chemical exposure. For any other exposures that may be identified in the future and for any other service members who may have been exposed, similar steps will be taken with respect to notification, evaluation, care and research. We note, however, that this issue of notification has no bearing on the eligibility of veterans for physical examinations, health care and compensation. DoD and VA continue to encourage all Gulf War veterans to take full advantage of the government's health care services.

Implementation and Next Steps

DoD and the Intelligence Community will continue investigation and analysis efforts. We will keep the staff of the Committee, as well as the veterans, the public and other elements of the government apprised of our findings and actions. Our purpose is to support government efforts looking into potential causes of Gulf War veterans' illnesses, and to use the information gained to improve our policies for use in the future.

We remain committed to the men and women who served this country in the Persian Gulf. We owe them a full and accurate accounting of what happened during and after Desert Storm. To that end, we will continue to release information that gives the veterans and American citizens a clearer understanding of this issue and how we used intelligence material to prepare, warn, and support our forces. We stand behind our contributions to national security and are working to enhance our support for the future.

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Berger
COS

WASHINGTON WHISPERS

Savvy — the ocean was with this Bob

Reich's book causes labor pains

Former AFL-CIO chief blasts memoir by Clinton's ex-labor secretary

While critics generally have praised **Robert Reich's** new memoir, *Locked in the Cabinet*, about his tenure as **President Clinton's** labor secretary, the book has gotten exceedingly poor reviews from former AFL-CIO chief **Lane Kirkland**. In a stinging, 10-page "Dear Bob" letter, Kirkland denounced "the venom that pervades your imaginative accounts of some of our meetings" and accused the author of inventing quotes. He blasted Reich, now a professor at Brandeis University, for a wide range of alleged transgressions, from his characterization of Kirkland's wife ("discourteous") to his account of a social evening at Kirkland's home ("simply untrue"). At one point, he upbraided Reich for failing to appreciate Kirkland's dinner guests: "You might even have found a little more interest in them—and less absorption with yourself—rewarding." Summing up his feelings, Kirkland told Reich that "I can only conjecture that your purpose was impressionistic—to paint a crude and belligerent trade union stereotype to contrast with the nobility of your own character and purpose." In response, Reich said he had not seen the letter but that Kirkland's memory of the dinner party "differs from mine." He conceded he might have gotten the first names of some guests wrong. While defending the book, Reich said he was "truly sorry" if he had caused Kirkland any distress.

Donor triangulation?

Senate Democrats are narrowing their investigation of Republican campaign finance practices. Three key areas of inquiry are the use of foreign con-

tributions, nonprofit groups, and political action committees to circumvent federal election law. The Democrats believe that the GOP's National Policy Forum regularly received foreign money and want to subpoena its donor list now that the forum's nonprofit status has been questioned. By fo-

crats have spotted at least 20 triangle patterns and want to know whether the GOP coordinated the effort.

Making a mark

Despite **President Clinton's** high-profile trip to Latin America last week, the White



cusing on nonprofits, the Democrats want to see if any were used to bypass legal limits on how much a party committee, such as the Republican National Committee, can give to a congressional candidate. As for PACs, the Democrats will investigate whether any were used in "triangle" schemes in which donors, who already had given the legal limit to particular candidates, funneled more money to them through a PAC. Demo-

House intends to focus its foreign policy on Russia and China for the balance of his second term. "The president believes that his lasting mark will be left in improving and democratizing their societies," says a senior White House official. To take full advantage of Chinese President **Jiang Zemin's** trip to the United States this fall, the Clinton team would like to replicate Soviet Premier **Nikita Khrushchev's**

barnstorming U.S. visit in 1959 by taking the Chinese leader to farms and centers of U.S. technology.

Gem of a plug

One Clinton donor and longtime friend recently got some high-level support for his personal business ventures in Africa. **Maurice Tempelsman**, a New York diamond dealer and former escort of **Jacqueline Kennedy Onassis**, recently signed a \$20 million deal to import diamonds from Angola. But his firm, **Lazare Kaplan International**, also wants some of the gems from mines controlled by UNITA, the rebel force in the still-simmering Angolan civil war. When the subject of diamonds came up during a trip to Angola by U.N. Ambassador **Bill Richardson**, U.S. Ambassador **Donald Steinberg** specifically urged Angolan President **José Eduardo dos Santos** to encourage UNITA to start dealing with Tempelsman's firm. Steinberg, a career diplomat and former Democratic Hill staffer, argued that such an arrangement would attract financing from U.S. government agencies. Some observers were surprised that such a blatant plug for a U.S. firm was made in the presence of a U.S. cabinet member. Tempelsman was one of 56 major donors to the Clinton campaign who received rides on Air Force One during the run-up to the 1996 election. Lazare Kaplan had no comment.

Last call?

Look for victims of drunken-driving accidents to start trying to use state laws against airlines that serve passengers large amounts of alcohol. Such

THE PRESIDENT HAS SEEN

6-2-97

'97 MAY 30 PM 4:15

Copied
Baer
Radd
Bowles
Podesta
Mathews

THE WHITE HOUSE
WASHINGTON

May 29, 1997

*Don't do
downside in
alternation
went*

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES, JOHN PODESTA AND SYLVIA MATHEWS

FROM: DON BAER AND VICTORIA RADD

SUBJECT: DENVER SUMMIT TOWN HALL MEETING

Background. As you know, we have been trying to develop plans for a town hall meeting in Denver, focussed on international relations and your vision of American leadership in the world. Our original idea was for most of the questions to come from young people -- both in Denver and at satellite-linked sites around the world. To ensure full coverage, we wanted one of the networks to present the town hall. We now have a proposal, but there is divided opinion among your staff as to whether you should do this town hall meeting at this time; Erskine in particular is strongly against the idea. We wanted you to have a full understanding of the proposal's strengths and deficiencies so that you can make a final decision.

CNN proposal. CNN has proposed a plan that differs in several important respects from our original idea. (ABC had been interested, but is unable to do this now; they may be able to do so in the fall.) CNN wants an audience of about 250 people in Denver, selected by CNN and Gallup and tilted toward young people. They want Judy Woodruff to moderate and ask many of the questions; she would bring audience members into the discussion, but not as actively as in a straight town hall format. CNN does not want to satellite in participants from around the world other than their own correspondents (in Europe, Asia and perhaps Moscow). These correspondents would ask questions of their own and introduce questions submitted through the Internet by ordinary citizens in various countries. The CNN town hall meeting would be broadcast live from 4:00 to 5:30 p.m. MST on Thursday, June 19th, the day before the Summit begins.

Pros. This offer affords you the opportunity to speak to the American people about your foreign policy vision and its importance to their daily lives. It also enables you to use the bully pulpit to draw greater attention to the Denver Summit, the history that will be made there, and the issues you wish to highlight.

Cons. CNN's proposal allows for more aggressive questioning than we had originally intended. Although CNN maintains that at least 90% of the discussion will center on

foreign policy, they still leave room for very tough questions on that subject, plus a handful of questions outside that area. Also, your own preparation time would have to be extensive and could be difficult to squeeze in just before the Summit.

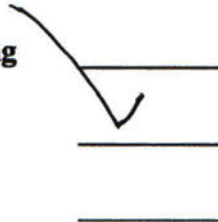
Staff views. Erskine sides against this proposal, mainly because of the difficulties of ensuring proper preparation time right before a major summit. He prefers a much more controlled event where you could get the same points across. Doug is strongly opposed to the proposal and Rahm leans against the proposal as well. Recognizing the potential pitfalls, Don still favors it because of the big opportunity it represents to discuss the future of international relations with the country. Sandy is very much in favor of going forward, because he believes the town meeting would help explain in real terms to the American people what the Summit is all about. Mike McCurry believes it is a close call, but leans in favor if we can obtain a guarantee that CNN's correspondents will focus only on international questions, and that they will select an audience with an interest in international issues.

If we do not proceed with this town hall meeting, we would try to schedule a public event to show that America and its economy are now the envy of the world (focusing perhaps on Denver's high-tech economy). This would provide a strong contrast between the 1997 Denver Summit (after 4 ½ years of your strong economic leadership) and the 1990 Houston Summit, at which time America did not have its own economic house in order.

Proceed with CNN town hall meeting

Schedule alternative event

Discuss



THE PRESIDENT HAS SEEN

6-2-97

MEMORANDUM TO ERSKINE BOWLES

FROM: SYLVIA MATHEWS and ANGUS KING
RE: CBC Follow up
DATE: 29 May 1997

Mr. P. Ross...
Went this far ok
Follow up you will get
high marks. Since
is responsible -
EWL

Legislative Affairs is going to write a letter responding to the concerns that arose during the President's meeting with the Congressional Black Caucus. On many of the issues, they wanted to know who the point person in the White House was for a particular matter. On others, they wanted answers which will be included in the letter. Below is a list of assignments for the letter:

For Rep. Clyburn, on civil rights and race relations:

- **SBA 8 (a):** Richard Hayes is the WH point person on 8 (a), and he should speak with him.
- **WH Point person:** Elena Kagan is the WH point person on affirmative action in education; Dawn Chirwa is the point person for affirmative action in general.

For Rep. Rangel / Owens / Ford / Brown, on the budget:

- **K-12:** Gene Sperling is the point person on K-12 education, until it gets beyond tax issues, at which point it falls under Bruce Reed.
- **School construction:** Gene is also the lead on school construction issues.
- **DSH:** Frank Raines and Chris Jennings are the lead for Disproportionate Share Hospitals.

Copied
Mathews
King

For Rep. Wynn, on economic development and SBA 8(a):

- **SBA 8(a):** Again, Richard Hayes is the point person on SBA 8(a).

For Rep. Scott, on juvenile justice:

- **DoJ testimony:** Andy Blocker will track down the DoJ testimony concerning jail time for status offenders.
- **WH point person, cocaine sentencing:** Bruce Reed and Jose Cerda are the WH point people for the issue as a whole, including cocaine sentencing. They will provide a clarifying paragraph for the letter on whether legislative changes are required to change sentencing standards.

For Reps. Dixon / Watt / E.B. Johnson, on Presidential appointments:

- **Monthly reports:** Nash is going to give reports to them every three months.
- **Civil rights division:** Nash promised a name for the head of the Civil Rights Division within the next ten days; Podesta will be informed of this.
- **Judicial appointments:** Counsel's office (Chuck Ruff and Jon Yarowski) will provide information on all judicial districts and circuits; they will also provide Chairman Waters with a list of districts and circuits where we still need Senatorial input. Podesta will be informed of this.
- **WH Senior Staff:** It will not be mentioned in the letter, but at your June 1 Monday senior staff meeting, you should relay to everyone that consideration of minority candidates should be a priority.

For Reps. Payne / McKinney, on foreign policy:

- **New Zaire / Congo:** Bill Danvers of the NSC will write a response regarding a special envoy to the new Zaire / Congo.
- **Africa and Caribbean meetings:** Danvers will work out the details of two separate meetings on Africa and the Caribbean. Dan Tarullo will definitely attend the meetings; Danvers will work with Susan Rice to determine other participants.
- **G-8 briefing:** Dan Tarullo will brief them on the G-8, especially concerning Africa issues that may arise.
- **Caribbean Summit follow up:** Danvers will determine who their point of contact is for the Caribbean Summit follow-up. He will also get a firm answer as to whether or not a follow-up summit in America was actually promised.
- **G-8 Congressional delegation:** We need closure from Victoria Radd concerning Congressional participation in the G-8 and/or events surrounding it. Members of the CBC will be in Denver for a town hall meeting on Africa with Mayor Webb, but it takes place June 13-14, a full week prior to the G-8 summit.

Other issues:

Black farmers: Goody Marshall will continue Cabinet Affairs' tracking of this issue. Sylvia Mathews is also working on how we can do a public statement supporting the farmers as part of the race initiative.

Race initiative: Janet Murguia is calling Rep. Clyburn to bring him up to speed on the race initiative and solicit CBC input.

- Janet and the rest of legislative affairs are preparing a memo detailing our outreach plans for the initiative.

Chaka Fattah: Gene Sperling is following up on his idea on 6th grade Pell Grants.

Letters POTUS received in conjunction with the meeting:

- Cong. Sheila Jackson Lee wrote about Texas State University. Legislative Affairs has dealt with this issue, and will respond with the Department of Education's help.
- Cong. Eva Clayton wrote about black farmers. Legislative affairs will coordinate the response.
- Cong. Brown wrote about DSH. Legislative affairs will coordinate the response.
- Cong. McKinney wrote concerning a special envoy to the new Zaire / Congo. Bill Danvers in the NSC will prepare a response.

Consultation with the caucuses: Gene also mentioned, and it was widely seconded, that we should work with the caucuses more proactively. His observation was that by seeking their input from the start, rather than merely responding to individual concerns, we could protect ourselves from complaints of exclusion from those who do not come forward on their own. We will seek to do that in Sylvia's bi-monthly WH minority issues meetings which are used to identify and work on minority issues on the horizon.

cc: John Podesta
Bruce Reed
Gene Sperling
Frank Raines
John Hilley
Chuck Ruff
Dan Tarullo
Bob Nash
Goody Marshall
Victoria Radd
Bill Danvers
Richard Hayes
Elena Kagan
Dawn Chirwa
Janet Murguia
Jon Yarowsky
Chris Jennings
Andy Blocker
Jose Cerda

Guar -

This speaks in words
unusually →

Boz

THE PRESIDENT HAS SEEN
6-2-97

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Gene Sperling
2 FL/ WW

The
Decline
(and Fall?)
of the
Income
Tax

*How to make sense of
the American tax mess—
and the flat tax cures
that are supposed to fix it*

Michael J. Graetz

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'97 JUN 2 PM 4:29

To Sylvia

Simon Wiesenthal Center's
CyberWatch Program
Hate, Violence and Mayhem
on the Internet

The material on this diskette can be viewed
using any Windows-based Web browser.
Choose Open/File and select menu.htm from
the appropriate floppy drive.

*Copyright 1996, Simon Wiesenthal Center
9760 Pico Blvd., Los Angeles, CA 90035*

THE WHITE HOUSE
WASHINGTON

June 2, 1997

To: Gene Sperling
Chuck Ruff
Bruce Lindsey
John Hilley

cc: Sylvia Mathews
John Podesta

Fr: Todd Stern *TS*

The attached is a letter from a number of high-tech executives expressing concern about what they say is the increasing use of state courts in securities fraud litigation and calling on the President to support federal legislation applying uniform national standards to all securities fraud cases brought in state courts.

How do you want to handle this?

rec'd 6/2/97
3:02pm

May 12, 1997

Hon. William Jefferson Clinton
President of the United States
The White House
Washington, DC 20500

RE: *HIGH TECHNOLOGY INDUSTRY SUPPORT FOR UNIFORM NATIONAL
STANDARDS LEGISLATION*

Dear Mr. President:

In the closing days of the campaign to defeat California's Proposition 211 last fall, we met with you to discuss how damaging this ballot measure could be to the health of the high technology industry in our state and indeed, nationwide. The companies and investors we represent are committed participants in hardware, software, the Internet, computer-based multimedia and other high technology businesses. We were gratified to win your endorsement of our efforts to defeat the 211 initiative and your public stand was a great boost to our overwhelming 3-to-1 victory on November 6th.

During our discussion we expressed concern that even if we won in California, similar initiatives might find their way to state ballots across the country. You made the suggestion that, win or lose on 211, we should pursue a uniform national standard for securities litigation through Congressional action. You indicated that you would lend your support to such a legislative initiative in Washington.

Although the battle on Prop 211 was won, our companies face a disturbing new trend; the rapidly increasing use of the state courts in place of federal courts in securities litigation. The number of suits filed in state court against national market companies by strike suit practitioners has more than doubled since 1995. The reason is simple; state procedures can be easily used to end run the threshold pleading and discovery requirements of federal law. Many of these cases are filed under obscure state securities or false advertising statutes which have never served as a basis for suit in the past.

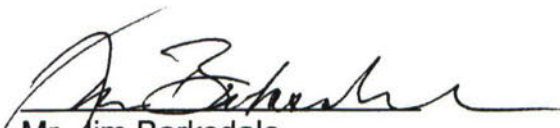
These disturbing trends raise the same threat of state-by-state subversion of federal law that the passage of Prop 211 would have posed. In response, hundreds of high-tech companies have formed an alliance with the securities, accounting, and venture capital communities, as well as the national stock exchanges. We seek Federal legislation that will apply the uniform national standards to all securities fraud suits filed in state courts against nationally traded companies.

As we work with a bipartisan team of Congressional leaders to accomplish our legislative goal, we respectfully ask that you indicate to Congress your willingness to support and sign such legislation. Our legislation will not expand or amend current law in any way; it will only ensure that claims against national companies are adjudicated under national rules, the very same principle you strongly recommended to us last Fall. Indeed, it's only fair that the rights of shareholders of multi-state companies not differ depending on the state in which they happen to reside.

Mr. President, please re-affirm the commitment you gave to a uniform national standard for securities litigation and indicate your support to the 105th Congress.

Thank you for your consideration of this request. And thank you again for joining in the fight against Proposition 211 last year.

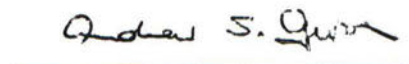
Sincerely yours,



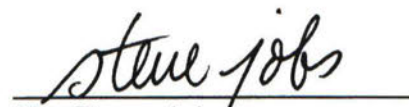
Mr. Jim Barksdale
President and CEO
Netscape Communication Corp.



Mr. John Chambers
President and CEO
Cisco Systems



Dr. Andrew S. Grove
President and CEO
Intel Corporation



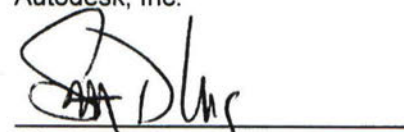
Mr. Steve Jobs
Chairman and CEO
Pixar Animation Studios



Mr. John Lasseter
Director - Vice President
Pixar Animation Studios



Ms. Carol Bartz
Chairman and CEO
Autodesk, Inc.



Mr. Scott Cook
Chairman
Intuit, Inc.



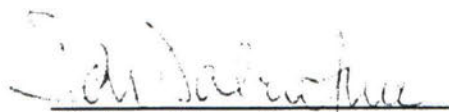
Mr. Tom Jermoluk
President and CEO
@Home



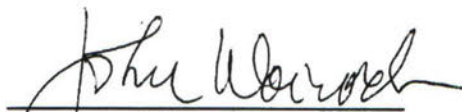
Mr. David Kelley
Founder and CEO
IDEO Product Development



Mr. Lew Platt
Chairman, CEO and President
Hewlett-Packard

A handwritten signature in dark ink, appearing to read "Don Valentine", written over a horizontal line.

Mr. Don Valentine
General Partner
Sequoia Capital Partners, LLC

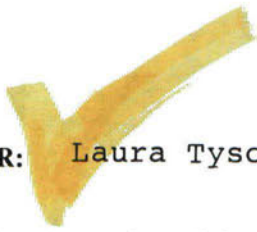
A handwritten signature in dark ink, appearing to read "John Warnock", written over a horizontal line.

Mr. John Warnock
Chairman and CEO
Adobe Systems, Inc.

The Honorable Laura Tyson
National Women's Business Council
Suite 5859
409 3rd Street, S.W.
Washington, D.C. 20024

THE WHITE HOUSE
WASHINGTON

DATE: 5-30-97



NOTE FOR: Laura Tyson

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

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

Dear Mr. Clinton,

LAURA TYSON-D'ANDREA
and ERIK TARLOFF are
our best friends. We live
in London.

Do come over to
escape the crowds!

ALICE + ZACH LEADER
11 BROOKSVILLE AVE
LONDON NW6 6TH
0181-969-2763

copied
Tyson
COS

Send this ~~to~~
to Laura Tyson

Bz

FAX**Date** 05/30/97**Number of pages including cover sheet** 5**TO:** Nancy Herrnreich
The White House**Phone**
Fax Phone**FROM:** Stanley K. Sheinbaum**Phone** 33 1 47 05 65 22
Fax Phone 33 1 47 05 92 61**CC:****REMARKS:** ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please Comment



Stanley K. Sheinbaum

*gob
su***FAXED**

MEMO TO: President Bill Clinton

'97 JUN 2 PM 12:52

SUBJECT: 22 May letter from Federico Mayor, Director General of UNESCO

DATE: 29 May, 1997

4 PAGES

At my suggestion about three years ago you generously wrote a strong letter of support about UNESCO on the occasion of its 50th Anniversary.

When I arrived in Paris several weeks ago—and it ain't bad being here—he asked to see me with the purpose of transmitting his thoughts and hopes about US relations with UNESCO to you.

He laid out a brilliant exposition for me which he then wrote in the enclosed letter. It may be out of protocol but I decided to send you the letter to me instead of simply redrafting it with my own rhetoric. The work of UNESCO continues to be impressive, especially with the reforms that have been instituted of recent. They were undertaken to a great extent with the United States in mind. The most obvious one is the 34% reduction in personnel.

One need not be reminded of all the obstacles facing the US in any attempt to re-associate actively with UNESCO, but I would always hope that the idealists like myself can look forward to a re-association. I find it embarrassing that the US cannot express itself this way. Your 1995 letter indeed was encouraging not just to me, but to many, many other people.

With respect.

Send to USC?

Yes ☒no ☐

for reply

c.

6/2/97



United Nations Educational, Scientific and Cultural Organization
Organisation des Nations Unies pour l'éducation, la science et la culture
Organización de las Naciones Unidas para la Educación, la Ciencia y la Cultura

7, place de Fontenoy
75352 Paris 07 SP
Tel : +33 (0)1 45 68 10 00
Fax : +33 (0)1 45 68 55 55

The Director-General

22 MAY 1997

Reference: DG/97/275

Dear Mr Sheinbaum,

It was a pleasure meeting you again on Friday and I very much appreciate your kind invitation to share my views with President Clinton on the subject of eventual United States membership in UNESCO. Our meeting was all the more timely since Tony Blair's Government had just announced the United Kingdom's return to UNESCO within days of taking office.

Of course, the President should already be aware of how much I admire his courage and forthrightness in declaring it a priority of his Administration to return to membership in his letter of 7 November 1995. That very important clarification of intent, on his part, was most timely, coming as it did on UNESCO's 50th anniversary. Moreover, his view has been reiterated to me by the Vice President, by Secretary of Education Richard Riley and by Assistant Secretary of State Princeton Lyman.

Indeed, the President should know that the excellent dialogue his Administration has maintained with UNESCO reflects a number of shared policy priorities: human rights and press freedom, lifelong education, including education for democracy and human rights, addressing the problems of young people, the need for an ethical consensus on the applications of science to society and a scientific approach to environmental protection. In each of these areas, UNESCO's priorities converge with the President's.

On human rights and democracy, the President may be aware that I was honoured to address the US Army Southern Command's regional conference on the military and human rights at the invitation of General Wesley Clark in January. More recently, I was in the White House complex to launch USIA's democracy education initiative, CIVITAS, at the invitation of Joe Duffy. UNESCO and CIVITAS will be working closely in programme development and a number of our field offices are already working with CIVITAS initiatives, notably in Central America and Eastern Europe. And, of course, UNESCO's role in promoting a free and pluralistic press has been widely recognized since 1989, when I was able to put the Organization's policy

.../2

right: our Constitution calls for the free circulation of ideas by word and image. As the President knows, I have been uncompromising in my support for journalists and editors at risk.

The President is fond of saying, "education is the key!" In 1990 UNESCO took the lead in organizing an alliance with the World Bank, UNICEF, UNDP and UNFPA to promote "Lifelong Education For All". This has resulted not only in an enormous increase in resources devoted to schooling, but, perhaps just as importantly, to the recognition by the United Nations system, bilateral donors and developing countries that human resources development -- formal and non-formal education -- must be given a salient role in moving communities out of poverty.

Education can also make a crucial contribution to global security. Levels of schooling for women and girls are directly correlated with slowing demographic growth, regardless of the setting, the religion or the culture. Education can play a key role in confronting the causes and effects of massive flows of immigration that may disrupt societies, in reducing the risk of misery and, therefore, of extremism, in promoting a civic culture of democracy and freedom.

Education, formal or informal, by mimeograph or Internet, must be shared through new, innovative strategies to reach those who have been left out. That is why UNESCO has been proposing, with more and more success, that the poorest countries teach in their own local languages at least in the early years and that literacy go hand in hand with income generating skills in the curriculum for youth and adults. While I do often contrast the Information Super-Highways with the "subways" of the world's 600,000 villages without electricity, I have been working with Mary Futrell of Education International, M.I.T. and the University of Nebraska on an international data and support Website for teachers and administrators.

Two scientific issues that are of concern to the Clinton Administration are on the agenda of UNESCO's General Conference this Fall: the ethics of genetic engineering and the environment. UNESCO's Commission on Bio-Ethics will be proposing some basic rules designed to protect humanity from the manipulation of its precious genetic heritage: our diversity. At the same time, with Jacques Cousteau, we will be proposing a Declaration on Protecting the Rights of Future Generations, particularly concerning the climate and environment our young people and their children will inherit.

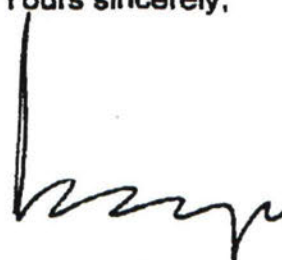
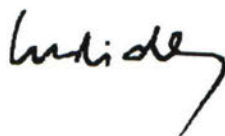
Having touched on a number of areas of convergence between the President's programme and my own, I cannot help wondering why officials of his Administration seem to consider rejoining UNESCO as contingent on the settlement of financial arrearages with the United Nations system as a whole. While I respect the political constraints facing President Clinton, I feel that membership in UNESCO and reform of the U.N. system are separate issues which have been addressed separately up until now. After all, the United States promised, on leaving UNESCO in 1984, that

it would return to membership of a "reformed UNESCO". And UNESCO, as the GAO and other bodies have found, is indeed reformed to the point that all can agree that the reasons for US withdrawal no longer exist. Of course, there is more to be done! Much more can be accomplished with the United States as a Member State. But, it is clear, that the reforms being proposed for the U.N. are already in place at UNESCO: prioritized programmes, reduced staff costs, moving personnel and other resources from administrative support to programme duties, decentralizing activities and budgetary authority to the field, strengthening personnel and programme evaluation and, I am proud to add, significant partnerships with the private sector: IBM, Elf-Aquitaine, Disney, Rhone-Poulenc, United Technologies, ATT, etc.

Now that the United Kingdom has announced its new Government's decision to return to membership in UNESCO, I appeal to President Clinton to explore with his Administration and with Members of Congress from both political parties how best to move the United States back to membership in an Organization that addresses issues that are hallmarks of his own vision of America's future at home and in the world. I, of course, would be willing to work with the President and his team in presenting UNESCO's case.

Once again, I very much appreciate your willingness to share these views with the President,

Yours sincerely,



Federico Mayor

Mr Stanley K. Sheinbaum
c/o Gordon
41, avenue de la Bourdonnais
75007 Paris