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Chron Files: Monday, December 1, 1997 [1]

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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE
WASHINGTON

1997 NOV 25 PM 4:45

November 25, 1997

Information

MEMORANDUM FOR THE PRESIDENT

FROM: MICHAEL WALDMAN *MW*
SUBJECT: ATTACHED MEMORANDUM
FROM BILL GALSTON

*TB / Rubin / Reed / Spelling /
Blumenthal / Begala*

*Had this
His excellent
cable to me*

At Sylvia's suggestion, we have begun to solicit ideas from outside scholars and advisers, earlier than usual, for the State-of-the-Union.

In advance of this larger and later compendium, Bill Galston asked that this memorandum be forwarded to you. It was written before the withdrawal of fast track, but he says that he would only make these points more emphatically. Other suggestions from an array of outside advisers will be compiled and sent to you in December.

We will be meeting with you next week to discuss State-of-the-Union themes and process.

*copied
COS
Emanuel
Reed
Spelling
Blumenthal
Begala
Cubie
Hernreich
Waldman*

Chron

October 23, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BILL GALSTON (WAG)

SUBJECT: 1998 STATE OF THE UNION

The purpose of this memorandum is to offer some strategic suggestions for you 1998 State of the Union address, and to place those suggestions within the broader historical context of your administration.

Background: The Context of Your Presidency

Every president must play the hand he is dealt. You have not been called upon to address economic depression, war, or even a cold war. Rather, you have been asked to end a generation of fiscal irresponsibility at home, build a democratic peace abroad, and restore the broad moral center in social policy based on shared American values such as opportunity, responsibility, community, nondiscrimination, and the centrality of faith in our civil society.

For what it is worth, my assessment is that you have succeeded in this endeavor to a greater extent than your adversaries (and even some of your friends) are willing to admit. Nonetheless, there much left to be done. My overall counsel is to define these undone tasks broadly and expansively, and to offer the boldest possible proposals to address them.

You do not need any advice from me about building a democratic peace. The basic elements of your legacy--a more open world economy, an expanded NATO, intelligent engagement with multilateral institutions old and new, and the selective use of American power to end barbarity and rebuild civility--are all well launched. With luck, key legislative battles in this arena will be waged and won by early next year. It is necessarily only to be firm, and to persevere.

In the domestic arena, by contrast, there is more left to be done. Let me sketch four areas--suitable for emphasis in the 1998 State of the Union--where bold proposals and presidential leadership could make a real difference.

The Domestic Arena: Policy Development and Presidential Leadership

1. **Entitlements.** The sad but simple truth is that in the three decades after the end of World War Two, every Western democracy made promises to its citizens that it cannot wholly

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keep. The challenge now is scale these promises to reality in a manner that meets essential needs, modernizes and stabilizes key programs for the longterm, and gains the consent of the governed.

I know that the risks are great and that the timing is never quite right. But I am convinced that if you take the lead in defining the debate, the prospects for real progress are bright. (I attach a forthcoming article of mine that lays out in some detail the argument for addressing Social Security now, along some of the key moral, social, and policy considerations.)

2. **Education and training.** You have begun a long overdue debate on standards and testing this year. The facts are on your side, as are the people. It would be a mistake to back off in response to short-term political setbacks. Instead, use the State of the Union to restate the basic rationale for your initiatives and intensify the pressure on their foes.

* { In preparing for the State of the Union, you should also consider even bolder approaches, such as linking federal educational funding to the willingness of states to adopt rigorous testing regimes. I believe you should also establish as an explicit national goal that every state should have meaningful charter school legislation by the year 2000, and make it clear that federal support will back up such legislation.

We do not have one system of public education in this country; we have two. One, principally white and based in the suburbs, is mediocre but modestly successful and improving somewhat; the other, principally minority and based in the cities, is failing and condemning millions of kids to lives of restricted opportunity. It is time to declare an urban education emergency and to make it clear that business as usual will not do. You will lend your support to bold breaks with the status quo, as are now under way in Chicago, Washington DC, Philadelphia, and elsewhere. You are prepared to work with state and local leaders who are determined to put student achievement first, even at the cost of considerable broken political crockery.

* { Finally, it is time to renew the battle for lifelong learning. The GI Bill for American Workers was a good idea when you proposed it almost three years ago; it remains a good idea today. In particular, the hodge-podge of ineffective training programs should be turned into a voucher system that individual workers could tap for the training and retraining they need at various stages of their careers. Yes, there is opposition from some Democrats who like the programmatic status quo, and from some Republicans who want to devolve the programs and funds to the governors. But there is a latent coalition of the center that could be mobilized for the GI Bill.

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3. **Expanding the winners' circle.** There is a substantive (as opposed to narrowly political) reason why your fast-track initiative has run into trouble: a more open economy may improve outcomes for the nation as a whole, but it will leave some sectors worse off. The classic theory of the open economy suggests that the winners can and should compensate the losers. This makes good political sense, and it also honors the basic moral proposition that we're all in this together.

Unfortunately, over the past decade our system has done an inadequate job of compensating the losers. The result is concentrated resentment, and stiff resistance to further movement down the road toward a global economy.

It is important--substantively as well as politically--to send a credible signal that you are determined to bring as many Americans as possible into the winners' circle. Beyond the expanded training agenda sketched above, I believe you should explore the feasibility of an unemployment insurance system that is expanded to serve as a "wage insurance" program. The basic idea is a contributory system that provides transitional assistance to workers experiencing downward mobility in the new economy. In one version of this plan, a worker who loses a \$12/hour job and can only find an \$8/hour job to replace it would receive payments from the insurance fund equal to half his or her lost wages for a period of up to two years. There are some experts who could help flesh out this plan if you are interested in the basic concept.

4. **Race.** There is no deeper issue in America, nor one with which you are more closely identified. I believe you should be prepared to jump-start your race initiative with some concrete announcements in the State of the Union. In my judgment, the current public focus on affirmative action is a substantive and political loser. Rather than breaking new ground, it merely exacerbates existing lines of division. Instead, the focus should shift to other areas--such as housing and criminal justice--where there is more room for public education and policy innovation.

For example, I believe most Americans are largely unaware of--and would be shocked to learn about--the level of housing discrimination that minorities routinely experience. And as Harvard Law School's Randall Kennedy (whom you met at the White House at a pre-State of the Union dinner in January 1996) has persuasively argued, the myriad ways in which our criminal justice system fails the test of color-blindness is a daily affront to millions of our citizens. These are areas where the Advisory Council could be directed to develop policy options on an accelerated basis for review by the Domestic Policy Council.

Conclusion

I do not mean to suggest that these four areas should be the sole focus of the State of the Union, let alone the next three years. No doubt there are other areas (child care, for example) where expedited policy development could help flesh out the agenda for the remainder of your administration. My objective in singling out four areas for special attention was to indicate ways in which, building on the foundation laid down in the past five years, new proposals can be advanced that are both consistent with past commitments and bold enough to capture the imagination of the American people. With leadership and a bit of luck, you could help create a system of public education on the path to excellence, a panoply of entitlements modernized and secured for generations to come, an economy in which fewer and fewer Americans feel left out, and a society in which the curse of racial and ethnic division is honestly confronted and addressed as rarely before in our history.

WHAT THE SOCIAL SECURITY DEBATE SHOULD BE ABOUT

William A. Galston

Multiple Challenges

Over the past six decades, the United States has built its own distinctive system of social insurance and protection for its elderly citizens. As a direct result, tens of millions of Americans have enjoyed health, security, and independence. But today, the cornerstones of this system--Social Security and Medicare--are under intense fiscal, demographic, and (in the case of Medicare) technological pressure.

Modernizing and stabilizing these programs for future generations is perhaps President Clinton's greatest remaining domestic policy challenge. He has the opportunity and (I believe) the responsibility to catalyze a public dialogue on the best ways of attaining these objectives. That dialogue could yield the Clinton administration's most significant and enduring domestic legacy. But if it is to succeed, the President must lead it.

The new Social Security Commissioner, Ken Apfel, recently stated observed that the coming debate over Social Security "will test this nation--test its values and what we stand for." That is clearly correct, and an important counterweight to those who see this issue in narrow fiscal or actuarial terms. But this debate will also test our capacity for responding to changing conditions by finding new ways of realizing enduring values. This will, in turn, challenge everyone to distinguish more clearly between means and ends, to consider new ideas on their merits in a spirit of hope rather than of fear, to avoid the reflexive political rhetoric that turns every reform proposal into a plot to "gut" the program, "shred" the safety net, and "abandon" the elderly.

Enduring Values

At the heart of Social Security is a basic social compact: As fellow citizens, we are connected to one another in ways that transcend individual choice. Our individual lives will take very different courses. Nonetheless, in some respects we agree to share a common fate.

Social Security rests on reciprocity--a balance between individual and social responsibility. All individuals must seek gainful employment and, when working, contribute their fair share to the system. In return, society helps every worker achieve a decent and secure retirement, by providing a reasonable (not necessarily optimal) return on contributions.

But Social Security is intended as a foundation for--not the totality of--retirement security. All individuals are expected

to take responsibility for building on that foundation--by saving, investing, or contributing to a private pension plan when available. Of course, workers at different income levels will be able to save privately to different degrees. Social Security necessarily represents a larger share of retirement income for lower-income than for higher-income workers--a fact that our society must take into account as we consider how to honor our continuing responsibility to one another.

Beyond reciprocity, Social Security reflects a balance between what differentiates us as individuals and what we have in common with our fellow citizens. One could imagine a retirement system in which everyone receives the same benefits, regardless of the size of one's contributions; or alternatively, a system in which benefits are in strict proportion to contributions. Social Security is at neither extreme: wage earners who make larger contributions do receive larger benefits in retirement, but most lower-income earners receive a higher rate of return on their contributions. That is, the system's benefits relative to contributions are progressive and pay special attention to the needs of lower-income workers. In part, this reflects the fact that we are not entirely sure where we will end up in life's economic lottery; we are willing to give up some portion of maximum returns to ensure ourselves against the possibility that we will retire on less favorable terms than we now think most likely.

Social Security is mandatory. This reflects our shared understanding that left to their own devices, not all individuals would adequately provide for their retirement--and that it is thus appropriate for government to require all of us to do so. The classic image is of Ulysses lashed to the mast to prevent the Sirens' call from diverting him from his longterm objective. (For the most part, even the most severe critics of the current structure of Social Security acknowledge that it is necessary and proper for the government to require individuals to provide for their retirement.)

Social Security also reflects our shared understanding that in a modern society and economy, public programs must play a leading role in helping us honor the Biblical injunction to honor our parents. Neither retirees nor their working-age children would willingly return to an era when the elderly were directly dependent on younger family members. Social Security thus represents a combination of generational interdependence (through the system's contributory provisions) and generational independence (funds flow directly and reliably from the government to individuals rather than from family members at their discretion).

Finally, Social Security embodies the understanding that government has a role to play in creating and maintaining a

framework of stable expectations on which individuals can rely as they make the choices that define their lives. The point is not to eliminate uncertainty altogether, but to confine it within reasonable bounds.

This principle imposes some constraints on programmatic changes that disrupt stable expectations. Individuals should not be required to make changes to which they lack the time and resources to adjust. It is not only prudent, but also morally necessary, to structure changes to Social Security in a way that does not affect workers at or near retirement.

Changing Conditions

Key changes since Social Security was invented more than six decades ago require us to reconsider the means we use to promote a secure and decent retirement for all Americans. Let's begin with demography. Americans are living much longer than they did before World War Two, and some analysts believe that our longevity will increase at an even more rapid rate in coming decades. The aging of the baby boom generation will impose huge new costs, which begin to accelerate after the year 2010 and which must be financed by the payroll taxes of the much smaller "baby bust" generation born between 1965 and 1960. And a system designed in an era with low rates of divorce and female labor force participation is not well suited to a new reality in which these rates are far higher.

There have been important economic changes as well. The shift from an industrial to a service economy reduces the importance of attributes (such as physical strength and endurance) that once limited the ability of aging Americans to remain effective in the workforce. While policymakers in the 1930s coping with high unemployment sought ways of promoting the retirement of aging workers to make room for younger workers, we now face the opposite problem: low unemployment, coupled with a workforce whose size will soon begin to shrink relative to the number of elderly Americans to support if current retirement patterns continue. And thanks in large part to Social Security, the economic circumstances of older Americans has improved dramatically, both absolutely and relative to younger workers.

Social Security itself is changing. Unlike in earlier decades, the system is now mature, with workers contributing for their entire working lives before receiving benefits. It is no longer possible, as it once was, for all workers to receive windfalls--returns far in excess of contributions. Rates of return are declining for most workers, and are turning negative for some. The failure of the celebrated 1983 Greenspan Commission to deliver on its promise of longterm financial stabilization has

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called attention to the system's structural deficit, now placed at more than 2 percent of total payroll over the next 75 years.

The policy context is changing as well. Now, unlike sixty or even thirty years ago, Social Security issues must be addressed in tandem with other large questions affecting the elderly. In particular, the fiscal crisis of the Medicare system is more imminent, and far more acute. If, as many analysts believe, Medicare cannot be stabilized without (among other changes) a large infusion of new public resources, it would be irresponsible to commit new tax dollars to Social Security without carefully considering the programmatic and political opportunity costs.

Finally, public opinion is shifting. By this I do not mean the much-debated loss of confidence in Social Security, but rather: an increased understanding (fueled by the surge in the stock market) of the longterm disparity between return on equities as opposed to bonds; the readier availability of timely investment information and effective choices to individuals, not just large institutions; and changing attitudes (especially among younger workers) toward self-reliance, the appropriate role for individual choice, and acceptable levels of risk in retirement programs.

Conclusion

X Within this context of changed conditions and enduring values, there is room for significant debate about the steps we should take to both modernize and stabilize Social Security. Should we phase in a significant increase in the retirement age, over and above the increases contemplated in current law? Should we reverse longstanding incentives for early retirement, which have reduced by more than two-thirds labor force participation rates by men older than 65 over the past half-century? Should we make the system fairer for women who work outside the home and for younger families with dependent children? Should we increase the role for individual management of retirement strategies? Should we invest new public resources in Social Security, or rather focus on structural adjustments of benefits?

These and many other questions call, not only for technical expertise and policy experience, but also for public understanding, judgment, and consent. As Social Security Commissioner Apfel has rightly said, this issue cannot be resolved without an "educated citizenry, corny as that sounds."

During the past five years, President Clinton has demonstrated his ability to master complex policy issues and explain them to the American people. He should use his personal gifts, harnessed to the powers of his office, to foster the kind of public dialogue that can help reform Social Security in a genuinely democratic way. In so doing, he can help restore the public's

trust in the capacity of our tattered democratic institutions to conduct the people's business fairly and honorably.

McCurry - This is a good piece - Bc

THE PRESIDENT HAS SEEN

News

▶ Nielsen ratings: CBS wins network TV ratings for third straight week, 20A

Biochemical weapon

Although the crisis in Iraq appears to have eased, officials say that there is plenty of reason for concern about the availability of deadly toxins and chemical agents.

By Barbara Slavin
USA TODAY

This is how you would die:

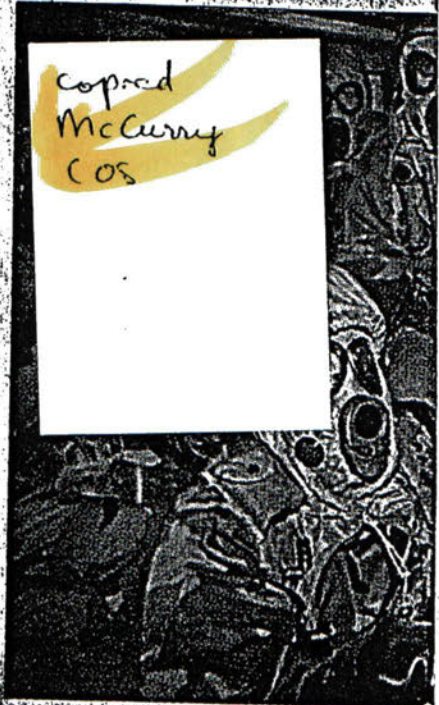
Tiny particles of anthrax, normally a disease that afflicts cattle, are sprayed over your city from a high-tech aerosol canister released in midair. They drift down in a seemingly innocuous cloud but lodge deep within your lungs. Days, even weeks pass when you feel no symptoms, only a slight fever and fatigue. Then, abruptly, you go into toxic shock, with high fever and internal congestion and bleeding. Once the acute symptoms appear, it is too late for any therapy. You are dead within a few days.

This is not the plot of some new sci-fi thriller, but a doomsday scenario sketched by Clinton administration officials who warn that Iraq and other

nations have biological and chemical weapons that could be used in war or terrorism. To dramatize the threat, Defense Secretary William Cohen even brought props to a TV talk show. They included a five-pound bag of sugar that if filled with anthrax spores and dispersed in a certain way could kill half of Washington, D.C.

In a speech in Kansas City, President Clinton said the stakes in curbing the development and stockpiling of such weapons were nothing short of existential: "We must not allow the 21st century to go forward under a cloud of fear ... (of) chemical and biological weapons the way the nuclear threat hung over the heads of the whole world through the last half of this century," he said.

Although the immediate crisis with Iraq appears to have



Gulf War scare: Soldiers with the U.S. Army. Thousands of U.S. troops in the gulf may be eased with the return of U.N. weapons inspectors, the fundamental issue remains. Should Americans be losing sleep over what rogue biochemists here and abroad might be making?

work
k, 20A▶ Across the USA: News
reports from every state, 24A▶ Weather: Full-color look at the latest
forecasts for the nation, 28A

poisons: Poor man's nukes



1991 file photo by Peter Dejong, AP

with the U.S. Army's VII Corps in eastern Saudi Arabia huddle in a bunker. s in the gulf may have been exposed to trace amounts of poison gas.

Tuesday, Cohen warned that such weapons could be smuggled into the USA.

Technically, (Clinton and Cohen are) quite accurate," says Amy Smithson, a senior as-

sociate at the Henry L. Stimson Center, a Washington think-tank devoted to security issues.

Not for nothing are chemical and biological weapons known as the poor man's

nukes. "If you look at the expense of developing nuclear weapons compared to chemical or biological weapons, there's no comparison," Smithson says. "Several hundred million dollars versus something like a dollar per death."

Simple to make

Biological weapons in particular "are enormously simple" to make, says Adm. William Owens, former vice chairman of the Joint Chiefs of Staff.

The threat is not theoretical. An accident in 1979 at a Soviet biological warfare plant in Sverdlovsk, now called Ekaterinburg, released of a tiny bit of anthrax. Nearly 100 people downwind of the plant died.

The Russians, along with the United States, have forsworn both chemical and biological arms. But in 1995, the Japanese cult Aum Shinrikyo left plastic bags filled with sarin, a nerve gas, on the Tokyo subway. A dozen people died and more than 5,000 were hurt. The toxin was only 25% military strength, otherwise the toll would have been far worse. The cult also was experimenting with VX, a nerve gas 10

times more deadly than sarin, and with anthrax and the poison that causes botulism.

Making such substances is not like "going into your kitchen and mixing up a little stir-fry," Smithson says. But the technologies are well known and can be found on the Internet. Ingredients and machinery also are relatively easy to obtain because they are so-called "dual-use": they're equally applicable to weapons and to legitimate products such as pharmaceuticals.

Who would perpetrate such crimes?

Terrorist threat

The range of theoretical villains is wide, from rogue states such as Iraq and North Korea to disgruntled American neo-Nazis. Military and intelligence experts believe the biggest threat comes from terrorists or individuals, not nations, because of the certainty that countries employing such weapons in war would face disproportionate retaliation.

According to the FBI, there have been 40 credible threats. Please continue to next page ▶

THE

FBI: 40 threats of biologi

Continued from 17A

to use chemical or biological weapons this year in the United States, perhaps an Aum Shinrikyo copycat phenomenon. Last April, someone sent a petri dish to the Washington headquarters of the Jewish group, B'nai B'rith, with a note saying the dish contained anthrax. It was a hoax.

There are many kinds of these weapons and new ones easily are created. Chemical arms range from World War I-era choking agents, such as chlorine and phosgene, that cause the lungs to fill with fluid and choke the victim, to more sophisticated agents such as sarin and VX. They attack the nervous system so efficiently that only a drop on the skin is fatal.

Biological agents include the diseases anthrax and the plague; toxins, such as botulinus, made by bacteria, fungi, plants and animals; and viruses such as smallpox, which could be especially deadly because it is highly contagious and very few people are currently inoculated against it.

According to the Stimson Center, a crude form of biological warfare was practiced by 18th century Europeans who threw plague victims over the walls of fortified cities to infect enemy troops below. The only modern military use was by Japan, which spread plague-infested fleas on 11 Chinese cities during World War II.

Germany initiated chemical warfare in World War I, disseminating chlorine on French

troops. By the end of the war, a million people had been injured by such weapons and 100,000 had died.

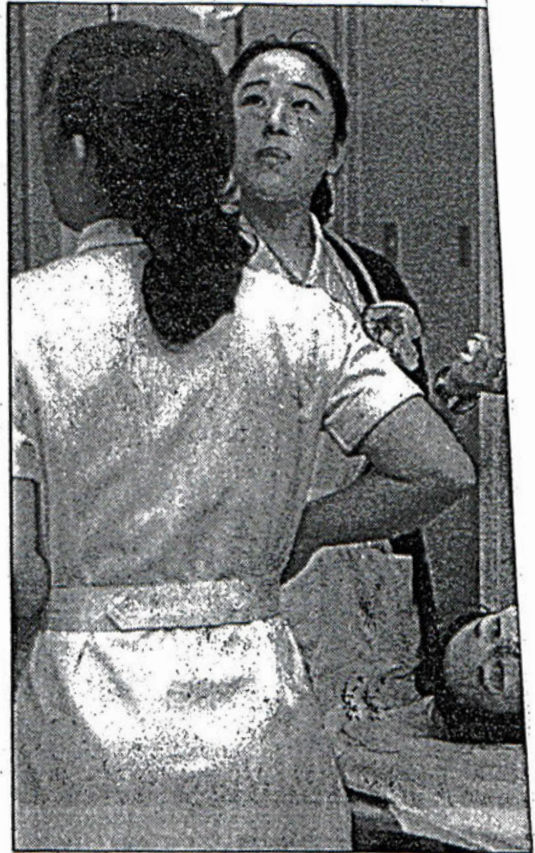
With memories of that scourge still fresh, most of the combatants in World War II spurned chemical weapons. Italy used them in Ethiopia in 1937. Egypt employed them in Yemen in the 1960s. But in recent years, Iraq stands alone as a wielder of chemical weapons in its 1980-88 war against Iran. Iraq also used mustard gas and cyanide against its own Kurdish citizens in the town of Halabja in 1988, killing hundreds.

Where the weapons are

According to the Stimson Center, nine nations possess biological and chemical weapons: Egypt, Libya, Taiwan, Israel, Iraq, Iran, China, North Korea, and Syria. Six others have chemical arsenals: South Korea, Ethiopia, India, Pakistan, Vietnam and Myanmar (Burma). (Tuesday's Pentagon report said Libya does not have the capabilities to produce biological weapons.)

Among this group, Iraq tops the list of U.S. concerns because it is, as national security adviser Sandy Berger notes, a "repeat offender." Saddam Hussein refrained from using these weapons during the 1991 Gulf War. But subsequent U.N. inspections proved that his arsenal was vast.

Despite being subjected to the toughest sanctions and scrutiny in history since then, Iraq still is believed to pose a significant threat, which is why

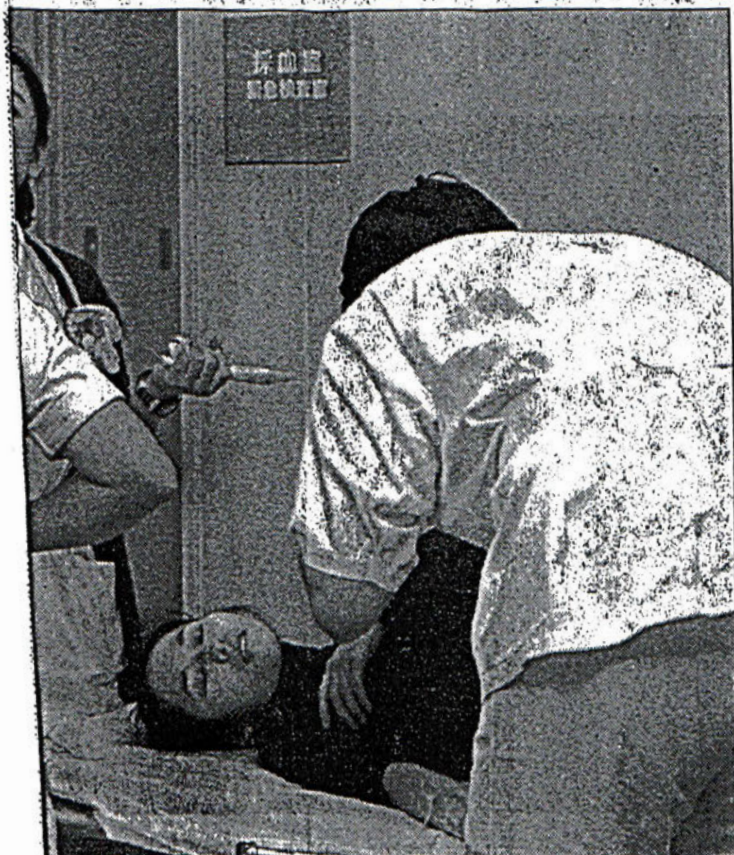


Tokyo subway attack: A victim of a nerve gas attack and more than 5,000 were hurt after a cult left plastic toxin was only 25% military strength; had it been str

the Clinton administration insists on continuing inspections.

According to the U.N., Iraq has failed to account for all its chemical weapons and has never come clean on its biological weapons. It also retains a dozen or more long-range missiles that could deliver a deadly payload to U.S. troops in Kuwait or Saudi Arabia or Israeli

logical, chemical attacks in '97



File photo by Chikaki Tsukumo, AP

of a nerve gas attack is treated March 20, 1995. Twelve people died after a cult left plastic bags filled with the gas, sarin, on the subway. The fight; had it been stronger, the toll would have been far worse.

civilians in Tel Aviv.

After Iraq, U.S. officials worry about Iran, which began developing chemical weapons in response to Iraqi use in the 1980s; Syria, which sees these weapons as a counter to Israel's nuclear capability; and North Korea, which has developed chemical weapons since the 1950s and might employ

them against South Korea. Libya also possesses chemical weapons but not yet the missiles that could deliver them effectively, U.S. intelligence analysts say.

Gas masks and vaccinations afford protection against such arsenals, provided potential victims know they are at risk. The Pentagon's future plans

assume that enemies will use chemical and biological weapons. Tanks, armored cars, and other battlefield vehicles are sealed and have special air filters to protect the troops. Troops are given anthrax vaccines and carry antidotes for some chemical weapons.

But the Pentagon's main strategy now is deterrence. It promises massive retaliation — not ruling out nuclear — should anyone use their weapons against America.

The military also has begun training local police and fire departments how to respond if terrorists bring such weapons to their towns or cities. But there is no way to safeguard the civilian population.

"The best protection would be if we didn't have any angry people or countries in the world," says Matthew Meselson, a geneticist at Harvard and co-publisher of a journal, *The CBW Conventions Bulletin*, that tracks chemical and biological arms.

Under containment

International treaties are another means of trying to contain the genie. The laboriously negotiated Chemical Weapons Convention that went into force this year now has more than 100 members, including Iran.

Those joining the convention are required to declare their chemical weapons stockpiles and open themselves to regular and random inspections. Countries that remain outside this framework will have trouble purchasing chemicals for le-

gitimate purposes.

Experts also hope to find ways of verifying the Biological Weapons Convention of 1975. But a CIA publication notes ominously that at present "there are no reliable detection devices currently available" for biological weapons.

Possessing these weapons is one thing. But deploying them in a way to cause mass carnage is much more difficult.

To achieve Cohen's worst case anthrax scenario, Meselson says, would require a means of dispersing spores in particles no bigger than 5 microns, or 1/20th the diameter of a human hair. Otherwise the spores will not be absorbed in the lungs.

Commercial crop dusters, sometimes cited in doomsday stories, spray particles 40 times that big, although Iraq reportedly has been working on more lethal aerosol mechanisms. Putting anthrax in bombs, Meselson says, is chancy because the blast can deactivate some spores and cause others to clump in large particles that are harmless to humans.

Not an alarmist by nature, Meselson says he never had a nightmare about chemical or biological weapons until this month. His subconscious "perhaps stimulated by the showdown with Iraq, he says, 'I dreamed I was standing on a mountaintop contemplating spreading anthrax over a valley. In the end, though, I didn't do it.'"

Contributing: Steven Komarow

► Cohen's warning, 1A

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Currie
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THE PRESIDENT HAS SEEN
12-1-97

'97 NOV 26 PM 10:00

THE WHITE HOUSE
WASHINGTON

November 25, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
ELENA KAGAN

SUBJECT: State of the Union Ideas

As you requested, this memorandum provides a brief description of new ideas we are seriously considering for the State of the Union. Most of these ideas involve increased spending and you will have to make choices among them as you consider the FY 99 budget. Options relating to social security and tax reform are not included in this memo.

Education

1. Class size / 100,000 teachers: We are working with the Vice President's office and others on an ambitious initiative to reduce class sizes in the early grades by providing money to hire up to 100,000 new teachers, perhaps paid for by reducing the federal work force by another 100,000 positions. We estimate that 100,000 new teachers in grades 1-3 would reduce average class size from roughly 21 to roughly 18. The initiative would have three main elements: 1) grants to help states or communities hire new teachers (as in the COPS program, these grants would be time-limited (3-4 years) and the federal share would be 50-75%); 2) funds for teacher training, with a special emphasis on reading; and 3) provisions to ensure accountability, such as requiring testing of new teachers and/or ensuring the removal of bad teachers from the classroom. A serious proposal along these lines would cost \$5-10 billion over five years, depending on the size of the federal match and the target date for reaching 100,000. We also would need to accompany the proposal with a school construction initiative (see below).

2. Education Opportunity Zones: As we outlined in an earlier memo on policy proposals for the race initiative, we are working with the Education Department on a plan that would reward 10-15 poor inner city and rural school districts for agreeing to adopt a school reform agenda that includes: ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice and/or public school vouchers. Our goal is to give school districts incentives to hold students, teachers, and schools accountable, in essentially the way Chicago has done. In our working proposal, each urban grant would be worth \$10-25 million and each rural grant would be worth up to \$2 million, for a total request in FY99 of \$320 million.

3. National Public School Choice Law: We are exploring the possibility of proposing

lot of good ideas
we'll go with
also we should push
on 100,000 new teachers
for 100,000 positions
paid by 100,000
positions
Classroom
School
bri

go to
47
School
choice
and/or
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again

12-1-97

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Yes - worth doing
Something big to pushing
to go

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THE WHITE HOUSE
WASHINGTON

November 25, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
ELENA KAGAN

SUBJECT: State of the Union Ideas

As you requested, this memorandum provides a brief description of new ideas we are seriously considering for the State of the Union. Most of these ideas involve increased spending and you will have to make choices among them as you consider the FY 99 budget. Options relating to social security and tax reform are not included in this memo.

Education

1. Class size / 100,000 teachers: We are working with the Vice President's office and others on an ambitious initiative to reduce class sizes in the early grades by providing money to hire up to 100,000 new teachers, perhaps paid for by reducing the federal work force by another 100,000 positions. We estimate that 100,000 new teachers in grades 1-3 would reduce average class size from roughly 21 to roughly 18. The initiative would have three main elements: 1) grants to help states or communities hire new teachers (as in the COPS program, these grants would be time-limited (3-4 years) and the federal share would be 50-75%); 2) funds for teacher training, with a special emphasis on reading; and 3) provisions to ensure accountability, such as requiring testing of new teachers and/or ensuring the removal of bad teachers from the classroom. A serious proposal along these lines would cost \$5-10 billion over five years, depending on the size of the federal match and the target date for reaching 100,000. We also would need to accompany the proposal with a school construction initiative (see below).

2. Education Opportunity Zones: As we outlined in an earlier memo on policy proposals for the race initiative, we are working with the Education Department on a plan that would reward 10-15 poor inner city and rural school districts for agreeing to adopt a school reform agenda that includes: ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice and/or public school vouchers. Our goal is to give school districts incentives to hold students, teachers, and schools accountable, in essentially the way Chicago has done. In our working proposal, each urban grant would be worth \$10-25 million and each rural grant would be worth up to \$2 million, for a total request in FY99 of \$320 million.

3. National Public School Choice Law: We are exploring the possibility of proposing

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yes - v. important can do before bringing up fast track again

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Yes - worth doing
Something big to pushing
to go on

THE PRESIDENT HAS SEEN

12-1-97

PROPOSAL TO TEST DRUGS IN CHILDREN MEETS RESISTANCE

ETHICAL CONCERNS RAISED

Citing Cost and Safety Issues,
Makers of Medicines Fight
Plan Offered by Clinton

By ROBERT PEAR

WASHINGTON, Nov. 27 — Fierce disputes have erupted over a proposal by President Clinton that would require drug companies to test their products in children before putting new medicines on the market.

Mr. Clinton says such studies will improve health care for children by helping doctors assess the safety and determine the proper doses of drugs that are used to treat children.

But drug companies say the President's proposal will needlessly put thousands of children at risk. And these companies contend that the Government has no legal authority to make them conduct such studies.

When Mr. Clinton announced his proposal on Aug. 13, it seemed politically irresistible. But it is proving much more complicated than expected, and Federal officials now acknowledge that the testing of drugs in children raises ethical questions not found in clinical trials with adults.

Since many important drugs are not tested in children, Mr. Clinton said, doctors must often guess at the appropriate doses, and youngsters may be deprived of "the very best treatment available."

Doctors have generally supported the proposal. Dr. Susan P. Etheridge, a pediatric cardiologist at the University of Utah, said it could be "the biggest step forward for drug treatment of children in three decades."

Lawrence A. McAndrews, president of the National Association of Children's Hospitals, said, "Only about 20 percent of drugs marketed in the United States have been tested and labeled specifically for children."

Under the President's proposal, drug makers would have to test their products in children if the drugs were used, or were likely to be used, in "a substantial number of pediatric patients" or if they offered "a meaningful therapeutic benefit over existing treatments" for children.

Dr. Michael A. Friedman, Deputy Commissioner of the Food and Drug Administration, said, "Many drugs labeled only for adult use are, in fact, widely used in pediatric patients" for the same illnesses.

Indeed, doctors say, drugs are routinely prescribed for children even when the labels carry a disclaimer

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saying, "Safety and effectiveness in pediatric patients have not been established."

Mr. Clinton's proposal would authorize the Food and Drug Administration to seek court orders requiring drug companies to study how their products affect children. Violators would be subject to fines and other penalties.

In proposing the requirements, the F.D.A. said, "History is replete with examples of children who have died or suffered other serious adverse effects as a result of the use of drugs that have not been tested in children."

Alan F. Holmer, president of the Pharmaceutical Research and Manufacturers of America, a lobby for drug companies, said Mr. Clinton's proposals were well-intentioned but could harm children because they would require testing of new chemical compounds in children before the drugs' safety in adults had been adequately studied.

The proposals would impose "new risks on children who might be recruited for clinical trials," Mr. Holmer said. Companies worry that children injured in drug tests might file lawsuits years later, after they grow up, even though parents gave consent for the tests. The tests raise the ethical question of how researchers can obtain informed consent from children as they do from adults.

Drug makers including Merck, Glaxo Wellcome, Novartis and Wyeth-Ayerst said they shared Mr. Clinton's goal of discovering better medicines for children but found the details of his proposal extremely impractical and burdensome.

Mr. Holmer said that a prescription drug should ordinarily not be tested in children until scientists had clear evidence that it was safe and effective for adults. Requiring that drugs be studied simultaneously in children and adults could delay the approval of life-saving medications for adults, he said. Drug company executives said that Mr. Clinton, in his zeal to protect children, was exceeding his authority under Federal law. The job of the F.D.A., they said, is to review drugs for the uses proposed by manufacturers.

The Clinton Administration assumed that the new drug trials would

cost an average of \$5,000 to \$9,000 for each child included in a study. Overall, it said, the proposed rule would impose costs of \$13 million to \$21 million a year on the drug industry.

But drug companies said the costs would be much higher. Mr. Holmer said the proposal would set "a dangerous precedent," diverting money and other resources away from "drug research that is more beneficial to the general public."

Janne Wissel, vice president of the Alza Corporation, a maker of drug-delivery technology in Palo Alto, Calif., said, "The cost of performing pediatric studies, especially for small companies, may be prohibitive."

Young children often have difficulty swallowing pills, tablets and capsules. So drug companies often need to devise liquid, chewable or injectable forms of their products. Companies say it may cost millions of dollars to develop a formulation specifically for children.

In the absence of such products, parents make their own arrangements, cutting up tablets, crushing them with a mortar and pestle or mixing them with liquid so children can swallow them. But, Dr. Etheridge said, that is "not the most accurate way" to measure out drugs.

Drug companies said that under Mr. Clinton's proposal they would have to conduct separate tests in newborn infants, young children and teenagers, because children of different ages often reacted differently, requiring different amounts of drug per pound of body weight.

Chris Jennings, a White House aide, said the drug companies' objections were not surprising. "We tried it their way, and it didn't seem to work particularly well," he said, noting prior efforts by the Government to encourage voluntary testing of drugs in children.

Dr. Joseph R. Zanga, president of the American Academy of Pediatrics, supported Mr. Clinton's proposal. Many drugs go on the market with little or no information about their effects on children, he said, so the Government must use its authority to require drug makers to conduct pediatric studies.

But Dr. Bonnie J. Goldmann, vice president of the research laboratories at Merck & Company, said that financial and other incentives would be far more effective than threats of punishment in encouraging studies of drugs for children.

THE PRESIDENT HAS SEEN

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Western governments should be careful in setting conditions for bailouts, so as not to aggravate poverty and risk a backlash that would undermine social and political stability. *Aside from the threat to governments in the region, one of the greatest concerns is how economic malaise will aggravate ethnic fissures. One of the most sensitive divides concerns the ethnic Chinese minorities who dominate the economies of most Southeast Asian countries.*

By NICHOLAS D. KRISTOF

TOKYO, Nov. 28 — As Asia's Miracle seems to fade to a mere marvel, many experts on the region worry that growing economic frustrations risk provoking political and social upheavals. *The underlying challenge is that for decades an implicit social contract has governed much of Asia: citizens put up with corruption, nepotism and often authoritarianism in their governments in exchange for getting rich. But now the financial crisis that has swept the region means that people can no longer count on getting rich.* *No one knows exactly where the breach of this social contract could lead — to riots, to toppled governments, to ethnic clashes, or perhaps to nothing at all — but there is a profound apprehension that some countries may pay a price that is far greater than the already wrenching economic turbulence.* *Most of the governments in Southeast Asia claim the right to rule on the basis of delivering the economic goods," noted Muthiah Alagappa, a Malaysian scholar of politics at the East-West Center in Honolulu. "So one of the sharpest repercussions of all this is going to be the questioning of governments that are no longer able to deliver the goods."* *The paradox is that much of Asia is still expected to grow by rates that are faster than the pace of the American economy. But Asians accustomed to cruising in the fast lane in the economic equivalent of a Ferrari may be profoundly irritated at hobbling along for a couple of years with the rest of the traffic.* *Many Asian countries have not endured a real recession in more than two decades — or in the case of Indonesia and Thailand, for three decades. The population of Asia is so young that most Asians have no memory of a recession, and if one is now arriving it will be a devastating experience socially and psychologically, as well as economically.* *"After consistently high rates of growth, even a deceleration of the growth can cause disappointment and despair that may well have political and social fallout," said Linda Tsao Yang, the United States executive director of the Asian Development Bank in the Philippines. "And if the economic adjustments cause growth to grind to a halt, then the political fallout will be even more challenging."* *Consequently, Mrs. Yang argues that international organizations and*

In the 1960's, Indonesia, Singapore and Malaysia were all torn by bitter riots between indigenous people and ethnic Chinese. In Indonesia, where the 4 percent of the population that is ethnic Chinese controls about 60 percent of the nation's wealth, upheavals led to the deaths of more than 250,000 people in the mid-1960's. *The long economic boom since then helped salve the ethnic antagonisms, for the average worker or peasant enjoyed a better life, even if he might fume about the Chinese shopkeeper down the road charging high prices for old vegetables. But during the last year, anti-Chinese riots have become more common, and the Indonesian Bishops Conference this month issued a statement warning against allowing the economic crisis to set off further outbreaks. Citizens should "refrain from blaming each other" for the economic crisis, the statement delicately urged.* *In the latest Indonesian unrest, in September, the murder of a girl by a half-Chinese man led to rioting. Mobs tore apart a temple and burned Chinese-owned homes and shops. At least five people were killed.* *Even in more homogeneous countries, the challenges are immense, in part because economics and security are often intertwined.* *In South Korea, for example, some people fret that the current economic weakness and labor unrest, as workers go on strike to protest planned layoffs, might tempt a North Korean attack. And others worry that the economic crisis, coupled with labor unrest and a possible opposition victory in the presidential elections on Dec. 18, conceivably could encourage South Korea's own military to stage a coup, although this is widely regarded as very unlikely.* *"I think at this moment this would not be possible," said Lee Shin Bom, a member of the National Assembly. "But it may be natural for people to worry about any possibility."* *In a region once famed for its strongman rule, it is striking that relatively weak governments now rule many countries in Asia, from India to Japan. The economic crisis has already toppled one Government, Thailand's, and some experts say more could follow.* *"Leaders are generally vulnerable across the region," said William H. Overholt, a Hong Kong-based managing director of Bankers Trust Company. "And there's also a generational change under way that is now going to be accelerated."* *Yet a bit of upheaval might not be a bad thing. One Government that may be vulnerable, for example, is the autocratic one in Myanmar, formerly known as Burma — and many experts say a new Government is just what that country needs.* *One of the biggest uncertainties concerns Japan, the world's second-largest economy, where Prime Minister Ryutaro Hashimoto had already been weakened before the Asian economic flu swept into his country this month and toppled a major bank and large brokerage house. Now Mr. Hashimoto is even more beleaguered, and the opposition is suggesting that he resign.* *"The way to save the Japanese economy is for the Hashimoto Gov-*

ernment to resign," said Takeo Ni-shioka, the secretary general of the opposition New Frontier Party. *One difficulty in making predictions about the consequences of the economic crisis is that while governments are weak throughout much of Asia, the opposition forces also tend to be fractured. Japan's experience over the last half-dozen years demonstrates that in such circumstances the result can be that the social contract tears without leading to revolution or even much evolution.* *Japan operated for decades with a social covenant similar to those of many other Asian countries — accepting wealth in exchange for tolerating political iniquities. As a result, Japan, one of the most honest societies in the world, had one of the most corrupt political systems.* *That social contract became frayed when Japan's economic "bubble" came under pressure in 1989 and eventually collapsed, leading to a long slowdown from which Japan has yet to emerge. Japanese voters retaliated in 1993 by evicting the Liberal Democratic Party from power for the first time in 38 years.* *The opposition ruled briefly and ineffectually, and last year the Liberal Democrats were effectively voted back to power, not so much in a moral victory as by default. Voters, stymied by the lack of attractive alternatives, are retreating from the electoral system in disgust, sending voting participation rates to their lowest levels ever, and politicians are even more hobbled than before.* *"The system has become more and more fragmented, and no one is ready to take charge of Japan," said Takeshi Sasaki, a political scientist at Tokyo University.* *Another huge question mark concerns Indonesia, which like Thailand and South Korea has already turned to the International Monetary Fund for a bailout. Indonesia has a population of 200 million and no clear successor to President Suharto, who is 76. Although Mr. Suharto is still expected to win a seventh five-year term next year, the economic crisis may weaken his authority and limit his ability to install whomever he wants as his own successor.* *Then there is the region's giant, a domino towering so high that, while it is not wobbling now and perhaps never will, could produce a crash whose political, social and economic consequences would shake the world.* *"The real question is China," said Michel Oksenberg, an Asia expert at Stanford University. "If China suffers a downturn, at what point will the substantial number of urban migrants feel pressure, and how will they react?"* *China in some ways is vulnerable because the Communist Party has switched the basis of its legitimacy from the Maoist revolution of 1949 to the remarkable economic successes of the last 15 years. The challenge for the party is that this economic triumph has also nurtured dangerously high economic expectations and the emergence of a class of tens of millions of migrant laborers who, increasingly resemble something akin to the volatile proletariat that Marx warned might rise up against the owners of capital.* *Professor Oksenberg noted that there have been a growing number of reports of sporadic worker protests in recent years and added, "I do not think of the Chinese working class as quiescent, and I think that's what makes the regime nervous."*

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Panel to Urge Pentagon to Shift Toward Defense of U.S. Cities

WASHINGTON, Nov. 29 (AP) — The United States armed forces should give greater emphasis to such emerging threats as hit-and-run biological attacks on American cities, a panel chartered by Congress is prepared to tell the Pentagon.

The National Defense Panel will recommend to Defense Secretary William S. Cohen and Congress on Monday that a United States military now geared toward planning for wars abroad should consider the risks of smaller assaults on America itself.

That mission, dubbed "Defense of the Homeland," will take on increas-

ing importance as more nations hostile to United States interests acquire weapons of mass destruction and the means to deliver them, a panel member said on Friday on condition of anonymity.

The panel's report has been in the works since Mr. Cohen appointed the members in February. He has seen a final draft, officials said.

The report also concludes that:

¶The Defense Department needs a "transformation strategy" for the 21st century — a blueprint for further adapting United States forces from the cold war era to the security threats that are likely to face America and its allies 20 years from now.

¶It should devote \$5 billion to \$10 billion a year to developing that strategy by experimenting with new weapons and ways of fighting wars. This would provide the nation with a hedge against unforeseen changes in global security.

¶The Army National Guard's role should be refocused. One possibility would be to develop an expertise in responding to domestic crises such as limited attacks with chemical or biological weapons. This might mean reducing the size of the force, a move

Planning to fight wars abroad, but without leaving America vulnerable.

favored by the Pentagon but strongly opposed by many in Congress.

¶There should be two more rounds of military base closings, but earlier than in 2001 and 2005, as recommended by Mr. Cohen earlier this month. The military services also should move toward sharing bases.

¶For now the Pentagon is right to structure its forces for the possibility of having to fight two major regional wars at the same time — most likely in the Persian Gulf and on the Korean Peninsula. But the panel describes this as a "low-probability scenario" that soon will be outdated. Scrapping the two-war scenario would probably mean reducing the overall size of the military, although the panel does not recommend a

specific number of troops to cut. Congress created the National Defense Panel last year at the same time it instructed the Pentagon to conduct a thorough review of defense programs through 2005. The panel was asked to provide an alternative view of the Pentagon's internal study — and to take a longer-range look at defense needs.

Four of the panel's nine members are retired generals and admirals; the five others are civilian defense specialists. The chairman is Philip A. Odeen, president and chief executive officer of the defense consulting firm BDM International.

As part of its emphasis on "homeland defense," the panel says the Clinton Administration was right to postpone a decision on whether to deploy a national missile defense system capable of shooting down ballistic missiles.

The Pentagon should put itself in position to deploy an anti-missile defense over the United States "once we get a better idea what the threats are," a panel member said.

DO NOT FORGET THE NEEDS!

Clinton Seeks to Extend Volunteer Programs

WASHINGTON, Nov. 29 (Reuters) — President Clinton said today that he would seek to extend AmeriCorps and two other national service programs for five more years.

In his weekly radio address, Mr. Clinton stressed the value of citizen service and said he was offering legislation to prolong the life of AmeriCorps — the domestic equivalent of the Peace Corps — and two other volunteer programs, Learn and Serve America and the National Senior Service Corps.

"Citizen service must be at the heart of our efforts to prepare Americans for the 21st century as we work to guarantee all Americans the op-

portunity and conditions to make the most of their own lives and to help those in need," Mr. Clinton said.

Voluntary service has been a theme of the Clinton Presidency. The AmeriCorps program, which was created in 1993, rewards volunteers with a \$4,725 grant to finance their education. So far, more than 100,000 Americans have enrolled in the program.

"AmeriCorps members are mobilizing thousands and thousands of college students from 800 campuses in our America Reads program, to make sure that all our young people can read independently by third grade," Mr. Clinton said.

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The New York Times
SUNDAY, NOVEMBER 30, 1997

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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

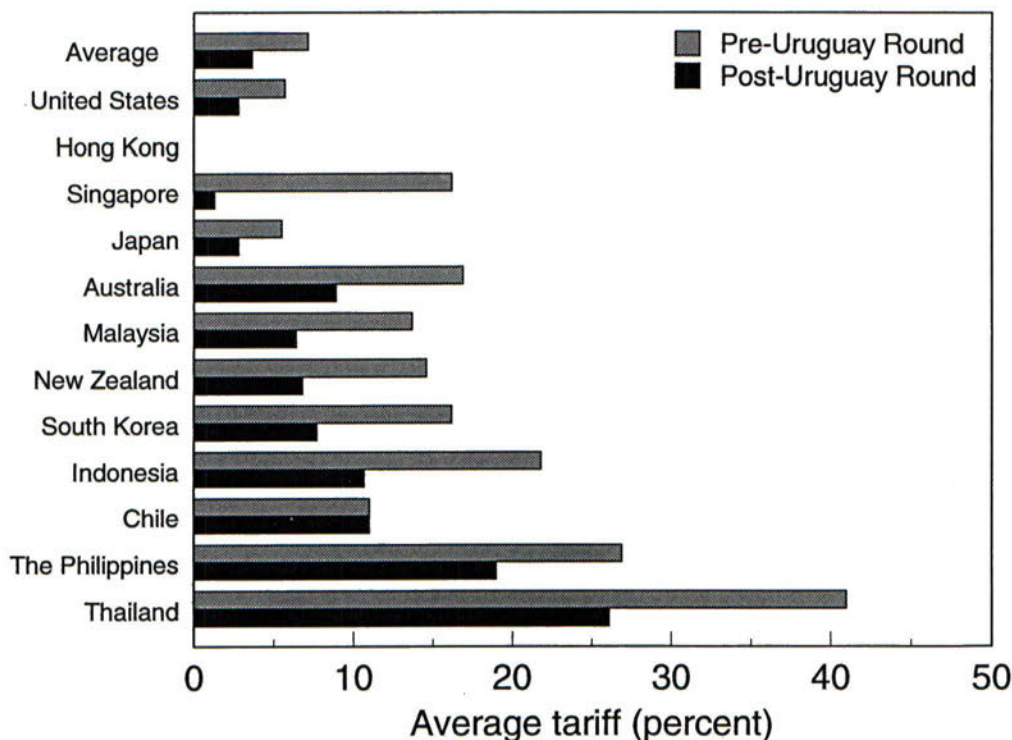
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

November 21, 1997

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CHART OF THE WEEK

Tariff Rates in Selected APEC Countries



Tariffs in APEC countries were lowered substantially in the Uruguay Round of trade negotiations. U.S. tariffs, which are below the APEC average, were much less affected. As a result of the Uruguay Round reductions, tariffs in several APEC countries are now closer to U.S. levels than they were. For other APEC countries, however, tariff rates continue to be relatively high despite substantial Uruguay Round reductions.

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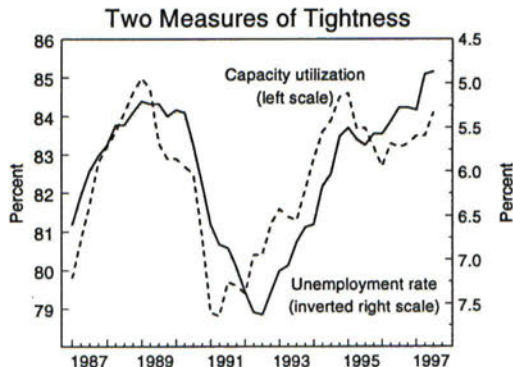


"We'll now have a brief question and answer period, followed by some further downsizing."

CURRENT DEVELOPMENT

Measure for Measure, Markets Are Tight

How well do alternative measures of economic slack perform as leading indicators of inflation? And do differences among them matter for assessing the current inflation outlook?



How tight? Several measures indicate that markets are extremely tight, but subtle differences exist (see chart). For example, the unemployment rate is lower than it has been since 1970. The capacity utilization rate, by contrast, is slightly higher than the rate associated with steady inflation but remains below its 1988-89 high—and it could be revised downward when re-benchmarked data are released in December.

Predicting inflation. Is there a best single leading indicator of inflation? Based on a comparison of simple forecasts of future inflation from six plausible indicators (the unemployment rate, manufacturing capacity utilization, the help-wanted index, initial claims for state unemployment insurance, supplier delivery lags, and the state insured unemployment rate), the answer would appear to be no. Differences in forecast accuracy tended to be small, but rankings of forecast accuracy were unstable over two subperiods and no single indicator did a very good job. In particular, the unemployment rate had a larger forecast error than did capacity utilization over both the 1975-85 and the 1986-96 periods—but capacity utilization had only the third smallest forecast error in the latter period.

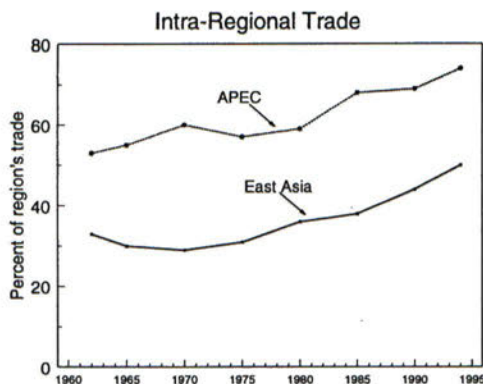
Implications. At present, all six indicators are forecasting rising inflation over the next 4 quarters. Recently, however, a number of special factors (most notably, non-oil import prices and employer health benefit costs) have contributed to keeping inflation tame—and may have loosened the link between measures of slack and future inflation.

SPECIAL ANALYSIS

APEC Ascendent

Recent proposals from Tokyo for an Asian Monetary Fund may have revived fears that a “yen bloc” is forming, with Japan intensifying its trade and financial links with other East Asian economies. The statistics tell a different story, however, pointing to APEC as the more prominent economic arrangement in the Pacific region.

Currency links. Use of the yen outside Japan, particularly in East Asia, has increased since the early 1970s—but not as fast as might be expected based on the growth of Japan’s output and trade. Moreover, most trade in East Asia continues to be invoiced in dollars, not yen. Hong Kong is firmly pegged to the dollar; no country is pegged to the yen. Apart from occasional devaluations like the recent ones, Korea, Malaysia, and Thailand seek to stabilize their exchange rates with respect to a market basket of currencies that typically gives weights of 10 percent or less to the yen and 75 percent or more to the dollar. It is for good reason that the currencies of Hong Kong, Taiwan, and Singapore (as well as Australia and New Zealand) are called the dollar. Other measures of financial links also show similarly large influences of the dollar relative to the yen.



Trade links. Some of the concern that a yen bloc is emerging emphasizes growing trade links among East Asian countries. Intra-East Asian trade as a share of all East Asian trade has indeed risen (see chart). But rapid overall growth provides a sufficient explanation. Several studies have shown, for example, that once the size of the trading partners’ economies are taken into account, there is no residual tendency for trade to become increasingly concentrated within Asia.

A trans-Pacific dollar bloc? The finding that East Asia’s currency links are tighter with the dollar than with the yen is mirrored on the trade side, where intra-APEC trade is also high and growing. In APEC, however, the increase in trade exceeds what can be explained by economic growth. (The high level of intra-APEC trade is all the more striking when one takes into account the large distances involved.) Pacific rim economic cooperation also benefits from APEC, which provides a useful forum for discussing economic and trade issues. East Asian regional institutions, by contrast, are less far advanced. For example, Malaysian Prime Minister Mahathir’s proposal to form an East Asian Economic Caucus has not borne fruit.

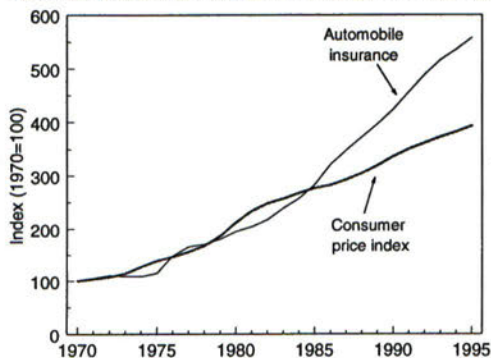
Conclusion. Whether judged on the basis of monetary, trade, or institutional links, the evidence suggests that—so far, at least—no powerful yen bloc has formed.

SPECIAL ANALYSIS

Even No-Fault Has Its Faults

The recent New Jersey gubernatorial race showed that concerns about the high cost of automobile insurance can be a hot-button political issue. Presumably trying to control costs and premiums, 13 states have adopted fundamental tort reform by shifting to no-fault automobile insurance. But the effect of no-fault on premiums depends on the specific features of the plan. Moreover, no-fault affects more than just premiums.

Automobile Insurance Prices and the Consumer Price Index



Rising costs. Since 1985, auto insurance premiums have been rising at over twice the rate of inflation (see chart). This surge in the relative price of car insurance reflects both increases in the number of claims filed per accident and higher costs per claim, due primarily to rising medical costs.

Reform provisions. In a tort system, accident victims recover losses from the other driver's insurance company if the other driver is at fault. Recoverable losses are both "economic" losses (such as medical costs and lost wages) and "non-economic" losses (such as "pain and suffering"). No-fault plans combine limitations on tort liability with limitations on the compensation that injured parties receive. Policyholders recover economic losses from their own insurer up to their policy limits, without regard to fault. In a strict no-fault plan, this is the extent of the damages a driver can recover. However, all current state no-fault laws allow drivers to sue and be sued for economic or non-economic damages beyond a threshold, which in some states is qualitative (such as death or disfigurement) and in others monetary (such as a dollar amount of medical costs).

Effects of no-fault laws on premiums. To the extent that no-fault laws decrease litigation costs and the size of settlements, they should lower consumers' premiums. Evidence suggests that no-fault plans do reduce legal expenses, but the effect on the size of settlements is more complex. While non-economic compensation is likely to be lower in no-fault states, economic compensation may be higher because accident victims can collect without regard to fault up to their policy limits. Additionally, limiting the recovery of non-economic losses, which are often assessed as a multiple of economic losses, could reduce the incentive to pad claimed medical expenses; but monetary thresholds increase the incentive to bump up medical claims to get over the threshold. Studies show that, on balance, strong qualitative thresholds result in cost savings and premium reductions compared with a tort system, whereas monetary thresholds result in higher costs and premiums.

Other effects. No-fault laws speed the processing and payment of auto accident claims. But by weakening the deterrent effects of tort, they may reduce the incentives to be a careful driver. Indeed, no-fault laws are associated with a small increase in the fatal accident rate, and this effect is larger the stricter is the no-fault law.

ARTICLE

“80 Percent of Job Loss Is Due to ...”

Presidential remarks have alluded to a Council of Economic Advisers' study showing that 80 percent of job loss can be attributed to technological change and 20 percent to trade and business failures. Although the CEA has not produced an independent estimate of the relative importance of these factors in explaining changing patterns of jobs and wages, these remarks are broadly consistent with the latest research findings.

The issue. Economists have noted that, over the last two decades, demand has shifted away from less-skilled workers in OECD countries. As a result, such workers have suffered an erosion of relative pay and employment, and, in some cases, increases in unemployment. The growth in trade over this period raises the possibility that competition with less-skilled workers in developing countries may be the culprit. However, empirical research finds a much larger role for technology.

A focus on wages. Most of the research looking at the United States has focused on why skilled workers' relative wages have risen. In a growing economy with relatively low unemployment, shifts in demand for different kinds of labor are most likely to be reflected in their relative pay. A recent and extensive survey of this research concludes that trade accounts for 20 percent of the rising wage inequality in the 1980s; technology may explain a large part of the remaining 80 percent.

Effects on employment. Only a limited amount of research has been done on the relative importance of trade and technology for the employment of more-skilled and less-skilled workers—and these studies are confined to manufacturing, which accounts for less than one-sixth of all jobs. Growing trade with developing nations should affect the skill composition of employment primarily by shifting demand between industries, shrinking industries that employ relatively more low-skilled workers and expanding those that employ relatively more skilled workers. Technological change, by contrast, should affect the skill composition of employment within industries.

Findings. The studies find that at least 70 percent of the shift toward employment of more-skilled labor in manufacturing during the 1980s took place within industries, which points to technology as the cause. Trade is one possible explanation for the between-industry shifts, but others include the defense build-up over this period. Indeed, the studies conclude that trade may account for as little as 9 percent of the relative decline in employment of less-skilled workers in manufacturing during the 1980s.

Several strands of more direct evidence linking employment shifts to technological change are also presented. For example, such shifts are associated at the industry level with increased use of computers and expenditures on research and development.

The case for a predominant role for technological change is further bolstered by the finding that large-scale within-industry substitution away from unskilled labor occurred in 10 other OECD countries, and that these shifts were concentrated in the same industries in each country.

Although the authors attribute all within-industry shifts to technological change, it is possible that trade may have played a role here. For example, if U.S. manufacturers shift production of low-skill-intensive components offshore, then low-skill labor's share of employment will fall within industries. Such employment shifts would be incorrectly attributed to technological change in the approach used in these studies. Unfortunately, the practical importance of this effect is unknown.

Conclusion. Studies of the impact of trade and technology on labor market outcomes have emphasized the role of technological change in the widening of wage inequality over the past two decades. Research into effects on employment and unemployment is more limited, though it too emphasizes the importance of technological change.

12-1-97

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Manufacturers Looking to Overcome Skill Shortage. Nearly 90 percent of manufacturers are experiencing a shortage of qualified workers in at least one job category, according to a survey of 4,500 manufacturers of all sizes by the National Association of Manufacturers. Sixty percent of those surveyed report that current workers lack basic math skills. 55 percent find serious deficiencies in workers' basic writing and comprehension skills, and about 50 percent believe that too many of their workers lack the ability to read and translate drawings, diagrams, and flow charts. More than one-third are having difficulty improving productivity and upgrading technology due to employee skill deficiencies. The survey also finds that, although employers are investing more to educate and train their employees, their needs have continued to grow as the economic expansion has continued. Almost all of the companies in the survey currently provide some education and training for hourly employees, and about two-thirds provide remedial training programs in subjects such as reading and writing, math, and problem-solving skills. Only about 30 percent currently use Federal or state subsidies or credits to offset the cost of worker training.

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United States Recaptures Top Spot in Supercomputer Rankings. With the installation of an Intel Corporation supercomputer at Sandia National Laboratories, the United States can once again claim title to being the builder of the world's best-performing supercomputer. A recent report shows that 16 of the world's 20 top-performing supercomputers are U.S.-built. These rankings constitute a significant shift from last year, when the Japanese had built not only the 3 best-performing supercomputers, but also 10 of the top 20. In this year's rankings, the Japanese can claim just 4 of the top 20 spots. One reason suggested for the shift is that Japanese computer makers have been slow to adopt massively parallel computing, in which large numbers of microprocessors are used in an orchestrated or integrated way to solve problems. The first-place Intel computer is capable of a peak speed of more than 1.3 trillion mathematical operations per second.

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On the Road Again. Long-distance travel in the United States has more than doubled over the past 20 years, according to a recently released survey by the Bureau of Transportation Statistics. The total number of miles traveled in journeys of 100 miles or more one way was 827 billion in 1995, more than twice as many as in 1977. The average number of trips per person increased from 2.4 in 1977 to 4.0 in 1995. Between 1977 and 1995, average miles per traveler increased by 39 percent, to 3,943. Less than one-fourth of all long-distance trips in 1995 were for business.

INTERNATIONAL ROUNDUP

Japan Releases Economic Stimulus Package Based on Deregulation. Faced with the challenge of bolstering its flagging economy without deviating from a course of fiscal consolidation, the Japanese government announced a new economic program this week based primarily on deregulation. Elements of the program include deregulation in the telecommunications, financial, and labor markets; measures aimed at promoting liquidity in real estate markets and housing investment; improved funding for small- and medium-sized firms; and the promotion of science and technology. Although the proposal also provides for a review of the tax system, specific changes were deferred until the December budget planning meetings. The Japanese Economic Planning Agency has estimated that the main policy measures could raise GDP by 6 trillion yen (1.2 percent) annually—though technical considerations suggest this may be an overestimate. The package is clearly aimed at boosting confidence in the economy; the policies themselves will have the greatest effects over the medium- and long-term. Right now, however, financial markets seem more concerned with how the government will resolve current banking issues.

Strike Shuts Down Canadian Postal System. After efforts at conciliation broke down between the Canada Post Corporation and the Canadian Union of Postal Workers, Canadian postal workers went on strike Wednesday over the key issues of part-time workers, job cuts, and restructuring. The strike reportedly occurred in response to management's decision to begin laying off postal workers, and will continue until a new contract is negotiated. Earlier this month, the government of Canada re-introduced labor legislation to streamline the bargaining process and clarify what labor and management can and cannot do in a strike situation. The legislation will apply to the approximately 700,000 workers and their employers who are subject to Federal labor law. Provisions in the proposed legislation include establishing an industrial relations board, which will have oversight capacity in strikes and dispute settlement.

Winds of Change Blow into Vietnam. The World Bank's annual report on the Vietnamese economy, released Monday, suggests that despite unprecedented rates of growth since the first wave of *doi moi* reform in 1986, substantial inefficiencies persist. The pattern of growth is becoming increasingly inward-looking, capital-intensive, and urban-biased. The market share of labor-intensive industries has declined from 58 to 51 percent, while some key areas such as automobile manufacturing are yielding low returns and are not competitive. The report emphasizes that future economic success depends upon Vietnam's ability to foster more efficient use of resources and generate higher productivity growth. Recent comments by the Deputy Prime Minister concerning the need to abandon import substitution policies in favor of export-led growth, along with Prime Minister Cam's recent calls for a "level playing field" for both private and state sectors, suggest changes are already taking place in high-level thinking about economic policy.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

The goods and services trade deficit rose to \$11.1 billion in September from \$9.5 billion in August.

Housing Starts

Housing starts rose 1 percent in October to 1.528 million units at an annual rate.

Consumer Price Index

The consumer price index increased 0.2 percent in October. Excluding food and energy, consumer prices also increased 0.2 percent.

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production rose 0.5 percent in October following an increase of 0.5 percent in September. Capacity utilization rose 0.1 percentage point, to 84.3 percent.

MAJOR RELEASES NEXT WEEK

Consumer Confidence—Conference Board (Tuesday)
Advance Durable Shipments and Orders (Wednesday)
Gross Domestic Product (Wednesday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1996	1997:1	1997:2	1997:3
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.2	4.9	3.3	3.5
GDP chain-type price index	5.4	2.3	2.4	1.8	1.4
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	1.2	1.4	2.4	4.5
Real compensation per hour:					
Using CPI	0.6	0.2	2.1	2.2	2.1
Using NFB deflator	1.3	1.4	2.4	1.6	3.2
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.2	10.4	10.7
Residential investment	4.5	4.0	4.0	4.0	4.1
Exports	8.2	11.4	11.6	12.0	11.9
Imports	9.2	12.6	12.9	13.1	13.2
Personal saving	5.3	3.1	2.7	3.1	2.6
Federal surplus	-2.7	-1.4	-0.7	-0.5	N.A.
	1970- 1993	1996	August 1997	September 1997	October 1997
Unemployment Rate	6.7**	5.4**	4.9	4.9	4.7
Payroll employment (thousands)					
increase per month			52	269	284
increase since Jan. 1993					13529
Inflation (percent per period)					
CPI	5.8	3.3	0.2	0.2	0.2
PPI-Finished goods	5.0	2.8	0.3	0.5	0.1

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1995	1996	September 1997	October 1997	Nov. 20, 1997
Dow-Jones Industrial Average	4494	5743	7867	7876	7827
Interest Rates					
3-month T-bill	5.49	5.01	4.95	4.97	5.14
10-year T-bond	6.57	6.44	6.21	6.03	5.84
Mortgage rate, 30-year fixed	7.95	7.80	7.43	7.29	7.18
Prime rate	8.83	8.27	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level November 20, 1997	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.734	0.8	15.9
Yen-Dollar	126.8	0.7	14.0
Multilateral \$ (Mar. 1973=100)	96.61	0.8	12.0

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	4.0 (Q3)	4.7 (Oct)	2.1 (Oct)
Canada	3.7 (Q2)	9.0 (Sept)	1.6 (Sept)
Japan	-0.3 (Q2)	3.4 (Aug)	2.4 (Sept)
France	2.4 (Q2)	12.7 (Jul)	1.3 (Sept)
Germany	2.0 (Q2)	7.8 (Sept)	1.7 (Sept)
Italy	1.9 (Q2)	11.9 (Jul)	1.4 (Sept)
United Kingdom	3.9 (Q3)	6.8 (Sept)	3.6 (Sept)

The American connection

WASHINGTON, DC

The third in our series on the intellectual influences on Britain's new government examines the links between Blairites and Clintonites

LAST weekend (November 1st-2nd) key members of Tony Blair's government gathered at Chequers, the prime minister's country residence, for a brainstorming session with leading figures in the Clinton administration. The seminar was private—so private that Downing Street would not confirm who was there or what they talked about. But the fact that Hillary Clinton, Larry Summers (America's deputy treasury secretary) and other eminent Clintonites gathered together with Tony Blair, Gordon Brown and their advisers to discuss "The Progressive Agenda" shows just how close the transatlantic policy conversation has become since Mr Blair's election. While relations with many European socialists remain frosty, the Blairites have developed an intellectual cosiness with American Democrats that rivals the intimacy of the Reagan-Thatcher era.

Nowhere is this more obvious than in economic policy. New Labour's approach to economic management bears more than a passing resemblance to Clintonomics. Both stress the importance of macroeconomic stability, of low inflation and fiscal prudence. Both are committed to a substantial overhaul of their welfare systems, based on the idea of providing the poor with "a leg-up rather than a hand-out". New Labour has promised to introduce a minimum wage and is thinking about introducing an earned-income tax credit (EITC) to help the working poor. The Clinton administration has already expanded America's EITC and raised the minimum wage.

New Labour is not simply copying the Democrats. The transatlantic ties are both deeper and more complicated than that, and the American intellectual influence comes as much from academia as from the political world. It is based largely on personal relationships. Jonathan Powell, Mr Blair's chief of staff, spent several years as a diplomat in the British Embassy in Washington, where he specialised in schmoozing with Clintonites. David Miliband, who now runs the Downing Street policy unit, studied at MIT, as did Geoff Mulgan, another influential adviser at Number Ten. And Ed Balls, the chancellor's closest aide,



spent two years at Harvard in the late 1980s. Although then in his 20s, Mr Balls informed one of his professors that he was already "preparing to govern".

The American influence on New Labour's economic policy can be traced largely through Mr

Balls and the Harvard connection. Mr Balls's professors claim that he learned there a commitment to "rational activism", with equal emphasis on both words. (This certainly sounds preferable to irrational activism.) At a time when many British academics were still focused on short-term macroeconomic issues, the study of long-term economic growth was dominated by Americans. When Mr Brown made a speech containing a now-infamous reference to "post-neoclassical endogenous growth theory", he was drawing directly, albeit incomprehensibly, on an American academic debate about the role of government in fostering growth.

The transatlantic ties were strengthened further when several of Mr Balls's Harvard gurus joined the Clinton administration. Larry Summers went to the Treasury; Lawrence Katz, a prominent Harvard la-



Balls and Brown, Harvard men

THE PRESIDENT HAS SEEN

BRITAIN

bour economist was, for a while, chief economist at the Labour Department under Robert Reich, another Harvard man. The academics-turned-policymakers were now able to test their ideas in government. Messrs Brown and Balls, who visited Washington regularly, listened closely.

The results are evident in several areas. Mr Brown's decision to grant independence to the Bank of England was heavily influenced by a series of conversations with Mr Summers and Alan Greenspan, chairman of America's central bank. In the late 1980s Mr Summers had co-written an influential academic paper that showed that independent central banks in rich countries worked better than politicised ones. In government in the 1990s he saw how the credibility of America's independent Federal Reserve helped, rather than hindered, a centre-left Democrat administration—a point not lost on Mr Brown.

The intellectual origins of New Labour's "New Deal" for young people also lie in large part with the Balls-Katz-Summers connection. While Mr Balls was at Harvard the three men co-wrote an academic paper analysing British unemployment by region and by skill. Their conclusion—that long-term unemployment was caused both by skill mismatches and by a loss of the culture of work—underpins New Labour's emphasis on instilling a work ethic in the young, while providing them with skills. Although America's focus on single mothers is different from Britain's emphasis on the young, a constant stream of Blairites has trooped across the Atlantic to observe American welfare reform.

The Harvard connection can also be seen in New Labour's emphasis on the working poor. The dual strategy of raising the minimum wage and extending the earned-income tax credit was central to America's anti-poverty fight when Mr Reich was labour secretary. New Labour likes the approach and has borrowed the experts. Recommended by Mr Katz, Jeffrey Liebman, another Harvard economist, recently wrote a paper for the Blair government on America's experience with the EITC.

In some areas, American academic thinking has proved more influential with New Labour than it has in Washington itself. Mr Brown's pledge that, in the interests of transparency, the Bank of England will publish details of its forward operations, goes well beyond what America now does. In other areas, particularly welfare reform, the American approach has been softened and "Europeanised". But intellectually, the British government is still a lot closer to America than to Europe.

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JUDGMENT CALLS

R.I.P., EARLY
RETIREMENT?

As Americans live longer, they'll have to work longer to pay for their old age

BY ROBERT J. SAMUELSON

YOU CAN OFTEN GLIMPSE HUGE SOCIAL UPHEAVALS in tiny shifts. We can now see such a transformation in retirement. For a century Americans have retired earlier and earlier. In 1880 more than 75 percent of men 65 and over worked. In 1997 only 17 percent do. Indeed, until perhaps 60 years ago, the idea of retirement barely existed. People generally worked until they buckled under the physical burdens of labor. But there are now signs—among those in their late 50s and early 60s—that retirement ages are creeping back up and that the concept of retirement is subtly shifting. These small changes surely herald something larger: as baby boomers age, Americans will work longer and retire later.

"We can't have more and more older people, and more people leaving the labor force at younger and younger ages," says Harvard economist David Wise. People will work longer to pay for their retirement. Social Security and Medicare benefits will someday probably be curbed (though not ended). Higher eligibility ages may be one reduction. And lengthening life expectancy fans anxiety about the adequacy of savings. (In 1960 someone 65 could expect to live 14 more years; now it's nearly 18 years.) Two thirds of Americans would like to retire before 65, reports a poll by the Employee Benefit Research Institute, but 72 percent planned to work after retirement. The survey concluded:

"Americans are beginning to see retirement not simply as a time when they lie back and relax, but as a time when they pull back from the rigors of a full-time career to work part-time while [also] enjoying some of the fruits of their labors."

Whether the recent increase of older workers reflects these trends or just the economy's present boom—creating a higher demand for workers of all ages—is unclear. But the increase is unmistakable. In the past two years the number of workers 55 to 64 has risen by about 400,000 more than expected, says economist David Wyss of Standard & Poor's forecasting firm DRI. These extra workers, he says, are one factor holding down wage increases. "Over-55 workers are in demand due to shortages and because they can start work with little or no training," says John Challenger of Challenger, Gray & Christmas, a job-placement firm.

This reverses the experience of the early 1990s, when older workers—especially middle managers—were targets for downsizing and early-retirement programs. Some companies are now hiring back, temporarily or part time, people who left a few years ago. In 1997 the labor-force participation rate for men 55 to 64 is 67.5 percent, up from 65.5 percent in 1994. (This refers to the share of people with a job or looking for one.) For women the participation rate for 55- to 64-year-olds has risen slowly since the late 1970s, as women's



careers more resemble men's. In 1997 it was 50.5 percent. These modest increases, if sustained, would be historic. Retirement has continuously expanded since the late 19th century, as economist Dora Costa of the Massachusetts Institute of Technology shows in a forthcoming book. * The first spur came from federal pensions for Civil War veterans. By 1910, 90 percent of veterans were getting annual pensions averaging \$172. But most men didn't retire, because they lacked savings, and retiring meant becoming "dependent on their children, which they didn't like," says Costa. Even in 1948, 47 percent of men over 65 worked, as did 90 percent of men between 55 and 64. Social Security, private pensions and higher incomes made retirement the norm. Until recently, earlier retirement was seen as even better.

What looms is a radical, though gradual, shift in assumptions. Companies—facing a scarcity of younger workers—may need more older workers. And workers may want to work longer. One reason the present rise in work may not be temporary is a change in pensions, says Harvard's Wise. Most corporate pensions started before the 1970s are so-called defined-benefit plans: they pay fixed amounts based on salary and years of service. Defined-benefit plans, Wise notes, often encourage early retirement. Pensions are reduced only slightly or not at all for workers leaving as early as 55. But pension growth recently has come in defined-contribution plans—typified by 401(k) plans—that remove these incentives.

Companies and workers simply make contributions to a pension pot. Workers collect whatever's in the pot. So anyone worried about the future can save more by working longer. Consider a worker with \$100,000 in a 401(k), earning 8 percent a year (the plan's assets are split between stocks earning 10 percent and bonds earning 6 percent). Delaying retirement for three years raises the amount in the plan to \$125,971, even if no extra funds are added. If \$2,000 a year is added, the total reaches \$132,464. Americans may increasingly leave work the way they enter: fitfully. Young adults generally don't go straight to a career. They sample many jobs, some temporary and part time. Jobs may now be customized for older workers. "Community colleges hire retired teachers," says Anne Chamberlain of Buck Consultants. Companies already value older workers for their dependability, loyalty and experience, says Sara Rix, a labor specialist at the American Association of Retired Persons. But employers also fear that older workers can't adapt to new technologies or cost too much, she says. Generational generalizations are hazardous. Some older workers do lose enthusiasm; other crave a new challenge. A good worker (of any age) is better than a bad worker (of any age).

The people are ahead of the politicians on these issues. Government policy penalizes mixing work and retirement. Social Security still imposes an earnings test—that is, benefits are reduced for those with wage income—for recipients between 62 and 69. Though the penalties have been (and are being) eased, their complexity and mere existence signal disapproval of work. It's the wrong message and discourages new work arrangements that many older Americans want and that the country needs. Sooner or later government may catch up with the people. Probably later.

THE PRESIDENT HAS SEEN
12-1-97

THE FEDERAL DIARY

Ensuring Retiree Insurance

By Mike Causey
Washington Post Staff Writer

Skipping on federal health premiums is as cost-effective as sky-diving without a chute. You save some money in the short run, but...

I ran into a former neighbor yesterday. He's retired and looks older than he really is—the result of a couple of major strokes. Lucky? No! Smart? Yes!

Smart because he kept his federal health coverage although his nonfederal wife had a less expensive family health plan. But her benefits all but disappeared when she retired. Had they been under her plan, he would have been out thousands of dollars in medical bills. Had she died first, or had they divorced, he would have been without insurance, period.

"Thank God I had, and still have, a good federal health plan," he said. "Without it, we might have lost the house and everything we had saved. Tell everybody who is eligible to sign up."

Most of those who are eligible are in the federal health program. The open season—to sign up or to switch plans—ends Dec. 8.

But some people skip federal coverage, generally to save money. They depend on their spouses' private-sector plans until, as they near retirement, they realize Uncle Sam's is a much, much better deal. By then it can be difficult, or too late, to get coverage. Generally speaking, federal workers who retire without coverage, or who drop their federal health coverage, can't pick it up later except in very, very special situations.

In most cases, people must have federal coverage (from any of the plans) for five years before retirement to continue coverage in retirement.

Insurance expert Walton Francis, editor of the Washington Consumers' Checkbook federal health plan guide, says that "anybody who is eligible for the federal program should be in it. Anybody and everybody!" Most workers and

retirees are eligible for at least 20 plans, with a wide range of premiums.

In retirement, Francis says, the federal program beats all. Nobody can be rejected because of age, health or preexisting conditions. Surviving spouses have lifetime coverage. Covered retirees can switch plans at least once a year (more often in some cases), and premiums and benefits are the same as for workers.

To be eligible for federal coverage in retirement, Francis says, workers should enroll now in a low-cost plan, even if they never use it because they remain under a spouse's private-sector plan. It will pay off when they retire.

"Pick an HMO [health maintenance organization] plan with low premiums, or a fee-for-service plan like Mail Handlers, which has excellent coverage and low premiums," he said.

Next year, the Mail Handlers standard-option plan will cost workers only \$18.25 a pay period. The family plan will cost only \$39.62 biweekly. Francis says it is an excellent fee-for-service plan, although it has a high deductible for prescriptions. GEHA, another highly rated fee-for-service plan, will cost singles \$32.05 a pay period next year.

HMOs cost even less. Cigna's premium next year for singles will be \$14.44 biweekly. Kaiser Permanente and the MD LPA plans each will cost less than \$20 biweekly.

Bill Smith, of the National Association of Retired Federal Employees, says coverage during retirement is essential. He has seen cases in which workers stayed out of the program until they got close to retirement, and then "they begin to realize how good the federal health program is for retirees." By then, he says, they have two choices: either get coverage "and work another five years to establish eligibility" or retire and take a chance that a spouse's health plan will take care of them. "It's simply not worth the risk," Smith said.

Tuesday, Nov. 25, 1997

The Washington Post

TUESDAY, NOVEMBER 25, 1997

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THE SHOWDOWN WITH SADDAM: HOW BAD A BLOW FOR WASHINGTON?

With his power to shape domestic affairs ebbing, Bill Clinton—like many second-term Presidents before him—hoped to play a far more assertive role in global affairs. But his wobbly performance in his showdown with Saddam Hussein is raising fresh doubts about whether the President or his new foreign-policy team are up to the task.

After the Iraqi strongman ousted U.S. members of a U.N. weapons inspection team, Clinton stood firm. He demanded unconditional compliance with U.N. on-site inspections, threatening military action if Iraq balked. But now the Administration appears to be wavering. On the table are sweeteners to get inspectors back into Iraq, ranging from expanding a humanitarian food-for-oil program to possibly negotiating a timetable to end sanctions. Moreover, Washington has let Russia's most skillful Arabist, Foreign Minister Yevgeny M. Primakov, broker a deal that could save face for Saddam and enhance Moscow's Mideast clout.

Clinton's desire to exhaust all diplomatic avenues may be laudable. But his execution has unsettled critics at home. Some State Dept. Mideast specialists worry that Clinton may cave in to Saddam. Outside experts are assailing the Administration for a policy of appeasement that could encourage other regional despots to test U.S. resolve. "If Saddam comes out of this thinking he got something, he will do it again," warns Kenneth M. Pollack, a Persian Gulf analyst at the Washington Institute for Near East Policy. Saddam won't be the only one to make that calculation. "Around the world, people will now decide that it's worth testing Mr. Clinton," says Karl D. Jackson, a former Bush Administration national security official.

ALLIED DISUNITY. It is far from clear that the latest round of diplomacy will defuse the crisis. The Pentagon is continuing the biggest buildup of troops in the region since the 1991 Gulf war. If Saddam overplays his hand, armed conflict is still a possibility. But this time, U.S. allies have little stomach for military action. To avoid a deeper rift in the alliance, Clinton is going to extraordinary lengths to negotiate. "We could be talking for several weeks," says a top White House official.

Clinton's room to maneuver is slim because of the collapse of the U.S.-led Mideast peace process. American influence in the region has receded to the point that Arab leaders are boycotting a Washington-backed economic conference in Qatar but will attend an Islamic summit that Iran is hosting.

U.S. weakness has created the void that is allowing Rus-

sia to step in with a peace initiative and renew old ties to Baghdad. Russia has a big financial stake in any deal that leads to the end of economic sanctions. Iraq owes Russia \$7 billion, which it can only repay by selling oil again. Besides, Moscow is a major oil customer, eager to invest in Iraqi energy projects. "We have an interest in rebuilding our position there," says Sergei Karaganov, chairman of Russia's Council on Foreign & Defense Policy.

This view underscores the most serious split between the U.S. and its allies. The White House wants the economic stranglehold on Iraq to remain in place as long as Saddam is in



ON TARGET Saddam's main diplomatic goal is to force a timetable to phase out sanctions

power. The Europeans, like the Russians, have a strong interest in commercial ties to Iraq. Beyond that, most believe that indefinite sanctions give Saddam no incentive to mend his ways. "Sanctions aren't effective," insists a senior French official, "You have to give Saddam not only a stick, but a carrot."

Allied disunity makes finding a way out of the mess much tougher. But self-inflicted fumbles haven't helped. The U.S. botched an Oct. 23 U.N. Security Council vote on a travel ban on Iraqi officials. France and Russia wanted more time to tweak the proposal, but the U.S. and other countries resisted. France, Russia, and others abstained, creating divisions that Saddam could exploit. "It would have been very easy to get a posi-

tive result and to preserve the unity of the Security Council," says one European diplomat.

In the end, Clinton may accept an easing of sanctions that would let Iraq sell a bit more oil to raise cash for food and humanitarian aid. And Baghdad may ultimately gain its main diplomatic goal: a timetable to phase out sanctions. In return, Saddam has to do only what he already was obligated to do—allow inspections of suspected weapons sites. "We're essentially playing his game on his turf," gripes Arnold Kanter, a former State Dept. official.

The Administration is trying to put the best face on the standoff, insisting the U.S. isn't making significant concessions. And should the inspections resume without launching a single cruise missile, the President certainly could declare a victory.

Still, if Saddam is emboldened to plot new confrontations, that victory would be fleeting. And the President no doubt would wind up wishing he had struck to his guns—and maybe even used them.

By Stan Crock in Washington and John Templeman in New York, with Patty Kranz in Moscow and bureau reports

THE PRESIDENT HAS SEEN

12-1-97

Today's debate: SAVING FOR RETIREMENT

401(k)s help workers save but don't go far enough

OUR VIEW Workers aren't saving enough for retirement. Loosening rules on 401(k)s would help.

The good news about retirement is that workers and employers are plowing more money than ever into retirement plans. The bad news, as a special USA TODAY report Monday showed, is that most aren't doing enough to assure a decent retirement.

A survey of the 100 biggest and supposedly best 401(k) plans in the land shows they're good in manufacturing. But in retail and service firms, where most new jobs are, plans are far from golden. Most firms that have them match only a small fraction of employees' contributions. And many limit those contributions, too.

This is a small but vital piece of a broader problem: Half of all U.S. workers have no private retirement plan, period.

Forty-five-year-olds making \$50,000 a year need to sock away \$1 million by the time they retire to maintain their living standards. 401(k)s help, but not as much as they could if the rules made more realistic assumptions about the way people save.

According to a study by the Employee Benefit Research Institute — a labor-business non-profit organization — young workers with new families, homes and relatively lower pay don't save a lot for retirement. Older workers, at their peak in pay and having paid for their kids and homes, save as much as they can for retirement. Yet federal rules bar older workers from putting in much more than younger ones.

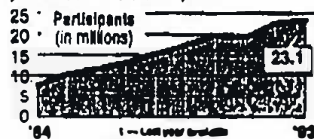
First there's a maximum dollar amount an individual can put into a 401(k). This year, that's \$9,500. Then there's a limit of 25% of compensation a person can put in a plan. An older worker making \$30,000 can't put in more than \$7,500 even if he might want to. And the study showed at least some would.

Saving for retirement

The number of 401(k) retirement plans has grown nearly nine times since the mid-1980s...



... and during the same period, the number of people participating in such plans has more than tripled.



Source: Employee Benefit Research Institute
By Mary E. Madigan, USA TODAY

Finally, rules tie payments by higher-paid, usually older workers directly to those by lower-paid, often younger workers. If contributions by workers making less than \$80,000 fall two percentage points short of contributions by those making more, the more highly compensated workers must reduce their contributions.

The aim is right: to prevent companies from turning 401(k) plans into private preserves for highly paid managers.

But, as the USA TODAY pension survey shows, the rule hurts lower-paid workers, too. Many firms with thin profit margins simply limit the contributions all their workers can make to well below the federal allowance. The majority of midsize and small businesses don't provide plans at all. Congress should simplify the rules. When it did so for small businesses in 1996, new plans boomed.

It also should find ways to let older workers contribute more. Many will face grim retirements if they can't.

USA TODAY • TUESDAY, NOVEMBER 25, 1997

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Plans benefit the wealthy

OPPOSING VIEW Average workers aren't able to take full advantage of 401(k)s. Pensions are fairer.

By Karen Ferguson

If you think 401(k)s are too good to be true, you may be right. So far there is no evidence that they can "do the job" for most workers.

These popular do-it-yourself arrangements are increasingly substituting for pension and profit-sharing plans.

The reason isn't hard to find. They are cheaper for employers.

401(k)s cost about a third as much as traditional plans, largely because companies contribute only for workers who can afford to put money in first.

The typical American worker, who earns \$28,320 a year and lives paycheck to paycheck, is able to put little, if any, money into a 401(k) until late in his or her work life. By then, it is too late for compound interest to work its magic.

Also, because of the small amounts saved, workers are understandably reluctant to take the risks necessary to get high returns. And many take the money out before retirement to meet housing, education and other compelling needs.

Federal Reserve System statistics show that half of all households with retirement savings accounts in 1995 had accumulated less than \$15,600.

By contrast, 401(k)s are a bonanza for better-off employees who would save even without the generous tax breaks they provide. According to the Federal Reserve, nearly three-fifths of the money in 401(k)s, or 57%, is owned by the top one-tenth wealthiest households.

The problem is that all taxpayers are subsidizing these tax shelters, including those unable to take advantage of them.

One reason for the popularity of 401(k)s is that they are simple and portable. But pensions can be just as simple and portable — and provide real retirement benefits to workers at all income levels.

Simplified Employee Pensions (SEPs) and "money purchase" pension plans are examples of fair company-paid plans. Key proposals for other types of pensions are now pending in Congress.

The shift to savings plans also appeals to notions of individual responsibility. But absent hard data proving that 401(k)s are an efficient and effective way of providing retirement security, a return to corporate responsibility makes a lot more sense.

Karen Ferguson is co-author of *The Pension Book* and director of the Pension Rights Center.

we need to look at this

Rosy market outlook?

Within every Asian calamity, investors in the United States seem to find some economic silver lining. At least so far.

Hong Kong's financial troubles triggered the 554-point, one-day drop of the Dow Jones industrial average a month ago. But many investors took it as a buying opportunity. By last week, the market recovered all of that loss.

Indeed, stocks went up last week even as one of the region's powerhouses — South Korea — sought an international bailout.

Only news about the collapse of Japan's fourth-largest securities firm due to bad loans and worse management seems to have tempered investor exuberance. The Dow dropped 113 points Monday, modest considering Asia's problems.

One big reason for investor confidence here is that the Asian financial crisis has had a perverse financial fallout.

Foreign investors seeking a safe place to park their money have helped cut Treasury bill rates sharply in the six months since the crisis began. Home buyers here have enjoyed a 0.8 point drop in 30-year mortgage

rates since June.

All this has helped keep the U.S. economy perking, with its lowest unemployment rate in decades, while competition from imports keeps U.S. prices in check.

But the U.S. economy can't remain immune from Asia's problems.

Korea and Japan are big consumers of U.S. goods and services. U.S. high-tech and service industries need Asia's economies to recover if they are to grow. Further, if Asian nations attempt to lift themselves out of their troubles by dumping exports here while limiting imports from the U.S., the result could be a spiral of lower prices, profits, wages and stock prices for all.

President Clinton needs the leaders of the other nations attending the Asia-Pacific Economic Cooperation forum in Vancouver this week to affirm they won't attempt that disastrous course.

Ultimately, no nation profits from another's misery. A strong U.S. economy can help stabilize Asian economies. But strong Asian economies are vital to long-term U.S. growth.

Racism Is Not The Issue

By Orlando Patterson

Why are we having a national argument on race? By all objective

measures — recent opinion polls, demographic data and academic studies — race relations between blacks and whites have never been better. What is more, the majority of African-Americans are content, even optimistic, about their interactions with European-Americans, according to a close reading of a recent Gallup Poll, for example, and other surveys.

This viewpoint has also been forcefully argued by the scholars Stephan and Abigail Thernstrom in their new book, "America in Black and White." While I differ with many of their arguments, particularly with their opposition to affirmative action, their basic premise is correct — that relations between the races are getting better, as are the conditions of most African-Americans.

Nonetheless, civil rights leaders insist that this belief is dangerously wrong because they think that America remains mired in racism. Social scientists like Stephen Steinberg of Queens College in New York indicts America for its retreat from policies supporting racial equality; Carl Rowan, a syndicated columnist, has just published a book called "The Coming Race War," and the journalist David K. Shieler has titled his pessimistic book about race "A Country of Strangers."

Finally, President Clinton has placed the resolution of the so-called crisis on his list of potential historical legacies.

But let's get the facts straight. According to the most recent census data, blacks have virtually closed the gap with whites not only in the percentage graduating from high school but also in the percentage graduating from junior college.

Black full-time workers have also started to close the income gap, according to census data. From 1970 to 1995, the average annual income of white men declined by 3 percent, to \$34,741, while that of black men increased by 11 percent to \$27,136.

Nonetheless, major problems still remain for the bottom quarter of the African-American population — 26

percent of all black families and 41.5 percent of their children remain trapped in poverty. The situation is no longer worsening, but it is no better than conditions were a quarter century ago.

Nor have we seen the end of racism, as some conservatives like Dinesh D'Souza have absurdly announced. About 20 percent of white Americans are still at least mildly racist (meaning, among other things, that they are averse to living in neighborhoods with only a few minority families), according to my research using polls, including one in 1994 by the National Opin-

Poor blacks need good jobs, not bromides on race.

ion Research Center. But because blacks make up only 13 percent of the population, this means that for every two blacks there are still three white racists.

We have made great progress, but there is still a long way to go. Here is what we should be asking: How does racism hurt the lives of African-Americans? For the poorest among them, is racism the real problem? Do ordinary black Americans think that race is their biggest problem?

When it comes to earnings and self-esteem, racism may be less of a problem for the poorest blacks and more of a problem for middle-class blacks who are in direct competition with whites for jobs, status and power. This is the main reason that I think we need affirmative action for another 15 years or so. Isolated from critical networks of influence and economic power, middle-class blacks badly need affirmative action to level a playing field that for 300 years favored whites.

Certainly, poor blacks are hurt by racial discrimination — mostly in biased police behavior and draconian drug-sentencing laws that result in horrendous incarceration rates for young men. But as the sociologist William Julius Wilson emphasized more than 19 years ago, race is of secondary importance when it comes to the economic conditions of poor blacks. Poor blacks, like poor whites, are impoverished partly because they attend bad schools, come from broken families and live in broken communities. But

Orlando Patterson, a professor of sociology at Harvard, is the author of "The Ordeal of Integration: Progress and Resentment in America's 'Racial' Crisis."

the basic problem is that the poor, no matter how hard they work, earn too little to pull themselves out of poverty.

Indeed, in a Gallup Poll taken in June, poor blacks said that money, not racism, was their biggest problem. This poll, which measured race relations, found that three-quarters of blacks considered their own relations with whites to be good, and indeed, had a close white friend. The same poll found, however, that 53 percent of blacks were dissatisfied with their incomes. Unsurprisingly, for poorer African-Americans, the figure was much higher.

If money is the problem and not racism, why do many leaders, white and black, warn that America's racial problems are getting worse? This pessimism results from a strange collision of interests.

White liberals believe to some degree the stereotype that African-Americans are a dependent and chronically victimized group. Any problem associated with blacks is simply assumed to be racist in origin. Emphasizing failure and crisis is also an effective way to argue for more government intervention.

Black political leaders also have a vested interest in maintaining that a racial crisis exists. Their legitimacy and a good part of their livelihood depend on defending entitlement programs.

On the right, leaders and scholars exaggerate the crisis in race relations to highlight the failures of liberal programs.

The news media give all these wrong-headed beliefs their full attention. In the tabloids and on the television news, articles about urban crime and racial incidents are common. Even leading newspapers play the "racism forever" game, partly out of a misguided and patronizing liberalism. For instance, in reporting the results of the June Gallup Poll referred to earlier, most newspapers stressed the one pessimistic finding: that a majority of black respondents thought that relations between the races were generally getting worse — an impression drawn from the press itself.

Newspapers ignored the more accurate and positive finding: the great majority of respondents reported that their own experiences with whites were good and getting better.

Martin Luther King's dream of an integrated America has not been deferred. The nation is overcoming what was once its greatest flaw, racism. Denying its persistence is naive and reactionary. But ignoring the country's extraordinary progress, while exaggerating racism's impact, is counterproductive as well. It obscures and diverts attention from what is now our greatest shame — chronic poverty and growing income inequality — and it plays right into the hands of those on the right and left who promote the vile dogma of racial separatism.

THE PRESIDENT HAS SEEN

12-1-97

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The New York Times

Sunday, November 16, 1997

12-1-97

VACANT POSITIONS REQUIRING SENATE CONFIRMATION

"N" indicates a candidate has been officially nominated; "R/V" means the White House is either recruiting (searching for a candidate) or has selected a candidate and is vetting (doing background checks).

Department of State	
Three of 15 positions vacant	
General counsel	R/V
Assistant secretary for administration	R/V
Chief financial officer	N
Department of the Interior	
One of five positions vacant	
Deputy director for community management	N
Department of Agriculture	
Eight of 23 positions vacant	
Undersecretary for economic affairs	N
Undersecretary for technology	R/V
Assistant secretary for trade development	R/V
Assistant secretary for technology policy	R/V
Assistant secretary for legislative and intergovernmental affairs	R/V
Director general, U.S. Foreign and Commercial Service	R/V
Assistant secretary for market access and compliance	R/V
Deputy commissioner, Patent and Trademark Office	R/V
Department of Defense	
One of three positions vacant	
Member	N
Department of the Army	
11 of 43 positions vacant	
Secretary of the Air Force	N
Assistant secretary of the Army for research, development and acquisition	N
Assistant secretary of the Army for manpower and reserve affairs	R/V
Assistant secretary of the Army for installation, logistics and environment	R/V
Assistant secretary of the Army for civil works	R/V
Principal deputy undersecretary for acquisition and technology	R/V
Assistant secretary for command, control, communications and intelligence	R/V
Assistant secretary for force management	R/V
Assistant secretary for health affairs	R/V
Assistant secretary for international security policy	R/V
Director of defense research and engineering	R/V
Department of the Navy	
Four of 17 positions vacant	
Deputy secretary	N
Assistant secretary for management	R/V
Assistant secretary for educational research and improvement	N
Assistant secretary for legislative and congressional affairs	R/V
Department of Energy	
Three of 18 positions vacant	
Assistant secretary for environmental safety and health	R/V
General counsel	N
Director, Office of Civilian and Radioactive Waste	R/V
Department of Education	
Six of 14 positions vacant	
Assistant administrator for research and development	R/V
Assistant administrator for air and radiation	R/V
Assistant administrator for administration and resource management	R/V
Assistant administrator for solid waste	N
Chief financial officer	N
Inspector general	R/V
Department of Health and Human Services	
One of seven positions vacant	
Deputy director	N
Department of Social Security	
Three of 18 positions vacant	
Assistant secretary for health, surgeon general	N
Commissioner, Food and Drug Administration	R/V
Commissioner, Administration on Children, Youth and Families	R/V
Department of Housing and Urban Development	
Five of 15 positions vacant	
Assistant secretary for public and Indian housing	N
Assistant secretary for policy development and research	R/V
Director, Office of Federal Housing Enterprise Oversight	R/V
Assistant secretary, public affairs	R/V
Assistant secretary for administration	R/V
Department of the Environment	
Two of 17 positions vacant	
Assistant secretary for fish, wildlife and parks	N
Director, U.S. Geological Survey	R/V
Department of Justice	
Four of 27 positions vacant	
Assistant attorney general, Criminal Division	R/V
Assistant attorney general, Civil Rights Division	N
Assistant attorney general, Office of Legal Counsel	N
Deputy administrator, Drug Enforcement Administration	R/V
Department of Labor	
Six of 18 positions vacant	
Assistant secretary for employment and training	R/V
Assistant secretary for policy	N
Administrator, Wage and Hour Division	R/V
Chief financial officer	R/V
Solicitor	R/V
Director, Women's Bureau	N
Department of Commerce	
Two of six positions vacant	
Deputy director for management	R/V
Administrator for federal procurement policy	R/V
Department of Transportation	
Three of four positions vacant	
Deputy director for supply reduction	N
Deputy director for demand reduction	R/V
Associate director for state and local affairs	N
Department of the Treasury	
One of four positions vacant	
Deputy administrator	N
Department of Veterans Affairs	
Three of 44 positions vacant	
Assistant secretary, oceans and international environmental and scientific affairs	R/V
Assistant secretary for international narcotics and law enforcement affairs	R/V
Middle East coordinator (rank of ambassador)	R/V
Department of the Environment and Public Works	
Six of 18 positions vacant	
Assistant secretary for transportation policy	R/V
Assistant secretary for budget and programs and chief financial officer	R/V
Administrator, Research and Special Programs Administration	R/V
Administrator, Federal Maritime Administration	R/V
Deputy administrator, Federal Aviation Administration	N
Associate deputy secretary and director, Office of Intermodalism	N
Department of the Treasury	
Two of 24 positions vacant	
Commissioner, Customs Service	R/V
Assistant secretary for tax policy	N
Department of the Treasury	
Two of eight positions vacant	
Alternate U.S. representative for special political affairs	N
U.S. representative, U.N. agencies for food and agriculture	R/V
Department of the Treasury	
One of four positions vacant	
Deputy U.S. trade representative	N
Department of the Treasury	
Five of 13 positions vacant	
Secretary	R/V
Assistant secretary for management	R/V
Assistant secretary for congressional affairs	R/V
General counsel	R/V
Chairman, Board of Veterans' Appeals	R/V

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The Washington Post

TUESDAY, NOVEMBER 25, 1997

THE PRESIDENT HAS SEEN

12-1-97

E.J. Dionne Jr.

The Clinton Haters

President Clinton's best allies are the Clinton Haters. They will say anything and charge him with whatever comes into their heads when they get out of bed in the morning. The result: They have given the president a high degree of immunity against whatever is thrown at him.

Much has been made of Clinton's high approval ratings in the face of all his troubles on matters ranging from sex to money. The standard view is that the country feels pretty good about things, the economy especially, and doesn't care about much else. Some anti-Clinton Big Thinkers have mourned this as a sign that the country's moral standards have fallen, that we don't expect much of presidents anymore.

No sense. The decline is in our political standards—specifically what we deem acceptable in the realm of political combat. Where Clinton is concerned, anything goes. That's why so many people seem to discount attacks on him—and why his lieutenants can dismiss even legitimate questions as products of "the attack machine."

Consider the speed with which charges that the administration "sold" plots at Arlington National Cemetery for campaign contributions entered the political bloodstream. All it took was for a conservative magazine called *Insight* to print them.

Sen. Arlen Specter (R-Pa.) immediately announced he would hold hearings. House Speaker Newt Gingrich was outraged. The talk radio lines maintained by Rush, Ollie, Gordon and friends burned with invective. Did they

have the facts? No. Did they care? No. How could they resist a story that allowed them to link Clinton's campaign finance problems with a rehash of his avoiding service in Vietnam?

Clinton is guilty until proven innocent. That was the thrust of a letter written by Rep. Spencer Bachus (R-Ala.), a member of the House Veterans Affairs Committee, to Army Secretary Togo West. "Given the administration's record in military affairs, the burden of proof lies completely with your office," Bachus wrote.

With all these authorities giving credence to the charge, outside groups quickly played their assigned roles. The veterans' group AMVETS urged Specter to block West from his expected appointment as veterans' secretary for "his involvement in this disgusting, dishonorable event."

A small problem: The accusation was untrue. There was no "disgusting, dishonorable event." It turned out there were good reasons why the administration gave special permission for the burial of 69 people at Arlington—reasons that had nothing to do with campaign money. Among the special cases was a drug enforcement agent and an Army vet who was killed during a mission in Peru. Another special case involved a former Marine killed in the line of duty as a Washington, D.C., cop.

Oh, yes, one of those buried did contribute heavily to the Democrats. M. Larry Lawrence was a Clinton friend who served as ambassador to Switzerland. Lawrence joined the merchant marine when he was 18 and was wounded during World War II. Do the talk-show patriots

have the standing to demand removing the remains of this real patriot from Arlington?

But the Clinton Haters have a backup position. They say this mess is Clinton's fault because Clinton has already proven he is capable of anything. How could they be blamed for dismissing Clinton's denials? Administration denials often have a half-life of a couple of days.

This is both clever and pathetic. It's clever because, beginning with the 1992 campaign, Clinton and his circle have had a bad record when it comes to telling the whole truth quickly. Unfortunate details get disclosed only under pressure. Clinton team members often needed the skills of Hollywood script doctors to accommodate changes in their story lines.

But it's pathetic that Clinton's opponents feel they have license to invent outlandish tales and assert them as fact. This is the Clinton Haters' concession of defeat. They haven't been able to beat him in the political debate, and they haven't caught him yet even in those areas where they might have a real case. So they fall away.

They hope that one of their charges just might turn out to be true someday. In the meantime, the innuendo is fun and builds audiences and followings.

Maybe Clinton will prove himself as flawed as the haters say he is. For now, they are doing the president they despise the biggest favor in the world: When you square off his credibility against theirs, Clinton has a fighting chance.

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Robert Redford

A Piece of 'God's Handiwork'

Just over a year ago, President Clinton created the Grand Staircase-Escalante National Monument to protect once and for all some of Utah's extraordinary red rock canyon country. In response to plans of the Dutch company Andalex to mine coal on the Kaiparowits Plateau, President Clinton used his authority under the Antiquities Act to establish the new monument, setting aside for protection what he described as "some of the most remarkable land in the world." I couldn't agree more. For over two decades, many have fought battle after battle to keep mining conglomerates from despoiling the unique treasures of this stunning red rock canyon country. Now, we thought at least some of it was safe.

Not so. Shocking as it sounds, Clinton's Bureau of Land Management (BLM) has approved oil drilling within the monument. BLM has given Conoco Inc., a subsidiary of the corporate giant Du Pont, permission to drill for oil and gas in the heart of the new monument. You may wonder, as I do, how can this happen? What's the whole purpose of creating the monument to preserve its colorful cliffs, sweeping arches and other extraordinary resources from large-scale mineral development? Didn't the president say he was saving these lands from mining companies for our children and grandchildren?

The BLM says its hands are tied. Why? Because these lands were not aside subject to "valid existing rights," and Conoco has a lease that gives it the right to drill. Sure Conoco has a lease—more than one, in fact—but those leases were originally issued without sufficient

environmental study or public input. As a result, none of them conveyed a valid right to drill. What's more, in deciding to issue a permit to drill now, the BLM did not conduct a full analysis of the environmental impacts of drilling in these incomparable lands, but instead determined there would be no significant environmental harm on the basis of an abbreviated review that didn't even look at drilling on the other federal leases.

Sounds like Washington double-speak to me. I've spent considerable time on these extraordinary lands for years, and I know that an oil rig in their midst would have a major impact. What's more, Conoco wants to drill a well to find oil. Inevitably, more rigs, more roads, new pipelines, toxic wastes and bright lights would follow to get the oil out. The BLM couldn't see this, but the U.S. Fish and Wildlife Service and the Environmental Protection Agency did. Both of those agencies recognized the devastating effects extensive oil drilling would have on this area and urged the BLM to refuse to allow it, in order to protect the monument.

Maybe the problem comes from giving management responsibility for this monument to the BLM. This is the BLM's first national monument; almost all the others are managed by the National Park Service. The Park Service's mission is to protect the resources under its care while the bureau has always sought to accommodate economic uses of those under its. Even so, the BLM seemed to be getting off to a good start by enlisting broad public involvement in developing a management plan

for the area. Yet the agency's decision to allow oil drilling in the monument completely undercuts this process just as it is beginning.

What we're talking about is, in the words of President Clinton, a small piece of "God's Handiwork." Almost 4½ million acres of irreplaceable red rock wilderness remain outside the monument. Let us at least protect what is within it. The many roadless areas within the monument should remain so—protected as wilderness. The monument's designation means little if a pattern of exploitation is allowed to continue.

Environmentalists—including the Southern Utah Wilderness Alliance, the Natural Resources Defense Council and the Wilderness Society—appealed BLM's decision to the Interior Department's Board of Land Appeals. This appeal, however, was rejected earlier this month. This is a terrible mistake. We shouldn't be drilling in our national monuments. Period. As President Clinton said when dedicating the new monument, "sometimes progress is measured in mastering frontiers, but sometimes we must measure progress in protecting frontiers for our children and children to come."

Allowing drilling to go forward in the Grand Staircase-Escalante Monument would permanently stain what might otherwise have been a defining legacy of the Clinton presidency.

Robert Redford, the actor and director, is a founding board member of the Natural Resources Defense Council.

The Washington Post

TUESDAY, NOVEMBER 25, 1997

Kathy McG

when I learned about this before I went to it was a real deal & then when something we could do about it — anyone sure? BC

David J. Kramer

Dubious Deals With Gazprom

Outraged by the announcement in late September that Gazprom, the huge Russian gas enterprise, was taking part in a \$2 billion deal to explore gas off Iran's coast, Senate Banking Committee Chairman Alfonse D'Amato (R-N.Y.) promised to take action. In a committee hearing in late October, he threatened to block Gazprom's \$1 billion bond offering on American markets handled by Goldman Sachs and to halt U.S. Export-Import Bank (Ex-Im) financing for deals involving the Russian company.

The reason for being a partner in the Iranian gas deal—along with Total SA of France and Petronas of Malaysia—Gazprom would be in violation of the 1996 Iran and Libya Sanctions Act, of which D'Amato is principal author. At the Banking Committee hearing, D'Amato and his Senate colleagues repeatedly questioned Ex-Im's new president, James Harmon, about Gazprom's planned activities in Iran and how the bank planned to respond. No one, however, asked Harmon the most important question: Why is Ex-Im, a U.S. government trade promotion agency, supporting loans to Gazprom in the first place?

The trouble started in July 1993, when Ex-Im signed the Oil and Gas Framework Agreement (OGFA) under which, according to the bank, Ex-Im "may provide financing assistance for

The Export-Import Bank should be embarrassed by its business with Gazprom.

purchases of equipment and services to revitalize Russia's energy sector." Implicit in such an agreement were transactions involving Gazprom.

This became explicit in November 1994 with a memorandum of understanding between Ex-Im and Gazprom, under which the bank would provide "guarantees of commercial loans for as much as \$750 million" for the purchase by Gazprom of U.S. equipment and services to assist it in increasing the efficiency and productivity of the Russian gas sector. The first deal under this memorandum came a year ago, when Ex-Im approved a \$135 million loan guarantee to support the sale of equipment to Gazprom by Compressor Controls Corp. of Des Moines. Ex-Im has given preliminary approval to two other deals worth \$615 million involving the sale to Gazprom of equipment by Dresser Industries and Schlumberger Technology Corp. (both Texas-based, multibillion-dollar corporations).

The purpose of Ex-Im, created in 1934, is to fill gaps in various parts of the world where the private sector is reluctant to engage in export financing. Yet Gazprom is an enterprise that accounts for nearly one-third of Russia's gross domestic product and last year sold 1.15 percent of its equity to foreign investors for \$429 million. It is the world's largest producer of natural gas and controls one-third of the world's known gas reserves, as well as a quarter of the West European gas market. Its profits last year were close to \$6 billion, and its net assets as of Jan. 1, were roughly \$81 billion.

Gazprom complains that its customers owe it billions in unpaid bills, but that problem didn't stop the gas giant from building an elaborate headquarters in Moscow. And just 10 days ago, Gazprom signed an agreement with Royal Dutch/Shell, the world's largest oil company, to form a strategic alliance that will, among other things, bid jointly for other soon-to-be-privatized Russian energy enterprises. Isn't Gazprom solvent enough for private companies, with private financing and guarantees, to carry out deals without U.S. taxpayer support through the Ex-Im Bank?

Moreover, until this past summer when the new Russian government, led by first deputy prime minister Boris Nemtsov, stepped up the pressure, Gazprom was one of Russia's biggest tax deadbeats, owing roughly \$2.6 billion to the federal coffers. Ex-Im's dealings with Gazprom predate this overdue payment.

Ex-Im's Gazprom deal is typical of the Bank's problems in the former Soviet Union. For example, a major tenet of U.S. assistance policy to Russia is promotion of a reduced state role in the economy. Why then did Ex-Im recently approve a loan guarantee for the sale of \$63 million in equipment to the Russian ministry of construction, a government agency not known for its reformist tendencies?

In announcing the decision to back Compressor Controls' sale of equipment to Gazprom, Harmon's predecessor at the bank, Martin Kamarck, noted that "Gazprom is the largest producer of natural gas in the world and offers U.S. exporters a very important market. . . . We are delighted to support such an important transaction which will help modernize Russia's gas sector."

Instead of delighted, Ex-Im should be embarrassed by its business with Gazprom; the Russian enterprise's involvement in the Iranian gas project should merely reinforce questions surrounding Ex-Im's dealing with it. After all, it is one thing for a private American company, answerable to shareholders, to be working with Gazprom. Accordingly, although Gazprom recently decided to postpone its bond offering because of "instability on international financial markets," Congress should not block Goldman Sachs' handling of the offering, whenever it is rescheduled.

It is another, more serious issue, however, for the U.S. government—through Ex-Im—to be involved with the Russian behemoth. Congress, upon returning from recess, should immediately end the Ex-Im-Gazprom relationship, regardless of Gazprom's dealings in Iran. But Congress shouldn't stop there, for there are signs that the Ex-Im problem in Russia is only getting worse.

Earlier this month, Ex-Im agreed to open a branch office in the Russian republic of Tatarstan, and Harmon, just back from a trip to the region, plans new ways to expand his agency's Russian portfolio. Given the bank's troubling track record in the former Soviet Union—and the deals involving Gazprom and the Russian ministry of construction are just two of many problems—Congress should be urging Ex-Im to get out of, not get deeper into, Russia and the other states in the region.

The writer is associate director of the Russian and Eurasian Program at the Carnegie Endowment for International Peace in Washington.

THE PRESIDENT HAS SEE

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The Washington Post

TUESDAY, NOVEMBER 25, 1997

Why should we be doing this? Don't we have to back out of a recession through this deal? —PK

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12-1-97

Where Water Is Power, the Balance Shifts

A By TIMOTHY EGAN

PYRAMID LAKE, Nev., Nov. 26 — Over the last century, the American West was remade with exclamation points. Free Land! Unlimited Water! No Chance of Failure! So went the trumpeting in the dust as the Federal Government tried to build an oasis civilization in the driest part of the United States.

Now, a major corrective is under way as the Government tries to undo some of what billions of tax dollars have done. More than ever, water still shapes destiny, but it is changing hands now, without bands blaring, cameras rolling or fliers promising riches.

And the exchange in power is no less dramatic. From the Colorado River to California's Central Valley, water from the subsidized farms and playgrounds created by Government irrigation is being diverted to nearly extinct fish and wildlife, long-forgotten Indian tribes and cities that barely existed when the big dams and canals were built.

Perhaps the most significant of the efforts to alter the balance of power in the arid lands is taking place here on the Truckee River in northern Nevada, site of the nation's first major Federal irrigation project, and one of the most fought-over streams in the country.

Flowing out of Lake Tahoe on the California-Nevada border, the Truckee runs down the east slope of the mountains, trickles through fast-growing Reno, is diverted to farmers in the desert and ends its 105-mile ride at Pyramid Lake, where Paiute Indians have lived for at least a thousand years.

Until recently, most of the river's water was siphoned off to alfalfa farms and cattle ranches created by Government enticement 80 years ago in the middle of the high desert east of Reno. Now, the Government is buying back much of that water and giving it to the Pyramid Lake Paiute Indians to projects to restore fish runs and once-bounteous wetlands, and to new communities in Nevada, the fastest-growing state in the nation.

The farmers feel betrayed, comparing the Government to the mob. Indians say they are getting some measure of repayment for lost wa-

Continued From Page 1

ter that caused the biggest natural lake in Nevada to fall by 80 feet, killed off a species of cutthroat trout and drained one of the nation's first wildlife refuges. And the city of Reno, given a guarantee of future water as long as it learns to conserve and clean the water it uses, is no longer talking about withering up.

As contentious as this replumbing has been, many of the people who control water policy say the Truckee plan is a model for the reordering of river systems now taking place from the Florida Everglades to the Platte River in the Plains to the Olympic Peninsula in Washington State. The driving idea is that natural systems, whether they be wetlands or salmon-spawning channels, deserve as much water as agricultural lands.

"The Truckee River is the most litigated river in the history of the United States, and if we can pull off this huge change in who gets the water, it shows that any place can do it," said Steve Bradhurst, president of the Truckee River Partnership, a group made of business, environmental and government representatives that is helping to guide the new water allocation policy here.

Many of the changes were started in the Bush Administration, but are being enacted with buyouts, closing of dams and river restoration, during the Clinton Presidency. And just as it was when the Federal Government set out to dam, divert or straighten the major rivers of the West at the start of the century, there are clear winners and losers.

"I'm the first one to say that the Indians got the short end of the stick years ago," said Ted deBraga, a third-generation farmer near Fallon, about 50 miles east of Reno. "But now they're trying to do the same thing to us."

Mr. deBraga waved around a flier from 1914, when water was first being diverted from the Truckee to the flat land in the desert of northern Nevada. "The land is free," the flier from the United States Reclamation Service says. "Water rights can be purchased through no-interest loans and are 'permanent and assured.'"

Pyramid Lake and its cutthroat trout, the Indians and Reno, the little mining town that grew into a casino-cluttered city on the Truckee, were not even considered in the original diversion.

Pyramid Lake, though nearly as big as Tahoe, existed "only to satisfy the thirsting sun," said Senator Francis Newlands, the Nevada legislator who fashioned the 1902 law that transformed the arid West, beginning with the Truckee project.

The project, named in honor of the Senator, diverted the Truckee from a-

Continued on Page 24

The New York Times

SUNDAY, NOVEMBER 30, 1997



Pyramid Lake, site of the nation's first major irrigation project.

In the desert, if a river runs through it, Government has trumped nature.

dam through 32 miles of desert to a reservoir and then through 500 miles of canals to serve a small group of ranchers. It was the forerunner of the Hoover, Grand Coulee and Glen Canyon dams — some of the biggest public works projects ever built.

The Truckee diversion was an effort to create a garden West in places overrun by rattlesnakes and sage. It has never worked out as envisioned. The Newlands water was supposed to create 300,000 acres of farmland; today, there are barely 60,000. Similar predictions never panned out for the Columbia River or Colorado projects.

The cost to the environment was the loss of epic salmon runs on the Columbia, an altered shoreline through the Grand Canyon, the submerging of Glen Canyon and the extinction of the biggest of all American cutthroat trout — some weighed as much as 42 pounds — here in Nevada. The Truckee essentially died, becoming an open sewer, and a bare trickle during drought years.

But recreational communities, ranchers, and subdivisions built around desert golf courses did follow the irrigated water here, as elsewhere in the West. And they are loath to give it up. "What did the taxpayers get for all this? They got economic development and growth," said Lyman McConnell, executive director of the Irrigation district fed by water from the Newlands project.

The 4,000 farmers in the Newlands project used to get more than half of all the Truckee River water as it entered Nevada. Now, they are down to about a fifth of the allocation — still more than Reno-Sparks metro area, a community of more than 200,000 people, receives.

A similar reordering is under way in California. This year, about 800,000 acre-feet of water, well more than an entire year's runoff of the Truckee River near Reno, is being transferred from the big farms of California's Central Valley to help depleted fish runs in the San Joaquin and Sacramento Rivers. That amounts to 10 percent of the water in a system of 20 reservoirs and 500 miles that irrigates 3 million acres of farmland.

A plan started by Senator Harry Reid, Democrat of Nevada, and supported by all the big water users except the farmers, will likely further reshape water use here well into the next century. It requires the Federal Government, the governments of California and Nevada, the Pyramid Lake Paiute Indian Tribe and the Sierra Pacific Power Company, which provides Reno's water, to sign on to a permanent design for Truckee River water allocation.

The biggest losers will be the biggest water users — the irrigated farms in the desert.

"Was it all a mistake? Is that what the Government is saying now?" Mr. deBraga said. "If it was, it's one the Federal Government made, not the farmers. This stuff is going on all over the West right now. And if we fall, everyone else will fall."

About 45 miles from the irrigated desert farmland, on the Paiute Indian Reservation, the tribe that was nearly wiped out by the diversions of the earlier part of the century has rebounded somewhat. There are new fish hatcheries for the cut-throat, a Pleistocene-era fish that was the foundation of the Paiute diet, and for a different strain of Lahontan cutthroat that has been reintroduced into the lake.

The lake level has come up, and recreation and fishing have brought jobs to the 2,000 or so members of the Pyramid Lake Paiute tribe. But a marsh that was full of birds and fish, called Winnemucca Lake, has disappeared because of the decades of lost water. It is a bare white alkaline flat, and dust swirls at its edges.

Many Indians are still angry over the original diversions. They want all the Truckee River water that is being shipped to the ranchers put back in the river, as a clean source of water for the fish.

"We know that the white man is not going to go away and Winnemucca Lake is not going to come back," said Mervin Wright Jr., chairman of the tribe. "But we hope that once we sign on the dotted line sometime next year, there will be a permanent change for the better, and that all of our new friends will not then desert us."

The tribe, originally castigated by the city of Reno and the power company, has become an ally of those interests, and of environmentalists. All of them share the goal of trying to get back the Truckee's water from the irrigated farms. And the best legal leverage for that has been the long-ignored Indian water rights and

stream requirements for bringing back endangered fish.

"For about 100 years it was everybody against the Indians," said Bob Pelcyger, the lawyer for Paiute water rights. "In a very short period of time, that's turned around. Now, it's everybody against the Newlands project."

On the land that turned green with

Farmers say they feel betrayed by a shift in water policies.

diverted water, near the town of Fallon, the ranchers and new suburban home owners whose wells draw some of their water from Truckee River canal spills, many people still refuse to believe that they will no longer get the lion's share of the water.

"The Government is acting like the Mafia," said Mr. McConnell of the Irrigation district. "A guy comes around and says 'Do you want to buy fire insurance?' You say no. Then they start a fire next door, and force you to buy fire insurance. That's how the Mafia works, but it might as well be the Government here in Nevada."

"This is all about power," said Mr. McConnell, who says the Newlands farmers are going to continue fighting to hold onto the water that was diverted to them more than 80 years ago. What the ranchers see as betrayal, however, the Indians see as justice and the city dwellers in Reno see as common sense. Asked about comments by the farmers that their interests were being sold out to satisfy a new water world, Mr. Wright, the Paiute tribal chairman, said, "What goes around, comes around."

DO NOT FORGET THE NEEDIEST

Avoid Judicial Gerrymandering

THE PRESIDENT HAS SEEN

12-1-97

A hasty, politically motivated Republican drive to break up the United States Court of Appeals for the Ninth Circuit gave way to compromise just before Congress adjourned. Instead of instantly dismantling the San Francisco-based appeals court as a Senate-approved appropriations rider had called for, a House-Senate conference committee agreed to a one-year study of all regional appellate court boundaries. The study will be conducted by a five-member commission chosen by Chief Justice William Rehnquist and will give special emphasis to the Ninth Circuit.

This could turn out to be a valuable exercise. The structure of the Federal appellate system warrants serious review for various reasons, like rising caseloads and population shifts. Much will depend on the quality of the commission and the Chief Justice's determination to insure a balanced approach that serves the needs of judicial ad-

ministration and avoids judicial gerrymandering.

That was the trouble with the Senate measure. The Ninth Circuit covers nine Western states and two Pacific territories. The rush by Senate Republicans to split the circuit — creating a second, presumably more conservative court — was motivated not by size but by a desire to affect decisions on the environment, Native American rights, the death penalty and crime.

Given the conservative Chief Justice's disdain for many of the Ninth Circuit's rulings, there is a danger that he will pack the study panel with members whose minds are closed to the idea of preserving the Ninth Circuit as a single court.

Yet the nation's top judge is also an eloquent defender of judicial independence. He must choose his commissioners with an eye to preserving that independence against Congressional efforts to rig judicial outcomes.

A Safety Net for the Neediest

The city seems safer and more prosperous to those with good jobs and peaceful homes, but New York's most vulnerable residents struggle daily for food, shelter and freedom from violence. With unemployment in the city at 10 percent, boom times have not come to people on the margins of society.

All over New York, neglected children are waiting to be fed. Young mothers are struggling to cope with too few resources. The elderly, often cut off from families, are languishing alone in silent apartments. Unexpected illness, a divorce or a lay-off from a job can push a family into crisis. Private generosity is now more important than ever as governments at all levels retreat from sustaining society's weakest members.

Today The New York Times's Neediest Cases Fund begins its annual appeal to help seven of the city's largest and oldest charities provide the poor and the abused a shot at a better life. In a big city, it is often hard to see how one can help one's neighbors. The annual drive, first held in 1912, does that by putting every dollar into direct aid for people in the city's five boroughs. No money is

diverted for solicitation or administrative expenses.

Donations will help the Brooklyn Bureau of Community Service pay for a program in the New York public schools to combat child abuse and provide emergency cash and food aid for families on the verge of collapse. The Children's Aid Society, another beneficiary of the fund, reaches 100,000 children a year with services ranging from transitional housing for homeless families to running mobile health clinics in the poorest neighborhoods and tutoring programs for teen-agers all over the city. The Community Service Society of New York, another beneficiary, prevents homelessness by giving clients cash to help them stop evictions, while rehabilitating buildings to house the homeless and low-income families. These efforts form part of a social safety net that no city can survive without.

Every dollar can help make New York a more humane and caring place to live. Contributions are tax-deductible to the extent permitted by law. Checks should be made payable to The New York Times Neediest Cases Fund and mailed to P.O. Box 5193, General Post Office, New York, N.Y. 10087.

The Price of Nuclear Preparedness

Nuclear weapons are expensive companions. The United States has spent billions of dollars building and improving nuclear bombs since Robert Oppenheimer and his team assembled the first at Los Alamos more than five decades ago. Now that the creation of new weapons is suspended, it turns out that still more billions are needed to keep old weapons ready for use. While some spending is required, the program devised by the Clinton Administration and Congress is extravagant.

The plan stems from negotiated reductions in warheads and a new treaty that bans test explosions. Warheads that were once constantly replaced by new designs perfected through underground tests could now remain in arsenals for 25 years or more. Scientists do not know precisely how long the slowly decomposing radioactive elements in these weapons will remain reliable. As long as there are nuclear weapons, the countries that possess them must be confident that their warheads are usable and credible to any potential foe.

Washington's answer is the Stockpile Stewardship and Management Program, budgeted to cost at least \$45 billion over 10 years. It has been larded with projects attractive to senators like Pete Domenici of New Mexico, whose state houses two weapons laboratories, and seems partly designed to insure Senate ratification of the test-ban treaty.

Since 1958, scientists have been removing a number of warheads each year and subjecting them to non-explosive mechanical analysis, including physical disassembly. More recently, the weapons labs have been developing computer simulation

models and experimenting with subcritical mini-explosions to maintain the stockpile.

The stewardship program builds on these methods, as well as laser-driven fusion experiments, and provides financing for advanced scientific research into the physics of nuclear explosions. Its most expensive element is a new, \$2.2 billion National Ignition Facility in Livermore, Calif., designed to use precisely tailored laser light to compress a droplet of nuclear materials, creating a tiny fusion explosion that can be closely studied. It will attract a new generation of weapons scientists whose skills would be needed if the test-ban treaty were to break down and a new arms race began.

Some effort to maintain necessary skills is appropriate. So too are computer simulations and mechanical sampling to learn more about what happens to bomb trigger mechanisms as plutonium decays. Adequate supplies of tritium must be assured in case decaying warheads need to be replaced. But the stewardship program must not subsidize unrelated experimentation or allow any effort to design and build more advanced weapons.

The Congressional Budget Office has proposed less expensive ways to assure weapons reliability. One approach would be to consolidate the work at one of the existing labs and do without the ignition facility. Another would rely on commercial reactors to produce tritium instead of calling for a new Government plant. Congress, whose budget ax is so keen on social programs, owes taxpayers a disinterested study to determine how far the stewardship program can safely be cut.

12-1-97

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Hill riles states, cities by pushing own power over theirs

By Mary Deibel
PHILIP HONARD NEWS SERVICE

For all the talk in Congress about restoring power to levels of government closest to the people, state and local officials say Congress spent much of the past session pushing legislation to enhance Washington's authority at their expense.

The latest complaint centers on new restrictions on public power companies' ability to sell power. The regulations were included in a deregulation bill that Senate Energy Committee Chairman Frank Murkowski, Alaska Republican, introduced in the last hours before Congress quit for the year.

Public power authorities complain that the tightened credit standards have chilled their ability

to finance improvements through tax-exempt bonds and have cast a cloud over outstanding debt. The upshot, they say, could be substantial rate increases for the 35 million Americans served by state and municipal utilities.

For example, California is slated to start the nation's largest experiment in electric power competition starting Jan. 1.

"The provisions of the Murkowski bill would make it impossible for publicly owned utilities to participate in the market structure set up by California without increasing their costs by over \$2 billion," says Gerald Jordan, head of the state municipal utilities association.

Thomas Kuhn, head of the Edison Electric Institute, which represents investor-owned utilities,

counters that the measure in no way is a disadvantage to its publicly owned competitors.

"We want to share a level playing field, not pull the plug on public power," he says.

Mr. Murkowski says that he expects the bill to undergo substantial revisions before it becomes law.

"If there is no clear opinion about the bonds' tax-exempt status, investors get very worried and undoubtedly look to other investments that don't have problems attached," says Frank Ingressia, managing partner at Goldman Sachs.

To Frank Shafroth, executive director of the National League of Cities, public power's near-paralysis in the face of the Murkowski bill is "symptomatic of the mixed mes-

sage we're getting from Washington when we're repeatedly told how much Congress wants to return power to state and local government."

Other examples of Washington's seizure of traditional state and local turf include:

- A property owners' rights bill that would give landowners and developers rapid access to federal courts in case of a local planning or zoning dispute. A top priority for the National Association of Home Builders, the measure sailed through the House last month on a 248-178 vote.

- Used-car legislation that for the first time would set a nationwide disclosure standard requiring sellers to tell would-be buyers if an old car had been 80 percent rebuilt.

The measure, billed as "pro-consumer" by the National Automobile Dealers Association and insurers, zipped through the House this month on a 336-72 vote and also won bipartisan backing from the Senate Commerce Committee.

- The Internet Tax Freedom Act. Billed as a way to launch cybercommerce without a confusing maze of tax laws that vary from state to state and city to city, the measure would impose a six-year moratorium on state and local taxes. Governors and mayors complain the law "simply defies logic."

To experts on the federal system of power shared among local, state and national governments, issues of national control raised in this latest Congress differ from the desire for more local control that saw the last Congress "devolve" re-

sponsibilities and resources to state and local government.

The last Congress "was concerned with the level closest to the people knowing how to address their problems," says federalism scholar Eugene Steuerle of the Urban Institute.

However, as the legislation in the last year suggests, "it's business in many cases that wants the federal government to preempt state and local rules because business doesn't want to deal with the regulations of 50 states when it's competing nationwide and in a global economy," Mr. Steuerle said.

For now, state and local authorities are contenting themselves less with their legislative victories than with a string of Supreme Court rulings in which the justices curbed congressional power.

The Washington Times

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Gangs Are Skimming Millions From Bosnia's Federal Treasury, European Auditors Say

By CHRIS HEDGES

SARAJEVO, Bosnia and Herzegovina — European Commission auditors say they have uncovered evidence that the Bosnian federal treasury is losing tens of millions of dollars a year to two fraud schemes — one operated by Bosnian Muslim officials and the other by criminal gangs that are run by Croats and Serbs. The gangs, diplomats say, operate in league with Bosnian Serb leaders.

The effect has been to channel funds away from the weak federal Government, on which the Dayton peace accords pin substantial hope for eventually uniting Bosnia, and to divert them to the rival ethnic leaderships that are keeping Bosnia divided. They could also threaten foreign aid, diplomats said.

The descriptions of fraudulent schemes are made in two reports written by the Customs and Fiscal Assistance Office of the European Commission — the executive body of the European Union — and delivered

confidentially to senior Bosnian leaders and top international officials. Copies of the reports were obtained by The New York Times.

One report details a misappropriation by Muslim officials in Sarajevo in which funds meant for the central Bosnian Government are diverted to Muslim-only programs that should have been abolished under the Dayton agreement.

The other details the workings of criminal rings within the trucking industry who elude customs controls and pour vast quantities of goods onto the black market in Bosnia.

Western diplomats expressed concern and dismay at the extent of the reported fraud, which they said could dissuade donor governments from contributing to the country.

Outside governments have pledged \$5.1 billion to rebuild Bosnia over five years.

The annual federal budget is about \$300 million; Western diplomats estimate that the money lost to fraud amounts to at least a quarter of that sum.

Two fraud schemes are siphoning off funds a country needs for recovery.

The first report asserts that Government officials who are Muslims have imported and sold hundreds of thousands of tons of duty-exempt fuel and other goods through an organization, the State Directorate of Stock, that was supposed to have been disbanded under the Dayton peace agreement.

According to information given to the auditors, the Muslim State Directorate of Stock is run by Haris Silajdzic, the former Bosnian Prime Minister and a senior leader in the federal Government.

The directorate is a Muslim institution, and the auditors say in their report that they were unable to determine how the money was spent. The auditors go on to cite reports, though, that indicate that most of the money, as well as fuel and goods, is used to support Muslim institutions, like the Muslim military forces, rather than the joint federal Government that was formed under the peace agreement.

The report estimates that several thousand consignments were cleared without payment of customs and excise duties from June 1, 1996, through May 31, 1997, depriving the Government of at least \$13.5 million.

"What is mentioned in the report is neither corruption nor abuse by authorities," the Bosnian President, Alija Izetbegovic, told reporters after receiving the report, "but the unspecified use of state funds."

The Bosnian Croats, since they are financed and directed by the Croatian Government in Zagreb, have less need to raise money locally to administer their parallel institutions, Western diplomats noted.

The second report focuses on Bosnian Croat and Serb criminal gangs in the trucking industry that move goods from Croatia through border posts controlled by Croat officials and on into the Bosnian black market.

Those organizations have used the Bosnian trucking system to carry out a "systematic and almost routine evasion of large sums of customs duties and taxes proper to both entities," the report read, referring to the two principal subdivisions in Bosnia, a federation of Muslims and Croats, and the Serb-run Bosnian Serb republic.

The auditors found that the smuggling rings smuggle in huge consignments of coffee, cigarettes and alcohol, depriving Bosnia not only of customs duties but also of local sales tax revenues.

The auditors said that the Transit Agreement, signed in July 1996, between the Muslim-Croat federation and the Bosnian Serb republic, had "been hijacked by the criminals as a new means of evading duty and excise tax."

The smuggling is carried out by "the same small group of trucks" and often the same companies, including such Bosnian Serb companies as Javnost and Bankom and Republika Srpska Airlines.

According to Western diplomats, those companies are all managed by close associates of the Bosnian Serb leader Radovan Karadzic, who has been indicted on genocide charges by an international war-crimes tribunal. The associates include Dr. Karadzic's wife, Ljiljana Zelen Karadzic.

The trucks arrive at the Bosnian

border, usually traveling from the Croatian port of Ploce, with loads of cigarettes, alcohol or coffee, often worth \$100,000 or more on the market. The driver declares that the goods are to be delivered to a customs station in the Bosnian Serb republic and has official papers that confirm the destination point.

But the report said that the auditors repeatedly found that "a significant number of consignments" of high-duty goods were not arriving at their declared destinations in the federation and that the goods were disappearing into the black market without the duty having been paid.

Import companies, to avoid responsibility for the fraud, open and close almost overnight to escape accountability, the report said.

The report said the transit fraud "relies on false certificates of receipt" being provided by dishonest Bosnian Serb republic customs officers "on official documents for consignments of high duty goods transiting by road through the Federation" to the Bosnian Serb republic.

The report listed several cases, including an incident in the Bosnian Serb town of Zvornik in which Bosnian Serb customs officials struggled to explain to the auditors why 83 large consignments of goods had vanished from customs warehouses without duty having been paid.

But the Bosnian Serb republic Custom House manager at Zvornik "insisted that 83 high duty consignments for Bankom company had in fact arrived and had been delivered to a Duty Free Shop in the center of Zvornik," the report read.

"He stated this shop had closed in early July 1997 and confirmed that no coffee and only a little spirits

remained in stock. Fifty of these 83 consignments were of coffee. Forty-four of them were supposed to have been delivered between 17/05/97 and 10/07/97. If the Customs House Manager is to be believed, it would mean therefore, that in only approximately 23 days over 1,000 tons of coffee had passed through the Duty Free Shop, which only has pedestrian access. If each person purchased 10 kg of coffee this would equate to 100,000 persons, or 4,300 a day, all carrying coffee over the bridge."

The report said that so far, 328 consignments of high duty goods had been verified and 145 consignments with a value of \$11 million had not arrived at the declared destinations. A further 83 consignments with a value of \$5 million were supposedly diverted into the duty free shop in Zvornik.

The report estimated that "a conservative estimate of the total revenue evaded is in excess of" \$11 million.

There were reminders in the report that those criminal gangs are well-armed and dangerous.

In August the auditors, in an attempt to find out where the smuggled goods were being sold, followed a truck carrying a load of coffee belonging to the Javnost company, based in the Bosnian Serb town of Pale. The truck was followed from the border crossing between Croatia and Bosnia at Doljani to west Mostar. The truck remained parked for four days until the "car observing the truck was hijacked by masked gunmen, and the truck continued on its journey to an unknown destination."

The New York Times

SUNDAY, NOVEMBER 30, 1997

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Globalization no help for us

Molly Ivins



tion and a brighter future for all. How can we be so stubborn and shortsighted?

Actually, it's not hard at all. Let's consider a few examples of how the New World Order is working out in practice.

The Nike company, for example, was a real pioneer in this stuff. Several years ago, Nike decided it could not afford to pay American workers \$10 to \$11 an hour to make shoes because, after all, Nike has to be "globally competitive." And that global competition, boy, that is tough stuff.

So, Nike packed it up and moved its manufacturing operations to Asia—first South Korea, then Vietnam, and China is next. And in these Asian factories, Nike pays its workers not \$11 an hour but about 11 cents an hour, often for a 50-hour work week. We will pass lightly over the practice in at least one Nike factory of making female workers go outside and run till they drop because, after all, that was an Asian manager in that factory and they have different customs over there.

So, here's Nike, cutting its labor costs from \$11 an hour to 11 cents an hour so it can be globally competitive, and voila, look how the price of Nikes has dropped. What's that you say? You haven't noticed any drop in the price of Nikes? In fact, they do not charge so much as a single nickel less now than they did before they saved 99 percent on their labor costs? I noticed that, too. So, who got the money?

Phil Knight, founder and chairman of Nike, does not like to hear these factories called sweatshops. He told *Forbes* magazine: "This isn't even an issue that should be on the political agenda today. It's just a sound bite of globalization." According to

We need an answer to her on this - she's been a real friend & this is how to win it
BC

Forbes, Knight is now worth \$5.4 billion. That's another sound bite of globalization.

This is the sort of thing that causes those of us who are real backward and unsophisticated to have doubts about the glories of globalization.

Now, let's go look down on the Texas border. You'll see pretty factories—some of them are even built with mission-style architecture, so appropriate to the area, so culturally sensitive, with bell towers and all. And the pay in these factories is a real culturally sensitive buck an hour.

Meet some of the workers. Here's a nice couple—they both work for General Motors, one of our finest American corporations. Some people even used to say, "What's good for GM is good for America." Both the husband and the wife work 47 hours a week, but don't worry—they don't have a nanny. They live in a shack they built themselves from scrap: dirt floor, no plumbing, no refrigerator—no electricity, for that matter. Their four kids play in the creek that serves as a sewer and toxic-waste dump for all the factories in town.

And you notice how all this has resulted in the GM car getting cheaper? Gosh, just every year, GM charges less and less for those cars. Doesn't it? Isn't this globalization a good deal for us?

If you met these workers, you'd like them, they're really good folks—insist you share their last tortilla. You might even start to worry about the conditions they live in, BUT that would not be the right thing to do. Because, you see, we cannot be attaching conditions to these trade agreements concerning labor standards and environmental standards because... well, because the *New York Times* and the *Wall Street Journal* agree that this would be wrong, and only a yokel would worry about a thing like that. So there.

Molly Ivins is a columnist for the Fort Worth Star-Telegram.

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P. 11 more
Regala / Sperling
Just a passing thought: When you have to go to the United Nations for help—say that Saddam Hussein is once more behaving like the creep he is and you need assistance from the Security Council—it helps if you have paid your UN dues lately. A small thing, to be sure, having Sen. Jesse Helms be rude to everyone at the United Nations, lecturing them in a nasty and condescending fashion while holding up the money we owe them. But people—this is so deplorable of them—have a tendency to resent things like that.

And then, when you finally get even Helms on board to pay the back dues, it is not terribly intelligent to allow Speaker Newt Gingrich and a small band of berserkers in the House to foul up the deal by trying to dictate to the entire world what other countries can and cannot do with their own money in terms of providing abortions. You see the problem?

But of course this column is not about foreign affairs because it takes someone as brilliant as Gingrich to figure out foreign affairs. I do, however, know a fair amount about the effects of the North American Free Trade Agreement on account of the Texas-Mexican border is a real good place to see those effects.

You may have noticed a certain unanimity in the media concerning what Absolutely Everyone in the Establishment regards as the tragic failure of fast-track trade legislation so we can broaden NAFTA to include the whole world. O, what a great clucking and hand-wringing there has been. The *Wall Street Journal* and the *New York Times* are united in deploring and viewing with alarm.

Those of us who regard the up-ending of the trade legislation as a mild and rare victory for the working people of this country are solemnly informed that we are on the wrong side of history. We are fuddy-duddies, defenders of the status quo, trying to save the Old Order, standing in the way of the tides sweeping us toward globaliza-

12-1-97

Bill Lee could haunt Republicans

Let's see if I've got this right: Republicans turned down a nominee to be the Justice Department's chief of civil rights because the guy believes in civil rights.

Even for this city's long-running Theater of the Absurd, that sounds ludicrous.

OK, they must have spurned Clinton's nominee because he's a radical bomb-thrower, a theatrical demagogue like Louis Farrakhan or Al Sharpton.

No, Bill Lann Lee, a Chinese-American whose immigrant parents prospered in a New York City laundry, is a low-keyed, perpetually smiling man. As NAACP lawyer, he's been coolly rational.

Ah, this fight must have had something to do with race, that raw, subterranean flame always boiling under the pot of American politics.

Bingo.

If Republicans, at least their Neanderthal wing, didn't have rabbit ears for black vs. white issues, you'd never have heard of Bill Lee. He would have zipped anonymously past the Senate Judiciary panel like hot butter. In fact, could his case reach the full Senate, Lee would win handily.

The anti-Lee rap was put bluntly by Chairman Orrin Hatch: "We are tired of preferring one group over another."

When he said "group," nobody misunderstood Hatch's code. He didn't mean Aleuts, Hmong, Peruvians or other entries in the Great Melting Pot. He meant black folks. Good heavens, as civil-rights chief, Bill Lee might defend their civil rights.

Hatch, a prim, self-righteous Mormon given to flights of pomposity, was an odd crusader against Bill Lee. His home state, Utah (1 percent black), is no maelstrom of racial unrest. And Hatch had lately built bridges, joining on issues with Sen. Ted Kennedy.

There lies the story inside the story. The

Sandy Grady

Reagan
Podesta
Bregala



Republican right grumbled about Hatch's relationship with Kennedy—"brainwashed by Teddy." Shooting down Bill Lee would reconfirm Hatch as one of the gang. There were 1998 elections to think about. Can't beat stirring up those bogeymen, racial quotas and affirmative action.

Word went to Hatch from Speaker Newt Gingrich and Senate boss Trent Lott: Stop Bill Lee. After all, he's an NAACP lawyer against California Proposition 209, which prevents slots in graduate schools from being granted according to gender, race or ethnicity. The guy's a wild man, a loose cannon.

Outrageously, Hatch telephoned Attorney General Janet Reno and said, in effect, "We'll pass your civil-rights nominee if you promise he'll be reasonable on civil rights."

I don't know Reno's reply, but I suspect it froze icicles on Hatch's ear lobes.

"This nomination is dead," Hatch triumphantly told his Judiciary panel, deadlocked 9-9. No, he wouldn't send Lee's name for an open Senate vote, a grace Democrats bestowed on Supreme Court nominee Clarence Thomas.

The rancor that erupted was extraordinary for the World's Coziest Deliberative Body.

Enraged Patrick Leahy delivered a headshot to Hatch, proclaiming he had "the soul of an undertaker."

Even angrier Dianne Feinstein snapped, "It's a terrible thing if 12 white men (members then in the room) keep this nomination from the Senate."

"Are you saying there's a level playing

ground for women and minorities?" Kennedy shouted at onetime collaborator Hatch.

Sen. Arlen Specter, lone Republican to vote for Lee, warned Hatch & Co.: "Because of your desire to defeat Bill Lee, you make it harder to elect a Republican president in 2000."

Richard Durbin of Illinois hit the racial bull's-eye: "Thurgood Marshall wouldn't have passed that committee."

Hatch was fireproof against critics as if wearing an asbestos raincoat. Then the Rev. Jesse Jackson rose in majestic wrath to accost the unctuous Utahan.

"You put your politics over your dignity," flared Jackson, 20-year acquaintance of Hatch. "That's not even your position."

Hatch fired back, "You lose your dignity, Jesse, when you accuse people of racism."

"That was a hostile, polarizing act," insisted Jackson.

"Jesse, if we don't face this issue now, we'll never face it," said Hatch. Jackson missed his chance to ask, "Who's we, Kemosabe?"

Is Bill Lee in ghostly limbo? Maybe not. Bill Clinton could make him interim civil rights chief, infuriating Republicans. Or send him for a kamikaze mission at Hatch next year. Stung by the firestorm when he dumped Penn professor Lani Guinier, the Prez can't cut and run.

Clinton spokesflack Mike McCurry, sounding like Claude Rains in "Casablanca," feigned shock at Hatch's behavior: "Utterly repugnant to think the motivation of race came into play."

The race card, though, is tricky. The right wing cheered Hatch's heroics. But Bill Lee may yet haunt them from the trophy case.

Sandy Grady is Washington correspondent for the Philadelphia Daily News.

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12-1-97

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THOMAS L. FRIEDMAN

The Last Domino

MOSCOW

Russia has got Thailand disease, and I'm not talking about the flu.

Most Russians walking the streets here don't realize that their country's been infected by the Asian contagion. They will know soon, because if the Asian crisis slams into Moscow with the virulence that some brokers here fear, the ruble could be rubble.

It's so ironic. The domino theory emerged in the 1960's with the fear that the states of Southeast Asia would fall one by one to Communist rule, in a chain reaction set off by Moscow. Now it's all backward. Because of the economic crises that began among the super capitalists of Asia, Russia, which just joined the capitalist parade, is being hit by the falling dominoes of Thailand, South Korea and Japan. As Renaissance Capital, one of Russia's premier investment banks, declared in its latest report: "While not a source of the recent waves of emerging market anxiety, Russia could become a victim. . . . The current calm is deceptive."

To understand the dangers posed to Russia's economy by the events in Thailand you need to keep in mind the following: A lot of money that has poured into emerging markets lately is dumb money. That is, investors were really just reaching for the highest yields and had not properly evaluated the risks involved or, in many cases, didn't even know what stocks or bonds they owned in these distant markets. What Thailand did was crystallize an understanding of the real risks involved. Many investors reacted by calling their brokers and screaming, "Get me out of all emerging markets," while others demanded much higher risk premiums to stay.

Russia is getting hit with both reactions. Russia had actually been getting its economic house in order. Taking I.M.F. medicine, Russia got its inflation down from hyper levels to 1 percent a month, the interest rate on Government Treasury bills down from 100 percent to the 12 percent range, and the ruble was holding steady at 5,900 to the dollar. Russians were beginning to save again in rubles, and finally more money was flowing in than out. Russia was expected to grow at about 1 percent in 1998 and between 2 and 2.5 in 1999.

But to keep this recovery going, Russia, because it still can't get its citizens to pay many taxes, had to raise substantial money from foreigners, who hold about one-third of Russia's domestic debt. As soon as Thai-

land crashed, the Government here raised the interest rate on T-bills from 14 percent to 27 percent, in an effort to hold foreign investors. Such high rates, though, immediately dampened Russia's growth prospects. The whole 1998 budget was predicated on interest rates of 14 percent and lower. As interest rates soared, the Russian stock market plunged. This in turn weakened Russia's banks, which were making most of their

From Bangkok to Moscow.

money by buying stocks and T-bills with borrowed money. Some of these banks are now in real trouble. But the banks own almost all the newspapers, so accurate reporting on this financial chain reaction has been minimal.

The word in the market here is that the only way the Russian Central Bank can keep foreign investors is by raising the T-bill interest rate to around 35 percent. The Central Bank has been slow to do that, not only because it would kill growth, but also because it can't believe Russia would be so affected by events in Southeast Asia. (Guess what, South Korean investors were big holders of Russia stocks and bonds and now need to sell.) If the Central Bank doesn't move rates up further, the ruble is going to take a hit, as foreigners sell off their Russian holdings for dollars. Russia's Government has already spent about \$4 billion propping up the ruble in recent weeks. And if the ruble takes a hit, it will reignite inflation.

All of this is bad news for Boris. Mr. Yeltsin was betting that Russia would be well on the road to recovery in time for the 1999 Duma elections. This would enable him to finally get rid of the Communist Party majority that still dominates his parliament and tries to block everything he does. Boris could still be saved if the emerging-market turmoil ends quickly and investors stampede back to Russia. But if things get worse, not better, the Communists and nationalists will be strengthened.

Who'd have thunk it — that after all the capitalist dominoes fall, from Thailand to Korea to Japan to Moscow, the one left standing could be the Russian Communist Party. Lenin must be laughing in his tomb. □

THE PRESIDENT HAS SEEN

12-1-97

Family
What about
Pia - what are
you doing for

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Bergen
COS

THE PRESIDENT HAS SEEN The New Pipeline Politics

By Sheila N. Heslin

WASHINGTON
In obvious disregard for American sanctions against Iran, the French oil company Total recently announced a \$2 billion joint venture with Gazprom, Russia's gas conglomerate, and Malaysia's state oil company, Petronas, to develop Iran's gas reserves. At the same time, the Royal Dutch/Shell Group, based in the Netherlands, is preparing to build a \$2.5 billion gas pipeline from Turkmenistan to Turkey via Iran.

France, Russia and Iran explain their deal simply as good economics. But the world runs on oil and gas, and those who control it wield commercial and geopolitical power.

The deals will allow Iran to attract scarce foreign investment and penetrate new markets, generating income that could modernize its military and promote terrorism. Gazprom will be able to continue its aggressive expansion into foreign markets. For France, the deal will gain it new influence with Russia and Iran, while raising its profile in the Middle East.

The Total and Shell deals, in fact, signal the emergence of a new strategic alliance of commercial players, backed by their governments, seeking to pre-empt the United States in the resource-rich Caspian region.

These developments are forcing a reluctant American Government to clarify whether it has vital interests in who develops the region's oil and where the pipelines are built. In the process, the United States will have to make fundamental choices about its policy toward the South Caucasus and Central Asia and their powerful neighbors, Russia, Turkey, Iran and China.

For this region, only two main pipelines will be built in the next five to seven years. The first, already under construction, will carry crude oil from Kazakhstan's Tengiz oil field across Russia to the Black Sea port of Novorossiysk. It is the route of the second pipeline, from Azerbaijan with eventual links to Turkmenistan and Kazakhstan, that remain undecided. Two options exist: a "southern corridor" through Iran or a "western corridor" from Baku, in Azerbaijan, west

through the Caucasus to the Mediterranean port of Ceyhan in Turkey. Iran and Russia hope that, with help from Total and Shell, the southern corridor option prevails.

The perception of American acquiescence to these developments is about to set off a chain reaction, rendering Washington's policy toward the Caspian hollow and undermining our broader strategic interests in Europe, Eurasia and Iran.

Some American oil companies are already beginning to back away from investing in the Baku-Ceyhan pipeline, hoping that a softening American attitude will permit them to go through Iran in a year or two. Other companies, sensing an opportunity to extract financial sweeteners from Washington, have proposed to build the western pipeline only halfway, to the Georgian coast, while pressing the United States (and Turkey) to underwrite the second half of an otherwise commercially viable project.

Most troubling, the Total and Shell deals would allow Russia and Iran to lock up the main pipeline routes for the next five to seven years and to gain substantial control of Caspian access to global markets. The consequences would be dire.

The energy-producing states — Azerbaijan, Kazakhstan and Turkmenistan — would be forced to continue to sell their energy to Russia and Iran at well below world market prices, depriving the region of an economic engine to promote growth and stability. Also, a Eurasian transportation corridor was to be constructed along the Baku-Ceyhan pipeline and include roads, railroads, ports and telecommunications stretching from China's western border to Black Sea ports in Georgia, Ukraine and Turkey. In the absence of that pipeline, prospects for such a transportation corridor linking the region directly to the West would be undermined.

Gazprom would strengthen its stranglehold on Europe's energy needs, enabling it to continue to charge high prices for its gas. Increasingly, an intransigent Iran would control Turkey's energy needs, and with that would come the power to press for a shift in Turkey's strong Western orientation. Also, Russia would deepen its alliance with Iran. Finally, while European companies moved ahead, American companies would be shut out of Iran and find themselves competing for diminishing export space through Russian pipelines and through the Bosphorus. Success would also embolden this new commercial alliance of Iranian, Russian and French interests to extend its strategy to South Asia, costing Turkmenistan the chance to ship its gas to Pakistan and India.

The United States simply cannot afford to allow Russia and Iran to dominate the energy resources of the Caspian, with the enormous political leverage that would confer in the region and even in Europe.

American interests would be best served by the emergence of independent, stable, energy-exporting states in the South Caucasus and Central Asia, states at peace with their neighbors

and with solid links to the West. Then, the region could play an important role as a buffer between ambitious but potentially unstable regional powers in Eurasia, Asia and the Middle East. A determined United States policy toward the Caspian region should stress several elements.

First, the Administration must immediately draw a clear line against expansion of Iran's gas production and export capacity by working to delay and reduce the Total project.

At the same time, the United States should seek to limit Gazprom's access to international capital to finance its investment abroad until the company's commercial practices are brought in line with global norms. As a first step, Gazprom should be compelled to lift its unilateral blockade on Turkmenistan's gas exports to Europe, which have cost that country \$3 billion in the last three years.

Equally important, the United States must demonstrate its unequivocal support for rapid Caspian energy development and a secure export network by making sure that the next Caspian pipeline built is on the Baku-Ceyhan route and that the Eurasian transportation corridor is developed along with it. Toward that end, the Administration should seek to reduce the political aspects of investment risk in the Caspian region by providing traditional export credits to American companies and by encouraging the World Bank and other such organizations to extend political risk insurance to regional governments for pipeline development. This would minimize the need to provide special subsidies for oil companies to build the Baku-Ceyhan pipeline.

More broadly, it is critical that the United States promote regional stability by encouraging these states to deepen their economic reforms and use their energy windfalls to foster development and raise living standards. Washington needs to further step up efforts to resolve regional conflicts, particularly Georgia's stalemate with Abkhazian separatists and Armenia's conflict with Azerbaijan over the enclave of Nagorno-Karabakh. Beyond the South Caucasus and Central Asia, the United States should encourage a skeptical Russia to participate in the Baku-Ceyhan pipeline, which would provide Russia much-needed access to Turkey's dynamic markets and the Mediterranean.

Increasingly, the Caspian region is emerging not only as a critical component of Western energy security, but also as a linchpin in the evolving balance of power in Eurasia, Asia and the Middle East. The United States must act, and soon, to promote our strategic interest in the emergence of a fully independent, prosperous and secure South Caucasus and Central Asia at peace with its powerful neighbors and with strong ties to the West. □

Sheila N. Heslin was the director for Russian, Ukrainian and Eurasian affairs at the National Security Council in 1995 and 1996.

The New York Times

MONDAY, NOVEMBER 10, 1997

THE PRESIDENT HAS SEEN

12-1-97

The Other Biological Weapons Worry

By Raymond A. Zilinskas

COLLEGE PARK, Md. Iraq's persistent effort to retain its ability to wage biological warfare rightly frightens all civilized nations. At the same time, Russia has worked hard to defuse tensions over Saddam Hussein's defiance of United Nations Security Council resolutions.

But those who approve of Moscow's efforts in the Middle East would be well advised to scrutinize Russia's own record on clandestine research into biological warfare. Thanks to the investigations of authorities like Milton Leitenberg of the Center for International and Security Studies at the University of Maryland, we know that at one time the former Soviet Union had the world's largest biological warfare program, more than 100 times larger than Iraq's.

At its peak, more than 25,000 people were employed in a network of 20 to 30 military and civilian laboratories and research institutions. In this period, the Kremlin wantonly violated the 1972 Biological and Toxin Weapons Convention, which forbids the development, production and storage of biological weapons.

After the fall of the Soviet Union, President Boris Yeltsin of Russia acknowledged, in 1992, that biological warfare research was still under way in Russia. He also declared that the program would be dismantled. But Ken Alibek, a Russian scientist who defected that summer, told American intelligence officials that the research was still going forward.

Mr. Yeltsin's subsequent conduct has been no less contradictory. There was hope when he entered into a trilateral agreement with the United States and Britain and let an American and British team into Russia to inspect five civilian research sites in 1992 and 1993. But when the team wanted to start the next cycle of inspections, in 1994 and 1995, it was denied access to military installations and eventually was barred from all Russian sites.

It has now been a year and a half since a workable inspection procedure has been in place.

Today the American Government fears that the Russians are continuing to sponsor some part of the huge biological weapons program begun by the Soviets in violation of the 1972 convention.

In the 1986 "Threat Control Through Arms Control," an annual report to Congress, the United States Arms Control and Disarmament

Agency cautioned that the clandestine bioweapons program might still be in operation.

In April 1984, there were concerns in the United States when Reuters reported that Russian military scientists had developed a new strain of antibiotic-resistant anthrax. This gave no comfort to those who recalled the anthrax epidemic in Sverdlovsk in 1979, whose etiology was traced to a Soviet biological warfare research center.

The more recent record is equally discouraging. In negotiations held in 1986 and earlier this year to strengthen the 1972 convention, the Russians insisted on a loophole that will bar future inspectors from investigating outbreaks of suspicious diseases.

Russia, too, has been reluctant to allow inspectors.

The Russians also insisted that a list be drawn up containing the names of pathogens and toxins designated as possible agents of biological warfare. Future inspectors must be guided by that list and by it alone.

The intent of these tactics, it appears, is to prevent investigation of future Sverdlovsk and to enable Russian scientists to develop new agents not on the list and, of course, outside the purview of future inspectors.

All this has created a volatile and dangerous state of affairs in Russia, a country gripped by social, political and economic instability.

Government support for legitimate scientific research dropped to 0.03 percent of the gross national product in 1986, from slightly more than 1 percent in 1991. Russian scientists now struggle to get by on wages much lower than what average workers there are paid, the journal *Science* reported this June, and last summer the Government slashed financing for basic research by 55 percent, according to Chemi-

cal and Engineering News.

Given this bleak picture, scientists may be tempted to offer their expertise to the highest bidders, who could turn out to be outlaw nations or terrorists eager to acquire weapons of mass destruction.

There is also the danger that sophisticated criminal organizations within Russia will look to peddle biological terror on the world market. In September, *The Washington Post* reported that Russian criminals had offered international drug traffickers weapons and equipment pillaged from Russian arsenals, including surface-to-air missiles, helicopters and even a submarine.

In their new book, "Controlling Threats to Nuclear Security: A Holistic Model," James Ford and C. Richard Schuller, both specialists in nuclear weapons research, write that criminal gangs in Russia have tried to steal enriched uranium and smuggle it abroad.

Infectious microorganisms and deadly toxins would be far easier to steal, hide and transport than nuclear material, and may someday be available on the international black market.

What can be done? First, Western nations must commit greater resources to uncovering and publicizing the full truth about Russia's biological weapons program and then persuade Moscow to dismantle it.

The United States must lead this effort by presenting evidence of misconduct and treaty violations to the United Nations Security Council or to a formal meeting of all the nations that ratified the 1972 convention. True, it is difficult to uncover secret biological weapons programs. Still, the searchlight of international attention might cause Russian leaders to take the steps necessary to reduce the threat.

The United States Government must also continue to provide support for the International Science and Technology Center, established in Moscow in 1994 to encourage scientists to apply their skills in civilian endeavors.

Finally, Congress should pass the Freedom Support Act proposed by the Clinton Administration. It would provide \$600 million in general economic assistance and investment for Russia.

None of these measures, singly or together, will solve the problem. But we must begin somewhere — first by recognizing the scope of the danger. Today, while Russia negotiates the terms involving weapons inspections in Iraq, the world should pay attention to the threat posed by Russia itself.

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The New York Times

FRIDAY, NOVEMBER 28, 1997

The Public's View on Global Warming

Air pollution, in general, and global warming, which is believed by experts to be a result of air pollution, are among the concerns that are mentioned most often.

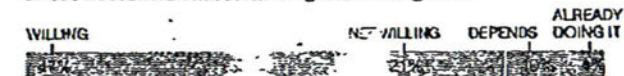
What is the most important environmental problem?



Global warming is the result of:



Would you be willing to invest in new appliances and insulation to cut household emissions of greenhouse gases?



Should the U.S. take steps now to cut emissions of greenhouse gases or wait for many countries to agree to take steps together?



NOTE: The poll was conducted by telephone with 953 adults Nov. 23 and 24. Totals do not add up to 100 percent because those who did not answer or had not heard anything about global warming are not shown.

Turkish Judge Scolds U.S. for Opposing a Ban on an Islamic Party

By STEPHEN KINZER

ISTANBUL, Turkey, Nov. 27 — This nation's highest-ranking judge has strongly criticized the United States, accusing it of trying to discourage a Turkish court from banning the country's pro-Islamic political party.

"No institution in Turkey or in the world can influence the Constitutional Court," asserted Judge Yekta Gungor Ozden, who is the court's president. "Turkey is not a satellite or servant of the United States."

The case against the Welfare Party, which advocates a greater role for religion in public life, appears to be near a decision. A prosecutor is seeking to have the party outlawed on the ground that it is working to undermine the secular basis of the Turkish state.

Some of Turkey's friends in the West are dreading a decision that would ban the party, fearing that it would set back Turkey's continuing effort to portray itself as a fully democratic country. The Welfare Party won more votes than any other party in the last national election in 1995 and led the Government for 12 months in 1996 and 1997.

This week, according to reports in the Turkish press, American officials discussed the case with Gen. Cevik Bir, the second-ranking figure in the Turkish military, who was visiting Washington. Later a State Department spokesman, James Foley, said publicly what officials of

Turkey, its highest jurist says, is not the 51st state of the U.S.

several Western nations have been telling Turkish officials in private.

"We believe that the outcome of this case will have an influence or an impact on Turkish democracy and secularism, both of which we strongly support," Mr. Foley said.

"I would hesitate to comment directly about an ongoing case, but I can note that the Turkish constitution itself — which is the criterion at stake here, I believe, in the court case — protects not only the secular foundation of the state, but also its democratic foundation. We would expect that the court will issue a decision consistent with those principles. We would be concerned with any decision which ended up damaging confidence in Turkey's democratic multi-party system."

That statement stirred Judge Ozden, whose reputation as a militant

secularist is so strong that Welfare strategists have sought to draw out the case in the hope that it could be decided after his impending retirement. He said the statement was "totally out of place" because Turkey "is not the 51st state of the United States."

"The Constitutional Court reaches its judgments in accordance with the constitution and the laws, based on evidence and according to the intelligence, ethics and conscience of its members," Judge Ozden told the semi-official Anatolia News Agency. "We perceive our independence to be complete, particularly the independence of our judiciary. Therefore these words of the Americans do not have any connection with us."

Asked if he thought the United States was seeking to influence the outcome of the case, the judge replied: "This is what I am saying. It is not pleasant — not right."

Officials of the Welfare Party, however, welcomed the comment from Washington. One of them, Abdullah Gul, said it showed "that the United States does not have a double standard" and was supporting a "global concept of democracy."

The New York Times

FRIDAY, NOVEMBER 28, 1997

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12-1-97

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Mr. [unclear]
[unclear]

THE PRESIDENT HAS SEEN

12-1-97

Saudy

Need to discuss this

U.N. Chief May Propose Easing Restrictions on Sale of Iraqi Oil

UNITED NATIONS, Nov. 27. (Reuters) — The United Nations Secretary General is considering recommending an increase in the amount of oil that Iraq is allowed to sell in order to buy food, medicine and other goods, diplomats said today.

After hearing reports of the plight of Iraqis suffering under trade sanctions, the Secretary General, Kofi Annan, is expected to ask the Security Council to raise the current \$2 billion limit to \$3 billion for the next six-month period, when the plan comes up for renewal on Dec. 5.

The oil-for-food program — which was begun a year ago to alleviate the impact of sanctions that were imposed on Iraq when it invaded Kuwait in 1990 — allows critical goods into Iraq under controlled conditions.

But the politics are intricate. The United States may reject any action, saying the Council should wait a few weeks to make sure that Iraq first lets United Nations inspectors carry out their work unimpeded as they search for weapons of mass destruction. The inspectors have recently returned to Iraq but are still arguing with Saddam Hussein over the extent of their access to possible weapons hideaways.

Some diplomats predict that Mr. Annan will not ask for a specific increase, thereby avoiding putting Washington on the spot.

One diplomatic source at the Security Council, speaking on condition of anonymity, said the 15-member body would probably end up continuing the \$2 billion limit without changes, in part because of the United States' opposition, but may promise to consider an increase later.

Britain, usually a close supporter of Washington's hard-line policies on Iraq, could break ranks in this case and favor more oil sales, as do most other important members of the Council. "The United Kingdom is quite ready to push the envelope," the British Ambassador, Sir John Weston, said on Wednesday.

Timed to influence the report, the United Nations Children's Fund, or Unicef, released a survey Wednesday that showed youngsters under 5 years old were underfed and underweight, despite the oil-for-food program. "It is clear that children are bearing the brunt of the current economic hardship," said Philippe Heflinck, the Unicef representative in Baghdad.

Washington has been the chief advocate of the oil-for-food program as it gives the United Nations control over goods arriving in Iraq. But Iraq objects to it, viewing it as a substitute for lifting the sanctions.

Iraq has close to \$1 billion in oil revenues not yet spent on humanitarian goods.

Baghdad has argued that this is partly due to American blockages on ambulances and other items on order, though the Americans argue that Iraq had not turned in enough proper contracts. The current list has things like musical instruments, rowing machines, dental floss," said one diplomat. "A straight increase would raise the amounts of those things pro rata, but are they essential humanitarian needs?"

Israeli Offers One Pullback In West Bank

Netanyahu Responds To U.S. and Rightists

By JOEL GREENBERG

TEL AVIV, Nov. 27 — Prime Minister Benjamin Netanyahu of Israel proposed today to carry out a single Israeli troop withdrawal in the West Bank within five months, if the Palestinians take adequate steps to fight terrorism, and to start talks immediately on a final peace settlement.

The offer was Mr. Netanyahu's first public response to growing pressure both from the United States to move peace efforts forward and from his right-wing coalition partners not to cede more land to the Palestinians. It seemed designed to strike a balance between the opposing demands.

Palestinian officials promptly dismissed the offer, calling it a trial balloon and an evasion tactic.

Speaking to newspaper editors in Tel Aviv, Mr. Netanyahu suggested that the three withdrawals of Israeli troops in the West Bank stipulated in the 1995 Israeli-Palestinian self-rule accords should be combined into one. The pullback would increase the percentage of West Bank land under Palestinian control.

"I have proposed that all the redeployments be blended into one redeployment that this redeployment be carried out within five months, on condition that there be concrete Palestinian activity against terrorism," Mr. Netanyahu said.

"We'll be able to start talks on the final settlement immediately, and of course any discussion on the handover of more territory will take place in the framework of the negotiations on the final settlement," Mr. Netanyahu added.

The withdrawals of Israeli troops called for in the peace accords have been delayed repeatedly since Mr. Netanyahu took office in June 1996. With the Israeli pullout from most of Hebron early this year, it was agreed that "further redeployments" would start in March 1997 and end by mid-1998. The March withdrawal did not take place after the Palestinians rejected a proposed Israeli pullback from less than 3 percent of the West Bank as too small. The Palestinians now have total or partial control of about 27 percent of the West Bank.

Mr. Netanyahu did not specify today the size of his proposed combined withdrawal, but news reports have said that he was considering a pullback from 6 to 8 percent of the

West Bank. American officials are reportedly pressing for a larger percentage. A Cabinet meeting on the pullout ended inconclusively on Wednesday, but a decision on the proposed withdrawal is expected at a meeting planned for Sunday.

Hanan Ashrawi, a member of the Palestinian cabinet, asserted on Wednesday that Mr. Netanyahu was trying to evade agreements to hand over more land to the Palestinians. In an interview with the BBC in London, she accused Mr. Netanyahu of "reneging or canceling signed agreements and then going into the oblivion of negotiations without a genuine commitment."

Saeed Erakat, the chief Palestinian negotiator, said the Palestinian Authority had received no official Israeli offer on a withdrawal. "If Netanyahu wants to give out lost balloons to tackle his problems with the Arabs, the United States and with the rest of the international community, we tell him we will not negotiate through the media," Mr. Erakat told Reuters news service.

Outlining his vision of the borders under a final peace settlement, Mr. Netanyahu said that Israel would have to retain control of wide swaths of territory in the West Bank.

"We advocate a concept of extensive and continuous security zones for the State of Israel," Mr. Netanyahu said. "A large and extensive security arrangement to the east, in the form of the Jordan rift valley, which is supposed to protect the State of Israel from military invasion from the east. And a narrower security zone in the west, opposite the coastal plain, that is supposed to protect the State of Israel from terrorist infiltration, and a few lateral routes connecting the two. I'm sure such an agreement is feasible if there is good will on both sides."

Mr. Netanyahu warned that if Yasser Arafat, the Palestinian leader, kept his promise to declare a Palestinian state in May 1999, the target date for a permanent peace settlement, Israel would respond with unilateral "territorial" measures of its own. He did not elaborate.

But even as he staked out his positions, Mr. Netanyahu remained under mounting pressure from rightist allies who have threatened to bolt the governing coalition if any further handovers of land are approved.

A blunt reminder of the right-wing ferment was the appearance of posters in Jerusalem today from members of the far-right group Kach that showed Mr. Netanyahu in an Arab headdress under the words "The Liari." Similar likenesses of Prime Minister Yitzhak Rabin were held up at incendiary right-wing protests that preceded his assassination in November 1995.

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The New York Times

FRIDAY, NOVEMBER 28, 1997

THE WHITE HOUSE
WASHINGTON

November 26, 1997

✓ THE PRESIDENT HAS SEEN

12-1-97

Mr. President:

In case you don't want to make
this phone call, a letter is
attached for your signature.

11/30/97 Phil Caplan

Send letter
but keep on call
Cris - should
do that with

✓ copied
Bowles

THE WHITE HOUSE

WASHINGTON,

'97 NOV 26 AM8:2

November 26, 1997

RECOMMENDED TELEPHONE CALL

TO: Lance Corporal Daniel B. Evans, USMC
Hunter Home McGuire, VA Hospital,
Richmond, Virginia
Bedside: (804) 675-6897

DATE: November 27, 1997

RECOMMENDED BY: *for* Alan P. Sullivan *J. O. Sullivan*

PURPOSE: To wish Lance Corporal Evans a full
recovery and a happy Thanksgiving

BACKGROUND: Lance Corporal Evans received injuries
while supporting the President in Rio de
Janeiro when a cable from a crane
snapped and the hook hit Lance Corporal
Evans. He received a broken left femur,
three broken vertebra, a bruised spinal
cord and two broken ribs. His injuries
have left him paralyzed from the waist
down.

TOPICS OF DISCUSSION: 1. I was very sorry to learn of your
unfortunate accident while supporting my
trip to Rio de Janeiro.

2. You are in our thoughts and prayers,
and Hillary and I wish you a happy
Thanksgiving.

CONTACT PERSON AND
TELEPHONE NUMBER(S): Denver Peters (WHMO) 456-2150
Laura Marcus 456-6796

DATE OF SUBMISSION: Schedule Proposal---November 18, 1997

ACTION: _____

Attachment

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. resume	[Personally Identifiable Information] [partial] (1 page)	11/26/1997	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 11227

FOLDER TITLE:

Chron Files: Monday, December 1, 1997 [1]

2019-0774-S

rs3371

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

LANCE CORPORAL DANIEL B. EVANS, USMC

BIRTH DATE:

(b)(6)

RELIGIOUS PREFERENCE: Catholic

BIOGRAPHY:

Lance Corporal Evans graduated from Saint Marys Ryken High School, Leonardtown, Maryland. He enlisted in the Marine Corps as an aircraft mechanic on September 28, 1995 and attended boot camp at Parris Island, South Carolina, on June 19, 1996. He graduated from boot camp September 6, 1996 and attended the School of Infantry (SOI), Camp Lejeune, North Carolina. After SOI, he transferred to Pensacola, Florida, to attend the enlisted aircrew course and then transferred to Marine Helicopter Training Squadron 302, Marine Corps Air Station, Jacksonville, North Carolina, to attend the Helicopter Mechanics Course. On July 29, 1997, he was designated a Crew Chief for the CH-53E and was awarded Naval Air Crew Wings. He was then transferred to Marine Heavy Helicopter Squadron 464, New River, North Carolina, on July 30, 1997. Since joining the squadron he has logged 67 hours in the CH-53E.

HOBBIES:

Daniel, an avid outdoorsman, grew up at Piney Point, Maryland, on St. George Island. This allowed him to camp, crab, sail catamarans and canoe. As a youth, he would help his father build and repair homes by putting up drywall. He enjoys soccer and riding mountain bikes through the trails at the Air Station. He also enjoys model building; recently the squadron presented him with a CH-53E model which he enjoyed.

FAMILY:

Parents:	Michael and Teresa Evans; both reside in Piney Point, Maryland
Younger brother:	Benjamin Evans, 17, currently in the Marine Corps attending SOI at Camp Lejeune, North Carolina.
Older brother:	Tim Evans, graduated from Virginia Tech with an electrical engineering degree and is working for a company which provides security consultation and protects Naval Air Stations. He lives with his family in Maryland.
Sister:	Rachael Evans, is an E-4 in the Navy and is attending college in pursuit of a physician assistant degree. She hopes to be commissioned an Ensign in the Navy.
Younger sister:	Katherine, 16, is a junior at Saint Marys High School.
Younger sister:	Jocelynn, 13, is a freshman at Saint Marys High School.

THE WHITE HOUSE
WASHINGTON

November 27, 1997

LCpl Daniel Evans, USMC
Post Office Box 193
Piney Point, Maryland 20674-0193

Dear Corporal Evans:

I was so sorry to learn of the injuries you sustained during our recent trip to South America. I hope you are feeling more comfortable now and that you are growing stronger each day.

Hillary and I are keeping you in our thoughts and prayers, and we wish you and your family a blessed holiday season.

Sincerely,

Bill Clinton

COUNCIL ON FOREIGN RELATIONS

12-1-97

Scheidung
anmerkung
| Beim

Sheet / Guns / Bored / Balance

~~Handy~~ We should probably
 better - It's a good
 form for a lot of things
 will be finding in Son
 and for next 3 years.

Between the New York Times and Public Radio, it is easy to follow your perambulations and to imagine your daily schedule, at least parts of it. And I can't tell you the number of times I've been stuck on a runway because you are either taking off or arriving! Good thing I always take lots of reading material with me. I just recently returned from six months in Europe, based in Bonn, where I worked on American/European comparisons in post Cold War defense downsizing. David and I enjoyed travelling enormously, and he went to a Gymnasium where he tolerated being taught all day long in German! I can imagine how you must feel with Chelsea going off to College - I am dreading David's exodus, though I have two more years.

I am writing particularly to ask you to accept the invitation which the American Association for the Advancement of Science has extended to you to keynote our annual meeting in Philadelphia, February 12-17, 1998, at the Convention Center. We would welcome you anytime during the meeting, but our preference would be Monday morning, February 16. I believe that our official invitation to you (May, 1997) suggests a town hall format, which you do so well.

Here's why you should do us this honor! The AAAS is a remarkable, inclusive organization operating across all the sciences (and engineering). 1998 is the 150th anniversary of our organization, and a good time to take stock of its achievements. The Conference will draw in excess of 5000 participants and include at least 600 members of the national and international press. Many of the nation's top scientists will be on the program.

You would join a list of distinguished Presidents who have either addressed AAAS or honored AAAS in other ways. President Truman spoke at our Centennial meeting in Washington in 1948. The New York Times ran its account of his speech on its front page (Sept. 14, 1948) under a banner headline "Truman Charges Smears and Gossip Hinder Scientists." The Washington Post's front page headlines read "Truman Hits

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'Smears' on Scientists." President Bush spoke to the AAAS meeting in February 1991 the midst of the Gulf War. Vice President Gore gave a memorable speech to the 1996 meeting in Baltimore. After leaving office in 1853, President Millard Fillmore became an active AAAS member, hosted a meeting in his hometown of Buffalo and chaired a symposium at an Annual Meeting. Teddy Roosevelt was among those Presidents who invited AAAS to the White House in years when our annual meetings were held in Washington.

Our meeting would be a wonderful stage for you, because you have done so much for science, technology and education during your Presidency. I can tell you personally, as a member of AAAS' Committee on Science, Engineering and Public Policy, that I have rarely encountered an organization of experts as keyed into public policy issues as AAAS members. These are, by the way, scientists and engineers who are willing to come to a professional meeting that deals with broad issues of science and society beyond their narrow disciplinary specializations. Over the past couple of years, I have heard dozens of presentations supporting your policy initiatives and have detected extraordinarily strong support for your efforts among the rank and file of the organization. Many of AAAS' members have understood the need to reach out to larger audiences and constituencies in explaining S&T policy, and many have acted on this personally. You may speak on whatever topic you wish - it seems a good time to re-assert the significance of S&T education and research for building the economy of the future. Or perhaps global warming. You would be assured of a warm welcome.

As I mentioned above, this will be our Sesquicentennial meeting. AAAS was founded in Philadelphia in 1848. It is the oldest and largest interdisciplinary scientific association in the country, and probably the world. The meeting will launch a 6-month-long celebration of our 150th birthday. AAAS has long been a leader in science education, in environmental conservation, in science policy, and in strengthening the involvement of women, minorities, and disabled persons in science. Our President-elect, President, and two immediate past Presidents are distinguished women scientists. We were one of the first national organizations of any kind to make its meetings fully accessible.

So, there are lots of good reasons for joining us in February. I hope you will be able to. Let me know if you have any questions about the event.

Have a great fall - if I get to Washington with time to spare, I will call ahead.

Regards,



Ann Markusen

Senior Fellow, Council on Foreign Relations and

Member, AAAS Committee on Science, Engineering and Public Policy

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THE PRESIDENT HAS SEEN

12-1-97

Children of Working Poor Are Day Care's Forgotten

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By SARA RIMER

FORT LAUDERDALE, Fla. — At 5 the other morning, Marlene Garrett had her 11-month-old baby in her arms and was guiding her other two sleep-dazed children, ages 3 and 4, through the darkness to the baby sitter's.

"Mama has to go to work so she can buy you shoes," Mrs. Garrett told them. She had just that day moved up the economic ladder, from a job selling sneakers for \$8.25 an hour to a job behind the counter at a bagel cafe for \$6 an hour. Her shift started at 6, and she did not want to be late.

Seven blocks on foot, and then she was bagging her children and handing them over to Vivienne, a Bahamian woman who works nights at the self-service laundry where Mrs. Garrett does her wash.

Vivienne's small apartment was clean but sparsely furnished. There were no toys or books in sight, just a television that the children spent most of the next 10 hours watching. For this, Mrs. Garrett scrapes together \$50 a week — a little less than half the cost for just one child in most licensed day care centers here.

Mrs. Garrett hurried down the stairs and set off for work, three miles away. The family car died a month ago.

"It breaks my heart, leaving them there," said Mrs. Garrett, who arrived in Florida from Jamaica in 1988. "I want them in a learning environment. This is the best I can do right now. It's an emergency situation."

The experts agree: for Mrs. Garrett and tens of thousands of other low-income working parents nationwide, child care is a perpetual emergency.

Low-income working families are, in many ways, the forgotten class in the national debate over child care. They make too little to afford the choices of professional women — whether to use a nanny or an au pair, to work part time or full time. And many make too

much to qualify for government programs. Others make little enough to qualify, but are low on long waiting lists while priority is given to women leaving the welfare rolls for jobs.

Florida offers a good illustration of this squeeze on the working class. More Federal money is available for child care here because of the new welfare law: Florida added over \$100 million to its child care budget this year. And the state has a program to provide assistance to nonwelfare families whose income is below 150 percent of the poverty level (\$17,775 for a family of three).

But like other states under

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pressure to meet the work requirements of the new law or risk severe penalties, Florida has budgeted the bulk of its child care money to welfare recipients moving to jobs.

There are 25,000 children of low-income families receiving no welfare benefits who are on the waiting list for assistance in Florida, and an additional 39,000 who are eligible, according to Susan Muenchow, executive director of the Florida Children's Forum, a statewide nonprofit child care resource and referral agency. Marlene Garrett's children are among those waiting.

"From a child-care standpoint," Ms. Muenchow said, "you're better off on welfare."

When Staying Home Is Not an Option

The lives of women like Mrs. Garrett are ruled by hard economic facts. "If my finances permitted, I'd love to stay home," said Mrs. Garrett, whose husband, Rod, works in a factory making hospital curtains. "Who's a better caretaker than Mom?"

But staying home is not an option. Her husband takes home about \$250 a week. Her own \$200 a week helps put food on the table and pay the \$400 monthly rent. Mrs. Garrett, who keeps a folder with her expenses neatly itemized, says she owes nearly \$5,000 in medical bills. The family does not have health insurance.

Welfare is not an option. "I don't want to plant that seed in my children," she said. "I want to work."

When it comes to child care, Mrs. Garrett, who is 34, has almost no choices. She would like to put her children, Hasia, 11 months; Angellique, 4; and Scherrod, 3, in her church day care center and preschool, Holy Temple Christian Academy, but at \$180 a week — about \$90 less than what most licensed day care centers in Fort Lauderdale charge for three children — it is beyond her reach.

The church day care center had seemed possible back in September, when Mrs. Garrett was earning \$8 an hour as a home health aide for the elderly. (It helped that she was often able to bring her children to work.)

She took her children for their shots and put money down on school uniforms, at \$32 apiece. But then her car gave out, and with her hours long and unpredictable, and her service irregular, she had to give up the work she says she was born to do. There was no money for another car. Overnight, her family was downwardly mobile.

"I took back the uniforms," she said. "They credited me for them."

Mrs. Garrett has to make do with the child care she can afford, and Vivienne is what she can afford.

Mothers like her improvise fragile arrangements that inevitably break down. The friend, neighbor or relative who was looking after their children gets sick, or goes to work, or moves away, or simply becomes unavailable, and they have to find someone else to take their children.

"How can you get a job if you don't have day care?" said Christina Burdimo, 26, a waitress who is raising two children, ages 2 and 4, alone. But without a subsidy — she is also on a waiting list for one — she cannot afford day care. A lot of places want \$94 per week per child, said Ms. Burdimo, who is divorced.

Her father and her mother-in-law have been alternating baby-sitting duties. "My mother-in-law will do it a couple more months," she said.

Regulated child care in Florida

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The New York Times

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costs \$4,000 a year or more, and many families are doing without other essentials in order to pay for it. Kelly McKnight, who earns \$8 an hour monitoring burglar alarms, moved her two daughters, ages 3 and 4, into her father's mobile home, in Hollywood, after her husband left her. It was the only way she could afford the \$133 a week for a licensed day care center, she said.

Her father, a retired correctional officer, helps with the child care, but the situation is far from ideal: the mobile home is in an adults-only community. Ms. McKnight's children can be there only temporarily.

After two years on the waiting list, Ms. McKnight began receiving her subsidy six months ago.

In rural areas, where people are spread out, and with public transportation often nonexistent, makeshift arrangements with friends and family can become even more difficult.

Wendi Slay has a 3-month-old baby and works for \$7.30 an hour as a collections clerk for a credit union in Pensacola, in northern Florida. Ms. Slay, who is not married, drives 100 miles a day to take her baby, Chandler, to either her aunt's house or her father's, and then to work — and back again to pick up Chandler, and head home. "I sing to him all the way home," she said.

Ms. Slay's aunt takes Chandler on Mondays, Tuesdays and Wednesdays. Her father takes him on Thursdays and Fridays, his days off from his job as a landfill supervisor.

"I don't know how much longer my aunt is going to be able to do it," Ms. Slay said in a telephone interview. What will she do for child care when her aunt stops helping? "Wing it, I suppose," she said.

Quality Bows To Availability

In all this scrambling, many experts say, low-income women do not have the luxury to worry about qual-

ty. "They're desperate," said Helen Blank, director of the child-care division of the Children's Defense Fund. "They miss a day of work, and they lose their job."

Recent research on rapid brain development shows that an enriching, nurturing environment is important for infants and toddlers. Studies show that children in low-quality care can have delayed cognitive and language development, behave more aggressively toward others and react poorly to stress.

Mrs. Garrett, who keeps on a shelf in her children's bedroom a set of 1961 World Book Encyclopedias that was a gift from the family of an elderly man she was caring for, does not need experts to tell her that her children need stimulation. That is what her church offers.

"The children play games," she said. "They go on field trips. They teach them, they train them. My children are bright. You would be amazed at what they would acquire in a year."

But for her, and for many other low-income parents, it is all they can do simply to find a safe place for their children.

Two years ago, state social service inspectors in Pensacola found a woman running an illegal day care center in her trailer for 20 children under age 4. According to their report, the children were hungry, and watching soap operas and game shows. Two of the children had chicken pox. "There appeared to be a total lack of stimulation for the children indicated by the abnormal inactivity of all the children," the report stated.

The parents, who had no other day care they could afford, were angry that the operation was shut down, according to Becky Kirsch, the executive director of the Children's Service Center, Pensacola's child resource and referral agency.

Waiting for Help, Not Likely to Get It

The Florida Legislature has recently passed two budget amendments, transferring some surplus child-care money for welfare recipients to low-income working families. But there is still a freeze on helping low-income families on the waiting list, and advocates fear that as increasing numbers of welfare recipients go to work, they will need more money for child care — leaving even less for low-income working families who have not been on welfare.

"We're pitting one group of poor people against another," Ms. Muenchow said. "Many of these parents

have no choice but to leave their children in substandard arrangements that are rotting their brains and jeopardizing their futures."

She and other advocates say that states should base eligibility for child-care subsidies on income, not welfare status. Only a few states, including Illinois, Washington and Rhode Island, have taken that step.

"The country is focused on moving mothers from welfare to work," said Ms. Blank, of the Children's Defense Fund. "It's not nearly as focused on mothers who are already working to give them the support they need to stay independent, and to keep their children safe."

There are other sources of assistance: Florida has established a nationally recognized child-care partnership program that encourages businesses to help low-wage employees with child care. About 4,000 non-welfare children are getting help.

Tammy McLamore, who works for \$4.25 an hour as a reservations clerk for a transportation company in Fort Lauderdale, has watched the youngest of her five children, shy, 3-year-old Katie, blossom this fall. The reason: She began attending the highly regarded Jack and Jill Nursery School on a scholarship provided by the school. Last year, her mother says, Katie spent her days stuck in a baby sitter's crowded, dirty apartment, in front of a television with five or six other children.

At 7 one morning, Katie was eagerly boarding the school bus. "They sing and dance," Ms. McLamore said. "They do activities. Katie talks about all the teachers. She comes home from school and says, 'Want me to teach you a song?'"

One recent Sunday, Mrs. Garrett, who credits God and her Pentecostal religion with her relentlessly positive attitude, was near tears. "Vivienne told me she cannot keep my children so early," she said. "She has to take her little girl to school. Her husband's work schedule at the Laundromat is about to be changed. I have to try to find somebody else."

A day later, Mrs. Garrett said she had offered Vivienne an additional \$25 a week. "She said she will keep my children," said Mrs. Garrett, who is still hoping to send her children to Holy Temple Christian Academy.

To that end, she had a promising interview the other day for a second job working room service nights at the local Marriott hotel. She says she will pay Vivienne another \$15 to care for her children the extra hours. She hates it that she will have even less time with them, she said.

"It is temporary," she said. "I am doing what I have to do."

The New York Times

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Prison Study Casts Doubt On Sentencing Of Drug Offenders, Half Are Nonviolent

By CAREY GOLDBERG

BOSTON, Nov. 24 — Among drug offenders sentenced to long, mandatory terms in Massachusetts state prisons, nearly half have no record of violent crime, according to a study of the state's prison population released today.

"Mandatory sentencing laws are wasting prison resources on nonviolent, low-level offenders and reducing resources available to lock up violent offenders," said William N. Brownsberger, the study's principal investigator and an assistant attorney general, who conducted the study at Harvard Medical School while he was on leave.

Drug policy experts say the study will add valuable facts to the growing debate around the country over the efficacy of tough minimum sentences for drug crimes.

"We have to respond to drug dealing forcibly and incarceration is often an appropriate response," Mr. Brownsberger said, "but today we are going too far."

The study of 1,175 inmates in the Massachusetts prison system also found that 52.9 percent of the drug offenders were black or Hispanic, though they make up just over 9 percent of the state's population.

And when researchers looked closely at the criminal records of a sample of 151 inmates, Mr. Brownsberger said, they found that nearly half had never been charged with a violent crime in Massachusetts, only one-third had ever been convicted of a violent crime and only 1 in 12 had been convicted of a serious violent crime like assault with intent to kill.

That data can be expected to be used by one particular corner of the drug-policy debate where some who

back tough mandatory sentences contend that even if drug use and dealing is arguably a victimless crime, the sentences serve to put away mainly dangerous criminals who belong in jail.

However, Mr. Brownsberger's findings appear to indicate that a significant percentage of inmates in state prison for drug convictions would not be there otherwise.

The study "is quite important because it's state-specific, and it's quantitative, and in particular, it's grounded in data," said Jonathan Caulkins, a drug policy researcher at Carnegie-Mellon University.

Mr. Caulkins was the principal researcher on a Rand Corporation study released in May that also harshly criticized mandatory minimum sentences for drug offenses. The study argued that incarceration is so expensive, \$20,000 to \$30,000 a year for each inmate, that it would be more efficient to shift the emphasis to old-fashioned law enforcement and traditional prison sentences, or to spend more money on drug abuse treatment and prevention.

Mandatory minimum sentences for drug offenders became popular during the crack-related crime scares of the 1980's. Supporters said the laws took criminals out of circulation and sent a tough message to the streets.

The rules differ significantly from state to state. In Massachusetts, they concern mainly cocaine and heroin, and include provisions that anyone convicted of dealing within 1,000 feet of a school must serve at least two years and anyone convicted a second time of dealing cocaine serve at least five years. They are also based on the quantity of drugs involved: anyone convicted of selling 100 grams of cocaine, for example, must serve at least 10 years in prison, even if it is their first offense.

Researchers say mandatory drug sentences are also seen as a major cause of prison overcrowding, budget overruns and, in some cases, simple injustice — as when a nonviolent drug offender ends up serving more time than someone convicted of manslaughter or armed robbery.

The Massachusetts Sentencing Commission, a panel of judges, prosecutors and other criminal justice experts appointed in 1994, has recommended that judges be allowed to depart from tough mandatory sentences when a defendant does not have a serious criminal record. The state Legislature is expected to take up its plan next year and it is expected to be hotly debated.

Watchdog Will Resign From Justice Department

WASHINGTON, Nov. 24 (AP) — The head of the Justice Department's internal watchdog unit, Michael Shaheen, will resign at year's end from the position he has held since 1975, the Justice Department said today.

As head of the Office of Professional Responsibility, Mr. Shaheen investigated the conduct of Justice Department officials high and low, including an attorney general and an F.B.I. director.

Mr. Shaheen, 57, joined the department in 1973 and was appointed head of the watchdog unit in 1975 by Attorney General Edward Levi.

In a letter to Attorney General Janet Reno, Mr. Shaheen said his resignation would be effective Dec. 31.

Mr. Shaheen's investigation of accusations that F.B.I. Director William Sessions misused office perquisites for personal convenience led to the first dismissal of an F.B.I. director.

Citadel Investigating Assault Accusation

CHARLESTON, S.C., Nov. 24 (AP) — The state began an investigation today into accusations that a male cadet at the Citadel sexually assaulted a freshman female cadet in a barracks.

The upperclassman resigned from the college on Friday after he was accused of a sexual encounter around Nov. 2. Sexual activity between cadets on campus is against the rules at the state college.

The college president, John Grimalds, said the State Law Enforcement Division was conducting an investigation into a possible assault. The college's solicitor, David Schwacke, said the woman gave investigators a statement today.

The woman, one of 20 women among cadets at the formerly all-male college, remained off campus on leave with her family, a Citadel spokeswoman, Judith Fluck, said.

Mr. Grimalds would not identify either cadet, citing privacy laws.

The college dropped its all-male admissions policy last year after the Supreme Court ruled that a similar policy at the Virginia Military Institute was unconstitutional.

Pilot Is Safe After F-15 Crashes Into the Atlantic

VIRGINIA BEACH, Va., Nov. 24 (AP) — An F-15 fighter crashed into the Atlantic Ocean this morning, but the pilot ejected safely and was quickly rescued, the Air Force said.

The plane went down at 9:45 A.M. 60 to 70 miles off the coast, said Master Sgt. Kevin Walston, a spokesman for Langley Air Force Base, the plane's base.

The pilot floated on a raft for about a half hour before he was picked up by a Coast Guard helicopter, said a Coast Guard spokesman. Lt. Cmdr. John Fitzgerald.

The cause of the crash was not immediately known.

The New York Times

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Builders Sued for Violating Handicapped-Access Measure

By PAM BELLUCK

CHICAGO, Nov. 24 — Posing as prospective renters or condominium buyers, handicapped people in wheelchairs went to 49 housing developments under construction in the Chicago area.

In 48 developments, the people, who were sent out as testers by the Justice Department, found problems like these: wheelchairs could not get through the doors or up the stairs. Electrical outlets were too low for wheelchair users to reach. Bathrooms were too small or not built to accommodate grab bars for the handicapped.

All of this was in violation of a Federal fair housing law that requires new buildings containing more than four units to be accessible to the handicapped.

Today, on the basis of those findings, the Justice Department sued architects and developers associated with five of the new developments and announced that three other developments had agreed to settle cases against them.

The cases are the first time the department has used disabled people to test compliance with the Fair Housing Act's handicapped-access provision, which was passed in 1988 and began applying to new buildings in 1991.

It is only the second time the Justice Department has sued under the law. In the first case, filed last year after a handicapped woman in Joliet, Ill., tried to buy a condominium in a new complex, the developer agreed to pay \$35,000 into a fund that would be used to make the units more accessible for the handicapped.

But department officials said that tests of handicapped access were being conducted around the country after complaints that other new buildings were violating the law.

"The law is clear, and so is the violation," Attorney General Janet Reno said in a statement today. "It is better to build it right from the start than to go back and fix it later."

Joan A. Magagna, acting chief of the housing and civil enforcement section of the civil rights division at the department, said that officials expected other such lawsuits would be filed. Other cities where problems of access have been discovered include Baltimore, where in May a developer agreed to settle a lawsuit filed by a fair-housing group on behalf of two disabled condominium owners.

"It's hard to accept that it's simple ignorance at this point," Ms. Magagna said. "They either knew or should have known."

In at least some of the cases announced today, architects and developers asserted that they did not know about the law's requirements.

"We were not aware of the Federal law," said Dennis Kulak, the owner of KLLM Architects, one of the companies being sued over a condominium complex in Oak Lawn, a Chicago suburb.

In the three settlements — and in a proposed consent decree in one of the five lawsuits — developers and architects have agreed to spend tens of thousands of dollars to retrofit the buildings or revise construction plans to make them more accessible to the handicapped.

Astronauts Make a Good Grab And Bring Satellite Back In

By WARREN E. LEARY

Two astronauts aboard the space shuttle Columbia used their hands to grab the errant Spartan astronomy satellite yesterday after the two craft came together 170 miles above Earth.

The shuttle commander, Kevin R. Kregel, delicately maneuvered his 100-ton craft until it closed in from below on the 3,000-pound satellite, which was inadvertently sent into a slow spin when it was released by the shuttle's crew last week. Waiting in the Columbia's open cargo bay for the satellite to drift into their reach, Winston E. Scott and Takao Doi grabbed it with their gloved hands and pulled it aboard at 9:00 P.M.

Coordinating the maneuver, Mr. Scott said, "Standby, Standby, Capture!" Then each man took one end of the telescope protruding from the sides of the satellite.

"I've got my end," Mr. Scott said to Mr. Doi. "Have you got yours?"

After Mr. Doi confirmed that he had a firm grip, Mr. Scott said, "Now that we've got it, Mr. Doi, let's decide what we're going to do with it."

The astronauts then began maneuvering the satellite into its cradle aboard the shuttle. But the satellite would not latch down firmly, and Mission Control ordered the crew to use the shuttle's robot arm. Kalpana Chawla, the astronaut controlling the arm, took the satellite from her colleagues outside and stowed it in place at 9:43 P.M.

Mr. Scott and Mr. Doi returned to the other end of the cargo bay, almost three hours into their space walk, and began performing a series of space construction experiments.

The main concern about snaring the satellite had been the possibility that it might hit the shuttle or the astronauts in the cargo bay. Space agency officials had said the risk was real, but small.

As the Columbia was approaching the satellite, the astronauts on the space walk reported that it was spinning much less than when it was released on Friday and expressed surprise at how stable it appeared.

The problem with Spartan has been the only major hitch on the planned 16-day science mission, which began on Wednesday when the Columbia and its six-member crew lifted off from Cape Canaveral, Fla.

Mr. Scott, a Navy captain who made two space walks last year on his first flight, and Mr. Doi, the first astronaut with the Japanese Space Agency to walk in space, had ex-

pressed confidence that they could do the job.

The astronauts entered the cargo bay shortly after 7 P.M. and used straps to fasten their feet into positions at opposite ends of a platform spanning the width of the bay. Then they leaned back and waited for the shuttle to maneuver until Spartan was chest high between them.

Grabbing Spartan, a 5-foot cube with the ends of an 11-foot telescope protruding through its sides, was billed as more a maneuver of timing and skill than strength. Engineers said it would take only about 10 pounds of force for each astronaut to take hold of his end of the 20-inch-diameter telescope. But each man needed to grab the telescope at the same time to steady Spartan before lowering it into an awaiting berth.

The two astronauts were asked to perform the tricky maneuver after the Spartan malfunctioned on Friday and then was sent into a spin by an inadvertent nudge from the shuttle's robot arm, which deployed it.

National Aeronautics and Space Administration officials had made retrieving the reusable satellite a priority.

The space walk, originally scheduled for six hours, was extended to seven hours to allow more time for space-station tests, including a crane workout.

John Lawrence, a NASA spokesman, said there was a small possibility that the Spartan might be launched again to complete its mission of studying the sun in conjunction with another satellite. Each aboard Columbia, Spartan will be tested to see whether its problems can be corrected.

If the satellite is operable, and the Columbia has enough fuel for another retrieval, Spartan might be flown again in the current mission, Mr. Lawrence said.

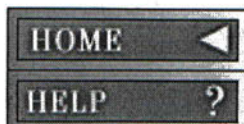
The shuttle is not scheduled to land until Dec. 5, and Mr. Lawrence said there would be time to fly Spartan again if it was unharmed.

But going after Spartan required sacrificing other experiments scheduled for the space walk, including testing a floating camera designed to tell astronauts inside a spacecraft what is happening outside.

This is not the first time astronauts have tried to grab a satellite with their gloved hands. In May 1992, three astronauts on the shuttle Endeavour made three space walks to catch a disabled and spinning Intelsat communications satellite after a capture device failed.

The New York Times

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LATEST NEWS
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On race, Ohio city is speaking volumes

By Ann Scales, Globe Staff, 11/25/97

WORLD REPORTS
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A KRON - The conversation on race that President Clinton called for back in June has been going on for years in Edward Gilbert's living room, across Mike Hendler's kitchen table, among the Rev. Mark Frey's affluent white congregation, in the local NAACP office, at Fannie Brown's pride and joy on Firestone Parkway.

This city, better known for making rubber tires than social policy, seems to many an unlikely laboratory for experiments in race relations. But there has been so much fruitful talk on the topic hereabouts that Brown's organization - known as the "Coming Together Project" - was founded to make sure the point of it all isn't lost.

Clinton will give residents another reason to join in dialogue when he hosts the first, and long-anticipated, town meeting of his yearlong race initiative at the University of Akron on Dec. 3. Clinton's goal is to trigger a broad and frank discussion on the issue: In Akron, he should find no shortage of takers for the tickets.

This city has been talking about race ever since the community, like the nation, was shocked to see black motorist Rodney King savagely beaten in 1991 by white Los Angeles police officers - and stunned when the officers were initially acquitted by a jury the following spring. The conversation did not let up after the local paper, the Beacon Journal, ran a series in 1993 that examined race relations and became a leader in the effort to promote racial progress in the area. The dialogue has extended beyond the two O.J. Simpson trials.

The vast racial gap those events and stories exposed has emboldened some residents of this community of 237,000 to ask as Rodney King did, "Can we all get along?" and then to commit themselves to try.

"It's a battle," said city councilor Michael Williams, who is black, and whose family has a long tradition in local politics. "This is a heart-by-heart, person-by-person battle, but it's the only way it's going to be won."

Churches have joined the fray. In 1992, the Rev. Mark Frey's mostly white suburban church congregation linked up with the Rev. Luther Cooper's black parishioners in downtown Akron.

The two congregations don't just worship the same God at what traditionally has been the most segregated hour of the week, 11 o'clock



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on Sunday morning. The two churches' Sunday schools, women's guilds, and choirs often get together for exchanges. Last Sunday, Frey preached to Cooper's congregation. "It was a great day," Frey said.

When the city dedicated its new Memorial Parkway in May, choirs from both churches sang at the foot of the bridge as a symbol of their efforts to improve relations between the city's two predominant groups.

With their pastors leading the way, parishioners have formed friendships, visited one another's homes - sharing meals, tending gardens together - even joined, several of them, in a journey to Zimbabwe.

"If we're not working on breaking down barriers, we are not being truthful to our calling as Christians, as being one in God's spirit," Frey said.

Mike Hendler and Edward Gilbert are also breaking down the barriers, piece by piece, though in a very personal way. Four years ago, they bumped into each other on the street. Both lawyers, they had known each other professionally for years, but when the conversation turned to race relations, they realized they didn't know each other very well at all. The first step toward reconciling with other races, it became clear, is to know with whom you're trying to reconcile.

Since then, the men and their families have gotten together with other black and white families every few months or so to sit and talk about issues, tackling the hard questions about race, sometimes with a speaker they've invited, maybe the local police chief. The children have gotten to know each other, too.

"I know it sounds kind of corny, but we are more alike than we are different," said Gilbert, a prominent civil rights lawyer.

Gilbert has gone to synagogue with Hendler; Hendler is going to celebrate Kwanzaa with him next month.

"I'm not a person who I think ever distinguished people because of their culture," Hendler said. "But what has been most eye-opening for me is how we tend to stereotype people in the opinions we think they are going to have."

Brown, executive director of the "Coming Together Project," is buoyed by these types of exchanges, even though they began without the help of her project, which operates out of a sparsely furnished one-room office near the city's downtown.

The project was created by the Beacon Journal after the publication of its race series in 1993, but has since spun off into a nonprofit organization that sponsors workshops and events to promote racial harmony.

Many businesses have contributed money, and nearly every community organization in town has signed up for membership, with more than 200 fraternities, schools, country clubs, city agencies, and churches seeking to partake of its workshops and speakers such as Barbara Love, associate professor of social justice education at the University of

Massachusetts at Amherst.

Brown said Akron is a perfect setting for Clinton to hold his first town meeting on race relations. It guarantees him the participation of blacks and whites already accustomed to speaking frankly about race.

"In order for people to get to know each other and form a relationship they have to talk to each other and dialogue, and it has to be in a setting where people are comfortable," Brown said. "This is comfortable."

Akron is about 73 percent white, 24.5 percent black, with Asians, Hispanics, and American Indians making up the rest. Like Boston, and other major cities that are more diverse, it has had its share of racial tensions: from scattered rioting in the late 1960s to evidence that white extremist groups have, of late, been seeking to recruit students on the University of Akron campus.

And, like Boston, the city has been forced to operate under consent decrees governing the police and fire departments and the school system, orders that required greater hiring and promotion of minorities.

While pockets of poverty and segregation exist, and blacks were disproportionately hit by the exodus of manufacturing jobs in the rubber industry, there are also encouraging signs.

Whites are moving back to the city, in the big, fine homes in West Akron that were built for the rubber company executives - a neighborhood that is home to about half the city's black population. The school system, while disproportionately black given the city's demographics, is still more than half white. The police chief and fire chief are black, as are four of the 13 city councilors, including Williams, who was the top vote-getter earlier this month in an at-large election. It was an election in which voters resisted appeals to vote along racial lines.

Hendler said the improved racial climate in Akron is a testament to the kind of subtle, emotional change that the president, in his one-day visit, can only hope to create.

"You can have all the meetings you want, or large funded groups that you want, and it can't do any more than average, everyday people putting out their hands to another person and saying, 'I would like to know you a little better.'"

This story ran on page A01 of the Boston Globe on 11/25/97.
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THE PRESIDENT HAS SEEN
12-1-97

U.S. Says Iraq Spied on Inspectors To Know When to Hide Weapons

A1

By TIM WEINER

WASHINGTON, Nov. 24 — Iraqi intelligence agents successfully spied on United Nations weapons inspectors this year and last, learning in advance of the team's targets and moving swiftly to hide suspected weapons caches, United States military and intelligence officials said today.

"They knew exactly what we wanted to do and where we wanted to go this summer," a White House official said today.

United States U-2 spy planes, flying on missions for the United Nations, have provided evidence that the Iraqis knew of the no-notice inspections well ahead of time, other Government officials said.

That, in turn, might help explain why Iraq threatened to shoot down the spy planes on Oct. 28, the day it barred Americans on the inspection teams, setting off a three-week crisis.

Defense Secretary William S. Cohen believes that the Iraqis have the ability to eavesdrop electronically on the inspectors, his spokesman said today. Other officials said the inspection team might also be under surveillance at United Nations headquarters in New York.

The assertion of Iraqi spying is hardly surprising, and the assessment of the damage it has done to the inspections is incomplete. But the significance of Iraq's ability to foil the team of inspectors through espionage grows as the team, which resumed its searches in Baghdad over the weekend, comes under pressure to complete its work.

That pressure comes especially from Russia, which brokered an end to the standoff last week and wants to see Iraq declared disarmed, and thus freed under United Nations resolutions to pay the billions it owes Moscow.

Ewen Buchanan, the spokesman for the inspection commission at United Nations headquarters in New

Continued on Page A6

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York, said: "We are obviously aware that the Iraqis try their damndest to monitor us, our planning, our thoughts, even in New York, and to develop an early-warning system — what we want, where we're going, what we are trying to inspect. They must use every means at their disposal." Those means include electronic eavesdropping, wiretapping and placing spies in the United Nations camp.

Mr. Cohen said on Sunday in a television interview that "the Iraqis have always watched every move the inspectors have tried to make. They anticipate where they're going. They may have, in fact, penetrated their inspection team."

Mr. Cohen's spokesman, Kenneth Bacon, said today that the Secretary did not think that Iraq had placed an agent inside the United Nations Special Commission of weapons inspectors, known as Unscorn, but that "Iraq has found ways to learn ahead of time some of Unscorn's plans," probably through electronic eavesdropping or other technical means.

"The Unscorn missions have from time to time been compromised," Mr. Bacon said. "Unscorn does not announce its targets in advance, but the Iraqis have found a way to figure out where they're going." He added: "This could be nothing more than very close monitoring. Or it could mean more invasive ways of finding out what they are doing."

The extent to which the Iraqis can spy on the inspectors, and how they do it, remains a significant question as the group returns to work in Iraq this week.

There is little question that they have spied over the past year and half, officials said.

Throughout the six and a half years of United Nations weapons inspection in Iraq, Baghdad has complained that it is the victim of espionage. Deputy Foreign Minister Tariq Aziz has said Baghdad suspects the inspectors of "carrying out intelligence activities" for the United States.

Iraq also has raised the issue of the inspectors' nationalities and has blocked their access to sites controlled by Iraqi military and intelligence agencies, where Unscorn believes biological and chemical weapons matériel and data are hidden.

The inspectors are likely to be under surveillance by several intelligence organizations in Iraq. One is Iraq's agency for electronic eavesdropping, known as Project 858.

Project 858 is staffed by close to 1,000 technicians and analysts at six listening posts in the country, say United States officials, Iraqi exile groups and private analysts. It monitors satellite telephone calls and other telecommunications, and it may have the ability to decode some "scrambled" calls.

Project 858's headquarters are at Al Rashidia, just north of Baghdad. International calls to and from Iraq go through a switching post at Al Rashidia, where they are taped and analyzed by Iraqi intelligence agents.

The Iraqi Intelligence Service, the

nation's largest espionage organization, responsible for spying overseas, is believed to have members working under diplomatic cover abroad.

The United Nations inspectors can use several countermeasures to detect and defend against Iraqi surveillance. Special Commission members use scramblers for sensitive satellite telephone conversations, Mr. Buchanan said. He would not elaborate on other countermeasures, although these may include encrypted computer communications and information provided through the United Nations from friendly military and intelligence services.

The Iraqis have made much of the nationalities of the team of inspectors, which now has 103 people from 22 countries in Iraq. They include United Nations staff members, paid by the United Nations, and experts provided by 16 countries, paid by their own governments, Mr. Buchanan said.

Iraq has complained that Americans dominate the team, but in fact they represent between 10 and 15 percent of its membership, which fluctuates in size and composition.

How Baghdad has managed to stay a step ahead of the weapons inspectors.

Some American officials worried privately that Foreign Minister Yevgeny M. Primakov of Russia, who helped end the standoff by brokering an agreement with Iraq last week, might have promised the Iraqis that he would help change the makeup of the inspection teams.

But suspicions that one or another national group within the Special Commission might have undue influence or divided loyalties have not been supported by evidence. Secretary Cohen said Sunday on the NBC News program "Meet the Press" that he believed that the Russian members of the inspection team were simply "Russian scientists who have carried out their responsibilities."

The New York Times

TUESDAY, NOVEMBER 25, 1997

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THE PRESIDENT MAY 1997
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(see over)

In Bosnia's Schools, 3 Ways Never to Learn From History

By CHRIS HEDGES

SARAJEVO, Bosnia and Herzegovina — On June 28, 1914, Gavrilo Princip shot and killed Archduke Franz Ferdinand of Austria in a Sarajevo street, an act that set off World War I. So what does that make him in Sarajevo today?

"A hero and a poet," says a textbook handed to high school students in the Serb-controlled region of this divided country.

An "assassin trained and instructed by the Serbs to commit this act of terrorism," says a text written for Croat students.

"A nationalist whose deed sparked anti-Serbian rioting that was only stopped by the police from all three ethnic groups," reads the Muslim version of the event.

When the Muslims, Croats and Serbs belonged to Yugoslavia under Communism, they were all exposed to the same set of history books. In them Princip was a hero.

History, confusing enough these days in Bosnia, is becoming even more unwieldy as students are segregated into ethnically distinct classrooms to be taught different versions of history, art and language.

The Dayton agreement envisioned Bosnia as one country with one government. But in fact, it has been partitioned into a Serbian republic and a Muslim-Croat federation. Largely dysfunctional, this federation ostensibly governs both groups, but each has its own enclave and power base. The principal ethnic groups — Muslims, Eastern Orthodox Serbs and Roman Catholic Croats — therefore have control over

their own most important cultural institutions.

"This is the end," said Senad Pecanin, editor of the independent news magazine Dail. "We are creating in our schools a system of apartheid."

Many students, especially those Serbs, Croats and Muslims who live in the dwindling mixed areas in Bosnia, seem bewildered by the efforts to define and educate pupils by ethnic background.

"I was sitting in my classroom the other day," said Branka Babic, 19, a Serbian high school student in Sarajevo, "and the teacher handed out a form where we had to write down whether we were a Serb, Muslim or a Croat. We were told that we would be segregated into different classrooms according to our ethnicity. It's not what any of us asked for."

Before the war many of Bosnia's villages, though internally homogeneous, coexisted harmoniously in ethnically mixed clusters. But the years of violent "ethnic cleansing" wiped away those areas where different groups lived, if not together, then at least side by side. Ethnic expulsions and flight also drastically changed the extent to which people

Continued From Page A1

now intermingle in the larger and traditionally more diverse cities — even in Sarajevo, where before the war the three groups lived in relative harmony.

Now the Bosnian Serb republic, which has few remaining Muslims or Croats, has adopted new textbooks published by Serbia's Ministry of Education in Belgrade. And in the often rancorous federation of ethnic Croats and Muslims, the Croats use textbooks printed by the Education Ministry in Zagreb, the capital of Croatia, while the Bosnian Government in Sarajevo has printed separate texts for the Muslims, complete with Islamic religious symbols on the front page.

And rather than take steps to assure integration of the students in mixed urban areas, the Education Ministry in the Muslim-Croat federation is now proposing that Muslim and ethnic Croatian students be offered either separate schools or separate classrooms within the same school — or, at a minimum, separate classes in "national subjects."

"This is about basic human rights," Education Minister Fahrudin Rivanbegovic told the weekly Ljiljan. "We have to offer all nations in Bosnia-Herzegovina the right to choose, and whether they make use of that right is up to them."

But the federation plan has no provision for children from mixed marriages or for ethnic Serbs who live in federation territory.

In schools where segregated classes have already been established, students say there are growing disputes between ethnic groups.

A Serbian sociologist in Sarajevo, Dusan Sehovac, said his 17-year-old daughter "came home in tears because of comments made in her class about the Serbian aggressors."

"She would not return to school for 10 days," Mr. Sehovac said. "Many of her friends now cross the line at the edge of the city to take classes in schools run by the Bosnian Serbs to avoid ridicule and harassment."

There are different interpretations of every momentous event in Bosnian and Yugoslav history in the textbooks, often accompanied by elaborate conspiracy theories about the dark role of opposing ethnic groups.

The Muslim books, for example, portray the Ottoman Empire's rule over Bosnia, which lasted 500 years, as a golden age of enlightenment; the Serbs and Croats condemn it as an age of "brutal occupation."

The formation of the Yugoslav Kingdom after World War I is recorded in the Serbian texts as a moment of "liberation" and in the Croatian texts as "a plot by the Serbs to create Greater Serbia," which reduced Croatia "to the status of a colony." The Muslim texts say Bosnian Muslims were "pressured against their will" by Serbian and Croatian leaders to join the Yugoslav union.

The Muslim high school history text on the period between the world wars has chapter headings like "Evictions and Violence Directed Against the Muslims in Sandzak," a region in southern Serbia, and "The Abolition of the Autonomy of the Islamic Community in Bosnia."

The Croatian history text, like the Serbian text, never even treats Bos-

nia as a distinct region, and its headings for the same period tell a different story: "The Loss of Croatian Territory"; "The Croatian People Resist the Dictatorship."

The Serbian text describes the kingdom, which ended with the German occupation of Yugoslavia in 1941, as "an open, tolerant democracy." It explains to students that Croatian nationalists, backed by the Vatican, "adopted as their goal the destruction of Yugoslavia"; Muslims of the time are portrayed as trying "to divide Yugoslavia."

The Croatian history text acknowledges the slaughter of Serbs, Jews

Segregated classrooms and aggravated racism.

and Gypsies in World War II by the quisling regime that the Nazis set up in Zagreb. But it also devotes pages to the attacks carried out by royalist Serbian irregulars called Chetniks.

The Muslim text, in a glaring omission, fails to detail the brutal role of a Muslim army division that was organized by Muslim religious leaders in Sarajevo and fought alongside the Axis forces in Bosnia.

The Serbian books, meanwhile, go into great detail about the war crimes committed against the Serbian people by the Muslim and Croatian "fascists," while skipping over the atrocities committed by the Chetniks and their collaboration with the German and Italian occupiers.

The texts have at least one thing in common: a distaste for Tito, the Communist leader who ruled the country from 1945 to 1980 and was a staunch opponent of the nationalist movements that now hold power.

The Croatian history text says he "lived the easy life and imprisoned all his political opponents." Serbian

students are taught that he was "the prison warden of the Serbian people." The Muslims condemn him for his atheism and for thwarting the establishment of a Bosnian state.

What the books might also say is that Tito was as guilty as the ethnic leaderships of propagandizing education. In his day, school texts glorified the ruling Communists, left out large chunks of history that did not fit with their ideology and fostered a huge personality cult that saw schoolchildren tested on minute and often mythical events of Tito's life.

Indeed, many experts believe that the Communist education system helped set the stage for today's ethnic rage by failing completely to tackle the deep ethnic conflicts that figure in Yugoslav history. Instead, it denied that such problems existed — an approach as divisive as the now effort to nurture students solely on the three groups' simultaneous — and contradictory — recollections of grievances.

By the time today's books reach recent history, the divergence takes on ludicrous proportions; each side blames the others for the Bosnian war and makes no reference to crimes or mistakes committed by its own leaders or fighters.

The Muslims are taught that the Serbs "attacked our country" and started the war.

The Serbs are told that "Muslims, with the help of mujahadeen fighters from Pakistan, Iraq and Iran, launched a campaign of genocide against the Serbs that almost succeeded."

The Croatian students learn that Croatian forces in "the homeland war" fought off "Serbian and Muslim aggressors."

As for Bosnia, young Croats and Serbs are repeatedly reminded in their texts that it does not exist as a separate nation and never has.

The Croatian students in Bosnia are instructed that their capital is Zagreb, while ethnic Serbs are told that their capital is Belgrade, in neighboring Serbia.

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The New York Times
TUESDAY, NOVEMBER 25, 1997

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Chalk one up for single-sex education

By Robin Marantz Henig

Our daughter Jess called from college last weekend to tell us how she had just spent a glorious New England fall afternoon. No, it wasn't at a football game. Jess spent her Saturday writing with sidewalk chalk all over campus.

It seems that the night before, some local guys had desecrated the pavements of her school, Smith College — one of about 80 colleges in the USA that are still for women only — with sexist comments and raunchy drawings. So Jess and her friends chalked over the chalkings. They turned the rude drawings into faces, crocodiles and a mushroom. And they changed the rude phrases into words that better matched their own sentiments: "Smith go coed" morphed into "Smith good, coed bad."

How did it turn out that our daughter, who just months before was in high school and hanging out only with male computer nerds, had found such solidarity in a school full of young women? And when did she come to believe that, at least for her, coeducation was "bad"?

This is a question coming up more often these days as school systems around the country experiment with a whole new version of "separate but equal": creating classrooms and sometimes entire schools that are segregated by gender. The argument is that many kids learn better without the distraction of the opposite sex. The counterargument is that separating the sexes, for whatever reason, is discrimination.

A few years ago, Jess and I both would have agreed that sex segregation was a bad idea. During her years attending big public schools on the outskirts of Washington, D.C., she loved having boys around. She admitted

that they dominated discussions — both in and out of class — but she said she never felt shy about speaking up when she had something to say.

But her behavior said otherwise. Jess entered high school as part of a competitive computer/math/science magnet program designed to attract the brightest students in the county. By the end of her junior year, though, she had dropped all her magnet courses, having decided that she just wasn't good at any of them.

Was it a coincidence that the very subjects she dropped were those traditionally thought to be the strongholds of males? While Jess floundered, I read with dismay about how much better girls were doing in single-sex secondary schools. One well-publicized report found that 91% of alumnae from 35 girls' schools believed their schooling had encouraged them to test their intellectual limits. That was exactly what I wanted school to do for Jess — and exactly what it was failing to do.

About that time, our younger daughter, who was 10 and also in public school, switched from a coed soccer league to one that was all girls. Instantly, her athletic demeanor changed from tentative to commanding. Instead of spending most of her time on the sidelines, she played through every game, and her skills improved dramatically.

If this happens just by removing boys from the playing field, I wondered, does something similar happen by getting them out of the classroom?

It seems so, at least in cities that have tried pilot programs of single-sex classrooms in the public schools. In an all-girls class, discussion flows at a pace more suited to their contemplative style. And, significantly, girls say they feel no need to "play dumb" in

hopes of seeming more attractive to boys. Perhaps surprisingly, boys benefit from single-sex education as much as girls do. Experimental all-male middle-school classrooms in Baltimore and San Francisco report improvements in both behavior and academics. The boys catch on to subjects more quickly because they focus on schoolwork instead of showing off for the girls. And they ask better questions. As one seventh-grade teacher put it, the boys are no longer embarrassed to admit when they don't understand.

Despite all this compelling evidence, I fretted all summer about whether Smith would really work out for Jess. For one thing, I thought she was limiting her romantic options by cutting out the easiest way to meet guys — in her own dorm or classroom. I worried that the cattiness she had experienced at the hands of some girls in high school would only magnify itself in a school where everyone was a girl.

And, most important, I thought that four years in an all-female hothouse would fail to toughen her sufficiently for real life in a coed world.

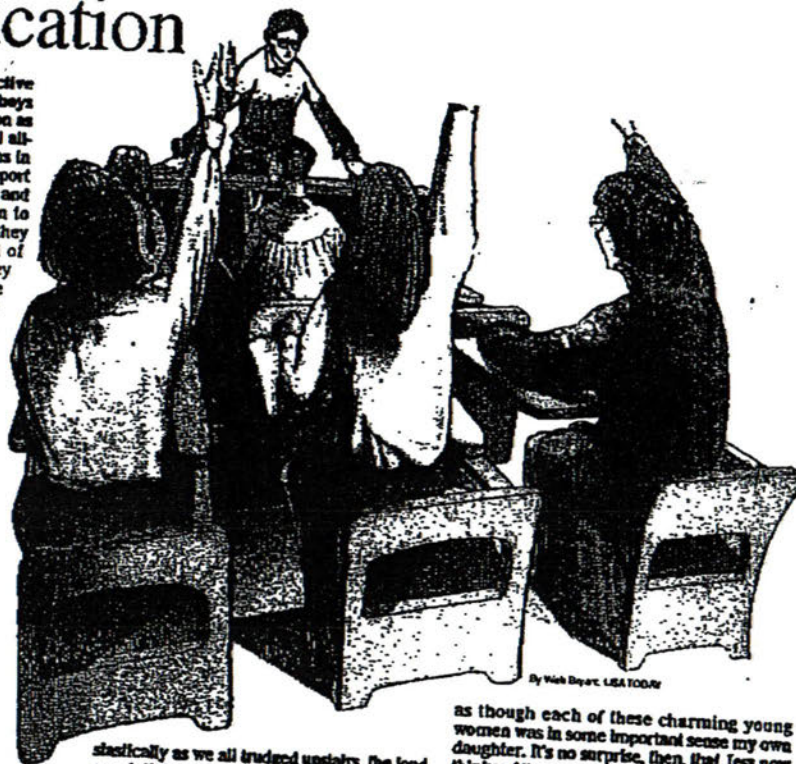
My doubts eased the moment we pulled into the driveway of her house at Smith and were greeted by a half-dozen young women eager to help us unload. Each one grabbed a carton or a suitcase (except for Jen, the rugby player, who grabbed several), and then challenged enthusi-

astically as we all trudged upstairs, the load much lightened for the sharing.

As her new housemates lingered in Jess' sunny room, which overlooked a magnificent spreading sugar maple, they talked about everything from neuroscience to art history in the best place in town for ice cream. I felt

as though each of these charming young women was in some important sense my own daughter. It's no surprise, then, that Jess now thinks of them as sort of like sisters — a comfortable kinship that serves as a jumping-off point from which anything is possible.

Robin Marantz Henig is a freelance writer living in Maryland, and a member of USA TODAY's board of contributors.



By Nick Rapone, USA TODAY

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
12-1-97

November 22, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC Weekly Report

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IRS Problem Solving Day: Last Saturday, the IRS held its first national problem solving day. Sylvia and I held a meeting with Treasury days before and felt they had put together a good plan that came off well. As part of our action plan following the Senate hearings, these days are designed to provide taxpayers a convenient opportunity to sit down face to face with an IRS official and address their specific problems. Secretary Rubin, along with new Commissioner Rossotti, attended Baltimore's problem solving day last Saturday.

The event generated positive news coverage, with most of the focus on the agency's attempt to better address the needs of taxpayers through greater accessibility. Most stories highlighted individual stories of taxpayers receiving helpful treatment from the IRS. *The Washington Post* wrote that the IRS is "show[ing] a new side..." ABC News called the effort, "Not what you'd expect to see" from the IRS. *USA Today* wrote that taxpayers, "came angry, intimidated, confused. They left, many of them anyway, with their questions answered and their problems solved, courtesy of the suddenly friendly folks at the Internal Revenue Service."

In the course of the day, 550 people had problems solved by phone when calling to make an appointment for Saturday; 3,704 people had appointments; and 2,580 walked in to have a problem addressed; in total 6,834 taxpayers participated. The IRS plans to continue these events monthly for the next six months and permanently thereafter if there is sufficient demand.

To coincide with the IRS' efforts, Republicans across the country held their own events to highlight their efforts to reform the IRS and "scrap the taxcode." These events did not generate as much media interest as the problem solving days.

IRS Questionnaire: On this IRS issue, we did show we could take on and defeat a truly bad IRS idea. In the final days of the session, the Republicans dropped Speaker Gingrich's proposed IRS questionnaire. The NEC, Treasury, Paul Begala and others, working with Hill Democrats, made the case that \$48 million is too much to pay for an inaccurate and biased survey. As a number of editorials noted, critical questions dealing with issues such as tax fairness, were not included in the Speaker's questionnaire. Speaker Gingrich has indicated, however, that he intends to resurrect the questionnaire next year.

Social Security, Tax Reform and Budget Surpluses: I am now holding regular meetings (3 or more times per week) with Secretary Rubin, Director Raines, Rahm, Larry Summers, Jack Lew, Bruce Reed, Janet Yellen, Ron Klain, John Hilley, and others to discuss possible uses of the unified surplus, from financing tax reform to strengthening Social Security. As you know, there is much interest in using the surplus to bolster the Social Security system -- both to raise national saving and to pre-empt misguided tax reform ideas that are part of a larger strategy to reduce the role of government. While I and many of your other advisers believe that the approach is potentially very promising and dramatic, there are many difficult and complex issues that are emerging as we carefully consider the various possibilities.

On tax reform, we are examining a wide variety of possibilities -- including the Gephardt proposal and a VAT system linked with an income tax only for upper-income taxpayers. While these and other similar reform proposals have many attractions, a crucial problem is that they generally eliminate the tax-preferred treatment of pensions, home mortgages, and health care. A related problem is that their distributional effects are often unattractive. In addition to carefully considering these broader tax reform proposals, we are examining a range of less dramatic targeted tax cuts and tax simplification possibilities.

We hope to meet with you next week to discuss our preliminary thoughts on these issues.

Chairman Greenspan Testimony on Social Security: Alan Greenspan testified before the Senate Budget Committee's Task Force on Social Security on Thursday. He emphasized the importance of higher national saving in allowing the country to finance the consumption needs of both retirees and active workers as the baby boomers retire. He raised the possibility of issuing "recognition bonds" to individuals, to recognize the government's liability for future Social Security benefits (depending on the discount rate used, these recognition bonds would amount to somewhere between \$5 trillion and \$12 trillion). He also voiced support for raising the retirement age as life expectancy rises, improving the accuracy of the COLAs, and considering individual accounts.

*Clu
Rin* **National Committee to Preserve Social Security and Medicare:** Last week, I met with Martha McSteen and Max Richtman from the National Committee to Preserve Social Security and Medicare, the nation's second-largest senior lobbying group with about six million members. They emphasized that the basic Social Security system should be maintained, although perhaps not precisely in its current form. For example, they were willing to consider investing some portion of the Trust Fund in equities. They very much favored using 1998 to hold fora and educational events across the country, rather than to promote a comprehensive set of specific proposals. They were particularly enthusiastic about having you lead a series of local "town halls" on the issue over the next year.

* Another interesting aspect of the issue that they emphasized was that 38 percent of Social Security beneficiaries are not retired workers (62 percent are retired workers, 12 percent are widows or widowers, 10 percent are disabled workers, 7 percent are spouses of retired workers, 4 percent are surviving children, 3 percent are children of disabled workers, 1 percent are children of retired workers, and 1 percent are either widowed parents or spouses of disabled workers). In their experience, publicizing this fact helped them to interest a broader audience in the debate.

Japanese Stimulus Plan: The Japanese Ambassador came in before the announcement of Japan's economic stimulus package. He asked us to look at the plan with "kindly eyes." I stressed, however, we couldn't make any promises because, as we expected, it turned out to be quite a modest proposal. Amb. Saito did leave open the possibility of a corporate tax cut although Larry Summers believes it is unlikely.

6th Grade Mentoring: We continue to gather input on this initiative from college presidents and associations, and the feedback is overwhelmingly positive. Last week, as a follow-up to my meeting with Yale president Richard Levin, the American Council of Education hosted a discussion about the possible design of a program.

On Monday, myself and Bob Shireman met with six California State University presidents. They responded to our call for ideas with a proposal that the Cal State system use math -- algebra as the gateway to college -- as an organizing theme for an early intervention program. On Tuesday, the Education Department reported back to us on an effort that they have undertaken to gather descriptions of model programs, and to synthesize the research on this topic. On Wednesday, I spoke to 150 private college presidents at a meeting of the National Association of Independent Colleges and Universities.

We have continued to be very inclusive of college presidents and have made clear that we very much would like their ideas in advance. This approach and idea have been going well and we could conceivably announce an initiative on this with the support of over 100 college presidents.

Hispanic Education: On Friday, I had a productive discussion with more than a dozen Hispanic and education organizations (including La Raza, League of United Latin American Citizens, Mexican American Legal Defense Fund, NEA, American Federation of Teachers) as well as some congressional staff, on the status of the FY 1999 Budget process, and on our efforts to ensure that the needs of Hispanic Americans are addressed. I asked for their top recommendations for funding, as a part of the larger action plan that will also include administrative actions. Maria Echaveste put together the event, and Mickey Ibarra also participated, along with representatives of the Race Initiative, the White House Commission on Educational Excellence for Hispanic Americans, the DPC, Legislative Affairs, the Vice President's office, and the Education Department.

We are continuing to put together proposals including many budgetary and administrative actions that address the education needs of Hispanic Americans, particularly a plan for the high Hispanic drop-out rate. We are talking with both Senator Bingaman and Congressman Hinojosa who have proposals in this area. One issue we have gotten requests for is a White House conference on the Hispanic drop-out rate. One possibility is to have a foundation or group hold the conference on the importance of staying in school with a focus on the Hispanic drop-out rate.

Student Loan Consolidation Backlog: Education is on track to re-open the doors to new consolidation applications by December 1. In a strange new twist, the "emergency" legislation Congress passed (attached to Labor-HHS appropriations) to help address the backlog has caused the largest consolidator, Sallie Mae, to shut down its consolidation operations. The legislation lowers the interest rate to make it comparable to direct lending, but Sallie says it is no longer profitable. Education is satisfied that EDS has developed enough

12-1-97

capacity to handle the large numbers that are expected when the doors open, even given the Sallie Mae announcement (other lenders are staying in and hoping to gain market share). But at the urging of Bob Shireman on our staff, the Department is also developing a "safety valve:" the ability to refer applications to lenders with capacity to handle them promptly, just in case there is more demand than expected, or other problems at EDS.

Student Loan Reform: Early next year, we will need to negotiate with the industry over the new, lower interest rate that goes into effect next July. It is tied to 10-year bond rates, which is a problem for lenders and should be changed. But the question is, changed to what? We have convened a small group from Treasury and CEA to discuss the possibility of using an auction mechanism to set the maximum rate. An auction is used for a small medical loan program and shows promise, but it is more complex for the guaranteed loan program. My guess is that we will not ultimately go this direction, but it is an important area to explore.

 **America Reads:** At our suggestion, Education will issue a regulation soon that expands the work-study waiver to include tutors in family literacy programs (like HIPPY) where the primary goal is improving the child's reading skills. (The regulation must be issued by December 1 in order to take effect next July). Carol Rasco had heard from a number of colleges that work with both the parent and the child, concerned that they were forced to differentiate the hours spent with the child versus the parent or caregiver.

School Construction: Bob Shireman met with Rebuilding America's Schools, a coalition of education groups, architects, bond professionals, and others dedicated to addressing school infrastructure needs. Bob floated some ideas with them, expecting that they would be inclined to support the initial design of our proposal, which had garnered an impressive number of cosponsors. However, some of them argued for other approaches, including on the tax side of the ledger. Regardless of the design, they felt strongly that \$5 billion is the minimum needed for credibility on this issue.

School Construction has also come up in other contexts, including the Hispanic meeting and discussions of the needs of the Democrats on the Hill. We are exploring the idea of extending the proposal beyond five years so that we can expand its size without affecting FY99 outlays. This might allow us to provide more help to growing suburbs, a change that many Democrats would appreciate.

Climate Change: On Wednesday, Todd Stern and I addressed the Global Climate Coalition, a grouping of business interests which are opposed to binding targets and which are sponsoring ads against our position. We felt that it was important to explain the logic behind our approach to the people who are perhaps its sharpest business critics. The event was a success in allowing us to present the Administration's view, but -- perhaps not surprisingly -- we may not have succeeded in converting them to our perspective. We have also been working intensively on a diplomatic strategy for APEC, Kyoto, and beyond. A separate memorandum has been submitted to you on the state of play and how we can use the APEC meetings to advance our joint implementation and developing country positions.

Medicare Buy-In Policy Review: As part of the preparation for possible 1998 initiatives, we have been working at the staff level for several months on the problems and possible policy options for health insurance coverage for the near elderly. Recent internal polling data suggest that 85% of people favor allowing people ages 60 to 64 to buy into Medicare. This coming week there will both be an interagency policy discussion led by Chris Jennings and a principals' meeting led by myself to examine the options. We will report to you the outcomes of those discussions.

Minority Owned Businesses and Banks: As he mentioned in his letter to you, Rev. Charles Stith and I met to discuss a report his organization recently released, entitled: "Minority-Owned Businesses & Their Banking Relationships: Business in the Black Does Not Always Equal Green." As you noted in his letter to you, the main point of the study is that minority businesses lack sufficient access to capital.

Rev. Stith's report includes a series of recommendations on how to increase bank lending to minority-owned businesses. We are working with DPC, Treasury and others, as part of the economic empowerment policy effort, to finalize a fair lending package which would include an examination of credit scoring as well as a Presidential request to the Federal Reserve to allow collection and reporting of race and income data as part of the small business and small farm lending reporting requirement, and a similar request to the FTC to obtain such data in the credit card area. Additionally, SBA has an effort underway to substantially increase the share of its 7(a) loan guarantees going to minority and women-owned businesses. I have also asked Emil Parker, on our staff, to explore whether we could come up with a down-payment initiative that helped people with few assets, buy homes when they have shown that they have paid their rent for many consecutive months in a row. We will keep you updated on our work in this area.

Universal Service: As part of the Telecommunications Act of 1996, the Congress (with strong backing from the Administration) expanded the definition of universal service to include not only rural and low-income customers, but schools, libraries, and rural health care providers. All companies that provide telecommunications services pay in to the FCC's Universal Service Fund. Several long-distance companies are now considering adding a line to their bill that represents the cost of the Universal Service Fund. We are very concerned that this could undermine political support for the "e-rate" for schools and libraries. Along with Members of Congress, we are trying to discourage the long-distance companies from taking this step, which could come as early as Monday.

On this is important

THE WHITE HOUSE
WASHINGTON

November 21, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health -- Quality Commission Bill of Rights: Your endorsement of the Quality Commission's bill of rights was well received. Many groups representing consumers, providers, and labor stated strong support for these consumer protections. In addition, Congressional Democrats are pleased with your position; Sen. Daschle and Rep. Gephardt both indicated strong interest in working with the Administration on this issue. The business community's response was relatively muted; only the National Federation of Independent Business came out strongly against the proposals, on the ground that they would raise health care costs and impose an intolerable burden on small businesses. As Chris mentioned in his memo to you, a recent analysis by Lewin and Associates concluded that the cost of these consumer protections would be modest --about 1/2 percent to 1 percent of premiums. We will continue our work with moderate Republicans and Democrats in Congress to develop legislation that you can endorse early next year.

2. Health -- Mental Health Parity Regulation: As you know, the Administration is currently considering how to implement the provision in last year's mental health parity legislation that exempts health plans from complying with the parity requirement if they can show that the cost of doing so would increase premiums by more than 1 percent. Two options are under discussion. The first would allow health plans to claim an exemption only after they have complied with the parity requirement for at least six months. The second would allow health plans to claim an exemption even before complying with the parity requirement, based on projections from their most recent cost data. Some of the lawyers believe that the second option represents the more natural reading of the legislative language, although all agree that both options are legally defensible. DPC, HHS, and the mental health community favor the first approach; OMB, Treasury, and the business community favor the second. The involved agencies plan to meet with Erskine this week to review the options and try to arrive at a consensus; we will give you a recommendation after the Thanksgiving holiday.

3. Crime -- Police-Public Contact Survey: The Justice Department released a survey on Saturday showing that an estimated 45 million Americans -- roughly 1 in 5 -- have face-to-face contact with police officers each year. The survey shows that police initiate a bit less than a third of these contacts; most of the others occur when citizens report a crime, seek other assistance, or offer information to police officers. About 1 percent of those who came in contact with police reported that the police threatened or used force against them. Half of these individuals were black

THE PRESIDENT

12-1-97

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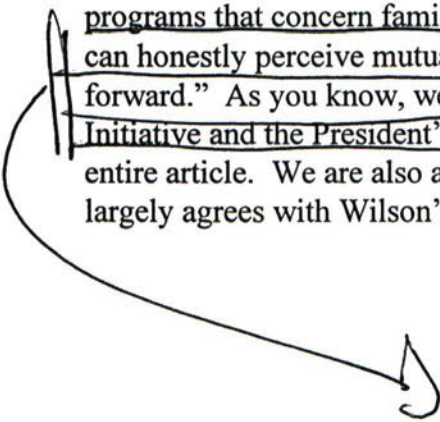
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12-1-97

or Hispanic; almost two-thirds reported that their own actions -- such as threatening the police or resisting arrest -- may have provoked the police action. According to the survey, persons in their twenties are most likely to have contacts with police, while the elderly (aged 60 and older) are least likely. Males are slightly more likely than females to have police contacts (23 percent of males vs. 19 percent of females), and whites are somewhat more likely than blacks or Hispanics (22 percent of whites vs. 16 percent of blacks and 15 percent of Hispanics). Only teenagers and Hispanics reported that police officers initiated the contacts more often than they did.

4. Welfare -- U.S. Conference of Mayors Report: The U.S. Conference of Mayors released a 34-city survey on Friday regarding implementation of the welfare law. The survey found that states have failed to consult appropriately with cities about welfare reform. The survey also concluded that although local private sector employers are willing to hire welfare recipients, many cities do not have enough low-skill jobs to meet the welfare law's work requirements. This finding rests on cities' unsubstantiated estimates of the number of low-skill jobs available and the number of city residents applying for them; it also conflicts with several other recent studies, including one by former OMB Program Associate Director Isabelle Sawhill. In any event, our new \$3 billion welfare-to-work program will give cities additional resources to hire or place welfare recipients.

5. Race -- Attached Materials: We are attaching to this memo a recent article by William Julius Wilson on strategies for achieving racial equality. In a recent memo, we quoted this article's thesis that the best way to make racial progress today is to focus on "issues and programs that concern families of all racial and ethnic groups, so that individuals in these groups can honestly perceive mutual interests and join in a multiracial coalition to move America forward." As you know, we believe that you should make this insight central to the Race Initiative and the President's Report that will conclude it. We thought you would like to read the entire article. We are also attaching a recent article by Harvard professor Orlando Patterson, who largely agrees with Wilson's views.



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BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Manufacturers Looking to Overcome Skill Shortage. Nearly 90 percent of manufacturers are experiencing a shortage of qualified workers in at least one job category, according to a survey of 4,500 manufacturers of all sizes by the National Association of Manufacturers. Sixty percent of those surveyed report that current workers lack basic math skills, 55 percent find serious deficiencies in workers' basic writing and comprehension skills, and about 50 percent believe that too many of their workers lack the ability to read and translate drawings, diagrams, and flow charts. More than one-third are having difficulty improving productivity and upgrading technology due to employee skill deficiencies. The survey also finds that, although employers are investing more to educate and train their employees, their needs have continued to grow as the economic expansion has continued. Almost all of the companies in the survey currently provide some education and training for hourly employees, and about two-thirds provide remedial training programs in subjects such as reading and writing, math, and problem-solving skills. Only about 30 percent currently use Federal or state subsidies or credits to offset the cost of worker training.

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United States Recaptures Top Spot in Supercomputer Rankings. With the installation of an Intel Corporation supercomputer at Sandia National Laboratories, the United States can once again claim title to being the builder of the world's best-performing supercomputer. A recent report shows that 16 of the world's 20 top-performing supercomputers are U.S.-built. These rankings constitute a significant shift from last year, when the Japanese had built not only the 3 best-performing supercomputers, but also 10 of the top 20. In this year's rankings, the Japanese can claim just 4 of the top 20 spots. One reason suggested for the shift is that Japanese computer makers have been slow to adopt massively parallel computing, in which large numbers of microprocessors are used in an orchestrated or integrated way to solve problems. The first-place Intel computer is capable of a peak speed of more than 1.3 trillion mathematical operations per second.

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On the Road Again. Long-distance travel in the United States has more than doubled over the past 20 years, according to a recently released survey by the Bureau of Transportation Statistics. The total number of miles traveled in journeys of 100 miles or more one way was 827 billion in 1995, more than twice as many as in 1977. The average number of trips per person increased from 2.4 in 1977 to 4.0 in 1995. Between 1977 and 1995, average miles per traveler increased by 39 percent, to 3,943. Less than one-fourth of all long-distance trips in 1995 were for business.



ONE AMERICA IN THE 21ST CENTURY

The President's Initiative on Race

THE PRESIDENT HAS SEEN
12-1-97

The New Executive Office Building
Washington, DC 20503
202/395-1010

MEMORANDUM FOR THE PRESIDENT

FROM: JUDITH A. WINSTON *JAW for JAW*
THROUGH: ERSKINE BOWLES
SYLVIA MATHEWS
SUBJECT: PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT --
NOVEMBER 16 - 22

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ADVISORY BOARD ACTIVITIES

Advisory Board Meeting. On November 19, all the Advisory Board members except Governor Kean attended the meeting. Two hundred and fifty people were in attendance at the meeting throughout the day. The meeting examined the value of diversity in higher education. The Board discussed the importance of civil rights data collection and enforcement and will present recommendations to you before the next Advisory Board meeting on December 17. (A copy of the meeting agenda is attached.)

National Congress of American Indians Annual Meeting. On November 20, Governor Winter, Angela Oh, and I met with tribal leaders to discuss the role of the Initiative and to share ideas about how the Initiative can be more inclusive of American Indians and Alaska Natives. Angela Oh gave a plenary address in which we challenged the participants to work with the Initiative to ensure that the American Indian perspective is included in the discussions.

Outreach to Religious Leaders. Following your Prayer Breakfast, on November 20, Reverend Johnson Cook met with religious leaders to discuss the Initiative. She urged these leaders to promote the need for race reconciliation. They agreed to reconvene in early December to develop a plan of action for reaching the community of faith.

National Asian Pacific American Bar Association Conference. On November 22, Angela Oh participated on a civil rights panel at the National Asian Pacific American Bar

Association conference in San Francisco. She urged the approximately 300 Asian Pacific American attorneys to view your Initiative as an opportunity to be leaders in bridging racial divides and urged them to build coalitions with other attorneys to promote the goals of the Initiative.

America's Black Forum. On November 20, Dr. Franklin appeared on America's Black Forum, a weekly half-hour program, hosted by Juan Williams and James Brown, with commentators, Julian Bond, Deborah Mathis and Armstrong Williams. Dr. Franklin discussed the Initiative and recent Board activities.

OFFICE OF THE EXECUTIVE DIRECTOR

OUTREACH

Campus/Community Week of Dialogue. On November 17, we met with representatives from the Association of American Colleges & Universities and the National Urban League to discuss their participation in a Campus/Community Week of Dialogue.

Local and National Government Associations. On November 20, we met with the Executive Director of the National Governors' Association, and in a separate meeting we met with the Executive Director of the U.S. Conference of Mayors. Both agreed to include the Initiative in their mid-winter meetings to be held in Washington, D.C.

RESEARCH AND POLICY PLANNING

Fact Book. After discussions with White House staff, including members of the Council of Economic Advisors, we are no longer producing a condensed fact book for dissemination at the Town Hall meeting. We met with the CEA and the White House Chief of Staff's office to discuss the development of a detailed fact book which CEA will take the lead in producing.

COMMUNICATIONS

Initiative Brochure. The Initiative brochure was printed and distributed at the November Advisory Board meeting. (A copy is attached.)

Media Coverage. Six news sources covered the November 19 Advisory Board Meeting: The New York Times (A1), Washington Post (National section), Washington Times (A1), AP Wire, Newsday Inc. (National section) and St. Petersburg Times (National section). Two news sources interviewed me about the Town Hall Meeting: ABC News, Cleveland and Ohio News Network.

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soon

WORK TEAMS

CABINET AFFAIRS / FEDERAL AGENCY

One America Conversations. Four Cabinet Secretaries, three Advisory Board members, 50 Federal staff members, some White House staff members, some Initiative staff members, and I will host One America Conversations over the Thanksgiving weekend.

COMMUNICATIONS/PRESS

Public Service Announcements. On November 18, the Leadership Conference Education Fund, the Ad Council, and an advertising agency presented senior-level members of the White House and the Initiative, including Paul Begala and Rahm Emanuel, with three script ideas for the public service announcement that will be released in conjunction with your Town Hall meeting. We chose two scripts for test marketing. One script featured the use of the civil rights anthem, "We Shall Overcome" and rap music, and the other script featured a montage of people reciting a script that identifies social issues that transcend race and ethnicity. The Ad Council will test market these scripts this week to gauge which script would resonate with audiences age 17-25.

PROMISING PRACTICES

Identifying Promising Practices. We plan to have posted 40 promising practices on the website by December 3 to coincide with your Town Hall meeting.

RECRUITING LEADERS/OUTREACH

Corporate Leaders. The first regional corporate CEO forum will be in Miami Beach, Florida on December 1. Secretary of Transportation Rodney Slater and Advisory Board member Bob Thomas will lead the meeting.

DIALOGUE IN COMMUNITIES

December 3 Town Hall Meeting. Initiative staff and White House staff went to Akron, Ohio to examine potential sites and to speak with officials and community leaders about logistics and possible participants.

ADVISORY BOARD

Advisory Board Meetings. The dates for the Advisory Board meetings have been determined through June. The December Advisory Board meeting will occur on December 17 in Fairfax, Virginia. The meeting will focus on issues surrounding race related to K-12 education. The first Advisory Board Town Hall meeting will take place

in mid-January in Atlanta, Georgia.

FEDERAL AGENCY ACTIVITIES

Department of Treasury

Presidents Initiative on Race. During his trip to the Midwest on November 17, Secretary Rubin met with Minority Business Leaders and also held a roundtable with the Runners Club, a group of African-American entrepreneurs mentored by business leaders. On November 20-22, the 15th annual national conference to recognize Minority Enterprise Development Week (MED Week) 97 will be held in Washington, DC. MED Week was created in 1983 to recognize and promote the achievements of the nation's minority-owned businesses. Treasury plans to have an exhibit booth at the conference and share information about procurement opportunities throughout the Department.

Department of the Interior

"Toward One America" Initiative -Message and Outreach Activities. The Bureau of Reclamation helped sponsor the Annual Society of Hispanic Professional Engineers West Coast Exposition and Recruitment Fair, in Anaheim, CA. The fair attracted over 600 Hispanic and other university students from across the western and southwestern United States.

United States Department of Agriculture

Pine Ridge Indian Reservation. USDA staff are providing area-wide planning assistance to the Pine Ridge Indian Reservation in South Dakota. The immediate goal is to identify resource issues on the reservation and develop a plan that will allow local people to solve local resource problems.

African American Farmers. In a lawsuit against USDA, 14 plaintiffs are purporting to represent a class of present and former African American farmers who have claims of racial discrimination pending against the Department or whose claims of discrimination were denied by the Department between 1983 and February 1997. The class has not been certified. On November 17, counsel for the government and for the plaintiffs agreed to a 30-day delay in certain procedural matters.

Hispanic Association Speech. On November 20, Under Secretary for Natural Resources and Environment Jim Lyons spoke at the Hispanic Association of Colleges International Conference on Natural Resources and Cultural Heritage in Phoenix, AZ.

Department of Housing and Urban Development

Chicago Race Discrimination Suit. On November 13, Secretary Cuomo joined the Leadership

Council of Metropolitan Open Communities (LCMCC) to announce the settlement of a racial discrimination suit. According to the suit, an African American nun and psychologist, and her sister were forced to move from their Northwest Chicago apartment because of racial discrimination. LCMCC is a private fair housing group that receives funds from HUD's Fair Housing Initiatives Program. HUD has pledged to double the number of enforcement actions in housing discrimination cases over the next four years.

Minority Home Ownership. As part of your Initiative, HUD and the National Association of Realtors (NAR) created an historic partnership to help promote equal housing opportunity and increase minority home ownership rates. HUD and NAR will develop training and certification program open to more than 1.5 million real estate professionals across the country. The program will train real estate professionals to implement Fair Housing Act principles and to make housing markets more accessible to traditionally underserved populations, such as racial and ethnic minorities. Although recent gains in minority home ownership are largely responsible for pushing the national rate to an all-time high of 66 percent, only 45.8 percent of African Americans and 43 percent of Hispanics own their own homes - compared with 72.3 percent of whites.

Secretary Cuomo announced this partnership at a press conference following the National Association of Realtors Conference (NAR) in New Orleans, LA. Real estate professional certified under the program will earn the right to use the new One America logo in advertising and professional materials. The logo is expected to be a valuable marketing tool that will enable home buyers to identify real estate professionals committed to equal housing opportunity. Media coverage included *AP, Baltimore Sun, The Tennessean, The Indianapolis Star, The Dallas Morning News, The Los Angeles Times, Houston Chronicle, Washington Times, Long Island Newsday, The Arizona Republic, Chester County Local News, Chicago Defender, The Buffalo News, Milwaukee Journal Sentinel, The Times Picayune*. New Orleans ABC, NBC, ABC.

Department of Transportation

Action Plan Continues. The FHWA work group on race relations met on November 10 and identified 13 day-to-day activities in which race relations can be addressed in the Plan. They have agreed to also identify major agency activities and events planned for this fiscal year which are conducive to addressing race relations.

Department of Energy

MED Week. On November 21, The Secretary will introduce DOE's Diversity Clause that will require DOE contractors to insure balanced opportunities for workforce development, educational opportunities, community involvement, small business development, and economic development/technology transfer - DOE has put together the first comprehensive agency effort aimed at Federal government contractors. MED Week brings together over 1,000 minority small business owners - which makes it the nation's largest and most diverse minority business

conference. The Secretary's keynote address will follow remarks by SBA Administrator Alvarez, Commerce Deputy Secretary Mallett, and Acting Director Cox of Minority Business Development Agency.

"One America" Event in San Diego. The Secretary plans to hold a race relations discussion with students at San Diego State University on December 5 to amplify the President's Race Initiative.

Department of Education

One America Conversations. Secretary Riley is scheduled to host a "One America: Conversations that Bring us Together" event in Alexandria, VA, on November 24 and, tentatively, in Baltimore on December 11. The Secretary is also tentatively scheduled to attend the Town Hall Meeting in Akron on December 3.

Department Of Veterans' Affairs

Federal Agency Youth Task Force. On November 17, VA's representative to the Federal Agency Youth Task Force, President's Initiative on Race, attended the second meeting of the Task Force to discuss some of the initiatives and events that various Federal Departments and Agencies are planning in support of the President's Initiative. The meeting was attended by approximately thirty employees from various Federal Departments and Agencies and staff members from the Executive Office of the President.

National Alliance of Black School Educators Conference. VA will support Historically Black Colleges and Universities (HBCUs) by participating at the National Alliance of Black School Educators Conference in Reno, NV, from November 18 to 23. VA will participate as a panelist with Presidents of HBCUs on a program entitled "Federal Agency Outreach Initiatives with HBCUs and Minority Educators." VA's Associated Health Programs and procedures for academic affiliations with minority academic institutions will be discussed.

National Association of Hispanic Federal Executives (NAHFE). On November 20, a Partnership Agreement between VA and the National Association of Hispanic Federal Executives (NAHFE) will be signed during NAHFE's Sixth Annual Executive Leadership Development and Diversity Training and Recruitment Conference in Arlington, VA. VA will be represented at the signing ceremony by the Assistant Secretary for Human Resources and Administration. Under the Partnership Agreement, VA and NAHFE will agree to work collaboratively to increase the number of Hispanics in VA at the GS-13 and higher grade levels. The Deputy Assistant Secretary for Equal Opportunity will also participate as a panelist during the NAHFE Conference on a panel entitled "Affirmative Action: Will it Survive?"

American Indian Science and Engineering Society National Conference. VA will participate in the 19th Annual American Indian Science and Engineering Society National Conference in

Houston, TX, from November 20 to 23. VA will participate as an exhibitor and provide information on research, employment, and other opportunities.

Environmental Protection Agency

Environmental Briefing for African American Leaders. On November 19, Administrator Browner and other Administration officials meet with 75 African American environmental leaders to discuss the Administration's environmental priorities. Several environmental justice leaders were in attendance and expressed frustration and serious concern about the Administration's commitment to environmental justice. In particular, many attendees expressed concern that they had not been invited to the White House for discussions on environmental issues since President Clinton signed Executive Order 12898 on Environmental Justice in 1994.

Administrator Browner made it clear that environmental justice remains an Administration priority and discussed several key environmental initiatives affecting the African American community, including the new clean air standards, community right-to-know, Superfund, and children's health protection. Administrator Browner was also asked about EPA's decision on September 10 regarding the Shintech facility in Convent, LA. Administrator Browner ordered Louisiana to stop issuance of air permits for a proposed Shintech chemical facility because the permits have technical deficiencies which fail to regulate all potential sources of air pollution. These issues must be resolved before the project can move forward. EPA is also conducting an investigation of local citizens' civil rights complaint, which alleges that African American residents would be disproportionately impacted by the permitting of the Shintech facility.

Small Business Administration

MED Week. The Administrator will speak at and participate in various MED Week activities, including the kickoff reception on November 20 and giving the keynote speech at the business luncheon on November 22. At this luncheon, Kweisi Mfume, President and COO, NAACP, will be receiving the Pioneer award, and Congressman Albert Wynn will be receiving the Administrator's Leadership Award.

One America Conversations. The Deputy Administrator and a number of senior staff are planning to hold One America Conversations during the Thanksgiving holiday. Plans are also being considered for the Administrator to convene a One America Conversations session.

**THE PRESIDENT'S INITIATIVE ON RACE
ADVISORY BOARD MEETING**

**UNIVERSITY OF MARYLAND
COLLEGE PARK, MD**

**NOVEMBER 19, 1997
9:00 a.m. to 3:30 p.m.**

AGENDA

- I. Introduction/Review of the Agenda John Hope Franklin
9:00 a.m. - 9:05 a.m.
- II. Welcoming Remarks William E. Kirwan
President, University of Maryland
9:05 a.m. - 9:10 a.m.
- III. Report from the Advisory Board Chairman John Hope Franklin
Advisory Board
9:10 a.m. - 9:45 a.m.
- IV. Report from the Executive Director Judith A. Winston
9:45 a.m. - 9:55 a.m.
- V. Introduction of Roundtable Topic for the Day: John Hope Franklin
The Value of Diversity in Higher Education
9:55 a.m. - 10:00 a.m.
- A. Panel 1: Perspectives on the Value of Diversity in Higher Education
10:00 a.m. - 10:55 a.m.
 - 1. Nannerl Keohane, President, Duke University
 - 2. Ted Childs, Vice President for Global Workforce Diversity, IBM Corp.
 - 3. Jennifer Walper, undergraduate student and Student Government Association
Vice President of Human Relations, University of Maryland
- ** 10-MINUTE BREAK ****
10:55 a.m. - 11:05 a.m.
- B. Panel 2: Research on What Works on Campus
11:05 a.m. - 12:00 p.m.
 - 1. Daryl Smith, Professor of Education and Psychology, Claremont Graduate
University
 - 2. Norman Francis, President, Xavier University of Louisiana
 - 3. Jesus Trevino, Director, Intergroup Relations Center, Arizona State University

**** PRESS AVAILABILITY ****

12:00 p.m. - 12:30 p.m.

**** LUNCH ****

12:30 p.m. - 1:45 p.m.

C. Reports from Lunch Discussions Advisory Board
1:45 p.m. - 2:00 p.m.

D. Panel 3: Methods for Promoting Diversity in Higher Education
2:00 p.m. - 3:00 p.m.

1. Mari Matsuda, Professor of Law, Georgetown University Law Center
2. Arnold Mitchem, Executive Director, National Council of Educational Opportunity Associations
3. Joseph McDonald, President, Salish Kootenai College

VI. Discussion Topic: **The Current State of Discrimination and the Importance of Civil Rights Data Collection and Enforcement** Advisory Board
3:00 p.m. - 3:20 p.m.

VII. Next Steps/Adjournment John Hope Franklin
3:20 p.m. - 3:30 p.m.



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

THE PRESIDENT HAS SEEN
12-1-97

November 21, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *McGinty for*

97 NOV 21 PM 11

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

PROTECTING COMMUNITIES FROM TOXICS

Transfer of Homestead Air Reserve Base

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Next week, I will travel to Miami, Florida with representatives from the Department of the Air Force and Department of Transportation to notify Senator Bob Graham, Representative Carrie Meek, Mayor Alex Penelas and Mayor Steve Shiver that the Air Force and the FAA have decided that a supplemental environmental impact statement is necessary before the base can be transferred to Miami, Dade County to be used as a civilian airport. This decision is the result of an extensive review process. The Air Force and FAA determined that the original environmental analysis was unsatisfactory in large part because the original proposal for the airport had been significantly changed by the County. Dade County will be invited to participate in the work that must now be undertaken to address the environmental issues and to get started on mitigation measures. I expect the Mayor to express strong disagreement with the Air Force/FAA conclusion. However, I am persuaded that is the best course forward to ensure a smooth, if delayed, transfer of the base.

Environmental justice

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can occur?*

In furtherance of your initiative on race and in response to demands from African-American environmental leaders, CEQ and the Office of Public Liaison are currently working to develop a one day meeting on environmental issues of particular concern to African-Americans next February.

The conference results from a highly contentious policy briefing for African-American environmental leaders this past Wednesday, November 19. Both Carol Browner and I were confronted with considerable anger and frustration among African-American leaders who feel that the Administration is faltering in its commitments to environmental justice. Specifically, there were numerous complaints that we have fallen short in our implementation of Executive Order 12898, in which you required Federal agencies to consider and address disproportionate and adverse effects on low-income and minority communities when implementing programs and activities that impact the environment or public health.

12-1-97

The commitment to a meeting satisfied the concerns of these leaders. The meeting will provide a good opportunity to highlight the significant progress the Administration has made on environmental justice but will necessitate further work on our part in this regard. The meeting will be timed to coincide with the fourth anniversary of your environmental justice Executive Order in February, and will be a fitting Administration contribution to Black History Month.

There are also a number of actions CEQ is developing that could reinforce the meeting and some may provide appropriate events for you and/or the Vice President on Martin Luther King's birthday. This event would also be an excellent opportunity for us to seek involvement from the Congressional Black Caucus and the Hispanic Caucus.

RESOURCE STEWARDSHIP

California water allocation decision

On Thursday, the Department of the Interior (DOI) announced a plan to dedicate water for salmon, wildlife and habitat restoration in California's Central Valley. This announcement is the result of months of negotiation between Federal agencies, the state, environmentalists, and urban and agricultural water users. None of the parties are pleased with the agreement, but it appears that none of the parties will pull out of the Bay-Delta CALFED process. Senator Barbara Boxer and Senator Dianne Feinstein are supportive of the compromise, as is Representative George Miller. Overall, I think DOI struck the very best possible balance here and deserves praise for skillful handling of a very difficult issue.

Land acquisition in the Everglades agricultural area

There is increasing interest in the possibility of the sugar companies in Florida selling large tracts of land to the Federal government for the purpose of restoring the Everglades. At my request, DOI is sounding out the various parties as well as the State of Florida. CEQ is currently working with several agencies to develop a strategy on this issue.

On a separate but related note, the Administration received support from various environmental groups for increased funding in the Interior Appropriations bill for restoration of the Everglades and the South Florida ecosystem. Attached are some press releases praising you for your leadership in this regard.

INTERNATIONAL LEADERSHIP

Climate change

While meeting in Atlanta on Thursday, some members of the President's Council on Sustainable Development (PCSD) reached agreement on a set of climate change principles that are generally supportive of our climate change policy. The principles highlight the need for action; the importance of incentives for early action; the need for clear commitments, predictable results, and flexible implementation; the urgency to develop and create markets for new technology; and

the importance of assuring that any opportunities or burdens associated with climate change policy be fairly distributed. While the language is not as strong as we would like, the signatories are significant. Supporters of the principles include representatives of General Motors, British Petroleum, American Electric Power, Dow Chemical, the Natural Resources Defense Council, the Environmental Defense Fund, and the Sierra Club. The PCSD co-chairs, Jonathan Lash, President of the World Resources Institute, and Ray Anderson, CEO of Interface Inc., deserve credit for negotiating this agreement between industry and environmentalists. The principles will be publicly announced with a press release in the very near future.

National Audubon Society



Everglades Ecosystem
Restoration Campaign
444 Brickell Avenue,
Suite 850
Miami, FL 33131-2405
(305) 371-6399
(305) 371-6398 fax

FOR IMMEDIATE RELEASE
October 10, 1997

Contact: Tom Sadler 305.371.6399
Tom Adams 202.861.2242

Everglades Funding Package Completed *With Interior Bill Signed, Funding Levels Set*

Washington, DC -- The Everglades is a big winner in the FY98 Federal Appropriations process, as adjourns and the President signs funding measures. Fiscal Year 1998 will bring over \$231 million dollars to the Everglades for a variety of critical projects needed to restore this endangered ecosystem.

"The President made an ambitious promise to fund Everglades restoration, and with one exception Congress honored his budget request," stated Dr. Stuart Strahl of the National Audubon Society. "We have been working closely with key members of Congress and the Clinton Administration to make sure we get the money needed to keep the series of Everglades restoration projects on schedule."

The National Audubon Society Everglades Ecosystem Restoration Campaign released an analysis of the expected federal Everglades Crosscut Budget for fiscal year 1998, showing an 82% increase in overall Everglades funding. Approval of the proposed funding for the Everglades watershed restoration plan would make more than \$100 million in new funds available to fund Everglades restoration. The recommended budgets could bring as much as \$231.1 million in funding to the greater South Florida ecosystem for fiscal year 1998.

"While we can celebrate the significance of the level of overall funding for Everglades restoration in FY 1998, we have many more miles to travel before we can rest, added Strahl. "Today we can, and we will celebrate, but tomorrow we should wake up ready for a hard day's work."

The First Session of the 105th Congress completed its work for the year. Also, today President Clinton signed the FY 1998 Interior Appropriations bill which provides \$136 million for Everglades restoration, including \$76 million for land acquisition.

For a copy of the FY98 budget analysis titled *Everglades Funding Update*, please contact Tom Sadler of the National Audubon Society Everglades Ecosystem Restoration Campaign at (305) 371-6399.

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1331 PALMETTO AVENUE, SUITE 110 • WINTER PARK, FLORIDA 32789 • (407) 539-5700

FLORIDA AUDUBON SOCIETY

1331 Palmetto Avenue,
Winter Park, Florida 32789

FLORIDA AUDUBON CONGRATULATES CLINTON FOR EVERGLADES WIN

***PRESIDENT SIGNS BILL APPROPRIATING \$230 MILLION FOR
GLADES RESTORATION***

For Immediate Release

Friday, November 14, 1997

**Contact: Charles Lee, Senior Vice President, FAS
CELL PHONE - (407) 620-5178**

President Bill Clinton today signed legislation directing \$230 million to Everglades restoration, representing a \$100 million increase over Congress' commitment last year.

Charles Lee, Senior Vice President of Florida Audubon, the state's oldest and largest environmental organization, stated that:

"This is the biggest commitment to Everglades Restoration so far. It was a bi-partisan victory, with the Clinton Administration in a distinct leadership role. We congratulate President Clinton for his skillful efforts to restore the Everglades."

**Statement of Mary Barley
Chair, Save Our Everglades Organizations**

**Everglades Advocates Praise President for new Everglades Funding
*President insists on \$100 million increase over last year***

(Orlando, FL) -- "I want to take this opportunity to express my gratitude to President Clinton for signing legislation today that will provide more federal dollars for Everglades restoration.

"This legislation includes about \$230 million in Everglades funding for fiscal year '98, an over \$100 million increase from last year. These funds include \$76 million for Everglades ecosystem land acquisition. This new revenue will be available for Everglades restoration as a result of the President's insistence that restoration efforts be fully funded in the budget agreement reached with the Congress earlier this year.

"The President's action today is another important step for Everglades restoration and underscores the Administration's deep commitment to the long term sustainability of South Florida's ever-expanding economy. I also want to thank the Congress, particularly the Florida delegation, for supporting this increased funding.

"We have come a long way with the Administration's help to restoring and preserving our beloved River of Grass. This \$230 million appropriation represents the largest amount of assistance our embattled Everglades has received from the federal government. The efforts of President Clinton and Vice-President Gore in protecting and restoring the Everglades may come to be viewed by future generations of Americans as an enduring legacy of this Administration."

THE WHITE HOUSE
WASHINGTON

copied
Ibarra
COS

November 22, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *MS*

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- November 17 - 21, 1997

CC: The Vice President

I. PRESIDENTIAL PRIORITIES

Congressional Session Wrap-Up

For ✓ We worked to ensure that state and local elected officials have documents summarizing the Administration's accomplishments during the Congressional session.

✓ IGA followed-up last week's "blast fax" to nearly 1,000 state and local elected officials by mailing a more detailed summary of Administration accomplishments and the state-by-state information to all Democratic statewide elected officials, state legislative leaders, and mayors from major cities. We continue to encourage our partners in government to use this information in their speeches and statements to the press during the Congressional recess.

Welfare Reform

- On Friday, November 21, the US Conference of Mayors released a 34-city survey on welfare reform. Major findings of the survey included: that many major cities do not have the numbers of low-skill jobs for welfare recipients needed to meet the requirements of the new welfare law. Officials in all the surveyed cities said local private sector employers were willing to hire welfare recipients. Most of the cities are concerned about the ability of welfare clients to find affordable child care and 71 percent of the cities said that state reimbursement for child care does not cover the average cost of care. Finally, cities gave states low marks for the process of implementing welfare reform. Only three out of five cities say they were consulted by their states' welfare agencies during the process and just under half were consulted by their state legislatures.

II. INTERGOVERNMENTAL CONSTITUENCIES

Governors

- We notified the governors of states that will be impacted by the line-item vetoes in the Interior and Agriculture Appropriations Acts.
- In coordination with the IGA office at NASA, all governors were invited to the Mir launch on Wednesday, November 19. Several governors participated in the event, as the Republican Governors' Association was meeting the next day in Miami.

Counties

- This week, Lynn Cutler traveled to Des Moines, Iowa to serve as the keynote speaker at the annual meeting of the Iowa State Association of Counties. Speaking before a large audience of county officials, Lynn highlighted the major accomplishments of the Administration as well as upcoming Presidential initiatives. She also took the opportunity to reinforce support for Bill Lann Lee, nominee for Assistant Attorney General for Civil Rights.

Mayors/Municipal Officials

- On Tuesday, November 17, the Vice President, 12 Members of Congress, and 30 mayors and municipal officials participated in an IGA-hosted White House ceremony and reception honoring the 1995, 1996, and 1997 winners of the National Civic League's All-America City Award. The thirty communities that were honored have all demonstrated excellence in grassroots problem-solving and consensus-based decision-making.
- Preparations for the National League of Cities' (NLC) 74th annual "Congress of Cities," which will be held in Philadelphia December 2 - 6, continue. You will prepare a video address to the conference on Monday, December 1.

We will also conduct an Administration "One-Stop Shop" Service Center at the NLC meeting. Over 15 agencies and departments have agreed to participate in Philadelphia on Friday, December 5, continuing our effort to make the Federal government more accessible to our municipal officials.

- We coordinated the participation of Mayor Kurt Schmoke (D-Baltimore, MD) in a HUD event with Mrs. Gore that focused on the hazards of lead-based paint. Following this event, I met with Mayor Schmoke and discussed our race initiative.

- At the request of Mayor Wellington Webb (D-Denver, CO), we conducted an IGA briefing with his political director and clerk/election department director to explain how we have reorganized our office to better serve municipal officials. We also introduced the Denver officials to key White House staff members in other offices who are available to serve them.

Indian Country

- This week, more than 20 members of the Administration traveled to Santa Fe, New Mexico, for the 54th annual meeting of the National Congress of American Indians (NCAI). Speaking before more than 2,500 Native Americans and Alaskan Natives representing over 260 Indian Nations, presenters included Secretary Bruce Babbitt, Mickey Ibarra, Lynn Cutler, HHS Deputy Secretary Kevin Thurm, as well as other high-ranking Administration officials. Race Advisory Board members Angela Oh and Governor William Winter, PIR Executive Director Judy Winston, PIR Senior Consultant Laura Harris, and several representatives from the PIR staff also participated in the meeting. The Administration's strong presence was well-received.

Insular Affairs

- Puerto Rico Governor Pedro Rossello (D), Resident Commissioner Carlos Romero-Barcelo (D-PR), Virgin Islands Governor Roy Schneider (I), and Delegate Donna Christian-Green (D-VI) have requested the transfer of the full amount of the tax on rum produced in the islands to the insular treasuries. Current law transfers \$11.30 of the \$13.50 per gallon tax through this fiscal year and \$10.50 afterwards. Interior has proposed that \$.50 per gallon of Puerto Rico collections be used for the Puerto Rico Conservation Trust. We are working on developing a proposal for you with OMB, Interior, and Treasury.

III. OTHER ISSUES AND ACTIVITIES

Adoption Bill Signing

- Governor Roy Romer (D-CO), State Senator Ed Houck (D-VA), and Fairfax County Supervisor Katherine Hanley (D-VA) attended the Adoption and Safe Families Act signing ceremony on Wednesday, November 19. Governor Romer and Senator Houck received regional press for their participation in this event.

Director Outreach Activities

- On Tuesday, November 18, I addressed the National Association of Hispanic Federal Executives at the request of OPM Director, Janice Lachance. I highlighted the OPM nine-point plan to reverse the undercount of Hispanics in the Federal workforce and

amplified your commitment in word and deed to ensure that your Administration reflects the diversity of America.

- While in New Mexico to address the National Congress of American Indians (NCAI), I held private meetings with Mayor Debbie Jaramillo (D-Santa Fe, NM), Mayor Marty Chavez (D-Albuquerque, NM), Mayor-Elect Jim Baca (D-Albuquerque, NM), Ron Allen, NCAI President, and JoAnne Chase, NCAI Executive Director. In addition, at the request of NCAI, I met with four tribal government leaders to discuss their issues of concern.
- I met with 30 interns from the Washington intern program of Brigham Young University to discuss the mission of the IGA office and my own “road to the White House.”

THE WHITE HOUSE
WASHINGTON

'97 NOV 21 PM 8:45

THE PRESIDENT'S OFFICE
12-1-97

November 21, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. *TM*

SUBJECT: Summary of Cabinet Weekly Reports
November 14-21, 1997

*Copied
Marshall
COS*

DEPARTMENT OF TREASURY

- **Asian Financial Markets:** On November 18, Deputy Secretary Summers, Asian deputy finance ministers, and the IMF agreed on a framework for regional cooperation to promote financial stability and a set of proposals to strengthen the IMF's capacity to respond to financial crises. There was general agreement that any regional financing mechanisms should be temporary and serve only as a second line of defense for IMF-supported programs, similar to the assistance the U.S. offered Indonesia. Treasury will work to get an endorsement of the agreement from the APEC heads of state at the November 24-25 meeting in Vancouver.
- **South Korea:** On November 19, the South Korean government announced a revised package to restructure the banking sector. It includes two key measures: a widening of the band in which the currency trades, and a tripling of the resources available to their bank restructuring agency to \$10 billion. Secretary Rubin issued a statement that decisive action is needed to implement these measures. Korean currency is trading at all-time lows. Korean financial markets continue to be hit hard due to investors' concerns about corporate earnings, short-term foreign liabilities, the declining stock of foreign exchange reserves, and financial sector problems. In addition, Korea's finance minister resigned.
- **United States Enrichment Corporation (USEC):** On November 19, Treasury sent a report to Congress outlining the issues that must be resolved prior to the sale of USEC and provided a date for its privatization. Treasury met with USEC on November 14 and with an NSC-led interagency group on November 17 to discuss the outstanding post-

privatization issues. Treasury is briefing Congress on the privatization process and will oversee the privatization of USEC to ensure that all aspects, including national security considerations, are addressed properly.

- **El Paso/NADBank:** On November 21, Treasury convened a public meeting in El Paso, TX, for the Presidential Advisory Committee on the Community Adjustment and Investment Program (CAIP) of the NADBank. Representatives of Treasury, DOC, DOL, USDA and SBA will meet with local leaders and discuss other community development strategies. On November 12, the NADBank finance committee endorsed an SBA guaranteed loan to a business in Mission, TX, and on November 20, Treasury officials visited Weslaco, TX, with Rep. Hinojosa to announce that the community is eligible for loans through CAIP.

DEPARTMENT OF JUSTICE

- **Bank and Wire Fraud:** On November 10, Canadian national Norman Anthony King was extradited from Mexico to NV to stand trial for bank and wire fraud. King is also wanted in the Northern District of CA to stand trial for mail fraud, money laundering, and use of counterfeit postage meter stamps. King is charged with devising several schemes to defraud the Bank of America and many U.S. citizens by obtaining money through false and fraudulent pretenses.
- **Methamphetamine:** A chemical company, its employees, and its shareholders have been charged with conspiring to aid the clandestine manufacture of methamphetamine. The company and the employees sold chemicals and equipment to clandestine labs throughout CA.
- **HUD Fraud:** Four individuals were charged with conspiracy to embezzle, steal, and defraud HUD Section 8 housing assistance money. The defendants own or manage eight federally-insured housing projects. Between 1990 and 1997, they received more than \$52 million in HUD funds.
- **Crime Statistics:** On November 22, the FBI will release the Uniform Crime Report for the first half of 1997.

DEPARTMENT OF INTERIOR

- **Fee Demonstration Program:** On November 13, the Chairmen of the House and Senate Interior Appropriations Subcommittees met with DOI representatives for an update on the fee demonstration program. NPS is charging fees at 34 new sites. Revenues increased from \$77 million in FY96 to \$122 million in FY97. In most cases visitors have responded positively to the increase in fees.

THE PRESIDENT HAS SEEN

12-1-95

*Jeff has showed
that we need
to get vehicles
in a big way*

- **Electric Vehicles:** This month, under a partnership agreement with NPS and FWS, Virginia Power is making 13 of their electric vehicles available at no cost for DOI facilities in VA and NC to test the vehicles during normal use cycles.
- **Kenai Fjords National Park:** On November 3, the Kenai Fjords National Park in AK was enhanced by the addition of 29,363 acres of prime coastal lands, and English Bay Corporation received an electronic transfer of over \$14 million. There will be two additional closings over the next two years to complete the conveyance of all lands contained in the 32,537-acre purchase agreement
- **Central Valley (CA) Water:** On November 20, Deputy Secretary Garamendi announced the final decision for the management of 800,000 acre-feet of water for the Central Valley Project Improvement Act Water. The Sierra Club opposes DOI's plan, arguing that it fails to provide water for fish restoration and encourages corporate water subsidies.
- **Bison:** USDA and DOI signed a letter to MT agencies that describes an interim bison management plan. MT raised several issues that, if not resolved soon, could jeopardize the ability to reach a final bison management plan in time for the winter of 1998-99.
- **American Heritage Rivers:** NPS and CEQ will coordinate the scoring of community applications for American Heritage River designation. The scoring team will convene December 10-18 in Washington, DC.
- **Grand Staircase-Escalante:** BLM anticipates the release of a GAO report on the value of coal resources in the Grand Staircase-Escalante National Monument. The report, requested by Senator Murkowski, relies on data provided by UT's Geological Survey. BLM reviewed the data and disputes much of it.
- **Kings Range National Conservation Area:** On November 21-24, Secretary Babbitt will tour and hike the Kings Range National Conservation Area in Garberville, CA.
- **Columbia River Basin Tribes:** On December 1, Secretary Babbitt will meet with 22 leaders of the Columbia River Basin Tribes in Portland, OR. This is a follow-up meeting to one held in August.
- **NPS Fire Management Conference:** On December 12, Secretary Babbitt will address the NPS Fire Management Conference in Las Vegas, NV.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **MI and IA Turkey Plants:** On November 17, USDA inspectors temporarily shut down BilMar Foods in Zeeland, MI, because of unsatisfactory sanitation. The plant

has 1,800 employees and processes for the Sara Lee Corporation. USDA expects the shutdown to last at least three days, until the plant corrects the deficiencies. A supplier plant in IA was also temporarily closed.

- **Dairy Policy:** On November 17, USDA announced it will appeal a court decision which struck down certain aspects of federal dairy pricing policy. A stay pending appeal has been granted to allow the current system to remain in effect for milk delivered in October.
- **Tainted Strawberries:** On November 18, Fred Williamson and his company, Andrew and Williamson Inc. (A&W), pled guilty in U.S. District Court, Southern District of CA, to the fraudulent sale of over 1.74 million pounds of Mexican-grown strawberries to the USDA School Lunch Program. Pursuant to a parallel civil case, A&W must reimburse the federal government \$1.3 million in civil damages.
- **Food Stamps:** USDA investigated 278 Philadelphia, PA, retailers suspected of food stamp program violations, having found violations at 152 stores. Seventy-five stores trafficked stamps for cash at a discount, and face permanent disqualification; 35 stores will be removed from the program for shorter periods of time; and 42 stores will receive warning letters.
- **FL Tomatoes in Japan:** In early November, the first shipment of FL tomatoes arrived in Japan since Japan began to allow imports of certain U.S. tomato varieties, a market valued at \$10-20 million annually.
- **North Korea Aid:** On November 14, the fourth and final shipment of grain sent to help the hungry in North Korea arrived in N'ampo.
- **Trade Discussions:** On December 1-3, Secretary Glickman will participate in trade discussions in Buenos Aires, Argentina. On December 3-5, he will be in Santiago, Chile, for trade discussions.

DEPARTMENT OF COMMERCE

- **India Business Development Mission:** From December 5-13, Secretary Daley will lead a business development mission to India.
- **Satellite Fuels Licensing Impasse:** After apparently agreeing to give DOC export licensing authority over satellite fuels for commercial communications satellites and coordinating on DOC implementing regulations, DoD and State now appear to be refusing to approve DOC license applications. DoD and State are taking the position that since State has never published its counterpart regulations, satellite fuels are still on State's Munitions List and therefore subject to State license jurisdiction. Two major U.S.

satellite manufacturers are caught in the interagency impasse. The scheduled launches will be delayed with attendant financial penalties, if the jurisdictional issue cannot be resolved promptly.

- **Missile Technology Control Regime:** The Bureau of Export Administration participated in the Missile Technology Control Regime (MTCR) Technical Exports Meeting held in Tokyo, Japan from November 2-6. The MTCR adopted several proposals that will result in changes to the Commerce Control List (CCL). These include a U.S. proposal to prevent the proliferation of specialty steel used in Scud missile production programs, a UK proposal to clarify the types of production equipment controlled for the manufacture of solid and liquid propellants, and a UK proposal to clarify the types of test equipment controlled for the production of navigation equipment usable for missiles.
- **Snapper Fishery:** The National Marine Fisheries Service has announced that it will close the red snapper recreational fishery in the Gulf of Mexico on November 27, through the end of the year. Landing estimates indicate that this fishery will have reached its recreational quota of 4.47 million pounds by November 26.
- **Economic Indicators:** The Economic and Statistics Administration will release the following indicators:

November 26	Gross Domestic Product, 3rd Quarter, 1997 (preliminary)
November 26	Corporate Profits, 3rd Quarter, 1997 (preliminary)
December 3	New One-Family Houses Sold and For Sale for October
December 5	Manufacturer Shipments, Inventories, and Orders for October
- **EDA Grant Announcement:** On November 24, the Vice President will participate in a town hall meeting in Dallas, TX, where he will announce a \$1.5 million Economic Development Administration grant to the City of Dallas. The grant will provide the City with funds for the construction of an Eco-Business Park and International Environmental Training and Technology Center on the site of a closed facility.

DEPARTMENT OF LABOR

- **Swearing-In Ceremony:** On November 24, Secretary Herman will administer the oath of office to:

▶ Espridon (Al) Borrego	Assistant Secretary for Veterans Employment
▶ Susan King	Assistant Secretary for Public Affairs
▶ Patricia Lattimore	Assistant Secretary for Administration and Management
▶ Katharine G. Abraham	Commissioner of Labor Statistics

- **Liability of Insurers:** On November 18, OMB approved the Pension and Welfare Benefit Administration's Notice of proposed rulemaking relating to the limitation of liability for insurers and others.
- **International Labor Issues:** On November 19, the Bureau of International Labor's National Administrative Office reviewed the submission and held a public hearing in Brownsville, TX. The issues concern gender discrimination through the conduct of pre- and post-employment pregnancy screening of female job applicants and employees in Mexico's export processing (Maquiladora) industry. DOL has up to 180 days to investigate the allegations and issue a public report.
- **Welfare-to-Work:** On November 21, Secretary Herman travels to Cleveland, OH, to speak to the local Urban League about the welfare-to-work initiative. On November 25, Secretary Herman will host a press roundtable at DOL to talk about key welfare-to-work issues including her nationwide tour and what she hopes to accomplish for the initiative. Reporters with *The Washington Post*, *The Associated Press*, *the New York Times*, *the Wall Street Journal*, *BNA Daily Labor Report* and others will be invited.
- **OSHA Cooperative Compliance Program (CCP):** On November 24, Secretary Herman will hold a press conference to announce the OSHA CCP. The Program is designed to offer employers a choice between traditional enforcement inspections and working with OSHA to reduce injuries and illnesses in the workplace. On November 25, Secretary Herman and OSHA Assistant Secretary Jeffress will launch OSHA's CCP. The CCP nationalizes the Maine 200 Program and is an alternative enforcement strategy which supports the new OSHA concept of offering employers a choice between traditional enforcement inspections and working in partnership with the Agency to reduce injury and illness in the workplace.
- **Interactive World Wide Web:** On November 24, Secretary Herman and OSHA Assistant Secretary Jeffress will demonstrate DOL's new interactive web-based service that will assist employers, employees and Department investigators in understanding and complying with federal regulations.
- **SAVER Act:** The SAVER Act, which you signed into law this week, calls for national summits on retirement income savings to be convened by the President in 1998, 2001 and 2005, with the goal of increasing public knowledge of the importance of saving for retirement. SAVER calls for the public and private sectors to work together in planning and conducting the national summit on retirement savings, which will be co-hosted by the President and the Congressional leadership.
- **CA Nurses Strike:** Mediator-assisted talks are scheduled to resume on November 24 in the November 10 strike initiated against Kaiser Permanente by 7500 registered nurses represented by the CA Nurses Association.

- **National Association of Broadcast Employees and Technicians:** On November 17, ABC and the National Association of Broadcast Employees and Technicians began mediator-assisted talks. The contract, which expired March 31, covers some 2,700 engineers, writers, and camera operators employed mostly in Chicago, Los Angeles, New York, San Francisco, and Washington, DC.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Medical Care:** On November 21, the Agency for Health Care Policy and Research (AHCPR) released figures showing that 11.6 percent of U.S. families experienced difficulty or delay in obtaining medical care. The most common barrier, experienced by roughly 60 percent of all those reporting difficulty with access, was not being able to afford the care they needed. Other barriers included insurance-related problems, such as not being able to get referrals, transportation problems, or not being able to get child care. These figures are relatively unchanged from AHCPR estimates made from 1987 data.
- **NJ Medicaid Waiver:** HCFA is in the process of reviewing a Section 1115 Medicaid waiver application from NJ. Under the proposal, the Managed Charity Care Demonstration, NJ intends to use a portion of current disproportionate share hospital (DSH) funds to cover medical costs of indigent individuals. HCFA will conduct a conference call with NJ during the week of November 24 to discuss their responses to HHS's questions on the proposal. HCFA met with Senator Lautenberg's staff and members of the NJ Hospital Association on November 20 to listen to concerns about the proposal.
- **Temporary Assistance for Needy Families (TANF):** On November 20, the Notice of Proposed Rulemaking (NPRM) for the TANF regulation was published in the *Federal Register*. The NPRM addresses the five-year time limit, work, accountability, data collection, and reporting provisions of the new TANF program.
- **Complete Wellness Center:** On November 18, agents from the Office of Inspector General, the Defense Criminal Investigative Service, OPM and the Postal Service executed search warrants on the Complete Wellness Center at eight locations in DC, VA, and FL. The Center is believed to have defrauded federal health care programs.
- **Integrated Delivery Systems:** On November 17, HRSA announced awards totaling \$1.3 million to establish Integrated Delivery Systems to improve the quality and reduce health care costs for underserved, uninsured people.
- **Halcion Report:** On December 4, an FDA advisory panel will hear presentations from the Institute of Medicine (IOM) and discuss the IOM's recent report on Pharmacia and Upjohn Company's sleeping pill Halcion. Last week, the IOM issued a report which

12-1-97

found Halcion to be safe and effective when taken as directed, for short periods of time. But the report also cautioned that there is no clear evidence to show what may be the effects of taking Halcion for extended periods of time and at higher doses than recommended. Halcion is sometimes prescribed for chronic insomnia. Public Citizens' Health Research Group (Dr. Sid Wolfe) has requested that FDA remove Halcion from the market and has been critical of the IOM report.

- **Rogaine Extra Strength:** On November 14, FDA approved Pharmacia Upjohn Consumer Healthcare's Rogaine Extra Strength for Men as an over-the-counter hair regrowth treatment for use by men only. The drug is a more concentrated dosage of the company's original Rogaine product approved by FDA for prescription marketing in 1988 and for OTC marketing in 1996. The extra strength product is indicated only for men because it may cause unwanted facial hair growth.
- **AHCPR-Funded Studies:** On November 25, AHCPR will issue a release announcing the results of two AHCPR-funded studies to be published in the November 26 issue of the *JAMA*. One study finds that for type II diabetics maintaining moderate control, insulin therapy does not help them achieve tight control, and is very expensive. Insulin therapy is useful for higher-risk type II diabetics with poor control. In addition, the AMA will produce a video news release based on the study to coincide with the publication. The second study shows that low-risk patients with chest pain can avoid a costly hospital admission by undergoing a specified diagnostic regimen in an Emergency Department (ED) observation unit. The ED patients had similar medical outcomes, lower costs, shorter lengths of stay and greater patient satisfaction.
- **Smoking Cessation:** On November 28, AHCPR expects to announce the release of a report to determine the cost-effectiveness of clinical recommendations from the AHCPR-sponsored Smoking Cessation Clinical Practice Guideline. A summary of this report is expected to be published in the December 3 issue of *JAMA*. While all interventions are cost-effective, greater spending on more intensive interventions, such as counseling, yields more net benefits.
- **Cancer Susceptibility:** A preliminary study by scientists at the National Institute of Environmental Health Sciences, reported in the November 18 issue of *Cancer Research*, indicates that a human gene variation that reduces production of an enzyme in the lungs also makes people less susceptible to lung cancer. The enzyme, myeloperoxidase, activates a potent carcinogen, benzo(a)pyrene, which is a product of tobacco smoke, the burning of most fuels and most other kinds of combustion. The scientists report that about eight percent of the population have the "protective" gene form, or polymorphism, which reduces by about 54 percent the risk of a smoker getting lung cancer.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Community Revitalization:** Secretary Cuomo traveled to New Orleans, LA, to renew and strengthen HUD's partnership with the city. HUD officials participated in roundtable discussions and visited housing, businesses, and other facilities supported by HUD funding. The Secretary announced that HUD will make available \$10 million in loan guarantees for the Jazzland Theme Park, in addition to \$15 million in guarantees already provided.
- **National Association of Realtors (NAR):** On November 15, Secretary Cuomo addressed the NAR Conference in New Orleans, LA. The Secretary announced a partnership with NAR to promote equal housing opportunity and increase minority homeownership in the spirit of your One America initiative.

DEPARTMENT OF TRANSPORTATION

- **Thanksgiving Safety Event:** On November 25, the Secretary will participate in a press event with the Air Bag Safety Campaign to amplify your initiative on seat belt use, and encourage Americans to buckle up during the Thanksgiving holiday.
- **Air Bags:** On November 18, the Secretary announced a final rule to permit certain vehicle owners to have air bag on-off switches installed. On November 19, amplifying the safety message, the Secretary appeared on *Good Morning America* and *CBS This Morning*, and held a news conference with AAA. On November 19, in Baltimore, MD, Deputy Secretary Downey kicked off a national air-bag safety campaign.
- **School-to-Work:** On November 20, the Secretary and DOL Deputy Secretary Higgins signed a joint agreement with the Prince Georges County School System and the county's Private Industry Council. The agreement allows the Federal government to participate in a school-to-work pilot project which will emphasize the skills necessary to pursue a career in transportation.
- **Hammer Award:** On November 19, DOT's Strategic Planning Team received a Hammer Award for the process used to produce the DOT 1997-2002 Strategic Plan, rated best in government by the House leadership.
- **National Parks:** On November 25, the Secretary will join Secretary Babbitt at a DC symposium, Accessing America's National Parks and Public Lands: In Search of Balance. The Secretaries will sign an MOU to enhance transportation planning and development in the National Parks.
- **Electronic Docketing:** On November 21, the Secretary announced an initiative to make information more accessible to the public by placing DOT's public files on the World

Wide Web. This supports the Vice President's National Performance Review goal to improve regulatory systems in the federal government. Electronically docketed material permits users to perform electronic searches, significantly reduces the amount of paper stored, and provides improved security. Annual savings are estimated at \$500,000.

DEPARTMENT OF ENERGY

- **Caspian Region:** At your request, Secretary Peña led a Presidential mission to five nations in the Caspian region last week. The mission helped develop a more diverse and secure supply of oil for world markets, encouraged financial strength and economic vitality in the countries in the Caspian region, and moved to accelerate the construction of an east-west Eurasian oil transport corridor and to support U.S. commercial interests in the region. Secretary Peña met with heads of state in Turkey, Armenia, Azerbaijan, Turkmenistan and Georgia.
- **Chernobyl Conference:** On November 20, Secretary Peña traveled to New York to act as chairman pro tem of the Chernobyl Shelter Pledging Conference. His co-chair will be Yuri Kostenko, Ukrainian Minister of Environmental Protection and Nuclear Safety. The Vice President and President Kuchma were in attendance. The pledging conference aimed at securing support for a major technical effort to make the deteriorating shelter covering destroyed Unit 4 at the Chernobyl nuclear power plant safer and more secure.
- **Minority Enterprise Development (MED) Week:** On November 21, the Secretary announced the DOE Diversity Contract MED clause. The clause would require DOE contractors to insure balanced opportunities for workforce development, educational opportunities, community involvement, small business development, and economic development/technology transfer. DOE has put together the first comprehensive agency effort aimed at Federal Government contractors.

DEPARTMENT OF EDUCATION

- **Grant Application Controversy:** DOEd received an inquiry from Senator Wyden regarding a blind applicant for a DOEd grant whose application was rejected due to formatting errors. Secretary Riley assured Senator Wyden that he will personally look into the situation. On November 18, Secretary Riley issued a statement indicating that he is troubled by the circumstances of the decision and that he has directed DOEd to review grant procedures to prevent applications from being rejected for minor technicalities. The matter was reported on the *Today* show.
- **Computer Matching:** On November 10, DOEd forwarded a notice of a computer matching program between DOEd and the IRS to the *Federal Register*. The program

permits DOEd to have access to the mailing address of any taxpayer who has defaulted on student loans and to share that information with lenders and other agencies for the purpose of collecting on defaulted student loans.

- **Internet Decency:** On December 2, Secretary Riley will participate with the Vice President in an Internet Summit involving major corporations and nonprofits to discuss efforts to promote the Internet as an effective and appropriate educational resource for children. The event will include the release of DOEd's "Parent's Guide to the Internet."

VETERANS AFFAIRS

- **Outpatient Clinics:** VA announced the establishment of 54 new community-based outpatient clinics. These clinics, which are in addition to 39 new clinics announced in June, bring the total number of VA outpatient clinics to 532.
- **Homeless Veterans:** The *Osgood File*, *CNN* and other programs reported on the study by the International Union of Gospel Missions which indicated that nearly 250,000 veterans are homeless. *CNN* interviewed Acting Secretary Gober and Gay Koerber, Homeless Veterans Coordinator.
- **National Alliance of Black School Educators Conference:** VA will support Historically Black Colleges and Universities by participating at the National Alliance of Black School Educators Conference in Reno, NV, from November 18 to 23.
- **VA Hospitals:** The November 24 issue of the *New Yorker* includes a story by James Stewart, "Annals of Crime: Professional Courtesy," about Michael Swango, a former resident at VA's Sioux Falls, SD, and Northport, NY, medical centers. The article indicates that "the F.B.I. suspects that Swango might have killed dozens of people," and questions why he continued to be hired by hospitals after he was suspected of poisoning patients. Swango is currently in prison in NY, awaiting trial for having lied to VA's Northport Medical Center on his application for employment.

ENVIRONMENTAL PROTECTION AGENCY

- **Champion Paper Mill:** EPA is progressing toward an agreement on the Champion pulp and paper mill in NC. The Champion mill discharges into the Pigeon River, which flows through NC and TN. Residents downstream have voiced strong concerns for many years over the color of the mill's discharge, as well as dioxin discharges that have resulted in the contamination of fish and sediment. On November 14, EPA met with NC and TN and the two states agreed to the proposed settlement framework. EPA has engaged in frequent discussions with the environmental community and met with Champion on November 19 to discuss the framework. EPA expects to finalize and announce an agreement in early December.

- **Pulp and Paper:** On November 14, the pulp and paper cluster rule was signed by Administrator Browner. This rule sets limitations guidelines and standards for the discharge of air and water pollutants by the pulp and paper industry. This is the first time EPA has completed a joint air-water technology rule attacking toxic discharges and emissions from a single industrial sector. The pulp and paper industry and its unions reacted favorably to this action and commended EPA for its extensive outreach efforts. Environmental groups believe that EPA did not go far enough and should have required totally chlorine-free technology.
- **Clean Water:** On October 18, the Vice President asked EPA and USDA to produce an action plan within 120 days to address public health threats posed by water pollution, effective control of polluted runoff, and promotion of watershed-based protection. EPA has scheduled meetings with states, municipalities, industry, and environmental and citizen groups during the coming weeks. Initiatives currently identified for discussion are animal feeding operations, reduction of polluted runoff, wetlands, coastal pollution, fish consumption advisories, beaches, and improved water quality monitoring.
- **Frog Deformities:** Experiments recently conducted at an EPA laboratory in MN suggest that ultraviolet (UV) light may be contributing to the occurrence of deformities in frog and toad species. While the complete significance of these findings is uncertain, the findings underscore the continued importance of international efforts to protect the ozone layer.
- **Sustainable Development:** On November 20, Administrator Browner attended a meeting of the President's Council on Sustainable Development in Atlanta, GA.
- **Global Warming:** On November 20, *CNN* interviewed Administrator Browner on the cause of global warming. On November 21, the Administrator taped an interview on global warming with *AP* television.

UNITED STATES TRADE REPRESENTATIVE

- **APEC Meeting:** Ambassador Barshefsky is participating in the APEC Ministers and Leaders meeting in Vancouver, Canada, from November 20-25. The sectoral liberalization proposals were key components of the trade agenda for the meeting. USTR plans to push for continued commitment of APEC economies to increase market access and to move forward on trade despite the absence of fast track authority.
- **Japan Autos:** USTR and DOC will release the Auto Monitoring Report next week.
- **Andean Trade Preference Act (ATPA):** Your triennial ATPA Report to the Congress is due on December 4. Ambassador Barshefsky approved the report and will transmit it to the White House this week.

- **Africa Initiative:** USTR continues interagency work on this year's report to the Congress regarding trade and development for African countries. The report is due on December 8 and will focus on the implementation of your Partnership for Economic Growth and Opportunity in Africa.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Decertification of DoD Budget:** Having decertified the DoD budget, the Director is working to help DoD craft a counterdrug budget that is in line with your National Drug Control Strategy. On November 26, the Director will meet with Deputy Defense Secretary Hamre to discuss these issues.

SMALL BUSINESS ADMINISTRATION

- **Streamlining Contracts:** SBA is in the final stages of negotiations with federal agencies that will cut dramatically the processing time for 8(a) contracts by taking itself out of the application process. For the first time, federal agencies, including HUD, GSA and DOJ, will be allowed to process their 8(a) contracts directly.
- **Minority Enterprise Development (MED) Week:** On November 20, Administrator Alvarez participated in various MED Week activities, including the kickoff reception. Administrator Alvarez will also keynote the business luncheon on November 22. At this luncheon, Kweisi Mfume of the NAACP will receive the Pioneer Award and Congressman Wynn will receive the Administrator's Leadership Award.
- **Welfare-to-Work:** On November 20, Administrator Alvarez spoke at two orientation sessions for SBA Welfare-to-Work employees and their supervisors. These sessions were videotaped and disseminated to field offices with Welfare-to-Work employees and supervisors. On December 10, Administrator Alvarez will participate in a Welfare-to-Work event with Congresswoman Velazquez in NY.
- **REPCOM '97:** On December 2-4, Administrator Alvarez is scheduled to participate in REPCOM 1997, a trade show in Mexico City. REPCOM 1997 is co-sponsored with the DOC and is designed to educate U.S. firms new to the Mexican marketplace.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **Project Impact:** In December, Director Witt will kick off two more Project Impact disaster resistant communities in Pascagoula, MS and Wilmington, NC. Senator Lott has agreed to participate in the Pascagoula event and Governor Hunt will join the ceremonies in Wilmington.

UNITED STATES INFORMATION AGENCY

- **Iraq:** Foreign media, concerned that the U.S. and Iraq are headed toward a military confrontation, have eagerly seized on signs that both Baghdad and Washington are willing to reach for a diplomatic solution. Writers portrayed the Administration as unable to muster support for a military solution from its allies in the Gulf War coalition. Analysts stressed that U.S. failure to revive the Middle East peace process was to blame for the lack of support for U.S. policy toward Saddam Hussein. Though commentators deplored Saddam's tactics, labeling him a "bully" and a madman, sympathy for Iraq and its people remained evident in much of the commentary, particularly from the Middle East. Egyptian, Jordanian and Palestinian columnists charged that the U.S. is out to destroy Iraq so as to reassert U.S. hegemony and protect Israeli interests. A few voices, from Israel and Saudi Arabia, argued that it was time the international community performed "comprehensive surgery to get rid of the cancer" from Iraq.
- **VOA Arabic Branch:** On November 15, in response to the Iraq crisis, the VOA Arabic Branch added an hour to its daily schedule, thereby bringing a total of seven hours of daily VOA Arabic broadcasts. This is in addition to daily English language broadcasts to the area. The Amman and Cairo reporters of the Arabic Branch are providing news and reaction from Iraq, Egypt, Jordan and other Arab states.

GENERAL SERVICES ADMINISTRATION

- **Recycling:** GSA conducts recycling efforts in approximately 1,100 buildings with over 600,000 Federal employees. Recycling diverted approximately 45,000 tons of materials (primarily paper) away from landfills, saving more than \$2.7 million in landfill and transportation costs. GSA uses its recycling income for tuition assistance to users of federal child care facilities.

SOCIAL SECURITY ADMINISTRATION

- **Social Security Privatization:** On November 28, *ABC's 20/20* will air a segment regarding proposals to privatize the Social Security program. The segment, which had been planned for earlier this year, is expected to explain the pros and cons of privatizing the program through the eyes of various economists and social insurance experts, with the main focus on the Chilean social security system.

cc:

The Vice President
Erskine Bowles
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Jack Gibbons
John Hilley
Mickey Ibarra
Janis Kearney
Ron Klain
Ann Lewis
Sylvia Mathews
Michael McCurry
Katie McGinty
John Podesta
Franklin Raines
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Melanne Verveer

DEPARTMENT OF DEFENSE

Global Positioning System (GPS) Frequency Allocation: The World Radio Communications Conference (WRC) 1997 is meeting in Geneva to consider the allocation of radio frequency spectrum. Mobile Satellite Service (MSS) providers are seeking frequencies that could interfere with PS-based navigation systems, including military systems. The European Community and NATO nations are not supporting the current allocation of frequencies to the U.S. GPS system. While GPS is available at no cost to users, several European commercial firms would like to provide a satellite based radio-navigation service for a fee. These potential GPS competitors are supporting the MSS proposals to enhance their own potential economic position. Members of Congress and U.S. businesses have written letters in favor of the current GPS spectrum allocation, but the outcome is uncertain. The European block of 40+ countries had agreed to a compromise of studying the potential inference problems and addressing the issue again at WRC-1999.

NBC News Round Table: On November 20, Secretary Cohen participated in an editorial round table luncheon at NBC News in New York City hosted by Tom Brokaw. NBC news officials, producers and other network show anchors participated in the session which centered on Iraq and a broad range of defense issues.

Secretary's Schedule: From December 1-5, Secretary Cohen will be in Brussels attending the NATO Ministerial and in London for talks with his British counterpart.

THE PRESIDENT HAS SEEN
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Someone has
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Continued From Page 1

Light Trucks Increase Profits But Foul Air More Than Cars

By KEITH BRADSHAW

DETROIT, Nov. 29 — After the Chrysler Corporation spent more than half a billion dollars to convert a car factory in Newark, Del., to produce big Dodge Durango sport utility vehicles, it held a party in September to open the new assembly line. Delaware's political leaders stood with Chrysler's chairman on a podium decorated with red and white bunting and waved victoriously to hundreds of cheering auto workers whose jobs had been saved.

When the Durango went on sale this fall, dealers could not keep enough in stock. And Chrysler, which barely breaks even on ordinary passenger cars, began pocketing \$8,000 in profit for every Durango sold.

There is just one problem: The Dodge Durango has a much worse environmental record than the

LICENSE TO POLLUTE

A special report.

Dodge Intrepid, the full-sized sedan that the factory used to build. The Durango's gasoline consumption and output of carbon dioxide, a principal cause of global warming, are 57 percent higher than those of the Intrepid. And the Durango's emissions of nitrogen oxides, the main cause of smog, are twice the level of the car it replaced.

If the Durango and most other sport utility vehicles, pickup trucks and mini-vans were classified as cars, they would violate Federal standards for pollution and gasoline consumption aimed at protecting the environment and conserving energy. Instead, these vehicles have long been classified as "light trucks" because they were once used mostly on farms and construction sites.

Lawmakers, regulators and Presidents back to the Johnson Administration have granted special favors to makers and buyers of light trucks. Among those are rules for pollutants and fuel consumption that are considerably softer than those applied to cars for the last two decades.

These lower standards remain in place even though light trucks now account for nearly one of every two

Auto makers enjoy rules for light trucks that are less stringent than those for ordinary cars. Light trucks include pickups, mini-vans and sport utility vehicles.



CARS LIGHT TRUCKS

GAS MILEAGE

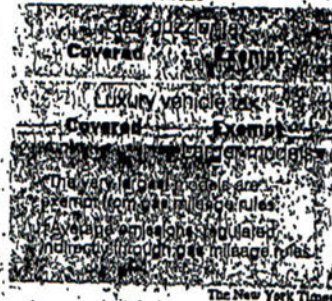
Minimum average m.p.g.
27.5 20.7

EMISSIONS (max. per mile)

Nitrogen oxides (grams)
0.4 0.4-1.1

Carbon dioxide (lbs.)
0.72 0.95

TAXES



family vehicles sold and even though most of them are used by suburban Americans simply for shopping and commuting.

American emissions of global warming gases are increasing even faster than previously expected, in part because of the rise in popularity of sport utility vehicles and other gas-guzzling light trucks. These trucks will be the fastest-growing source of global warming gases in the United States over the next decade, exceeding the increase in all industrial emissions combined, according to an Environmental Protec-

Continued on Page 38

tion Agency researcher. The emissions from 85 million trucks match those from the 125 million cars on the road, and truck emissions are expected to move sharply ahead of those from cars in the years ahead, the researcher found in a study to be published soon.

Now, as President Clinton proposes to reduce American emissions of global warming gases to 1990 levels within a dozen years, auto industry lobbying is in high gear. The manufacturers are worried about a meeting — beginning on Monday in Kyoto, Japan — in which 166 nations will try to limit global warming, which has been linked to the burning of fossil fuels like gasoline. The auto makers oppose curbing gasoline consumption through higher gasoline taxes or tighter fuel-economy standards.

On Oct. 2, the Big Three's chief executives and the president of the United Automobile Workers union met with President Clinton. Three weeks after that meeting, when the President announced his position on global warming, he conspicuously omitted any mention of restrictions on vehicles.

That was only the latest case in which American car makers and their unionized workers have mobilized to protect the rules under which light trucks enjoy special privileges, including tax favors that provide incentives for auto makers to build light trucks and for Americans to buy them.

That combined lobbying muscle has been highly effective. It was not that long ago, for example, that Bill Clinton, seeking voters with an environmental conscience during the 1992 Democratic primaries, called for the auto industry to achieve much higher fuel economy. Al Gore, his running mate, had even introduced a bill in 1989 requiring a 65 percent increase in the fuel efficiency of cars and light trucks as a way to reduce global warming. But after pressure from the U.A.W., the Big Three and attacks from politicians in auto manufacturing states, the Clinton-Gore team backed off.

The auto makers have also set up lobbying groups like the Coalition for Vehicle Choice, which says it includes 6,000 other organizations and 35,000 people. The coalition has persuaded a broad range of non-profit groups to join its efforts to influence regulators and politicians of both parties.

But the industry does not need to spend a lot of money on coalitions or campaign contributions to achieve its goals. Virtually every Congressional district has auto dealerships, while auto assembly plants and parts factories have spread out of the Great Lakes region to the South and both coasts. General Motors and Ford are so enormous that they each produce more than 1 percent of the nation's economic output, the only two companies to do so. The 800,000-member U.A.W. is a potent force in Democratic politics. So it is no surprise that the auto makers and union leaders generally encounter an open door when they call on lawmakers.

Nor have the auto makers been shy about using their position as the nation's biggest advertisers to discourage the news media from criticizing light trucks. The industry, for instance, virtually stopped advertising in the Sierra Club's magazine after an article discussed the poor fuel economy of sport utility vehicles.

The New York Times

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THE PRESIDENT HAS SEEN

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Here are some of the ways that light trucks are given special treatment:

Most light trucks are allowed to emit 75 percent to 175 percent more smog-causing nitrogen oxides than even the biggest cars.

Each manufacturer is required to build a fleet of cars with an average fuel economy of 27.5 miles a gallon, but light trucks have to clear a bar of just 20.7 miles a gallon. Manufacturers can make their trucks much heavier and roomier while using fewer expensive but weight-saving aluminum parts. But those trucks consume far more gasoline than even the biggest cars and spew more gases that contribute to global warming.

The largest Chevrolet Suburbans and full-size pickups have become so heavy that they no longer even qualify as light trucks under the 23-year-old fuel-economy legislation. That means their fuel economies are not even calculated or included in the manufacturers' averages.

By building pickup trucks and mini-vans that can run on ethanol as well as gasoline, auto makers plan to win credits from the Government that will allow them to build more gas-guzzling light trucks — even if buyers of the special vehicles never use ethanol, a type of alcohol made from grain and extremely rare at filling stations.

Until 1988, American-made sport utility vehicles, pickup trucks and mini-vans were protected from foreign competition by a Federal tax on imported light trucks that was 10 times as high as the tax on imported cars. That high tax of 25 percent still applies to imported pickups. So American auto makers have been under less competitive pressure to develop cleaner, more fuel-efficient trucks, as they had to do with cars.

Light trucks are exempt from the Federal gas-guzzler tax, which covers cars that get less than 22.5 miles a gallon and can add as much as \$7,700 to the price of some expensive sedans and sports cars.

People who use fairly large light trucks on the job — even real estate agents carrying nothing bulkier than brochures in Lincoln Navigator sport utility vehicles — are allowed to claim larger tax deductions than people using cars for business.

A lot of bigger light trucks are exempt from the Federal tax on luxury vehicles, now 8 percent of the amount of the sale price that exceeds \$38,000.

Many of these special arrangements for light trucks were made during the energy conservation movement of the 1970's, when only 20 million light trucks were on the road, and they were mainly commercial vehicles. Lawmakers and regulators focused on making cars cleaner and more fuel efficient because there were so many more of them.

But as light trucks have become the vehicle of choice among millions of families who use them just like cars, they have grown from one-sixth of those sold to almost half. Today, the 65 million light trucks on the road are more than triple the number in 1975, while the number of cars on the road has only risen by a third since then.

For struggling American auto makers, trounced in the 1970's and 1980's by their Japanese and European competitors, light trucks have been a miracle, propelling them from dismal results to record earnings. Detroit and its workers rightly credit light trucks with saving thousands of jobs.

Yet light trucks pose significant problems — and not just prodigious gasoline consumption.

Without the shift toward more and bigger light trucks, the United States would find it easier to make the reductions in global warming gases to 1990 levels that the rest of the world is demanding. Cars and light trucks accounted for nearly one-fifth of American emissions of those gases in 1990, and their emissions are projected to rise by as much as 55 percent by 2010 if the surge in light trucks continues. The emissions would rise by only 35 percent if light trucks were no more popular than they were in the 70's.

As for pollutants that cause smog, regulators in California, which is allowed to set its own tougher standards, have concluded that light-truck exhaust may prevent them from

reaching Federal goals for smog reduction and are quietly planning to crack down. Finally, because light trucks consume so much gasoline, they make the United States more dependent on foreign oil at a time when oil imports are at record levels.

Government Response

All Remains Quiet On Washington Front

The auto industry has not encountered much resistance to the special treatment of light trucks. The Government has raised the fuel-economy standard for light trucks by just two-tenths of a mile a gallon over the last decade, to 20.7 miles a gallon from 20.6. Since 1995, Congress has barred further increases.

And while the Government tightened standards for nitrogen oxide emissions for both cars and light trucks several years ago and is planning to tighten them further, the standards remain far more lax for trucks.

The Clinton Administration, having backed away from calls for raising fuel-economy standards, has instead focused on supporting research into more fuel-efficient vehicles. The Government has been giving the auto industry \$250 million a year since 1994 to pay for such work. Yet the research has mainly focused on producing a prototype car by 2003 that can travel up to 80 miles a gallon. Light-truck designs have received little attention even though they have emerged as the bigger problem.

Asked about the issue, President Clinton and Vice President Gore responded through spokesmen that they would have considered increasing fuel-economy standards if not prevented by Congress. "The industry raised a fuss, and Congress stopped it," said Barry Toliv, the deputy White House press secretary. But the Administration has done little to oppose Congress.

Environmental groups have also given the light-truck issue low priority because they think they have little chance of success. For now, they are making only sporadic efforts to raise public awareness.

"Getting Congress and this President to control sport utility pollution is like pushing a Chevy Suburban uphill with your nose," said Daniel Becker, the energy policy director of the Sierra Club.

That so little has been done about these problems in Washington is a reflection of the fact that Detroit is giving people what they want. Americans — even ones who fancy themselves as environmentally conscious — have fallen in love with trucks.

Take Henry E. Douglas, a 38-year-old engineer from Hyattsville, Md., who is single. After many years of keeping the heat low in winter to save energy, Mr. Douglas compromised with his principles this autumn. He traded in his 1994 Subaru wagon for a 1994 Land Rover Discovery that goes 14 miles on a gallon of gasoline, half as far as the Subaru, and produces twice the pollutants.

Mr. Douglas picked the sport utility vehicle so he could drive from his home to New England ski slopes in even the nastiest weather. "I feel guilty about buying this big truck to drive around in, and I have caught flak from friends for it," he said. "I did a little good old American backsliding, as I think a lot of people have done lately."

The fall in the price of gasoline, after inflation is taken into account, has taken the economic pinch out of driving light trucks. For a family that drives 15,000 miles a year, owning a Suburban, which sells for \$28,000 and up, now costs only \$550 more in annual gasoline bills than driving a Honda Accord, or less than \$20 a month.

Light trucks have many other attractions. They are stylish. They are roomier than cars, with the largest sport utility vehicles carrying nine people. Sitting above the cars around them, they give drivers a sense of power. They make passengers feel safer, although they are more prone to flipping.

Yet because they have grown much heavier relative to cars over the last 20 years, and because they tend to ride higher, light trucks inflict heavy damage when they collide with cars. Even though there are twice as many cars in use as trucks, the trucks now kill more people in cars each year than other cars do. Two big insurers have already begun raising liability rates for light trucks, and others plan to do so.

Auto makers are nonetheless building light-truck factories and converting old car factories on the assumption that within a few years half the vehicles sold will be light trucks. Sales of the biggest sport utility vehicles are growing fastest of all. With the introduction of models like the Ford Expedition and Lincoln Navigator, sales of full-size sport utility vehicles soared 53 percent in the first nine months of this year compared with figures from the same period a year earlier, even as car sales fell 4 percent.

Americans' infatuation with light trucks alarms some Federal and state regulators. A quick comparison of specific models shows why. Both gasoline consumption and emissions of carbon dioxide are 86 percent higher for a Chevrolet Suburban than for a Honda Accord, and 43 percent higher for the Suburban than for even the huge Buick Roadmaster station wagon that General Motors built until last year. The cleanest Suburbans emit twice the nitrogen oxides of the Accord or the Roadmaster.

The E.P.A.'s expert on light-truck emissions, John Gorman, has calculated in a new study that because of the shift to light trucks, Government forecasts of nitrogen oxide pollution from family vehicles in 2020 should be raised by 6 percent to 23 percent. Projections for carbon dioxide emissions and gasoline consumption by 2010 should be raised by 6 percent. The forecasts have been based until now on the outdated assumption that light trucks would be less than a third of the passenger vehicles in use through 2015, when they already exceed 34 percent.

Regulators in California, which has 7.5 million light trucks, said they would begin drafting rules to require trucks to meet the same antismog standards as cars by 2008. "We did not expect trucks to be this popular," said Steven G. Albu, chief of automotive engineering studies at the California Air Resources Board. "It undermines our efforts to get to the Federal clean air goals."

How It All Began

Chicken Came First, Then Truck Rules

For light trucks, the long line of favors from Washington all started with frozen chickens.

Beginning in 1962, the Kennedy Administration accused the European Community of unfairly restricting imports of American poultry at the request of West German chicken farmers. In January 1964, two months after taking office, President Johnson punished the Europeans by imposing a 25 percent tax on all imported light trucks.

The official reason given for choosing light trucks was that American imports of Volkswagen vans from West Germany were close in dollar value to the lost American

THE PRESIDENT HAS

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sales of chickens to Europe. But recently released audio tapes from the Johnson White House suggest that the President may have had another motive. The tapes show that in January 1984, President Johnson was trying to persuade Walter Reuther, the U.A.W.'s president, not to call a strike just before the 1984 election and to support the President's civil rights agenda. The tapes also show that Mr. Reuther wanted President Johnson to respond to Volkswagen's growing shipments to the United States, although the labor leader was more concerned with the Beetle than the vans.

Through three rounds of global trade negotiations since then, import fees on virtually every other manufactured good except clothing and textiles have been reduced to 2 percent or 3 percent or have been eliminated. But Detroit has lobbied effectively to protect the light-truck tariff.

During the most recent round, which concluded in 1993, the American auto industry warned that it would withhold its support from any agreement that reduced the 25 percent tariff that remained on many light trucks, said a senior Bush Administration trade official who insisted on anonymity. The Bush Administration followed the industry's wishes despite complaints from Japan. To this day, the tax remains at 25 percent for imported pickup trucks, although the Government has reduced it to 2.5 percent for mini-vans and sport utility vehicles — on the ground that they are not trucks. But Washington continues to classify them as light trucks for all other purposes.

The tax has helped prevent European and Asian auto makers from winning a firm foothold in the light-truck market; they are only now catching up by building pickup and sport utility vehicle factories in the United States. While Detroit held only 64 percent of the nation's car market last year, the Big Three sold 86 percent of the light trucks. The barriers to competition have meant less pressure on Detroit to make its models cleaner and more fuel efficient, two strengths of Japanese car makers.

The import tax was just the first of many special favors. The 1973 Arab oil embargo led Congress to set gasoline mileage rules for cars. But the auto industry allied itself with farmers and home builders who said that similar standards for pickup trucks would pose an intolerable burden by forcing auto makers to make the trucks smaller and less powerful. So Congress asked the Transportation Department to come up with a separate set of rules for light trucks.

Enthusiasm for regulation has faded as worries about oil shortages have ebbed. Fuel-economy standards for cars rose to 27.5 miles a gallon in 1983 while truck standards have barely changed. In 1975, when Congress passed the fuel-economy legislation, the average fuel economy of new light trucks was 13 percent below cars. Now, it is 25 percent lower.

The rules, combined with rising gasoline prices, forced Detroit to design much smaller cars in the late 1970's and early 80's. But when gasoline prices dropped after 1981, Lee Iacocca and Harold K. Sperlich, Chrysler's chief executive and president, respectively, made use of the opportunity provided by the separate rules for trucks. In 1984, they introduced the mini-van.

Had it been classified as a car, the mini-van would have made it hard for Chrysler to meet fuel-economy standards for its fleet. But because it was at least partly based on a pickup design, and came in a cargo version, too, regulators accepted it as a truck.

With America hungrier for roomier family vehicles again, the eight-passenger mini-van was an instant success, rescuing Chrysler from the brink of disaster. Ford then set off the sport utility vehicle surge with the introduction of the Explorer in 1990.

Now that they are selling ever-bigger sport utility vehicles, Chrysler and Ford are

having trouble meeting even the lower fuel-economy standard for light trucks. So they plan to build more than 200,000 mini-vans and pickups annually that can burn ethanol as well as gasoline. This will allow them to take advantage of generous Government fuel-economy credits for such vehicles, even if the buyers never use ethanol.

Why ethanol? Ethanol is commonly made from corn; corn farmers and processors successfully lobbied Congress in 1988 to insert the loophole into fuel-economy laws as a way to increase demand for corn. While the auto makers were not especially interested in ethanol then, they were happy to go along. Now they see a way to benefit.

Environmentalists paid little attention to light trucks when fuel-economy rules were enacted or when clean air legislation was drafted during the Carter Administration. "We weren't smart enough in the 1977 legislation to take on the light-truck issue," said Michael P. Walsh, director of the E.P.A.'s air-and-radiation division from 1977 to 1981.

Congress also failed to foresee the popularity of light trucks in writing tax laws. When the gas-guzzler tax was drafted in 1978, House members from rural districts insisted that light trucks be exempt to protect farmers' pickups, said Albert Buckberg, a longtime economist for the Joint Committee on Taxation, who has since retired. Because the larger light trucks were not seen as luxurious, they were also exempted from the luxury vehicle tax in 1980.

Times have changed. Even the American Automobile Manufacturers Association concedes that only a quarter of light trucks are now used for farming and other commercial purposes. In just the last year, luxury-car makers have been rushing out deluxe sport utility models like the Lincoln Navigator, at \$40,000 and up, and the Mercedes-Benz ML320, priced at \$35,000 to \$40,000. Cadillac announced plans on Nov. 20 for a huge new model next year. When the tax laws were written, Mr. Buckberg said, "There were no such things as the Lincoln Continentals of sport utility vehicles."

Fending Off Threats

Aggressive Lobbying At All Political Levels

The year was 1990, and Iraq had just invaded Kuwait, raising fears that the oil lifeline between the Middle East and the United States would be cut. That crisis, and fears about global warming, produced a serious effort by Senator Richard H. Bryan, Democrat of Nevada, to raise fuel-economy standards for cars and light trucks by 40 percent by 2001. The measure won the support of 57 senators but fell three votes short of the total needed to defeat a filibuster.

To help head off the legislation, the Big Three hired a lobbying firm, FMR Group Inc., which organized a campaign of grassroots resistance in Nevada. Detroit auto makers hired another lobbyist in 1990, John R. Bonner, to drum up opposition to the Bryan bill in other states. Mr. Bonner set up a news conference in Washington and invited representatives of groups that used big vehicles. A Nebraska farmer pointed out that a Honda Civic could not haul a livestock trailer. A charity official from South Dakota said disabled people needed big vans for their wheelchair lifts. An Alabama sheriff said small cars could not be driven as fast to crime scenes. Each speaker's plane fare and expenses were paid for by the auto makers, Mr. Bonner said.

To help block any further moves to raise fuel-economy standards, the auto industry set up a lobbying group in Washington in 1991 called the Coalition for Vehicle Choice and has bankrolled its budget ever since. The coalition is headed by Diane K. Steed, the top highway safety regulator in the Reagan Administration.

The next threat to light trucks came during the 1992 campaign of Bill Clinton and Al

Gore. Mr. Clinton criticized President Bush for not raising fuel-economy standards.

But once Mr. Clinton had won the Democratic nomination with the support of environmentalists, his position began to shift. Auto industry and U.A.W. officials met repeatedly with campaign advisers through the summer to contend that raising fuel standards would eliminate jobs — and cost the votes of tens of thousands of auto workers. At a campaign stop in Detroit on Aug. 21, Mr. Clinton said that while he wanted more fuel-efficient vehicles, they might not be technically feasible — the justification later used for subsidizing industry research instead of raising fuel-economy standards.

And the auto makers are not reluctant to retaliate against opponents of sport utility vehicles, like the Sierra Club, one of the few public interest groups actively fighting the spread of the vehicles. The club's bimonthly magazine, *Sierra*, carried ads for sport utility vehicles until it published an article last winter criticizing their poor fuel economy. All of the sport utility ads disappeared, costing the magazine 7 percent of its annual advertising revenue, according to Joan N. Hamilton, the editor in chief.

"We had to shrink the pages of our magazine accordingly," she said. The magazine has continued to publish articles critical of the auto industry.

For many years, Detroit's lobbying in Washington followed one rule: call Representative John D. Dingell, the Michigan Democrat who is the longest-serving House member and served as Commerce Committee chairman for 14 years.

When Republicans captured control of the House and Senate in the 1994 elections, Mr. Dingell lost his chairmanship. But the auto industry has lost none of its influence and may have even increased its sway. Many Republicans have long shared the auto makers' hostility to regulation. The auto industry's political contributions, while modest compared with those of other industries, have long gone lopsidedly to Republicans.

The manufacturers' latest worry is the conference on global warming. The theory of global warming predicts that the buildup of certain gases in the atmosphere will lead to less of the sun's energy being reflected from earth into space, resulting in a warmer climate. While some scientists have questioned whether global warming is a serious enough problem to justify costly policy moves now, there is broad scientific agreement that some problem exists.

The auto makers fear pressure on the United States to curb gasoline consumption through higher gasoline taxes or higher fuel-economy standards. The result has been aggressive lobbying, including in October, when President Clinton met with the Big Three's chief executives and the U.A.W.'s president, Stephen Yokich.

The White House had hoped that the auto

The New York Times

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makers would thank the President for trying to break open the Korean auto market. But the executives spent most of the hour-long meeting criticizing the Administration's desire to secure a binding international agreement in Kyoto. Only the United States, with its strong legal system, would respect such an agreement, they warned, and at the expense of slower economic growth and the loss of thousands of jobs.

But the lobbying extends far beyond meetings with the President. The Durango assembly line party looked like a campaign event, and in a way it was, part of the industry's unending effort to cultivate allies at all levels of politics. Thomas R. Carper, the Democratic Governor of Delaware, pointed out in his speech that Chrysler's \$623 million investment to convert the factory to sport utility vehicle production was the equivalent of \$1,000 for every person in the state. Asked minutes later about the environmental issues surrounding light trucks, the Governor volunteered to help Chrysler fight any restrictions.

"If they need our help," he said, "we'll give it to them."

After the ceremony, Robert Liberatore, Chrysler's chief lobbyist and a former top Democratic Senate aide, steered Senator Joseph Biden, a Democrat, toward a lunch with Robert Eaton, Chrysler's chairman and chief executive, and Delaware's other Senator, William Roth Jr., a Republican.

Asked later what they had talked about, the Senators said the conversation had mainly involved Chrysler's interest in free trade. But, when pressed, Senator Biden said Mr. Eaton had also spoken to him about the dangers of raising fuel-economy standards.

A Widening Constituency

Country Truck, City Truck

The Everly family near Bondurant, Iowa, has been using pickups to farm since the 1920's and cannot imagine life without them. Last spring, James L. Everly used his pickup to haul seed corn and herbicides to his fields. This autumn, he used it to transport his crops to a grain elevator.

"You couldn't use a sedan or a wagon because you'd get stuck in the mud," Mr. Everly said.

By contrast, Andrew and Jillian Dijk in Westport, Conn., have other expectations for their truck. They traded in their Audi two years ago to lease a Range Rover. They thought the big sport utility vehicle would provide more protection in an accident. Now they are on the waiting list for a Mercedes-Benz sport utility vehicle. "Winters can be harsh here, and I have two young children," Mrs. Dijk said. "I thought being higher

would be safer than the Audi."

Auto makers are designing many light trucks these days for two different markets: the original customers who use them as work vehicles and the newcomers who view them as oversized cars. People who need work vehicles want the features they have always counted on — powerful engines, four-wheel drive and sturdy frames — to negotiate muddy fields or rough roads.

But commuters, along with soccer moms and dads, also want air-conditioning, luxurious interiors and fast acceleration. The auto makers are granting their wishes, making the trucks even heavier and requiring more powerful, gas-guzzling engines. The horsepower of the average light truck has soared 48 percent in the last decade. Chrysler has begun offering a new engine in the Jeep Grand Cherokee that allows it to go from zero to 60 miles an hour in seven seconds — as fast as a 1978 Corvette.

Most sport utility vehicles and pickups have blocky shapes that make them less aerodynamic, reducing their energy efficiency. Popular four-wheel-drive systems, which allow better control on bad or snowy roads, likewise hurt fuel economy by adding up to 500 pounds of weight. Light trucks even have taller, less aerodynamic passenger compartments than cars — a peculiar remnant of the days when men wore hats.

"In Texas, you have to be able to wear your cowboy hat," said Tom Baughman, Ford's truck engineering director.

Many light trucks, particularly the larger sport utility vehicles and pickups, are designed to carry heavy cargoes or haul trailers, and have fuel-guzzling engines.

But an internal study by the Big Three has found that slightly less than half of full-size sport utility vehicles, and only 15 percent of all sport utility vehicles, are used for towing. Full-size sport utility vehicles may be handy for carrying big families, but three-quarters of the buyers come from households with three or fewer people.

Environmental Problems

Higher Emissions, Lower Fuel Economy

To build trucks sturdy enough to satisfy farmers like Mr. Everly and peppy enough to please former car drivers like the Dijks, auto makers have developed bigger and bigger engines. But there are drawbacks.

Two decades of progress in reducing emissions of smog-causing nitrogen oxides from family vehicles is being slowed by the shift from cars to light trucks. For light trucks as a group, actual emissions are 20 percent to 100 percent higher than for cars as a group, with the exact figure ranging from city to city based on the severity of

auto inspections, according to the E.P.A.

Nobody says light trucks have to be this dirty. Mr. Albu of the California Air Resources Board said that regulators planned to outfit a Ford F-150 pickup with a better catalytic converter in an experiment intended to show that trucks can meet even the strictest car emissions standards. The upgraded catalytic converters could end up costing manufacturers \$100 to \$300 a vehicle, said John Dunlap, the agency's chairman. The E.P.A. is required by a 1980 law to cut allowable nitrogen oxide emissions for cars and light trucks in 2004, but has not decided by how much.

All but the smallest light trucks also burn a lot of gasoline. Many auto executives say that Americans are not worried about conserving gas. When Chrysler introduced the Durango, which gets 13 miles to the gallon in the city and 17 on the highway, Mr. Eaton declared, "Fuel economy within the area we're talking about here is not an issue to the consumer."

American gasoline use is already expected to grow by up to 35 percent by 2010. If light trucks become as common as cars by then, gasoline consumption will be an additional 8 percent higher than if light trucks remained a third of the vehicles on the road, according to the study by Mr. German of the E.P.A.'s automotive pollution office in Ann Arbor, Mich.

If Americans were still buying the same proportion of light trucks as in 1975, and if these light trucks had improved in fuel economy as quickly as cars since then, gasoline consumption and carbon dioxide emissions by cars and light trucks in the United States would already be 9.3 percent lower today, according to calculations by John M. DeCicco, a senior researcher at the American Council for an Energy Efficient Economy in Washington. That translates into 800,000 barrels of oil a day, or 3.2 percent of national oil consumption.

Many environmentalists have advocated tightening fuel-economy rules. The auto makers and most economists disagree. Higher gas taxes, they point out, would limit the miles people drove. Light trucks are far less popular in Europe because gasoline there costs up to \$5 a gallon after taxes are included. In the United States, said Alex Trotman, Ford's chairman and chief executive, "if fuel were \$3 a gallon, for example, I think you'd see a very different distribution of size of vehicles, car and truck."

Yet higher gasoline taxes are unlikely, particularly with the Federal budget nearly in balance. Higher fuel-economy standards for light trucks are also unlikely. So far now, light-truck sales keep climbing. "We are in the business," Mr. Trotman said, "of supplying customers what they'd like to buy."

REMEMBER THE NEEDIES!

The New York Times

SUNDAY, NOVEMBER 30, 1997

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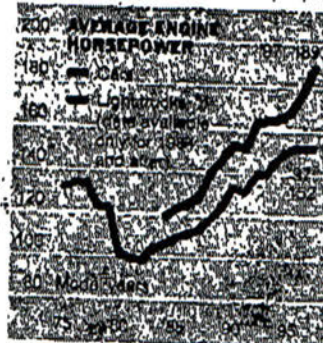
LICENSE TO POLLUTE: Giving Buyers What They Want

Bigger, Dirtier, Thirstier

Most light trucks — sport utility vehicles, mini-vans and pickups — are environmentally more harmful than even the biggest cars in three ways: They consume more fuel, they contribute more to global warming, and they emit more smog-causing pollutants. The more popular light trucks become, the more they inhibit efforts to curb tailpipe pollutants, global warming and energy waste.

Size

Two decades ago the average light truck and car weighed about the same and had similar engines. High fuel-economy standards for cars have held down weights and engine power since then, but lower standards for trucks have allowed greater weight and bigger engines.



SOME POPULAR MODELS COMPARED

	1997 MODEL	TYPE	ENGINE SIZE (LITERS)	WEIGHT* (LBS.)
CARS	Geo Metro	Subcompact	1.3	2,000
	Honda Accord	Midsize	2.2	2,900
	Ford Taurus	Midsize	3.0	3,300
	Toyota Camry	Midsize	2.2	3,100
	Subaru Legacy	Station wagon	2.2	2,700
	Dodge Intrepid†	Large sedan	3.3	3,400
	Buick Roadmaster†	Large station wagon	5.7	4,600
	Toyota RAV-4	Small sport utility	2.0	3,000
	Chrysler Town & Country	Mini-van	3.3	4,000
	Dodge Durango**	Midsize sport utility	5.2	4,700
LIGHT TRUCKS	Jeep Grand Cherokee	Midsize sport utility	5.2	3,800
	Chevrolet Blazer	Midsize sport utility	4.3	4,000
	Range Rover	Midsize sport utility	4.6	5,000
	Ford F-150	Full-size pickup	4.6	3,900
	Chevrolet K1500	Full-size pickup	5.7	4,300
	Ford Expedition	Full-size sport utility	5.4	5,500
	GMC Yukon	Full-size sport utility	5.7	5,400
	Chevrolet Suburban	Full-size sport utility	5.7	5,300

*Figures are for curb weight, the weight of the vehicle ready to drive but empty of driver, passengers or cargo.

†1996 models. The Roadmaster is no longer produced while the Intrepid has been redesigned and production moved from Newark, Del., to Ontario.

**1998 model made in Newark, Del.

Sources: Environmental Protection Agency; National Highway Traffic Safety Administration; American Automobile Manufacturers Association; Ford Motor Company.



Smog

Because light trucks are heavier and more sporty than most cars, they consume more fuel and emit more smog-causing pollutants. Light trucks are slowing progress toward cleaner air in urban areas.

The Environmental Protection Agency sets standards for the pollution a vehicle can emit after 50,000 miles. Most light trucks are allowed a higher total than any car.

The EPA tests a few vehicles each year that have been driven 50,000 miles and orders recalls of models that emit too much. But the agency mostly relies on a less direct method: testing new models after 100,000 miles. These short-distance results are far below the 50,000-mile maximum to avoid asking a future recall for engines not closer to use.

NITROGEN OXIDES EMITTED

MEASURED EMISSIONS AT 100,000 MILES	MAXIMUM ALLOWED AT 50,000 MILES
0.08	0.40
0.11	0.40
0.15	0.40
0.15	0.40
0.14	0.40
0.08	0.40
0.15	0.40
0.11	0.40
0.23	0.70
0.15	0.70
0.18	0.70
0.20	0.70
0.30	0.70
0.05	0.70
0.29	1.10
0.10	1.10
0.23	1.10
0.30	1.10

Ford is leader of recalls than rival automakers, so it makes unusually clean light truck engines.

Gasoline Use

The Government allows light trucks to get fewer miles to the gallon than cars, so the trucks can weigh more and have larger engines than cars.

Americans are driving more miles each year, so fuel consumption has been rising anyway. In recent years, but light trucks' rapid growth will raise consumption even faster.

Manufacturers are required to build a fleet of cars with an average fuel economy of 27.5 miles per gallon. Light trucks need average only 20.7 miles per gallon. And light trucks give makers even more leeway. Some of the biggest models are so heavy that they are not classified as light trucks and thus are exempt from minimum mileage rules.

GAS MILEAGE MILES PER GALLON

CITY	HIGHWAY	COMBINED
DRIVING	DRIVING	DRIVING
30	34	32
23	30	26
20	28	23
23	30	25
23	30	23
18	29	22
17	25	20
24	26	25
15	22	10
13	17	14
14	17	15
16	2	18
12	16	14
14	18	16
13	17	15
13	17	13
13	17	15
12	16	14

Figures are for the most popular version with features like automatic transmission and four-wheel drive; where available. Two-wheel drive manual models get better mileage.

Figures are for the smallest four-wheel drive version. Large Suburbans and so big that EPA does not count them as light trucks and keeps no gas mileage figures for them.

Global Warming

Even the cleaned internal combustion engine produces gases that contribute to global warming, mainly carbon dioxide.

The amount of carbon dioxide a vehicle releases depends directly on the amount of fuel burned. On average, burning a gallon of gasoline releases 19.7 pounds of carbon dioxide, containing 6.6 pounds of carbon. Because light trucks generally burn more fuel for each mile driven than cars do, they produce more carbon dioxide.

The United States has pledged to reduce overall emissions of carbon gases to 1990 levels by 2010. The use of light trucks will make this goal very difficult to reach.

CARBON DIOXIDE EMISSIONS POUNDS PER YEAR

BASED ON 15,000 MILES PER YEAR AND 15.5 MPG (CITY/HIGHWAY)
9,200
11,400
12,800
11,900
11,300
13,400
14,800
11,800
16,400
21,100
19,700
16,400
21,100
18,500
19,700
21,100
19,700
21,100

Annual totals are rounded to the nearest 100 pounds.

Russians Checking Up on Their Children Adopted by Americans

By The New York Times

SEATTLE, Nov. 22 — Natasha Bianco's eyes are slightly crossed. It is hard to notice at first as the 20-pounder toddles around the room in a leopard-spot dress and black velvet-teen leggings, playing to the crowd of dignitaries.

Natasha, 3, spent all but the most recent weeks of her life in a Russian orphanage. There was not much to look at from her crib, so her eyes had nothing to focus on, said her new mother, Dannette Bianco.

Natasha's new home in the Seattle suburb of Burien is full of engaging sights — like Puget Sound, two brothers and an orange cat — and her parents expect her eyes to become stronger and straighter over time.

The Biancos were recently hosts to Nikolai I. Shugai, head of the education department in Primorsky Krai, or the Maritime Territory, the far eastern region of Russia, where Natasha was born. Mr. Shugai was visiting the United States to see the homes, schools and hospitals of Russian children adopted by Americans.

Reporters in his hometown of Vladivostok and throughout Russia have recently been full of bad news about Russian children adopted by Americans. In October, Richard and Karen Thorne of Phoenix were convicted of neglect after a tumultuous 10-hour flight from Moscow to New York City with the two 4-year-old Russian daughters they had adopted. And a Colorado woman is in prison for the killing of her adopted Russian son, a toddler.

Mr. Shugai's trip was sponsored by the World Association for Children and Parents, or Wacap, a non-profit agency in Seattle that has arranged for about 50 adoptions of Russian children in the Seattle area. He had received other invitations from other agencies, but in light of recent news reports, decided to accept this one "and see with my own eyes the life of real children in new families," Mr. Shugai said through an interpreter.

Suzanne Flata, who has adopted Pavel, 4, from Vladivostok, said the boy had grown an inch and a half and gained two pounds since going home with her to Kent, Wash., on Oct. 11.

"I hope he senses how much we love our Russian children," Ms. Flata said to Mr. Shugai's interpreter. "I love my Pasha as much as my other three children. He has given

me so much joy."

Since Russia began allowing adoptions by foreigners in 1992, the country has become an increasingly popular source for Americans hoping to adopt. White children in need of parents are plentiful, and can be adopted relatively quickly. In 1992 there were 324 Russian children adopted by Americans. In the fiscal year that ended Sept. 30, Russia topped the list of sources for foreign adoptions for the first time, sending 3,816 children to the United States, ahead of China, which sent 3,597, the State Department says.

"Russian people are still interested in what the future of children is here," Mr. Shugai said. Concerns in his country focused on all the changes the adopted children experience in a new country, he said.

In September, Barbara Knowles, assistant director of the adoption agency, spoke to 65 adoption specialists in Vladivostok.

"Their primary concern is what happens to the children after adoption — are they protected by law," Ms. Knowles said, "and what kind of educational and medical services are available, particularly for children with special needs."

She said Russian judges made sure adoptive parents spent time with the children they wanted to adopt and got all questions answered. Most prospective parents must stay in Russia at least 16 days, learning the histories and special problems of the children.

"They want to make sure the parents have a commitment to this child for generations to come, without any reservation," Ms. Knowles said.

Mr. Shugai was to report to school administrators when he returned home. He said he had liked almost everything he had seen, including three schools and a children's hospital. He acknowledged, however, that if there were things he had not liked, he would not have commented on them publicly in the United States.

There are 10 families traveling to Vladivostok now to adopt children through the Washington agency, which has a special relationship with the region, partly because it is the part of Russia closest to Washington. Fifty children in the Maritime Territory are waiting for homes.

Those adoptive parents have gone through the same process the Biancos did about nine months ago, when they saw Natasha in a video provided by the adoption agency.

"She was 2½, and she takes this baby doll and rocks it," Ms. Bianco said. "That was the clincher. It was a heartbreaker. She wanted someone to hold and have."

New Maladies Ravage Coral In Florida Keys

MIAMI, Nov. 27 (Reuters) — Researchers have found that a variety of unidentified diseases are affecting the coral reefs in the Florida Keys, National Marine Sanctuary.

The number of areas with diseased coral almost quadrupled in the last year and the number of coral species affected by disease more than tripled, a study of the reef tract found.

"We are concerned," Fred McManus, Florida Keys coordinator for the Federal Environmental Protection Agency, said. "At this time, it is unknown whether these diseases are the expression of a naturally occurring short-term event with limited impact to the coral reef communities, or a human-induced degradation with more serious long-term ramifications."

The study was conducted at 29 reef locations in the Florida Keys, which are home to the largest and most complex reef in North America and is a mecca for fishermen and scuba divers. The 2,800-square-mile national sanctuary was created to protect the delicate coral.

The study, financed by the environmental agency, found signs of disease at 94 of 160 monitoring stations this year, up from 25 last year. The number of species with signs of disease rose to 28 from 9 during that period. The findings were presented last week at a meeting of ecologists at the Smithsonian Institution.

Researchers said that not all of the diseases had been identified, and that they were unsure of their origins. Scientists have long believed that the growing human population of the Keys and resulting pollution could be damaging the reefs.

Coral reefs are created by tiny creatures called coral polyps, which secrete calcium carbonate, the basic building block of the reef.

Researchers found at least one reef where 80 percent of Elkhorn coral, the species primarily responsible for building reefs, was killed within a three-year period.

Scientists and divers have in recent years seen an increase in coral bleaching, a whitening of the usually colorful corals.

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The New York Times

FRIDAY, NOVEMBER 28, 1997

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The New York Times

FRIDAY, NOVEMBER 28, 1997



INSIDE
That craze over
Faulkner: What in
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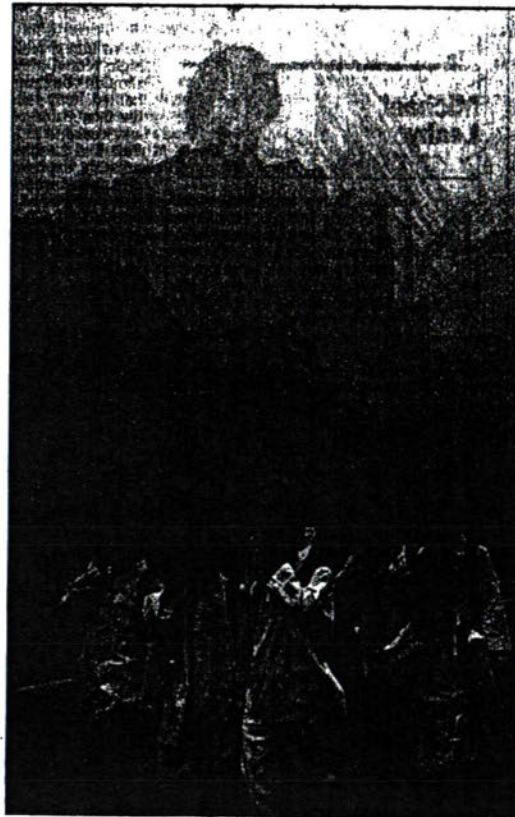
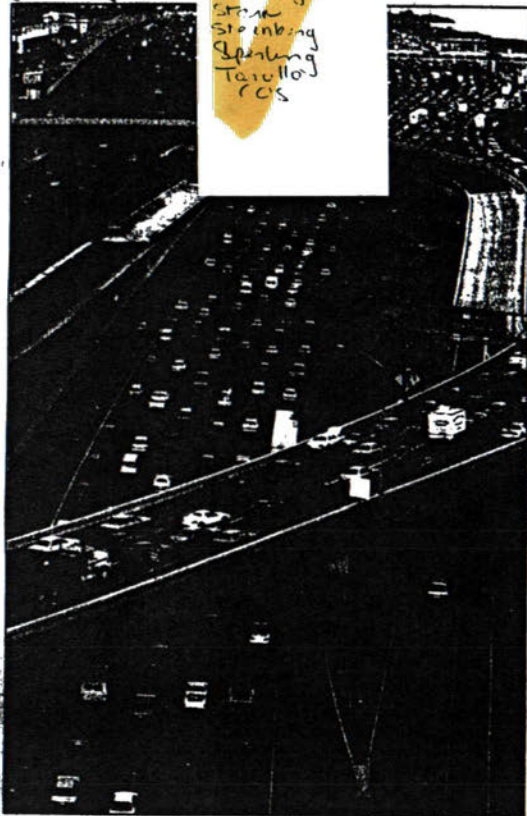
THE PRESIDENT WAS SEEN
12-1-97

Perspective

Arkansas Democrat ~~the~~ Gazette

• SUNDAY, OCTOBER 26, 1997
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**The existence of the greenhouse effect is indisputable:
without it, Earth would be too cold to be habitable**



Coastal effect: Morning traffic comes to a halt in Oakland, Calif. The automobile gets much of the blame for air pollution. In Kuala Lumpur, Malaysia, school boys cover their noses against the smoke in the air caused by giant wildfires in Indonesia.

The country will have to await the rainy season for the fires to be put out. Cattle in Puerto Rico, which is ringed by a turquoise sea, show the results of a severe drought in 1994.

THE CLIMATE IS CHANGING BECAUSE OF HUMAN ACTIONS

The climate gamble



THE CLIMATE IS CHANGING BECAUSE OF HUMAN ACTIONS

The climate gamble

BY ROBERT REPETTA
AND JONATHAN LASH

FOREIGN POLICY MAGAZINE

BECAUSE OF HUMAN ACTIONS, the Earth's climate is changing more rapidly than it has at any time in human history. This December, the 187 nations that ratified the 1992 United Nations Framework Convention on Climate Change will meet in Kyoto, Japan, to negotiate over crucial issues.

They will have to confront the problems of a global environment threatened by unprecedented risks—reduced dependence on the fossil fuels that have powered the world economy since the Industrial Revolution, new economic and political relations between the world's developed North and developing South, and potentially burdensome restrictions on nations' economic sovereignty.

Rarely have the mechanisms for national decision-making and international cooperation been subjected to comparable strains. In short, what happens among the negotiators will signal the prospects for managing what could prove to be the most momentous environmental problem in human history.

Driving the dialogue is the certainty that rising greenhouse-gas emissions, if left unchecked, will cause ever more serious climate change. Fossil-

fuel burning, agriculture and deforestation are putting carbon dioxide, methane, nitrous oxides and other greenhouse gases into the atmosphere faster than natural processes remove them.

Carbon-dioxide concentrations have risen by 30 percent and methane concentrations have doubled since preindustrial times. These gases raise the Earth's surface temperature by letting solar radiation through while blocking the reflection of infrared radiation back into space, as a greenhouse does.

The existence of the greenhouse effect is indisputable. Without it, the Earth would be too cold to inhabit. The latest assessment by the Intergovernmental Panel on Climate Change, a scientific body set up to coordinate and assess climate research, concludes that accumulating greenhouse gases have already produced a discernible effect on today's climate.

Since some greenhouse gases stay aloft for long periods and because the oceans store a huge amount of heat, warming will continue and persist irreversibly for centuries even after accumulation stops. Consequently, the observable change in the climate, at any time before equilibrium is restored, will be much less than what emissions up to that point have made inevitable. Put simply, the climate problem will always be worse than it appears to be.

Unfortunately, climate change implies much more than gradually rising temperatures. Rain

See SOLVING, Page 8J

Solving the Earth's climate problems will require global attention

of the American economy would not

• Con-

and snowfall, wind and ocean currents, evaporation rates, water runoff into rivers and lakes, and other aspects of climate are likely to change drastically.

Heavy rains and snowstorms in higher latitudes—such as those that caused devastating flooding in the upper midwestern United States last spring, and in Poland and the Czech Republic last summer—may become more common. Intense hurricanes and cyclones such as those that hit Florida and the Caribbean during this decade may occur more frequently.

These possibilities have alarmed property insurance and reinsurance providers about their exposure to catastrophic loss claims of \$50 billion or more for single events.

Farming regions in the interiors of Africa, Asia and North America may experience drought and punishing heat waves. Paradoxically, shifts in the Gulf Stream could make northern Europe much colder. The disintegration of the Antarctic ice cap would raise sea levels. No country is exempt from the risks of climate change.

The biological consequences of climate change are pervasive but uncertain. The range and lifecycle of organisms from trees to coral reefs to mosquitoes are sensitive to climatic changes.

In agriculture, wetter weather, a longer growing season and more carbon dioxide in the air would be good for crops. But increased evaporation of moisture from the soil, destructive rainfall in heavy storms and weather more hospitable to pests would not.

The only way to avoid these risks is to stabilize the atmospheric concentrations of greenhouse gases. That would ultimately require reducing current global emissions by 50 percent to 60 percent over the next century, even as population and economic output grow.

No small task, this means using natural gas, a low-carbon fuel, instead of coal and oil in most applications. Noncarbon energy sources such as hydroelectric, solar and nuclear energy will have to provide much more of the total supply.

Buildings, transport systems and industrial processes will have to be redesigned to use energy much more efficiently. Since it takes decades to replace existing capital stock and technologies, a gradual transformation is the only option.

But international political conflicts would create roadblocks. Although no one country or region

can unilaterally prevent climate change, the various industrialized and developing nations see differ-

ent culprits.

The United States, the largest source of current and prior emis-

sions, now contributes only about 22 percent of global carbon-dioxide emissions, so even a total shutdown

of the American economy would not solve the problem.

Emissions from developing countries are rising rapidly, although they are still minuscule in per-capita terms. Merely to hold global emissions stable over the next 10 years in the face of probable increases in developing countries' emissions would require a 35 percent reduction from current levels—and an even greater reduction if expected trends continue.

Many U.S. policymakers oppose any cuts unless developing countries also limit emissions. Developing countries, however, say they should not be held responsible for solving a problem that is almost entirely due to the cumulative effect of prior emissions from wealthy nations.

Today, they argue, rich countries can afford to cut back on lavish energy consumption, but the developing world needs more energy in order to eliminate widespread poverty.

Although international cooperation is essential, countries' interests differ depending on whether they have coal, oil, gas, hydro or nuclear energy resources, or none; whether their industries are energy-, labor- or technology-intensive; and whether geography, current climate and economic structure make them more or less vulnerable to the effects of climate change.

Canada and Russia might actually benefit from warmer nights, warmer winters and longer growing seasons. Globalized postindustrial economies, such as that of the United States, can adapt to the direct effects of climate change. Underdeveloped deltaic regions such as Bangladesh and low-lying island nations may lose much of their territories to flood surges and rising seas.

China, India and other developing countries with meager per-capita energy consumption, substantial coal reserves and pressing economic-growth imperatives will oppose limitations on their energy use.

Fuel-exporting Australia and Organization of Petroleum Exporting Countries (OPEC) members will oppose a potential loss of markets and foreign exchange earnings.

Japan, which uses energy much more efficiently and has much lower per-capita emissions than the United States, is reluctant to make equivalent percentage reductions. France and Norway, which already rely little on coal and oil and so have relatively fewer emissions to reduce, also argue for special consideration.

Britain, which phased out an inefficient coal industry in the early 1990s, supports sharp reductions but only if they are measured from a 1990 base line.

Public opinion, although strongly supportive of environmental protection, has exerted little political force on the climate issue. People mobilize much more readily around immediate and tangible environmental problems, such as water pollution and acid rain, than around an uncertain threat that will mainly affect succeeding generations.

And yet, without agreement, the countries of the world are embarked on an unprecedented gamble, irreversibly changing the climate within which human civilization has evolved. For much of humankind, including many of the least well-off, the results could be disastrous.

Climate: A complex problem that requires a series of solutions

BY ROBERT REPETTO
AND
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FOREIGN POLICY MAGAZINE

Although a prompt start in cutting toxic emissions is essential, the climate problem is too complex to deal with all at once.

A solution will have to be built in successive steps, as uncertainties, political conflicts and institutional deficiencies are resolved.

Fortunately, the initial steps are relatively easy.

In almost all countries, some greenhouse-gas emissions can be reduced at little or no cost. For example, many countries are still venting large amounts of methane from coal mines, oil fields, pipelines and landfills into the atmosphere. These emissions can be stopped or captured for energy, often at substantial cost-savings.

In most countries, upgrading equipment, appliances and buildings to meet higher energy efficiency standards can pay back the investment costs within a year or two through lower energy bills, and yield attractive returns thereafter.

In nations emerging from state-dominated economic regimes, including China, India, Mexico and the former Soviet Union, the scope for reducing energy use through profitable investments is enormous. Throughout the world, wherever natural gas is available, modern gas-turbine power plants can gener-

A climate bibliography

For good short overviews of climate science, see the following:

■ John Houghtons *Global Warming: The Complete Briefing* (Oxford: Lion Press, 1994) and Thomas Graedel and Paul Crutzen's *Atmosphere, Climate, and Change* (New York: W.H. Freeman and Company, 1995), a Scientific American book.

■ A skeptical view of climate change can be found in *Are Human Activities Causing Global Warming?* (Washington, D.C.: George C. Marshall Institute, 1996).

■ *Energy Innovations: A Prosperous Path to a Clean Environment* (Washington, D.C.: Alliance to Save Energy, 1997) explores the technological options for reducing carbon-dioxide emissions.

■ Issues related to carbon trading are discussed in *Controlling Carbon Dioxide Emissions: The Tradeable Permit System* (Geneva: U.N. Conference on Trade and Development, 1995).

For more details on the economic impacts of controlling emissions and a guide to the economic modeling literature on this topic, see *The Costs of Climate Projection: a Guide for the Perplexed* (Washington, D.C.: World Resources Institute, 1997).

■ Readers may find useful a summary of the Conference of the Parties' first recent meeting in Geneva in the Oct. 2, 1996, issue of *International Environment Reporter*.

■ Many online resources exist for researchers. The reports of the Intergovernmental Panel on Climate Change contain the most comprehensive data on climate change and can be ordered via their Web site.

Likewise, the electronic edition of *Global Change* provides up-to-date information on climate and ozone depletion.

Both sites, as well as others, can be accessed at www.foreignpolicy.com.

ate electricity at lower cost than older model coal-fired power plants, reducing CO2 emissions and improving air quality.

Other low-cost options include reforestation of degraded land, which helps to take carbon dioxide out of the air even as it relieves the scarcity of wood products, protects watersheds and provides ecological and recreational benefits.

National governments can use economic

incentives to reduce emissions and raise productivity. Although many countries, for purely economic and fiscal reasons, have already eliminated energy subsidies and have reformed their energy industries to improve efficiency, others have not.

Some European countries have considered a further step—raising energy taxes and using the revenues to lower payroll taxes. This kind of "tax shift" could reduce CO2

emissions as well as Europe's high unemployment rate.

The U.S. government is wary of proposing any new tax, but the United States would benefit if energy taxes were raised and taxes on investment incomes were correspondingly lowered. This would curtail America's lavish energy consumption and raise its low savings rate. The overall effects on economic growth and environmental quality would be positive.

Once national policies are in place it will be essential to create an international market for emissions reductions. Such a mechanism would enable nations that can cut emissions at low costs to "trade" emissions reductions for the foreign financial and technological investments that generate more efficient growth. This mechanism, called "joint implementation," allows a private or public entity in one country to meet an emissions-reduction target by contracting and paying for the reduction to be engineered by a counterparty in another country.

A multinational company headquartered in the United States, for example, could meet its obligation to cut overall U.S. emissions in part by improving energy efficiency in its plant in Brazil or by converting someone else's plant in Poland from coal to natural gas. Since abatement costs vary widely from country to country, joint implementation can substantially lower

the global costs of attaining emissions reductions, just as international trade lowers production costs by "sourcing" production where costs are cheapest.

The G-77 group of developing countries has opposed joint implementation, fearing that the rich countries will buy their way out of the problem by restricting energy supplies in the developing world and paying poor countries not to grow. In fact, joint implementation would generate large private-sector capital and technology flows to developing countries, including many that now receive little foreign investment and dwindling foreign aid.

A few emerging-market countries do see large potential benefits from joint implementation and may now be willing to accept binding emissions limits and effective monitoring and enforcement mechanisms in order to participate.

Central Europe and Russia can improve energy efficiency while modernizing their economies. They can also replace coal with gas, provided the necessary investment funds are available.

Colombia and Costa Rica see opportunities to finance the protection of their remaining tropical forests as carbon storehouses through joint implementation, which should evolve as a key mechanism for efficiently and equitably distributing international burdens. (From *Foreign Policy Magazine*)

Some questions about the world's climate

Q: When and how will the climate change?

A: Scientists agree that greenhouse gases warm the Earth but they debate how clouds, oceans and other factors affect this trend, how soon warming will occur and how regional climate and overall weather patterns will change.

Q: Will the effects of climate change be benign, adverse or catastrophic?

A: Some predict tempests, floods and pestilence. Others suggest an outcome of milder winters, longer growing seasons and more fertile farmland.

Q: How much will it cost to control climate change?

A: Economic models can demonstrate that limiting carbon-dioxide emissions may result in either severe economic costs or net economic benefits. The results depend heavily on the assumptions used to construct the models.

Q: Do we need to act now, or can we wait?

A: Some argue that waiting for better knowledge and technology makes sense. Others insist that waiting will only make the problem worse.

Q: What countries should be responsible for reducing emissions?

A: Developing countries say the rich countries created the problem, have the resources to solve it and should focus on such long-term environmental issues. Developed countries argue that it makes no sense for them to reduce emissions if developing countries continue to increase their own.

Q: How should countries reduce their emissions?

A: Americans argue in favor of market mechanisms such as energy taxes and international carbon-trading but maintain that countries should choose their own approaches. Europeans argue for a coordinated policy approach but against market mechanisms. Devel-

oping countries resist commitments to initiate any particular measures but have already raised energy prices and reduced energy subsidies considerably.

Q: What should serve as the base line for measuring emissions reductions?

A: Developed countries favor using 1990 emissions, which would reflect historical patterns of energy use. However, they have reservations about applying that base line to the former Soviet Union, whose heavy industries collapsed shortly thereafter. Developing countries favor a base line reflecting equal per-capita energy use—i.e., one person equals one ton of coal.

Q: Should all developed nations cut emissions by an equal percentage?

A: Most countries agree on an across-the-board figure in principle but assert that their special circumstances should be given exceptional consideration. (*From Foreign Policy Magazine*)