Brian Stokes Mitchell
"Ragtime"

copied
Mathews
Winston
COS
Burkhardt
(original)

Sylvia / Nussbaum

He loves you at at Kennedy Center
as Ragtime Williams
Hillary

President Clinton

BC

THE PRESIDENT HAS SEEN
12-8-97

Personal & Confidential

THE PRESIDENT HAS SEEN
12-8-97

Brian Stokes Mitchell
243 W. 98th St. #5C
New York, New York 10025
212 864 9534

President Clinton
The White House

December 7, 1997

Dear President Clinton,

My name is Brian Stokes Mitchell and I have been starring as Coalhouse Walker in the musical RAGTIME since its inception. We will be opening on Broadway in January of 1998. I had the honor of singing "The Wheels of a Dream" from our show at the Kennedy Center Honors this year.

I am writing you because we have a similar passion. I would like to act as an "Ambassador" for your dream of racial unity in this country. Your advisor, Christopher Edley said (Wash. Post, Dec. 7, 1997) "The goal is...to find the mutual understanding

12/8/97

We will send original to Burkhardt after you have seen

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May God Bless You and Your Dreams

DAN BURKHARDT:

please coordinate the
reply.

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Mr. President, I know one way to create these connections. I have done it every night for the past 14 months as Coalhouse Walker onstage. The letters and responses I am getting, especially from young people have been amazing - "I now understand what racism is and I do not ever want to be like that" and "I will never see African-Americans the same way again" and "I now see that I have been a racist all my life and didn't even know it." I would be happy to share some of these letters with you.

Uta Hagen said "Actors are the conscience of a society". I believe that racism can only be eradicated through personal change and enlightenment and RAGTIME and Coalhouse Walker seem to be effecting that. I can hardly believe that such a great gift has been put into my hands, particularly since one of my missions is to try and help heal our collective national soul.

But talk is cheap. I sincerely hope you can accept my invitation to come and see RAGTIME for yourself. This seems to be the zetigeist show of our decade. Perhaps it will be our CAMELOT. Thank you for your time.

May God Bless You and Your Dreams

DAN BURKHARDT:

please coordinate the reply.

Brian Stokes Mitchell

THE PRESIDENT HAS SEEN
12-8-97

5:00pm

~~Kennedy Center~~
Honors Reception
~~Remarks~~
To Sylvia Matthews
For your father
Tab D

copied
Matthews
(w/book)
COS

James Patterson

AND Peter de Jonge



MIRACLE on the 17th GREEN

a novel

Miracle on the 17th Green



a novel by

James Patterson and Peter de Jonge

LITTLE, BROWN AND COMPANY
Boston New York Toronto London

Daniel Pipes

Why Go It Alone?

Another crisis with Iraq appears over, with Saddam again stronger than he had been. The reason for his success is not hard to find: "Arabs Angry with U.S. for Iraq Crisis," reads the typical newspaper headline. And indeed they are. From all over the Middle East, politicians, religious leaders and ordinary people have harsh words for American actions. In their view, we are "starving and besieging the Iraqi people ... without the slightest regard for their human rights."

If our allies in the Middle East would like things the way they were before Iraqi troops invaded Kuwait, all they have to do is say so.

In addition, Arab commentators seem not to find Saddam Hussein a threat to themselves. One highly placed Jordanian, for example, blandly asserts that "there is no capability of Iraq to threaten its neighbors for the next 20 years."

With such attitudes, it comes as no surprise that Middle Eastern governments tried to prevent the U.S. government from using force against Saddam. Neither the Saudis nor Turks have agreed to the use of their territory for strikes against Iraqi targets. Secretary of State Madeleine Albright undertook an embarrassing trip to the region and found no Arab support for using force against Iraq.

Now, all this is very strange. In the natural order of things, it should be the Saudis, Turks and others who beseech the Americans to help fend off Saddam—the tyrant who without provocation attacked Iran in 1980, Kuwait in 1990 and Saudi Arabia and Israel in 1991. Middle Easterners, after all, are a lot closer to Saddam Hussein's missiles than are we; and they are also a lot weaker than the United States.

turvy situation whereby the distant and strong power begs nearby and weak states to contain their mutual enemy? An answer may lie in the fact that the U.S. government has repeatedly found itself in this position. During the Vietnam War, we had to plead with the South Vietnamese to stand strong against the Viet Cong and North Vietnam. During the last decade of the Cold War, Washington had to persuade NATO allies to accept modern American missiles on their territories.

In each of these cases, as in the present one, American officialdom made the same mistake: So convinced of the righteousness and importance of its cause, it shouldered the main responsibility for it, shoving aside the local parties.

This had the perverse effect of freeing up the locals; aware that what they do has almost no importance, they reverted to political immaturity. No longer having to worry about their own skins, they instead indulge in corruption (Vietnam), political opportunism (NATO) and conspiracy theories (the Middle East). The American adult rendered others childlike.

The solution, then, lies in a very different American approach, one that gives significance to the allies' actions. With this in mind, I propose that President Clinton say something like this:

"It's up to you, my Middle Eastern friends. If you think you can coexist with a Saddam who possesses large armies and weapons of mass destruction, we're happy to withdraw our aircraft carriers, our soldiers in the region and the rest of our infrastructure. If you think you can survive a Saddam who gains the proceeds of 3 million barrels of oil a day, we will lift the sanctions. In short, if you really want to return to the way things were before the Iraqi troops invaded Kuwait in August 1990, just tell us and it's yours.

"But if, to the contrary, you worry that such steps will endanger your security, we are happy to stay. However, we need you explicitly to ask us to do so. You have to pay a portion of our costs and provide soldiers and materiel to carry out the mission. Finally, so that we know that the request is deeply felt, and not just the whim of the leaders, you also must hold a referendum on the topic so that the populations of your countries can endorse our efforts."

This sensational statement would turn the politics of the Middle East right-side up and transform the United States from pariah of the region to savior.

Daniel Pipes is editor of the Middle East Quarterly.

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Very interesting

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SIDENT HAS SEEN
12-8-97

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CORPORATION
FOR NATIONAL
SERVICE

THE PRESIDENT'S MAIL UNIT
12-8-97

December 2, 1997

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MLK Birthday should highlight
integrated service, primarily
all principals
BK

President William J. Clinton
The White House
Washington, DC

Dear Mr. President,

As you head for Akron, I'd like to offer a few thoughts. I know the Initiative on Race is close to your heart (as the cause has been to mine, for many years). You are the first President since LBJ who is able and willing to lead and to move the country forward on this issue. Even when people disagree with you, they sense that for you this is about something much larger than politics. So you have an historic opportunity.

You are profoundly right in trying to lift the sights of the nation to the goal of one America. As the Good Book tells us, in the beginning is the Word, and you launched the initiative with very good words: "Building one America is our most important mission. Money can not buy it. Power can not compel it. Technology can not create it. It can only come from the human spirit." The challenge now is to turn those words into flesh—into effective action.

In last weekend's radio address launching our reauthorization, you spoke words that seem to me especially pertinent for your town hall meeting on Race and Youth.

> "Now we must create more opportunities for people to serve all year long and, through service, to reach out to one another across the lines that divide us."

Steve Waldman makes this same point in the attached column in the current issue of *U.S. News and World Report*: Toiling together will do as much for race relations as talking together.

As an old Civil Rights hand, who respects dialogue (and like you tries to practice it as a way of life), I would put it more strongly: working together across the racial lines that divide us, through sustained citizen service for goals that go beyond race, will do more for race relations than talking together.

As Waldman argues, critics who recommend that the dialogue be accompanied by action mean acts such as appointing more minorities or promoting affirmative action – or they mean more money or new laws. Yet, those are some of the very issues that most divide us. Indeed, I would argue that they are now peripheral issues, and not the way to make a breakthrough.

The breakthrough can come by connecting Americans in nation-wide citizen service, organized to bring people of all backgrounds together, focused on the fundamental needs of children and youth. Turning the tide for millions of young people is the right goal for action to achieve one America. This focus on fulfilling the promise of America for all of America's children is right tactically, strategically, and morally. It is the way to tap the human spirit on the issue that can unite us more than any other: the needs of our children. That's why the Five Fundamental Goals of the Philadelphia Summit are so important, and why the opportunity to rally millions around those goals must not be lost.

It is also the reason that national service, organized to bring people together in teamwork, like the AmeriCorps members in CityYear, is so important. We now have accumulating evidence that people working together is the key to changing attitudes about race. Research shows that national service can significantly help bridge the gap between people of different races. The process of working together in national service helps people to get beyond their stereotypes of different racial groups and to focus on individual character. At the same time, the national service experience helps participants have a greater respect for the realities and challenges that people unlike themselves face. (I am enclosing the executive summary of our study, as well as a Report on supporting diversity in AmeriCorps.)

There are many examples of the potential of citizen service -- people working together in service and through volunteer efforts. Here are just a few examples:

- The AmeriCorps CityYear program that Steve Waldman writes about, and many other Americorps national service project around the country;
- Also, the new CityYear effort called the Young Heroes program in which City Year brings together students in middle schools from the city and the suburbs, black and white, to work together for thirteen consecutive Saturdays on community service projects;
- Service-learning programs in which members of different races work together in schools and the community;
- The Martin Luther King Holiday – what we call "A day on, not a day off" -- can jump-start sustained service endeavors that bring people together across racial lines, and National Volunteer Week and Youth Service Day in April that bring out millions of volunteers;
- The plan of white churches and black churches to work together on rebuilding burned churches, which you hailed at the White House breakfast last summer with religious leaders after the church burning incidents.

These are just some examples of the potential of citizen service to turn the dialogue into action.

My hope is that in Akron and beyond, you concentrate on a call to just such actions -- not concentrate on policy options or legislative proposals. Rather, seek out ideas and models of ways that people of different backgrounds can have a common experience that will shape their attitudes for years to come – and achieve some of the key goals our children and our nation need.

If you use the Bully Pulpit of the Presidency, with all of your extraordinary power of persuasion, you can make the next years the beginning of Civil Rights II. The goals of the Presidents' Summit were the ones waiting to be pursued when Martin Luther King and Robert Kennedy were killed.

Martin gave us the watchwords. Standing on the steps of the Lincoln Memorial, in delivering his Dream, he said, "We have come to this hallowed spot to remind America of the fierce urgency of now." He spelled out our mission: "Now is the time to open the doors of opportunity to all of God's children."

With respect,

Harris

Harris Wofford

David S. Broder

GOP 'Neglect' Of Latinos

Republican leaders are happily distributing a memo from one of their political analysts saying that recent gains in rural areas and outer-ring suburbs portend happy returns for the GOP in next year's elections.

But the good cheer engendered by John Morgan's widely circulated memo will fade if more Republicans read and heed the stark warning from veteran California operative Stuart Spencer that the GOP is on the verge of committing "political suicide" by alienating the fastest-growing minority in the country, Latino voters.

The two memos illustrate the dilemma facing Republican strategists—whether to count on building even bigger margins in those rural and exurban areas where they are already strong or try to find a message that lets them compete with Democrats for an expanding pool of immigrant and minority voters.

Morgan, a skilled political demographer, argues in a memo being circulated by Rep. John Linder, the Georgian who chairs the National Republican Congressional Committee, that last month's off-year voting showed rural areas responding to "conservative social issues" as strongly as they had in the 1994 GOP sweep, auguring well for the party in midterm congressional races next November.

Morgan said he can "clearly see us breaking 240 congressional seats," up from 228 in the current House, and listed 43 rural Democratic seats as potential Republican pickups.

He may be blowing smoke about some of these districts. But it's clear from the evidence he supplied me that in the governors' races in New Jersey and Virginia and the judicial contests in Pennsylvania last month, rural areas performed well for the GOP. But he is careful to exempt counties with significant minority populations—in effect writing off those parts of the electorate.

And that is what drives Stu Spencer, an adviser to Presidents Ford and Reagan and to innumerable California candidates, absolutely nuts.

In a memo he sent to GOP leaders in his state last week, Spencer wrote: "Our party has a sad and politically self-defeating history of alienating immigrant groups and new voters. The GOP closed the door to Irish and Italian immigrants in Massachusetts and New York in the last century. We did the same to Poles and other Eastern Europeans in Chicago and other urban centers. We did it again to Asian-Americans in Hawaii.... We cannot allow the home of Ronald Reagan and the largest state in the Union to befall the same fate and become a permanent Democratic bastion."

Spencer's specific concern is the Latino vote. "Pete Wilson won 44 percent in 1990" when he won his first term as governor, Spencer wrote. "He won 25 percent in 1994," the year he was reelected. "Bob Dole received 22 percent in 1996. One statewide poll shows Dan Lungren [the attorney general and 1998 Republican gubernatorial candidate] currently only receiving 14 percent of the Hispanic vote. The trend is obvious and the political danger is real. We are dramatically losing market share of the fastest growing segment of the electorate."

Spencer is far from the first Republican to point out this danger. Sen. John McCain of Arizona told a Western states Republican conference in Reno, Nev., in October that his party is in jeopardy because "Republicans have come to be perceived as opponents of immigrants."

As Congress finished its work for the year, House Speaker Newt Gingrich got bills passed to ease the threat of deportation and allow more people who entered the country illegally to gain permanent residency, then met with Hispanic leaders here and in Miami to spread the word about his efforts.

A million more Hispanics voted in 1996 than in 1992. Most experts expect the pace of growth to accelerate. And Republicans have huge problems to overcome. "Proposition 187 was the big thing," Spencer told me, referring to the Wilson-backed initiative ending education, health and social service benefits for illegal aliens. "But there's been a policy of neglect. We've done nothing to reach out to them."

As a result, his memo noted, "There are 17 Latino Democrats in the Legislature, while we have only one. The Democratic speaker of the Assembly is Latino. The chairman of the California Democratic Party is Latino."

Spencer asked other Republicans to help San Mateo County Supervisor Ruben Barrales, a nonclient who is challenging Assemblyman Jan Goldsmith for the Republican nomination for state treasurer. Citing Barrales' record in local office, Spencer noted: "He is the only Latino Republican candidate for statewide office and the only minority seeking our party's nomination for any state constitutional office.... If we cannot even support just one qualified Latino Republican for a statewide office, then we deserve the political disaster that awaits us."

John Morgan, meet Stu Spencer. You guys—and your party—should talk.

The Washington Po
WEDNESDAY, DECEMBER 3, 1997

THE PRESIDENT HAS SEEN
12-8-97

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America's demons

IN THE past fortnight, America has squared off against Iraq. It has soothed and tried to shepherd a flock of anxious allies. And, all at the same time, America has struggled with a problem that it helped to create. This results from its tendency to pursue what acerbic geostrategists might call a "highly personal foreign-leaders odium policy", or HIPE-FLOP in its abbreviation.

The problem starts with the need to get public support for foreign policy. Seven years ago, George Bush had to list the reasons why the Gulf war was worth fighting. Iraq had invaded Kuwait, a sovereign nation: the credibility of international law depended on reversing this. With Kuwait in its hands, Iraq controlled a vast slice of the world's oil reserves: so the Gulf conflict was about protecting America's economy. But, finding these arguments a bit abstract, Mr Bush also resorted to a simpler theme: he demonised Iraq's dictator. Saddam Hussein was a torturer, an ogre; he was, the president declared, even worse than Hitler.



At first this proved effective. Even more than Europeans, who like to demonise their enemies too, Americans have felt better if they can sum up in one person the villainy they are fighting. And with some reason: in Saddam Hussein's Iraq, as in Muammar Qaddafi's Libya, the strongman does his worst regardless of the interests of his countrymen. It was Mr Hussein who decided to invade Kuwait; it therefore seemed right in the Gulf war that America should fight Mr Hussein, while professing more pity than hate for the Iraqi people.

America likes its enemies to look the part. In past confrontations, it helped that Mr Qaddafi wore dark glasses; that Fidel Castro and the Ayatollah Khomeini sported theatrical beards; that Manuel Noriega was ugly. It helps that Slobodan Milosevic has a brutal-sounding name, and that Radovan Karadzic is memorably hairy. On the other hand, East Asia's bureaucrat-dictators make unsatisfying thugs: not only because most Americans cannot remember their names, but because they are far away and on the whole look pretty smooth. To be demonised, an enemy must not just present a clear and present threat, but a convincing image of one as well.

Mr Hussein is a demon from central casting. He has a Stalin-quality moustache; he has a Rottweiler sneer; his eyes are pure murder. He needs no caricaturist to make him look evil, though tinting his flesh (green on a recent cover of *The Economist*, red and yellow on the latest *Newsweek*) augments his scariness nicely. His name is excellent, too: the first part conjures up the damned, the second rhymes with "insane". It would be much harder to go to war against Sheikh Zayed Bin Sultan al-Nahayyan, the ruler of Abu Dhabi.

The trouble is that demonising Mr Hussein has raised expectations that could not be met. The Gulf war achieved most of Mr Bush's announced goals: Kuwait was liberated, aggression was punished, oil reserves were kept out of hostile hands. But many Americans were, nonetheless, disappointed; they had been told that Mr Hussein was worse than Hitler, and yet he remained in office. Seven years on, America is still expected to keep Iraq in check. Yet dealing with such a man was never going to be cartoon-simple. Deposing Saddam—even if it could have been arranged—might have made him at least briefly a martyr for anti-Americans throughout the Middle East; his successor, while unlikely to have been as bad, might have been no great improvement; and the chaos after his removal might have strengthened the bad-guy faction in next-door Iran. The demonisation of Mr Hussein obscures this.

It causes other problems, too. In the recent stand-off with Iraq, America has threatened force in response to Mr Hussein's expulsion of American weapons-inspectors who were part of the United Nations team; and, since the whole world is threatened by Iraq's weapons programme, you might expect that America's friends would support this unreservedly. But because America has so demonised Mr Hussein in the past, many of its allies, especially Arab ones, believe that America's real aim is to force him from power; since not all agree that this is a useful goal, America's friends have wavered. Equally, some doubt whether America would ever lift the sanctions on Iraq so long as Mr Hussein remains—even though the sanctions are officially intended only to punish Iraq for its failure to forgo weapons of mass destruction. This gives Russia and France, both eager for commercial gain in the Middle East, cover to attack the sanctions policy.

Vilification has fouled America's alliances in other cases too. Because Mr Castro has been painted as a fiend by powerful congressmen and Florida voters, President Clinton could not resist passing the Helms-Burton law three years ago. This not only imposes American sanctions on Cuba, but also on any foreigners who trade there. This offends Canadians and Europeans who believe, rightly or wrongly, that trading with Cuba might help to undermine Mr Castro. The result is that America's alliances are hurt, and Mr Castro carries on.

Occasionally, America has made good on the idea that, if the world is rid of a few baddies, peace will follow. But it has done so by expending long-term effort on the countries concerned. After defeating the demon-rulers of Japan and Germany half a century ago, American educators and constitution-writers descended on both countries and spent years trying to ensure that their politics would henceforth reflect the human instincts of ordinary people. By and large, they were successful.

These days, however, America—whether politicians or public—is usually unwilling to stay engaged in far-off places long enough to [illegible]hem change. Yet it sometimes still believes that, if it does [illegible]ng more than arrest war criminals in Bosnia or swat M[illegible]ssein, the world will be a friendlier place. It is this innocent [illegible]ptimism that makes American foreign policy so frustrating sometimes, for foreigners and also for Americans.

THE PRESIDENT HAS SEEN
12-8-97

ing on November 12th. If the First Amendment "protected all religious activity," he wrote, "it would not be possible to main-

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though, not all Christians agree with him. The usually conservative Baptist press has come out strongly in favour of the ruling, pointing out that it was the strict separation of church and state which guaranteed freedom for once-persecuted Baptists. But most people are on the governor's side. In a recent poll by the *Mobile Register*, 75% of respondents agreed that school days should begin with prayers. Only 14% were in favour of the federal ruling, and a majority felt that Alabama should not be bound by federal law in the case of prayer.

So can the injunction be enforced? Even ACLU advocates say it will be difficult. "Stalin couldn't keep his people in line," says one Fort Payne resident. "I don't see that the Feds are going to do any better." Nor does the furore cast much light on the real problems of Alabama's public schools. At the Sidney Lanier high school in inner-city Montgomery, pupils brought some perspective to the dispute. "I'll keep praying," said one girl. "I'll pray they stop kids bringing guns and drugs into school."

Crime and cities

Be imaginative, be tough

NEW ORLEANS

HAPPY drinkers carouse along Bourbon Street; live music pours from bar after bar; the policeman on horseback wears a tolerant smile. In the Vieux Carré, the French Quarter of New Orleans that every tourist knows, the city they call the "Big Easy" is living up to its name.

And why not? Just ten years ago the Big Easy was anything but. Its hotels were barely half-full; a tenth of the workforce was out of a job; the oil and gas business was in the doldrums; and the middle class was fleeing to the safety of the suburbs. Today, unemployment is at its lowest for a generation; oil production, if not the oil price, is strong; the convention business is booming; the hotels are jammed; and crime, the perennial curse of America's cities, is in sharp decline. Mayor Marc Morial can reasonably say: "I see us as a city that came roaring back this decade."

But those are achievements that many a mayor can boast of. Mr Morial realises that none will endure—or happen at all—if investors are scared away by the city's reputation for narcotics-inspired crime. Just three years ago New Orleans, with more than 400 murders in a population of some 500,000 people, was vying for the title of America's murder capital; through the late 1980s the complaints of police abuse ran at rates more than 50 times worse than New York's; Bourbon Street revellers were often mugged, and public-housing estates such as Desire, Florida and Lafitte were con-



Washington vanishes

NEW ORLEANS

ALTHOUGH it ended more than a century ago, slavery engendered a deep anger that remains near the surface of American life. In New Orleans, that anger has found an unlikely target: no less than George Washington, the country's first president.

Last month, in keeping with a policy of dropping slave-owners' names from public schools, the city's school board changed the name of George Washington Elementary. The school was renamed after Charles Drew, a pioneering black doctor who urged the army to stop segregating blood by race. No one doubts that Drew deserves the honour. The question is whether Washington deserves the dishonour, just because he owned slaves.

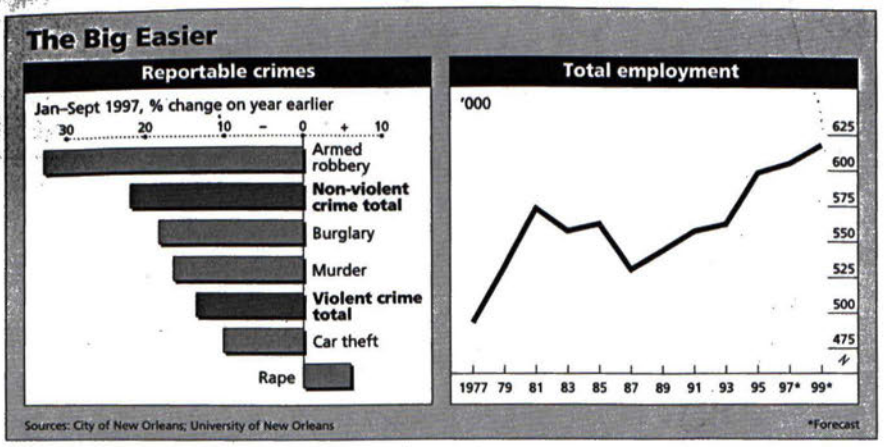
Washington's was the latest in a string of school name-changes, 22 since the policy took hold four years ago. Although their names still appear on statues and streets throughout the city, Confederate leaders such as Robert E. Lee, P.G.T. Beauregard and Jefferson Davis are gone from school walls. Some schools have been renamed after accomplished blacks, others after white civil-rights leaders.

Those changes give the city's young blacks cause for pride, says Carl Galmon, whose civil-rights group fought for the name-changing policy. He points out that the city's public schools are 90.3% black; yet, out of 121 schools, 49 were originally named after slave-owners. He thinks it is "a total insult to have our students receiving diplomas, wearing band uniforms ... singing songs and honouring people who enslaved our ancestors."

Changing a school's name still takes work: a vote of parents, faculty and students, and approval from the board. But protesters say the Washington case proves the policy is still too knee-jerk, and favours simple politics over complicated history. George Washington has an impressive resumé, after all: victory in the Revolutionary War, the framing of government. Couldn't the board make an exception for the father of the country?

The board should also think a bit about history, says William Gwyn, a retired professor of political science at Tulane University. In the 1790s, Washington was far more enlightened than most slave-owners. He freed his slaves in his will and disapproved of slavery. But he thought he could not destroy the institution without jeopardising the nation. "To judge the man on this one aspect of his life alone, I think, is grossly unfair," Mr Gwyn said.

But Mr Galmon says that, when it comes to slavery, there are no mitigating circumstances. "I've never heard of a good slave-owner," he says. He next wants to purge the names of four mixed-race New Orleanians who owned slaves despite being part-black themselves. Theirs may not be a pretty legacy. But one wonders whether the alternative is much better: a past seen only as black or white.



trolled by trigger-happy drug-dealers.

Mr Morial's solution, within six months of taking office, was first to divert 100 police officers away from their desks and on to street patrols; then to bring in a curfew (8pm to 6am from Sunday to Thursday; 11pm to 6am Friday and Saturday) for all those under the age of 17; and finally to look outside for a new police chief who would be untainted by New Orleans's sins. At the end of last month, in New York, Mr Morial and the police chief, Superintendent Richard Pennington, proudly announced the apparent result. Murders in the first nine months of this year were 18% fewer than in the same period of last year; armed robberies were down by 33%, car-theft down by 10%; in the French Quarter and the central business district, violent crime had fallen by 36%. Only rape, perhaps because of better reporting, was bucking the trend, with a rise of 6% (see chart).

Doubtless part of the improvement is because economic growth has buoyed the job market. But the greater reason is surely Mr Pennington's programme of "leadership, technology, and decentralisation". This meant the arrest, resignation or disciplining of almost 200 officers in Mr Pennington's first year; the use of computer statistics (the "Comstat" programme) to hit the hottest crime spots hardest; and the banishing of detectives from the desk-bound comfort of headquarters to co-operate with uniformed officers who had been similarly sent out to help in the working of new community-policing centres.

Mr Pennington, lured from Washington, DC, acknowledges a debt to New York. Comstat, for example, was devised by the Big Apple's former police chief, William Bratton, and his colleague, Jack Maple (who has been an adviser to New Orleans). But it is Mr Pennington who has secured pay increases for his 1,200 officers of 36-69% over the past three years. With a starting salary of at least $25,000 a year, the typical policeman no longer has to take bribes or moonlight as a bouncer on Bourbon Street.

Assume that crime keeps falling, that the economists are right in predicting another two years of growth, and Mr Morial's horizons may seem enviably unclouded. After all, the economy—thanks to shipbuilding, light manufacturing, educational and business services—is now much better balanced than it was a decade ago, when it was over-dependent on tourism and petroleum. Moreover, for the potential investor New Orleans is enviably cheap. Its labour costs are a fifth less than Los Angeles's; its cost of living is less than half New Yo

But Mr Morial is too clever to be placent. The fact is that the New Orle gion, with a population of 1.3m, is tiered society: a quarter of all house have annual incomes of over $50,00 another quarter have incomes of $15,000. These poorest of the poor are whelmingly black and Latino (some whom have not completed high s compared with 14% of whites). One sis notes that "more than a quarter o Orleans-area workers lack the basic sk compete for even entry-level jobs."

All of which underlines the nee better schools. Mr Morial, knowing tax on commuters has been ruled u stitutional under state law, suggests a bate of Louisiana's income tax, of half would go to the taxpayer's area o dence and half to his area of employ A clever idea, and one which might convince the suburban diaspora. A mayor points out: "I tell businessm the time that you may be able to send kids to private schools, but your wo are going to come from here."

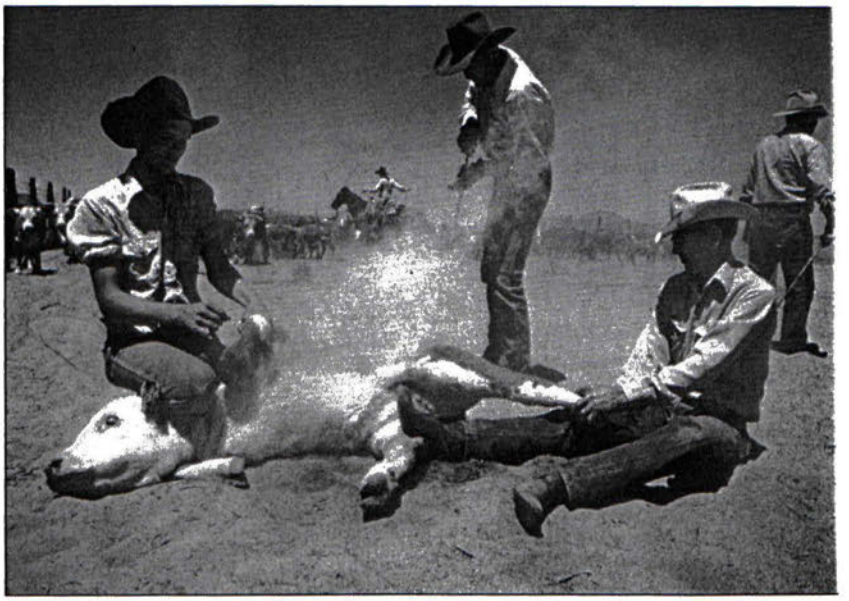
Branding in the west

New age, old irons

KIOWA, COLORADO

"TRUST your neighbours and brand your calves." The cowboy motto still holds true in Colorado, one of the 15 western "brand law" states, but change is in the air. A tradition that has foiled rustlers since the days of the Wild West is under assault from urban sprawl, consolidation in the cattle industry, and new technology.

Few newcomers to Colorado realise that, every time a cow or horse is sent new owner, a state inspector must lo its brand to check it is not stolen. Last the brand board's 65 inspectors drove miles to check on over 5m head of (worth anything from $300 to $1,0 head) and 50,000 horses. When the ra ers ship their cattle in the autumn brand inspector jumps right into the



Electronic tagging is much less fun

THE PRESIDENT HAS SEEN
12-8-97



Lessons Cleveland can teach

CLEVELAND, OHIO

ST VINCENT DEPAUL elementary school in Cleveland looks like any other Catholic school in America: eager pupils, orderly classrooms, smart uniforms. But in one way it is unique: the state of Ohio pays many of its pupils' tuition fees.

Cleveland has the only school voucher programme in the country that allows poor pupils to attend the school of their choice, secular or religious. Eligible families are reimbursed for 90% of their tuition costs, up to $2,500. (The average expenditure per pupil in Cleveland's public schools is roughly $6,500; tuition at private schools costs, on average, about $2,000.) The Ohio legislature created the programme in 1996 for Cleveland pupils from entry to the end of third grade: that is, between the ages of six and eight. In the first year, more than 6,000 children applied for 2,000 places in the scheme. Vouchers (called "scholarships", which sounds better) were given to all children with family incomes below 200% of the poverty line; some more were awarded by lottery. The programme has been expanded to include 3,000 pupils up to fourth grade (age 9-10) at 55 private schools, including two Islamic academies.

Has it made any difference? A recent report by the Harvard Programme on Education Policy and Governance suggests that it has. The study* surveyed roughly 1,000 parents whose children received vouchers and attended a private school in 1996-97 and 1,000 parents whose children applied for the programme but did not enroll. Two-thirds of the voucher parents reported that they were "very satisfied" with the academic quality of their school, compared with fewer than a third of the public-school parents. The voucher parents were also twice as likely to be "very satisfied" with the safety, discipline, moral values and individual attention offered by their schools.

And the children are doing better. The researchers examined test scores for roughly 20% of the voucher pupils. These gained, on average, five percentage points in reading and 15 points in maths, compared with national norms. The only decline was in first-grade language skills.

The Cleveland programme challenges some assumptions about how private schools and parents respond to the market. Private schools did not close their doors to the poorest pupils. About 75% of the voucher students are poor, and two-thirds are black. Nor did the private schools purge themselves of the most difficult pupils at the end of the first year. Fewer than 0.5% of parents reported that their children had been expelled. In choosing schools, Cleveland's parents punctured the patronising notion that poor families will select a school for the "wrong" reasons. Among scholarship parents, 85% said academic quality was a "very important" reason for taking part in the voucher programme, and 79% said that safety was.

Meanwhile, the supply of private schools has expanded to fill the demand. In the autumn of 1996 a local businessman, David Brennan, founded two schools, Hope Central Academy and Hope Ohio City. Mr Brennan knows a lot about teaching basic skills. In the process of buying and turning round more than 30 companies, he realised that a third of the employees he encountered were illiterate and two-thirds could not do basic mathematics. He developed and implemented a remedial education programme. When he offered to share his programme with the public schools, however, he spent three years "treading water". So, after the Cleveland voucher programme was set up, Mr Brennan decided to start his own schools. The Hope academies now have 350 voucher pupils.

The Cleveland programme has had its logistical challenges. All scholarship pupils are entitled to public transport, but, with children going all over the city, the network is complex. Some pupils take buses, others are shuttled in minivans, and some arrive at school every day by taxi. And, because poor families move home frequently and often do not have telephones, the programme directors have had a difficult time locating children who are awarded scholarships. When they were contacted for the Harvard survey, more than 40% of the families that were awarded scholarships but did not enroll said they were not aware they had been selected.

In the end, the programme's fate will probably be decided in the courts, not the classroom. A coalition of groups, including Ohio's two largest teachers' unions, challenged the constitutionality of the voucher programme in 1996, on the ground that it violates the separation of church and state. A lower court upheld the constitutionality of the programme, but the decision was reversed on appeal. The state's Supreme Court has ruled that the programme should continue for a year while the lawyers fight it out. Eventually the issue will go to the Supreme Court in Washington, says David Strauss, a law professor at the University of Chicago. If the Cleveland programme is ruled unconstitutional, the pupils concerned will have to pay their own

* "An Evaluation of the Cleveland Scholarship Programme." By Jay Green, William Howell and Paul Peterson. September 1997

tuition costs or return to the public schools.

The political battles too will be fierce. At the annual gathering of Republican governors last weekend, education was the top policy issue. Now that welfare reform is under way, Republicans see school choice as the next big opportunity to distinguish themselves from their Democratic rivals. Public opinion is shifting in their favour. In a 1993 Gallup poll, 74% of those surveyed opposed spending public money on private schools. By 1997, opinion was nearly split on the issue. A majority of blacks now support vouchers. Some black Democrats, such as Floyd Flake, a congressman from New York, have gone so far as to defy their party elders and support the idea.

With such writing on the blackboard, the teachers' unions have reached deep into their pockets to fight the spectre of competition. The National Education Association and the American Federation of Teachers contributed nearly $5m to political candidates in the 1996 election cycle. A striking 98% of that money went to Democrats. It is little wonder that President Clinton has threatened to veto any voucher plan for the District of Columbia. But the more Democrats side with their friends in the unions, the more Republicans will seize the opportunity to paint them as Big Labour's tools.

It is not a strong interest in the constitution that has fired the public-school teachers. Many of them fear, with reason, that an exodus from the public schools may cost them their jobs, or at least a chunk of their pay. Teachers in Cleveland's public schools earn an average yearly salary of $41,000 and have lifetime tenure. Teachers at the New Hope academies earn about half as much and have one-year contracts.

So far, the city's public schools have not felt much of a pinch from the voucher programme. Only 3,000 of the system's 73,000 students can take their money to a private school. Still, for the first time Cleveland's superintendent of schools has demanded that all public schools in the system should set academic goals for which they will be held accountable. Two non-performing schools were recently "reconstituted", meaning that the principal and all the teachers were replaced. (Alas, most were simply reassigned to other schools.) Ten other schools have been placed on a watch list and may face reconstitution in turn if

The sansculotte governor

MIAMI

IT IS hard to be cross during a winter weekend in Miami, and most of the bigwigs who gathered there for the Republican Governors' Conference seemed suitably relaxed. Newt Gingrich, the House speaker, pottered down to breakfast brandishing his latest literary infatuation, Paul Johnson's "The History of the American People". Frank Keating, governor of Oklahoma, teased journalists with hints of his presidential ambitions; John Engler, Michigan's rotund governor, wafted about in a daringly bright T-shirt. But one participant managed to be angry. This was Arne Carlson, Minnesota's governor, who gets feistily furious whenever conversation turns to schools.

Mr Carlson believes that poor parents, not just rich ones, should have a say about which school their children go to. This year he got a tax break through Minnesota's Democratic legislature, which is designed to help poor families escape from government schools if they prefer to do so. The pressure of competition, says the governor, is the best way to make public schools improve themselves. The resistance of Democrats, teachers and other defenders of the existing school system makes him see red.

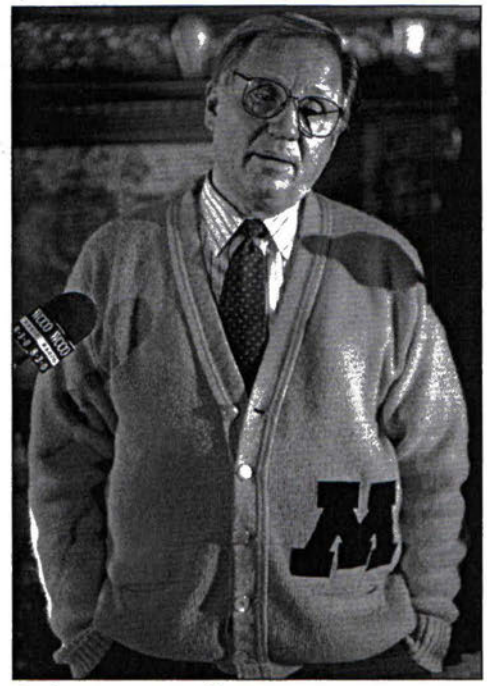
The *New York Times*, declares Mr Carlson, is "dishonest": its editorials oppose school choice, yet its proprietors would never dream of forgoing their freedom to choose private schools for their own children. Many Democrats in Congress also oppose school choice: yet not one, claims Mr Carlson, has children in the public schools of Washington, DC. When Franklin Roosevelt led America in war, people wanted to know that his own son was fighting; Mr Carlson now demands to know why President Clinton did not send his daughter to a public school before she went to Stanford University. "We were once told that we should eat breadcrumbs, and the lady who said that went to the guillotine," remarks (slightly inaccurately) the *sansculotte* governor; "now we are being told the same thing again."

Mr Carlson's strictures were part of a pattern at Miami last weekend. On several issues, Republicans struck populist poses. Support for school vouchers allows Republicans to say they support poor pupils, and to attack the Democrats for siding with teachers at the kids' expense. Similarly, the Republicans champion "pay-cheque protection", a scheme to protect humble union members from having to pay compulsory dues to union bosses, which get spent on political causes that the bosses choose.

The Republicans also see populist potential in a ballot initiative in California that would prevent schools from having children taught in Spanish without their parents' permission. Most Latinos in California are said to support this, believing their children will prosper more if they master English. But it is hated by Latino politicians, who fear Anglicisation will erode their power base.

The baldest statement of populism came from Jim Nicholson, chairman of the Republican National Committee. He had the nerve to accuse Democrats of scorning normal Americans and hobnobbing with the rich. "If you're tired of working five months out of the year just to pay your taxes, the Democrats say that you're selfish ... But if you've got a big fat wallet, if you've got a big chequebook, well come on down and have yourself some coffee," Mr Nicholson railed.

There have been intriguing switches in party line before now. Republicans have been, at various times, isolationist and internationalist; they have enjoyed blacks' allegiance, then lost it almost completely. But some of the current populism is still preposterous. Republicans raise many times more money from big business than Democrats do, and the conference in Miami was crawling with corporate lobbyists. Indeed, the jollity was underwritten by a host of generous sponsors, whose names were posted proudly in the lobby of the conference hotel.



Carlson, avec cardigan

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ENVIRONMENT

Russia's Next Chernobyls?

■ *Ever since the Chernobyl nuclear-power plant explosion of 1986, the world has hoped uneasily that the former Soviet Union could learn to handle its nuclear problems. But there have been recurring warnings (August, 1994; November, 1994; February, 1995; June, 1996; September, 1996) that the Chernobyl coverup continues, that nuclear waste is dumped indiscriminately, and that nuclear security is lax. Here are two hair-raising articles on conditions in Murmansk and Vladivostok harbors—and another on the ordeal of the Russian naval officer who tried to call attention to the problem.*

Nightmare in Vladivostok

In a secluded bay a few miles from the port of Vladivostok, an isolated city whose name means "Master of the Orient" in Russian, Russia's Pacific combat fleet is dying. Once the pride of the Soviet Union, it is now an environmental nightmare for the new Russia, which is unable to maintain these monumental masses of nuclear technology. From the deck of a fishing boat moving through the ocean graveyard, one sees the skeletons of combat vessels corroded by time and rust. Farther on, the bows of big warships come into view. At first glance, they seem to be in working order, but a closer look at these formidable death machines reveals dozens of Japanese cars piled on their decks. In the general ruin of the Russian navy, any ship that is still operational is reduced to hauling cars.

"Our fleet is in the same tragic condition as Russia itself," a former submarine captain remarks bitterly. Will the Russian navy make it to 2000? An admiral quoted in the Russian daily *Nezavisimaya Gazeta* says that unless something is done, in five years the navy will no longer exist. Twenty percent of the warships are already beyond repair. For lack of fuel, the rest rarely move.

Poverty, neglect, and disorganization have created a terrifying situation. Off Vladivostok Bay, young soldiers are crowded onto dilapidated warships and can be seen throwing thousands of tons of bombs, projectiles, and munitions into the sea. The detonators have supposedly been removed, but not the explosives. Abandoned missiles transform the Pacific Ocean into a dangerous waste dump.

Environmental concerns were not a priority for Soviet authorities. For more than 30 years, Russian ships assigned to rid the Pacific's waters of radioactive waste from nuclear submarines were content to simply dump the waste into the Sea of Japan. Eight hundred tons of waste were disposed of in this way, until complaints from Tokyo provoked an international incident. Moscow announced that the dumping had ceased, but many believe that it continues.

However, the biggest danger lies elsewhere, on the other side of Vladivostok in Tchazma Bay. There, on Aug. 10, 1985, eight months before the accident at Chernobyl, the reactor exploded in a nuclear submarine anchored in the bay. In his book on the history of atomic submarines, Admiral Nikolai Mormul writes, "The lid of the reactor, weighing several tons, flew hundreds of meters, and the 10 people working near the reactor disappeared." The accident was carefully hushed up by the authorities. Today, the wreck of the submarine remains at the bottom of the bay. The wreck and two other nuclear submarines from the Pacific fleet are registered as being in "urgent condition."

Yet another disaster area of Russia's Far East is Golden Horn Bay, whose waters wash up against the green hills of Vladivostok. Two landing stages brim ming with radioactive fluid rock with th waves. A nuclear submarine lies at th entrance to the bay. It sank during th 1970s; no one remembers how.

In a cramped office in Vladivostol Admiral Valery Danelian, head of th Pacific fleet's chemical defense depar ment, tries to reassure himself. "So far w have been lucky . . . . Since the big acc dent in Tchazma Bay, precursor to th Chernobyl catastrophe, there have bee practically no similar incidents," he say But the future looks bleak. "There are n new ships, no fuel, no new crews. The si uation is very difficult."

With about 30 operational units, th Pacific fleet is currently home to a litt more than one third of the nuclear sul marines of the Russian combat nav



Gamma-Liaison

Nuclear cemetery: *Ships rot in Vladivostok harbor.*

Fifty vessels have been "retired" in r cent years. One third of them were d activated; their nuclear reactors are no stored "temporarily" in the ocean, f lack of a better place to put them. The r maining two thirds are waiting, with r dioactive fluid still on board. If enoug money can be scraped together, the should all be deactivated by 201 Danelian sighs. "As long as there is r dioactive fluid on these submarines, the pose a threat. For the time being, we ca still consider them safe, but rust is eatin away at them. Nuclear particles may i filtrate the water and disseminate. Th problem must be resolved, and soon."

Very little has been done so far. Hov ever, most experts consider every one

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these submarines a Chernobyl waiting to happen. The Pacific fleet has already been involved in 11 serious accidents: six reactor explosions, four shipwrecks, one serious collision. But the worst may be yet to come. The number of submarines to be deactivated continues to grow, while the technical and financial means to accomplish this do not. Confronted with the growing risk of a nuclear catastrophe right next door, Vladivostok's Japanese neighbors are now building a floating waste recycling plant off the Russian shores of the Pacific.

"We are heading straight toward an ecological disaster," says professor Boris Preobrazhensky, laboratory director at the Institute of Geology of the Pacific in Vladivostok. "Two moored submarines are already starting to decompose. Soon there will be leaks—there have been some already. There is no immediate danger, but it is coming. Anything might happen in the next two years. There is not even enough money to maintain the submarines that are still afloat."

In Bolshoi Kamen, people die sooner than they do elsewhere. Bolshoi Kamen, population 42,000, is a city off-limits to foreigners. It sits on the edge of the ocean, facing Vladivostok. At the cemetery, the dates on the tombstones tell a story: The men and women buried here all died young, between 30 and 40 years old. Bolshoi Kamen is a company town. Its business: cleaning the reactors of nuclear submarines, an occupation that will shorten a person's life. All requests for an investigation into the cause of the town's mysterious deaths have gone unanswered. Most of the workers at the Svezda factory, once responsible for maintaining submarines and now for deactivating them, are without hope. Many feel condemned to die. In the past, they were evacuated when the radioactive fuel tanks were emptied. Now they remain present during reactor cleanups. In the past, they were exposed to seven minutes of X-rays a day; now they receive a daily dose of 12 hours' worth.

Olga Skripko, leader of the factory's union, is angry: "The workers are hungry. All year long they live on crumbs of bread and bits of potato . . . . Our children are nothing but skin and bones. We haven't seen anything like this since the camps."

—Manon Loizeau, "Le Nouvel Observateur" (leftist weekly), Paris, Sept. 25-Oct. 1, 1997.

Murmansk's Floating Bombs

At the Russian northern fleet nuclear icebreaker base in Murmansk, officials do not allow photographs. Their reluctance is understandable. For among the orange hulls of the icebreakers moored at the quayside lurks a cargo that poses one of northern Russia's thorniest ecological problems.

From the outside, the *Lepse* is an innocuous-looking transport vessel. Stored inside its hold, though, is a large quantity of spent nuclear fuel in conditions so poor that Western observers have called the ship a ticking atomic bomb. Containing 624 spent fuel assemblies and situated within a few miles of downtown Murmansk—a city of 440,000 people—the *Lepse* is in effect a floating dustbin for nuclear waste.

The ship's use as a repository for atomic fuel dates back to 1957, when the former Soviet icebreaker *Lenin* suffered overheating in its nuclear reactor. When the fuel was offloaded for storage aboard the *Lepse* during the 1960s and 1970s, it had to be smashed into storage tanks with sledgehammers because it had expanded during the overheating.

Today, the nuclear residues, wedged into steel containers, are an environmental headache for the Russian authorities. Retrieving them for safer disposal elsewhere would be highly difficult and potentially dangerous. But the need to act is pressing.

The hold of the 50-year-old *Lepse* is so contaminated that it will not be safe for human contact for tens of thousands of years. Radioactivity on the bridge is two or three times normal background levels, according to Bellona, the Norwegian en-

A Russian Whistle-Blower

Le nouvel Observateur

The Russian naval officer who gave information about the woeful state of the Russian fleet to a Norwegian environmental group has been under house arrest since January, 1997. "I am not a dissident. I am an average man who wants the Russian government to stop lying to people about nuclear safety," says Aleksandr Nikitin. Amnesty International has called the 44-year-old navy captain the first political prisoner of the new Russia.

From his home in a St. Petersburg suburb, Nikitin describes his ordeal. "It was on Feb. 6, 1996. They came at dawn. They took me away and told my wife I'd be back in an hour. I was gone for nearly a year." "They" were operatives of the Federal Security Services (FSB), today's version of the KGB.

What had Nikitin done? He had cooperated with the Norwegian group Bellona in researching pollution from the nuclear submarines of the Barents Sea fleet. "In fact, all we did was compile material that was already published. It was in the public domain," insists Nikitin.

He was jailed for having "disclosed defense secrets to a foreign power," and spent 10 months in a former KGB jail. His arrest triggered an international scandal.

"The day I learned that Catherine Deneuve was calling for my release, my cellmate was wild with envy," he laughs. In the end, the police gave in. Nikitin got out of prison last January and has been living under house arrest, pending trial.

"Nothing will make me give up my work," says Nikitin. "In the Barents Sea, as in Vladivostok, the nuclear submarine reactors are in very bad condition. We must do something soon because nobody is keeping the situation under control."

—Manon Loizeau, "Le Nouvel Observateur," Paris, Sept.25-Oct.1, 1997.

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Greenhouse common sense

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ists nor the naysayers can prove their positions. At best, the science of global warming is ambiguous; at worst, it's a realm of computer-simulated jabber. Estimates of risk vary by factors of three or four. Policy makers are asked to craft solutions based on scientists' "best guess." But guesses they are: Earth's climate is simply too vast and complex for anyone yet to understand it.

Yet while greenhouse forecasts are uncertain and likely to remain so, it is incontestable that the chemistry of the atmosphere is changing. Airborne carbon dioxide has increased by one third since the industrial revolution and appears on its way to doubling. Altering the atmosphere must eventually have some effect—and we may not like it, especially since even relatively mild climate change might affect the high-yield agriculture on which human prosperity depends.

Recognizing this, many economists—a group not normally accused of green zeal—have begun to argue for reform. Recently more than 2,500 economists, including eight Nobel Prize winners, endorsed a statement sponsored by the organization Redefining Progress saying

PHOTOGRAPHY BY
KEVIN HORAN FOR *USN&WR*

house emissions around the year 2010 at the level that existed in 1990.

Hopeful outcome. Since it is inconceivable that Kyoto will transfigure the greenhouse trend—even the most ambitious proposal would knock only percentage points off total future emissions—what really matters is whether greenhouse control programs will work from the standpoint of economics. If global-warming reforms are "sound" economically, there may be a hopeful outcome in which society actually benefits from the actions necessary to prevent greenhouse damage.

The history of pollution control shows that the benefits usually exceed the costs. In 1972, only about one third of American lakes and rivers were safe for fishing and swimming; today, almost two thirds are safe, a stunning improvement that occurred even during sustained economic growth. Since 1970, smog in the U.S. has diminished by nearly a third; the number of cars has almost doubled. Most studies suggest the health benefits of declining smog exceed the price of controls by a clear margin—as much as $40 in health-care costs saved for every $1 in anti-smog investment, according to a recent Environmental Protection Agency analysis.

Of course, not every reform works well in economic terms, the Endangered Species Act being a prominent counterexample. But more often than not, in environmental initiatives a cycle of negative to positive occurs. First, all sides condemn the new idea: Environmental advocates say it isn't enough; some business executive say it will be impossibly expensive. Next comes a phase of general unhappiness in which lawyers rule. Then innovations occur—such as the invention of the catalytic converter, which made automotive smog-control practical—and efficiencies result. Ten years later both pollution and costs are declining, though this never prevents the same institutional parties from making the same gloomy predictions about the next round of reforms.

If the same pattern is repeated in global warming, technology and market forces may find solutions for many dilemmas that now seem unsolvable. "Costs al-

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Greenhouse common sense

Why global-warming economics matters more than science

BY GREGG EASTERBROOK

If you are tired of inconclusive theories about global warming, join the club. Everyone has heard that artificial greenhouse gases might cause the Earth to warm. But in the endless pro and con on the subject—rising in crescendo with next week's greenhouse summit in Kyoto, Japan—neither the alarmists nor the naysayers can prove their positions. At best, the science of global warming is ambiguous; at worst, it's a realm of computer-simulated jabber. Estimates of risk vary by factors of three or four. Policy makers are asked to craft solutions based on scientists' "best guess." But guesses they are: Earth's climate is simply too vast and complex for anyone yet to understand it.

Yet while greenhouse forecasts are uncertain and likely to remain so, it is incontestable that the chemistry of the atmosphere is changing. Airborne carbon dioxide has increased by one third since the industrial revolution and appears on its way to doubling. Altering the atmosphere must eventually have some effect—and we may not like it, especially since even relatively mild climate change might affect the high-yield agriculture on which human prosperity depends.

Recognizing this, many economists—a group not normally accused of green zeal—have begun to argue for reform. Recently more than 2,500 economists, including eight Nobel Prize winners, endorsed a statement sponsored by the organization Redefining Progress saying that "sound economic analysis" shows greenhouse emissions can be cut "without harming American living standards."

At Kyoto, the Western heads of state will promise action to restrain greenhouse emissions. The proposals to be debated involve a bewildering array of timetables and targets, some of which gamble with the climate, others with the economy. President Clinton's middle-of-the-road plan roughly calls for capping greenhouse emissions around the year 2010 at the level that existed in 1990.

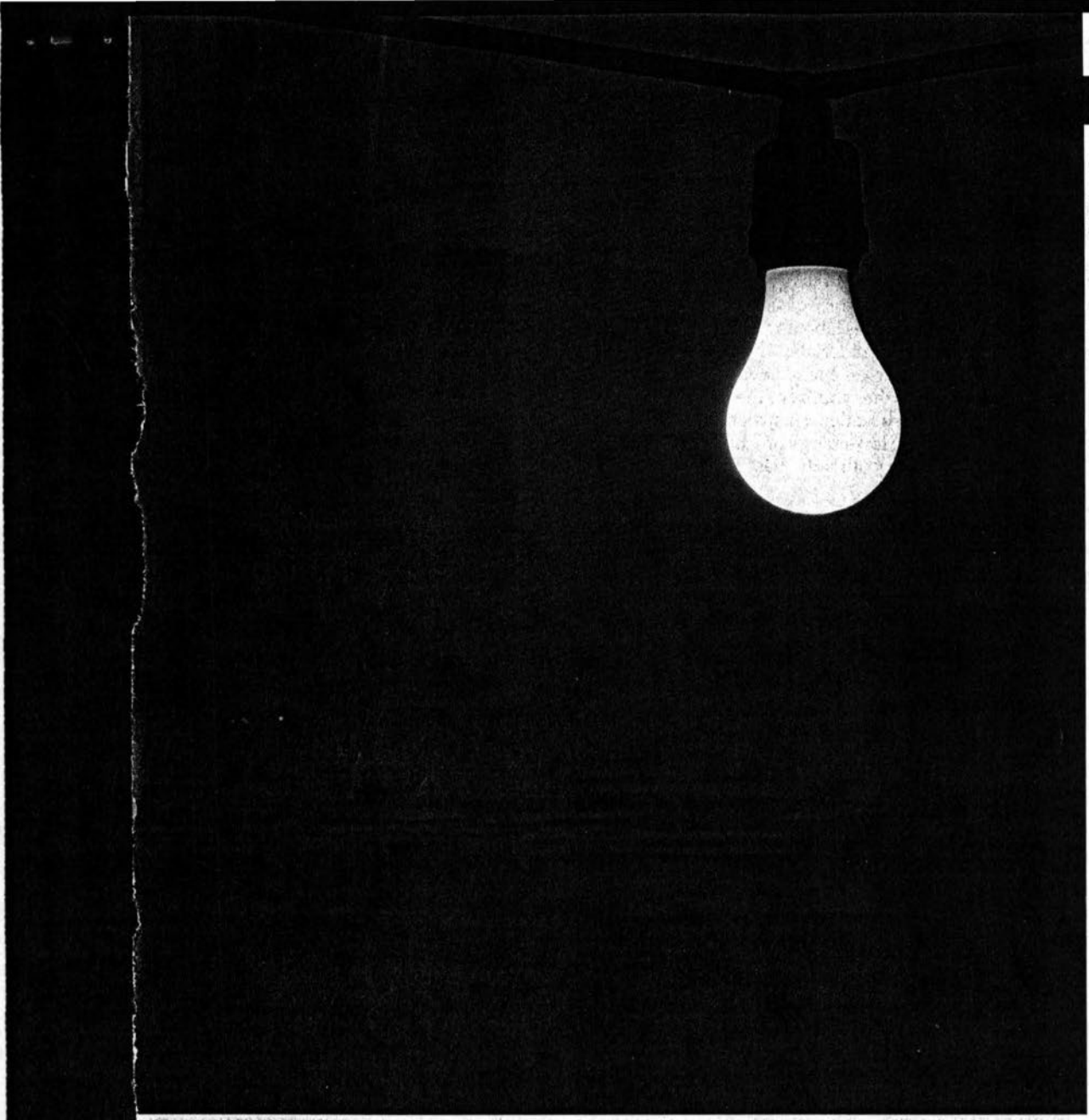
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Opportunities also exist for substanti
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ing conservation techniques. The larg

ways seem high and progress unlikely until scientists, engineers, and business people begin to apply their imagination to a problem, and that is only now beginning to happen for greenhouse technology," says Robert Socolow, a professor of engineering at Princeton University.

Because artificial greenhouse gases are released mainly when fossil fuels are burned, any effort to check them will for all intents and purposes be an energy-conservation initiative. Energy conservation has carrots at the end of its stick, since using less fuel saves money. "The greenhouse effect is an interesting intellectual question," says the energy-efficiency advocate Amory Lovins, "but it's irrelevant to energy policy. We should be using less energy simply because we will turn a profit on the savings."

The phrase "energy conservation," associated with the oil crunch of the 1970s, has an unpalatable, age-of-limits connotation. Yet efficient energy use can actually be the muscular approach and need not imply deprivation. There is a big difference between putting on a sweater and switching to a high-efficiency heat pump so the house can be as warm as you like.

Moderate amounts of energy used effectively can achieve more than large amounts wasted

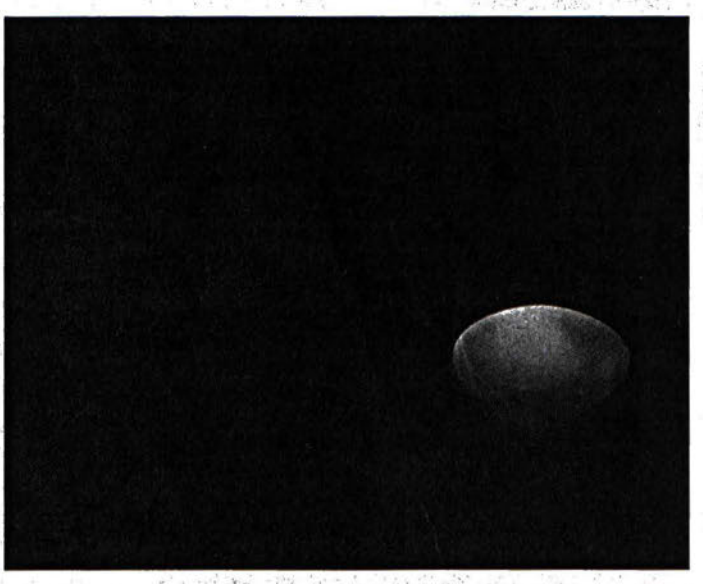
Despite the widespread impression of unbridled American energy extravagance, BTU consumption per dollar of U.S. eco-

process motors that drive factory equipment are the No. 1 consumers of U.S. electrical current: A new generation of these devices requires just half the power of older models. Replacing existing industrial-process motors with the advanced models would, in itself, reduce the country's electricity consumption by about a quarter.

Early in the next century, cars may have "hybrid" engines that achieve much higher gasoline mileage by combining the features of electric and piston power: Toyota will soon market in Japan the first hybrid, a four-door sedan that gets 66 mpg. Cars also may run on "fuel cells," clean electrochemical generators that convert a much higher percentage of fuel energy into forward motion than does internal combustion. Ethanol, a petroleum substitute, may soon be manufactured economically from a genetically engineered form of switch grass: Fuel distilled from vegetation is greenhouse friendly because as plants grow they withdraw carbon dioxide from the air.

Smog in the United States has declined by nearly a third, even as the number of cars has almost doubled

Waste. But setting such developments aside, estimates suggest $300 billion in energy waste could be eliminated from the U.S. economy using only technology practical now. Lovins points out that the United States runs the equivalent of five nuclear reactors solely to power devices that are turned off, such as color televisions in standby mode. A recent study led by Oak Ridge National Laboratory concluded U.S. greenhouse emissions could be reduced roughly a third with energy savings "equal to or exceed[ing the] costs" of conservation investments. Rather than be harmed by greenhouse reforms, the country would come out ahead.



Such predictions raise an obvious "if you're so smart why aren't you rich?" objection. If R40 insulation pays back its cost in just a few years, why doesn't everybody install it? Energy use fell in the early 1980s when buyers, worried about fuel supplies, made conservation a priority. Seemingly to the day in 1986 when the Organization of Petroleum Exporting Countries price structure collapsed, saving energy dropped away as a national concern. Today, with gasoline as cheap in real-dollar terms as when James Dean was behind the wheel, energy use is rarely a leading consideration, as the popularity of lumbering sport utility vehicles attests.

Yet, even if energy is inexpensive, one can still save by conserving it. American corporations labor to reduce their reliance on cheap materials; why not try to cut dependence on cheap energy? The obstacle may be the tyranny of the pragmatic. New factories under construction employ improved, low-energy process motors. But if a factory already has older motors in place, with years left on their capitalization, it may not make sense to rip out walls to move in new equipment. Similar problems impact consumer decisions. Anyone building or renovating a house will come out ahead by installing high-resistance insulation. But this not only costs more up front, the buyer must stay in the home months or years to realize net savings.

For reasons such as this, even economists who favor greenhouse reforms fear they will not come cheaply. Robert Stavins of Harvard University, a leading environmental economist, estimates that greenhouse controls might cost up to 2 percent of GDP—about what America now spends on all environmental programs combined.

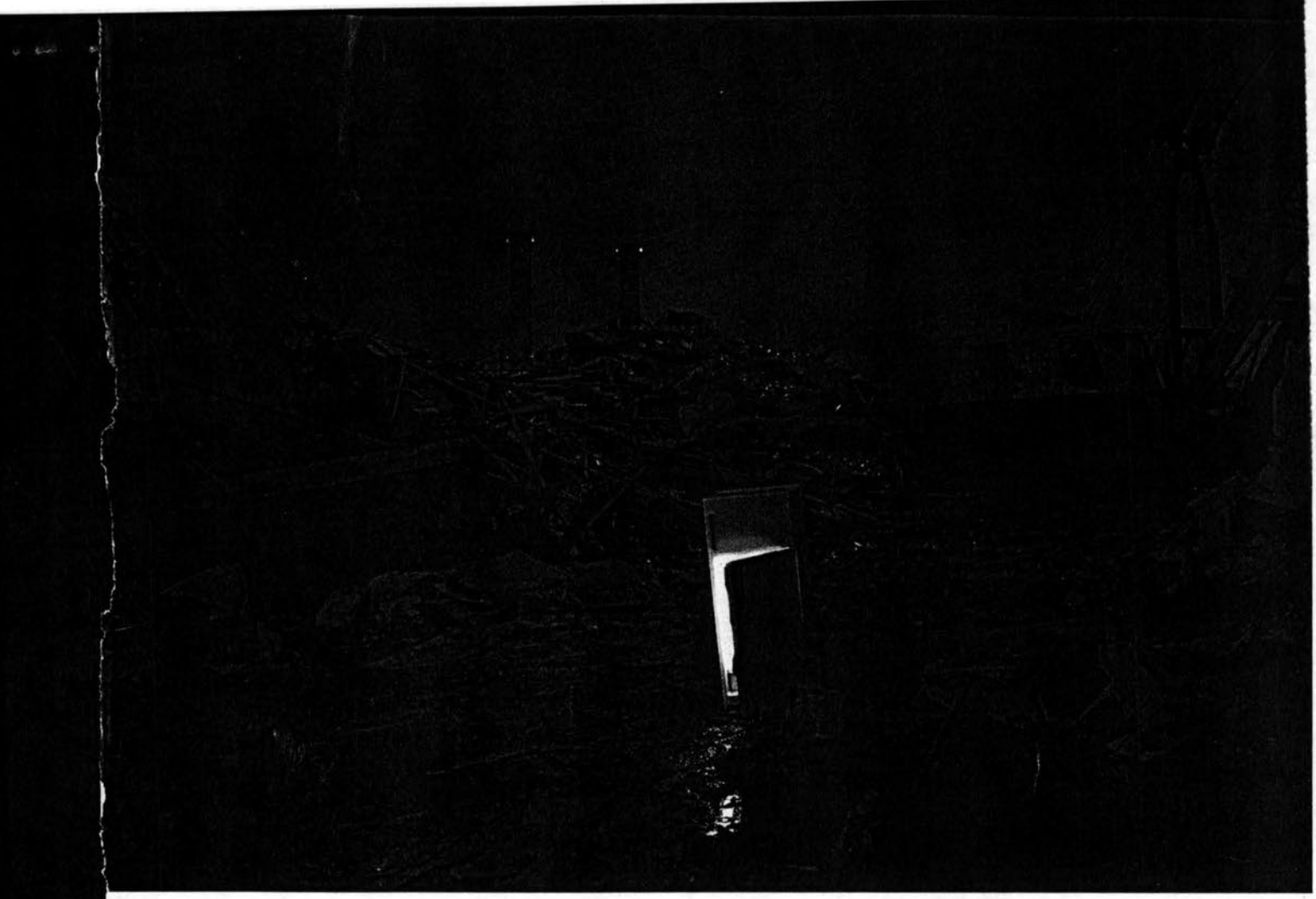
Such estimates make economists intensely concerned with least-cost approaches to greenhouse control. Energy efficiency is the obvious choice but may not necessarily take off unaided. The barrier is an area of economics called "diffusion," which posits that without a clear benefit or price incentive, buyers may resist new technology. Reducing greenhouse emissions does not directly benefit individuals, while markets cannot trade in "external" costs, such as pollution, that are not priced. "The market is no good when it comes to factoring greenhouse control into energy prices, because there is no way anyone can buy the benefits of preventing climate change," notes Kenneth Arrow, a Nobel economist at Stanford University.

Regulations are often used to circumvent the "externalities" problem, but regulations are unpopular with economists. Car mileage rose steadily through the 1980s, to a peak of 28.8 mpg in 1988, because the government required increases under the Corporate Average Fuel Efficiency (CAFE) program. But though successful as a conservation initiative, CAFE was disliked by economists as an expensive means to an end. CAFE has not been tightened since 1988, and the lack of stricter standards has caused mileage gains to come to a dead halt, with new cars averaging 28.2 mpg, below the achievement of a decade ago, while petroleum imports head up after a period of stability.

In lieu of regulation, many economists prefer that carbon emissions be taxed. Economic theory holds that whatever you tax, you get less of. Today, taxes fall mainly on capital and labor, which society wants more of. Why not tax pollution, which we want less of?

All major proposals by economists on this score are designed to be revenue neutral: Money raised by taxes on carbon would be used to reduce corporate and personal income taxes. Carbon taxes would be disruptive to some industries, notably coal, but otherwise leave consumers free to decide how best to improve energy efficiency. If companies and consumers had to pay for greenhouse gases, the reasoning goes, carbon pollution would be seen as a cost to be cut rather than as a free good, and market responses would follow. "If you want pure economic efficiency, carbon taxes would be the first choice," Arrow says.

Unlike gas taxes, unpopular with many economists, carbon taxes would focus on planning by business leaders, rather than consumer decisions at the gas pump. But



not even the revenue-neutral version of carbon taxes stands a chance of being enacted by lawmakers now. During the 1996 presidential campaign, a 4.3-cent increase in gasoline taxes was enough to set off a ruckus, though it represented a $20 annual increment for the typical driver. Clinton's advisers urged him not to include anything sounding like an energy tax in his Kyoto policy, lest it set off a political backlash.

Finally, there are those advocating a system under which companies would buy and sell the right to emit carbon. A trading system to reduce acid rain, enacted in 1990, has been a spectacular success. Major U.S. acid rain emissions have fallen 30 percent in the past three years alone, while costs have been much lower than expected, because market trading in acid-rain permits has enabled companies to reduce emissions in efficient ways.

Free market. Americans don't like regulations, but they do like to buy and sell. A carbon-trading program that creates a free market in techniques for greenhouse reduction might be both efficient and an opportunity entrepreneurs would find exciting, backers say.

Clinton's Kyoto plan endorses carbon trading but says no program would go into effect for a decade. Environmental lobbyists have condemned this timing, saying requirements should go into force immediately. But even a crash program of U.S. carbon limits couldn't reverse the short-term global trend. As Robert Solow, a Nobel economist at the Massachusetts Institute of Technology, says, "Gradual reforms will be less costly than anything done in a hurry. The greenhouse situation has built gradually and can be addressed gradually." Even if Kyoto goes well, economists and diplomats might require a decade to perfect an international carbon-trading system that could be trusted.

With energy plentiful and cheap, few corporations or consumers put conservation on their priority lists

International cooperation will be imperative for any greenhouse trading system because, unless the world acts in concert, even the most impressive U.S. reductions will be swamped by increases elsewhere. America bears the main responsibility for greenhouse gases emitted in this century, one reason it is fair for other nations to expect the United States to act. But at current rates, China will pass the United States in about 2020 to become the No. 1 source of fossil-fuel emissions. The focus will shift from the developed world to the developing.

Energy demand is certain to continue growing in the developing world—indeed, it should grow, to bring material equality to the world. This means a plan to reduce greenhouse emissions in the West alone might backfire: If even one American factory were to close because of greenhouse restrictions imposed so that other countries could merrily pollute more, public support for energy conservation might disintegrate. In light of this, Clinton has said he will not sign any Kyoto treaty unless developing nations such as China and India "meaningfully participate."

Most developing nations say they will not cooperate with global-warming initiatives because their economic development must come before climate protection. Some even think greenhouse fretting is a

Western stratagem for holding the developing world back: China called Kyoto an exercise in "ecocolonialism." In a chain of logic both infuriating and understandable, developing countries reason that since the West became affluent in a time of unrestricted carbon emissions, rising greenhouse numbers actually are good.

Self-interest. Yet moderate amounts of energy used effectively can achieve more than large amounts wasted. When the Berlin Wall fell, per capita energy consumption was higher in East Germany than in West. But because of rampant inefficiency, the impressive power generation of East Germany could not bring that nation's standard of living up to that of West Germany. At some point, the developing world is likely to realize it has an economic self-interest in energy efficiency and to become interested in greenhouse reforms.

The typical efficiency of an American coal-fired power plant is 36 percent. This means a third of the energy value in coal is transformed into kilowatts, the rest lost as waste heat; that is a stark way of stating just how far even the sophisticated United States must go to improve energy use. But in China, thermal efficiency of power plants may be as low as 6 percent, meaning six times as much coal burned per kilowatt, and hence six times the greenhouse gases. Merely extending to nations like China the levels of energy efficiency now standard in the West would do more to contain greenhouse increases than any likely Western reform.

The developing world also may discover it has a stake in the fact that regardless of whether global-warming theory is right, greenhouse-gas production is closely tied to air pollution, which damages human health. Already, 1 Chinese death in 8 is linked to air pollution; in some cities it reaches 10 times the World Health Organization danger level. A joint study by the WHO and the World Resources Institute estimates that, at current rates of fossil-fuel increase, by the year 2020 there will be 700,000 premature deaths from greenhouse-related pollutants annually, with the most fatalities in the developing world.

International carbon trading might function by allowing Western utilities to purchase credits from power-plant efficiency improvements in nations like China. For example, a Norwegian firm is already working to improve an inefficient coal-fired power station in Datong, a heavily polluted, medium-sized city in China; Westinghouse is expected to join the effort next year. Firms might also attain credits by funding forest protection in the developing world (burning forests release carbon dioxide, but growing trees remove greenhouse gases from the air). Early experiments with carbon trading suggest a dollar buys 10 times as much greenhouse reduction in the developing world as in the Western nations.

SCOTT GOLDSMITH FOR *USN&WR*



Using only technology available today, $300 billion in energy waste could be cut from the economy

Buried within greenhouse economics is a potential surprise that could render all other calculations obsolete: The price of oil might not stay depressed forever. Predictions of decline in oil reserves always have proved mistaken. But more than a few experts now believe world oil production will peak in a generation or so, while global demand will continue to rise, which may engage a cycle of oil-price escalation.

A temperate rise in oil prices might cause businesses and consumers to put energy conservation back on their priority lists on sheer market grounds. A serious increase once again could make energy supply a political crisis, triggering efficiency steps taken in the national interest that are stronger than anything climate policy can justify.

In the literature of ecological ideology, one finds wistful laments that developments like zero-emission cars are not really being advanced with the Earth in mind. Rather, the argument goes, they are a conspiracy to sustain the consumer lifestyle by making resource consumption environmentally benign. That is exactly what they are—and it is good news, because everything society should do to prepare for the end of the oil age has positive greenhouse implications.

The next generation of automobiles will use half as much gasoline as present models or run on fuel cells with no greenhouse byproducts at all. The next generation of power stations will burn fuel much more efficiently and may even pipe carbon output directly to the sea, mimicking the natural cycle by which airborne carbon dioxide is absorbed by sea water. Replacing petroleum with fuels made from plants would result in a guilt-free fill 'er-up with greenhouse-neutral fuel. Practical solar converters will enable commercial electricity to be made from sunlight. For good or ill, renewable, efficient, climate-friendly energy will be the salvation of the consumer lifestyle.

Some people look at the greenhouse-effect calculations and lose hope, thinking Doomsday approaches. But the Earth has withstood much worse assaults than this. Others conclude the trend lines are so powerful there is nothing any individual, or even any one nation, can do. But the iron law of trends is that the more unchangeable they seem, the faster they change. As Soviet leaders learned, nothing creates a better environment for change than the belief there cannot be change.

The first step in greenhouse policy is for everyone to calm down. Affordable reforms can sustain global affluence while moving society beyond dependence on fossil fuels. No doom awaits us; but there is plenty of work to do, and it's time to get started. ■

With Brian Palmer in Beijing

MONEY THE PRESIDENT HAS SEEN
12-8-97

Sandy/Dan I've got a few ideas just in time - Bo.

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Growing Anger At Uncle Sam

REVIEW

Rarely has the United States been at a loss for words or actions when an international situation affects its interests. But Washington's muted response to the currency crisis sweeping Southeast Asia is sowing suspicion among its allies in the region and fueling anti-American sentiment. There's a growing feeling that Washington is neglecting the region in its time of dire need. There is no Mexico-style bailout offer or other substantial pledge of aid. And though the U.S. already makes considerable contributions to the region through the International Monetary Fund (IMF), these are accompanied by relentless pounding on the need for painful economic reforms.

Southeast Asia's resentment smacks of scapegoating and may be largely unfair. But that has not helped America's standing with key economic partners in the region. And it is allowing other Asian countries, including Japan and China, to boost their influence at America's expense.

"America's attitude is driving us closer to Japan and China."

At worst, such perceptions are feeding wild conspiracy theories blaming Western interests for Asia's currency crisis. But other criticism is more constructive. Some analysts warn that the debate over how to handle the economic downturn is as sensitive as the argument over human rights and democracy that drove a wedge between the East and West earlier in the 1990s.

The negative sentiment is unlikely to affect U.S. investment and trade in the region, at least not in the short or medium term. American investment in many countries is increasing, and trade volumes remain high. But the perception of neglect may have a longer-term impact on Washington's political standing and security relationships.

U.S. Treasury Secretary Robert Rubin has pledged support for Southeast Asia's economies but added: "The countries themselves have to establish sound policy regimes." All that is fair enough, from the Western point of view. Economists say that reforms mandated by the IMF are crucial to Southeast Asia's future if confidence in the region is to return to international capital markets. What this creates, though, is the perception that the U.S. is unsympathetic to Southeast Asia's woes.

Washington's muted response contrasts sharply with moves by other Asian countries to help out, both with cash up front and with soothing symbolic gestures.

Japan led the group of donors that pledged $17 billion in standby credit to Thailand last August. China pledged $1 billion of this—plus another $1 billion from Hong Kong—and sent a high-level delegation to scout for investment possibilities in Thailand. In late October, Singapore pledged $10 billion in aid to Indonesia, according to Indonesian President Suharto. Malaysia, despite its own financial problems, offered $1 billion. American diplomats in the region admit that the lack of similar gestures from Washington has made their job difficult. "We're on the defensive," says one senior U.S. diplomat serving in a Southeast Asian country. Privately, he blames the Clinton administration's allergy to Asia on allegations that Asians gave money illegally to the Democratic Party.

Conspiracy theories are flourishing in Malaysia. One holds that the U.S., tired of needling by Prime Minister Mahathir Mohamad, decided that it would try to force him out by pushing U.S.-based hedge funds to attack the ringgit. "How do you know if some of the money being used by the funds isn't coming from the CIA?" asks the Malaysian head of research for a brokerage in Kuala Lumpur.

As ridiculous as that sounds to anyone who knows how little leverage Washington has over Wall Street, it reflects a genuine sentiment. Even senior Association of Southeast Asian Nations (ASEAN) officials, who don't buy the conspiracy theories, say the U.S. response to the economic crisis compares unfavorably with that of neighboring countries. "The American attitude is driving us closer to Japan and China," says a senior Thai diplomat.

In Southeast Asian capitals, the separation of business and politics in the U.S. is not obvious. Mahathir's allegations against currency speculators were unambiguously anti-Western and garnered as many supporters as detractors. In fact, the continuing meltdown has boosted his credibility. "A lot of people now feel that Dr. M.'s comments on regulating the speculators are right," says K.S. Jomo, an economics professor at the University of Malaysia.

America's inability to communicate in Southeast Asia may also be helping ASEAN and China forge a closer relationship—despite mistrust over Beijing's intentions in the South China Sea. Chinese ties with ASEAN have been nurtured by the kinds of symbolic gestures Washington is not very good at making. When Chinese Prime Minister Li Peng went to Malaysia in September, for instance, he pledged support for ASEAN currencies and attacked currency speculators.

No one is saying they don't want U.S. aircraft carriers patrolling the region because Washington hasn't bailed out the economy. President Clinton will have an opportunity to meet ASEAN leaders at the Asia-Pacific Economic Cooperation meeting in Vancouver. But even Thailand, Washington's treaty ally since 1961, isn't yet sure if it will be granted a bilateral meeting to discuss the crisis.

—Michael Vatikiotis, "Far Eastern Economic Review" (conservative newsmagazine), Hong Kong, Nov. 6, 1997.

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THE PRESIDENT HAS SEEN 12-8-97 Savvy troubling BC

Saddam and a sack of sugar

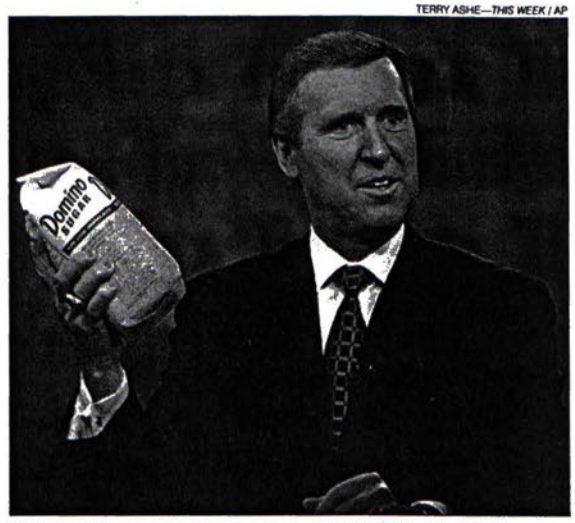
The hard choice America refuses to make: Get him or forget him

BY FOUAD AJAMI

We should be under no illusions about what has transpired in America's latest encounter with Saddam Hussein. The Iraqi dictator's brazen challenge to American power has worked. His familiar "cheat and retreat" tactics have delivered him no small gains. The stampede against the sanctions imposed on his oil has begun. This is the real meaning of the deal that Russia brokered for him last week. And he now can envision limits on the inspection of his weapons of mass destruction. In the American spin, the return of the inspectors signaled an outcome on America's terms. But the truth of this crisis and its implications for what is to come in the Persian Gulf are deeper than that. Saddam Hussein has exposed the hollowness of the vaunted coalition that rallied against him six years ago, and he has left the Clinton administration scurrying for a convincing explanation of its policy in the gulf.

The spectacle of American officials assailing Saddam's lies—as though lying were his worst sin—was not pretty. And Secretary of Defense William Cohen's display of a bag of Domino sugar on a Sunday talk show as a reminder that five pounds of anthrax would lay to waste a city as big as Washington, D.C., was not one of American diplomacy's finer moments. Officials could not summon a modicum of coherence; they dispatched the gunboats and pressed Russia and France to use their "unique ability" to communicate with Saddam. The hesitation was not lost on the Iraqi despot.

TERRY ASHE—*THIS WEEK* / AP



This much anthrax, Cohen says, could kill half of D.C.

Grant Saddam his due: He can see into America's doubts, he has called its bluff before, and he has proved that he can take the pinpricks that answer his transgressions. He set the terms of this encounter with American power, and American diplomacy was left reeling for a response; the treasure and the effort expended by the United States were at best a way of putting off the moment of reckoning with the Iraqi ruler.

His own world. A jackal is a lion in his neighborhood, goes a gulf proverb. Saddam Hussein is in his own world. America blows in and out of the place, which now shows hardly a trace of Desert Storm's triumph. Saddam has stood up to the great power with the mighty machines, and this has made an impression on those around him. Close by, the Turks who cast their fate with American power in 1991 have second thoughts today. They took a huge financial hit when they shut off the Iraqi pipelines and, as the anti-Iraq embargo continues, they still hurt. Southeastern Turkey has lost its trade with Iraq.

The Egyptians, who were forgiven half of their foreign debt for riding with the forces of the American-led coalition, now stoke the fires of anti-American resentment. There has emerged in Egypt a strong current of sympathy for Iraq and a desire to rehabilitate the Iraqi state. Cracks have appeared even in the wealthier, sparsely populated Arab lands where American power had provided a shield. Kuwait now urges "restraint" toward its former invader, and the United Arab Emirates sees in Iraq a counter to the power of Iran. It is idle to think that a whirlwind tour through the region by the secretary of state could repair the erosion of America's power.

"Each stranger made his own poor bed among them," T. E. Lawrence said of the Arabs when he entered their world in World War I. The Clinton administration is in that no-man's land, reluctant to commit itself to a serious military campaign but unable to declare the Iraqi ruler a nuisance and walk away from him. The equivalence that President Clinton drew between Saddam's menace and a release of sarin gas in a Tokyo subway gave away an inability to define what the stakes really are in Iraq. The dictator has grown familiar—and legitimate. "He is worse than Hitler," it was said, but still he rules. It is a standoff for which he can happily settle. The United States has not been unduly vigilant: The investment it made in supporting Saddam's Iraqi opponents has been meager in the extreme. America signaled its disinterest in his internal conflicts, and it was easy for him to read America's abdication.

In casting about for an explanation of America's predicament in the gulf, U.S. officials have now purveyed the most defective of the region's legends: that of "linkage" between the Saddam Hussein standoff and the Israeli-Palestinian impasse. Running between the lines of the officials are hints that America's position would have been stronger had it been able to "deliver" Israel and grant greater concessions to the Palestinians. But linkage is a convenient alibi.

The truth of America's Persian Gulf position lies in the military campaign it could not bring to decent closure, in the military power it displayed and then held back, in the return to the Arab world of deadly legends and maxims that were battered six years ago but now have a new lease on life. The Iraqi despot has, for now, put on cruel display the difficulty of standing sentry and doing imperial duty in a world that beckons American power and recoils from it at the same time. ■

Contributing Editor Fouad Ajami is a professor of Middle Eastern studies at the Johns Hopkins University's School of Advanced International Studies.

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Congo-Brazzaville

Ghost city

BRAZZAVILLE

CRUNCHING on broken glass and spent cartridges, a man picks his way across the square with a lavatory bowl on his head, upside down as if it were a hat. A month after the end of the country's civil war, scavengers have to make do with what they can find, which by this time is pretty basic. Electric switches have already been torn from the walls; now looters are ripping out the wiring.

The four-month war was fought with artillery, mortars and grenades in the midst of modern, dark-glass banks and offices, along the tree-lined streets of what was once a pleasant little African capital. After the buildings were smashed, the victors comprehensively looted them. Now, like a futuristic after-the-bomb-dropped film set, they stand gutted and silent except for the drip of water from broken pipes and the rustle of scavengers searching the ruins.

Congo-Brazzaville was always a French favourite. It rallied to General de Gaulle's Free French Forces in 1940, and there is still a statue to the general in the town. In the mid-1960s oil was discovered and Elf Aquitaine, then a French state oil company, was given exclusive rights to its production. The company still enjoys the lion's share of what has now been revealed as a major offshore oil reserve.

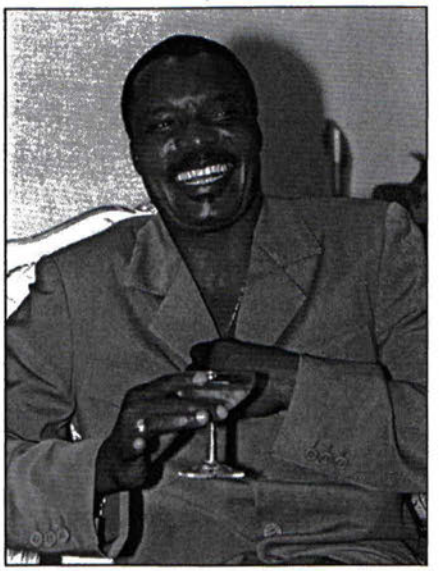
Politically the country was proclaimed a success when, in 1992, it moved from the one-party dictatorship of General Denis Sassou-Nguesso to an elected president, Pascal Lissouba. But democracy proved skin deep. Mr Lissouba, incompetent and tribalist, reneged on his pre-election deals with Mr Sassou-Nguesso. The general retained a substantial and well-armed militia. When, in June, Mr Lissouba abruptly tried to disarm them in advance of an election scheduled for July, all hell broke loose.



At one time, France might have moved openly to settle things in the way it wanted. French troops would have installed the chosen leader, while the country continued to be run by civil servants seconded from Paris. But this year a new policy seems to be emerging in France: links between it and its old African colonies continue but there is to be less aid and no intervention. Yet, as events in Congo-Brazzaville showed, intervention is not the only way of manipulating African politics.

Non-intervention, in fact, suited France better. Intervention would have meant supporting the elected president, but France backed his rival. Mr Sassou-Nguesso, a friend of President Chirac since 1983, and a member of a leading French freemasonry lodge, maintained his close contact with French officials throughout the fighting. Mr Lissouba, in contrast, was shunned when he visited Paris in September.

Still unrecognised as president by many countries, Mr Sassou-Nguesso was given a lengthy audience with Mr Chirac at last week's Francophone summit in Hanoi. France is leading a campaign to begin rebuilding Brazzaville—ironical if, as some claim, it was indirectly implicated in its destruction. Cynics note that the only building in central Brazzaville which was not wrecked and then looted by Mr Sassou-Nguesso's fighters is the French embassy. It sustained only a single shell hit.



French champagne for the general

The city's inhabitants are now moving back into the suburbs of Brazzaville from the villages they had fled to during the war. Mr Sassou-Nguesso has set up a government, mostly drawn from the north where he comes from. He is also mandating "a national conference" to write a new constitution but without a set timetable.

Meanwhile, almost untouched by the war, Congo-Brazzaville's 230,000 barrels of oil per day keep flowing from the offshore rigs. The state and its capital are destroyed, people driven from their homes, but good profits are still being made by somebody.

The United Nations

The best world club we have

The authority of the UN, squeezed between the debts and the demands of its dominant shareholder and the suspicions of the rest, is dribbling away

THE United Nations, recovering from its brief, calamitous bout of imperialism, is not being allowed an easy convalescence. In the early 1990s, when the end of the cold war awoke hopes of global policing, the UN was encouraged to do more than it could. Inevitably, given the great gap between the mandates that its members ordered, and the means they allowed for fulfilling them, the results were disastrous. Such ambitions have collapsed. But recent events—Saddam Hussein's challenge to the UN weapons inspectors in Iraq; Laurent Kabila's challenge to the UN's investigation into the disappearance of 200,000 Rwandan refugees in Congo—highlight the UN's current difficulties in carrying out controversial tasks, even when they are relatively routine.

Why? The moral authority of the UN rests on its world-wide membership: representing virtually every country, it stands for grand things such as peace and the rule of law and the promotion of "better standards of life in larger freedom." But this authority is easily eroded.

Even though the UN held together, eventually, over the Iraqi crisis, it remains vulnerable, challenged by north-south wrangling and, above all, by the painful, money-dominated wrangle between the United States and the rest. America, the UN's dominant and essential member, may be over its lunatic period of demonising the UN but it makes its continuing support conditional on reforms that the developing world suspects to be against its own best interests.

Now, even as the UN is in mid-reform, comes a blow that shatters any potential

consensus. America's Republican Congress has decided that it will not, despite the reforms already carried out, pay the $1 billion it owes the organisation.

With great difficulty, President Bill Clinton had reached agreement with congressional leaders on the repayment of most of these arrears. Several hurdles remained, including the extremely tricky task of persuading UN members that America's contribution to the regular budget should drop from 25% to 22% and then to 20%. But that is now history: at the end of last week, the House of Representatives, anxious to remove an anti-abortion amendment from an appropriations bill, struck a bargain that got rid of both the amendment and the repayment of arrears. America's men at the UN face their colleagues' bitterness: no longer, say America's friends as well as its foes, will the UN do what America wants, trusting in its good faith to deliver; in future it will want to see the colour of American money first.

These developments are bound to make the organisation's frail cohesion ever frailer. Earlier this month, America had failed to swing its fellow permanent members of the Security Council, Britain apart, to accept the response it wanted to Iraq's defiance. But if American influence cannot always make the council do what it wants, it can still dictate what must not be done. Take one important example: for some years now, America has ensured that no big peacekeeping, let alone open-ended peace-making, missions are undertaken.

America's souring on peacekeeping happened overnight when American marines were killed during the ill-fated mission to Somalia in 1993: the United States does not accept, at least on its own behalf, that casualties are a peacekeeping hazard. Since then it has cast a negative, or delaying, eye on all calls for UN armed intervention. This, for the most part, is a healthy pulling back from those earlier times when the organisation over-reached itself. But the fact that the UN sat out the appalling genocide that went on in Rwanda in 1994 is one reason why Mr Kabila and his Rwandan allies are now obstructing the UN's investigators (another reason, of course, is that they want time to conceal the evidence of the latest massacres).

Current operations are low-key: the peacekeeping budget, at $1 billion, is less than a third of its size in 1995. The only new mission that nearly got going was a small, low-risk British-sponsored one to Sierra Leone. The Americans were on the point of agreeing to this (a reward for British toadying, say the jealous, and not only they) when the situation in Sierra Leone fell apart, as did the mission's purpose.

The UN secretary-general, Kofi Annan, has tried to bring some long-standing disputes—Cyprus, East Timor, Afghanistan, Western Sahara—to an end. The only one of these that might fall into place is Western Sahara, where the energies of James Baker, a former American secretary of state, were engaged to get Morocco and Polisario to agree to a referendum next year. There is mighty little the UN can do about the fighting in Afghanistan, and the drug-trafficking that goes with it, except keep a small mission in Islamabad and plead, so far in vain, with all the interested outside parties to stop supplying the fighters with weapons.



If it cannot stop fights, can the UN prevent them from happening? Probably not: the weaker side may want UN mediation, the stronger will not. It can do nothing about Kashmir, for instance. But once a fight is over, the UN is on solider ground. The heady days when people spoke of a new trusteeship system under which the UN would put collapsed countries together again are no more, but the UN can and does prepare a country for elections, help it to establish a judicial system and train its police and its bureaucrats.

A country does not have to have been at war to get this sort of help. The UN Development Programme, which increasingly coordinates the UN's economic work at country level, spends nearly 40% of its budget on issues to do with "good governance" (compared with just over 30% on poverty eradication). A recipient does not have to promise good government and democracy to receive development aid, but it helps. The UNDP stands ready with advice on grassroots democracy, economic liberalisation, decentralisation, accountability, the rule of law, an independent press and so on.

But some regimes find good-governance initiatives almost as objectionable as military ones. Mr Annan gets stick because his reform package, produced with such a flourish last summer, speaks of reaching out to "civil society". This, to some unreconstructed rulers, is a code phrase for allowing a louder voice to people who dare oppose their regimes. And many developing countries, whether run dictatorially or not, oppose the secretary-general's American-driven reforms. For a start, cuts in staff mean fewer jobs for the boys. Beyond this, critics detect a hidden agenda designed to serve the interests of northern, industrialised countries at the expense of southern, developing ones.

The General Assembly convened in September, but it was not until last week that it could bring itself to commend the secretary-general for his reforms, and then only for the ones—mainly reorganisation of the secretariat to make it a bit more efficient—that can be carried out, and in most cases have been carried out, without reference to the assembly. Members of the assembly still nitpick at any reforms for which they themselves must give the green light. In this, they are led by Pakistan, whose delegate almost automatically opposes reform, perhaps on the ground that one reform leads to another—and might eventually mean India taking a seat on a reformed Security Council.

Mr Annan, unlike his predecessor, Boutros Boutros-Ghali, wants to appoint a deputy. That seems harmless enough; it would, after all, relieve him of an over-full schedule. But he has made it clear that he would prefer a woman, from an industrialised country. Aha, say the knowing, a fiendish device to weaken the influence of a southern secretary-general (Mr Annan is Ghanaian) by harnessing him to a western female deputy.

Mr Annan's own reputation is good. His collegial management style is a relief after Mr Boutros-Ghali's totalitarianism. In negotiation, he is open to compromise and accommodation when he believes this to be for the greater good: witness his acceptance of Mr Kabila's ban on the first team of UN investigators, and his early attempts to persuade Mr Hussein to drop his defiance. But he is hampered by the general uncertainty about what the United Nations should be doing. Squeezed between a bossy, parsimonious America and a conspiracy-minded south, the UN is a disabled body, with diminishing authority.

THE PRESIDENT HAS SEEN

duce, as it were, the increase in global
e American consumer. President Clin-
to secure fast-track negotiating author-
rade talks may have no immediate implica-
t it is a worrying confirmation of America's current disenchantment with liberal trade. Yet there could be no surer way to arrange a global slump than to combine ill-judged macroeconomic policy with an upsurge of protectionism. Worldwide deflation is an entirely avoidable disaster—but only governments will decide whether it is avoided.

Containing Saddam



Now is no time to abandon the policy

THE United Nations Security Council is running out of time to end the stand-off over weapons inspections in Iraq. Saddam Hussein, Iraq's leader, brushed aside the three UN envoys sent to remind him of his obligation to Unscom, the UN Special Commission whose job it is to strip Iraq of its weapons of mass destruction. Yet the Security Council has merely wagged a finger at Mr Hussein's defiance: Iraqis who hinder Unscom's inspectors will now be barred, good gracious, from travelling abroad. Because of Russian and French opposition, the council could not agree to a proposal from America and Britain that Iraq be warned of "serious consequences" should it persist in thumbing its nose. By mid-week, Mr Hussein was unsurprisingly unmoved.

The trouble is that the Security Council is out of sanctions as well as time. Little is left to it except the ultimate one, force. This it could resort to if it were to declare Iraq in "material breach" of the resolutions that ended the Gulf war in 1991, which Iraq pretty plainly is. Over the past ten days the Iraqis have barred Americans working with Unscom from entering Iraq and have threatened those already there with expulsion. They have refused to let Americans take part in inspections, thereby bringing the work to a halt. Some monitoring cameras have been switched off and equipment of possible use in banned weapons programmes has been moved. Iraq threatens to shoot down the American-operated, but UN-controlled, U-2 reconnaissance aircraft that are the inspectors' only other means of knowing what it may be up to.

If this does not constitute a "material breach" of Iraq's obligations, it is hard to see what might. But the Security Council draws back from calling it that. It is divided, partly because of weariness, partly because of short-sightedness. More than six years since Unscom started its work, there is still no end in sight. Some Arab countries oppose anything—especially the use of force—that might enhance rather than diminish Mr Hussein's claim to be a pan-Arab hero. France and Russia have been hoping to win the lion's share of business contracts with Iraq, once sanctions are lifted. Impoverished Russia is eager to get its hands on money owed it by Iraq. France sees a chance to brush up its credentials as an independent actor in international affairs. The French and Russians, with other, temporary, members of the council, argue that encouragement, not nastiness, would get better results.

Might it? Iraq wants a date for sanctions to end. They could have ended long since if Iraq had not been trying to rearm and Unscom had therefore been ready to declare the country free of forbidden weapons. Now, however, the Iraqis say they have little to gain from working with Unscom, because America would always veto the lifting of sanctions. They see themselves trapped. But the Security Council is no less trapped: were it to bend in the face of Iraqi belligerence, it would destroy its remaining credibility. The best the council—America included—could do, and has done, is to reiterate that were Iraq to abide by the resolution, sanctions could start to go. Yet it has to be recognised that Mr Hussein is no more likely to give up his weapons programme now than he was six years ago. He is plainly ready to let his people endure any amount of hardship rather than forgo all hope of making, and using, the things he is at such pains to hide.

Drawing a line

Where diplomacy appears to be failing, might force work? The threat Iraq poses ought to be of direct concern to every member of the Security Council, not least because Iraq has used chemical weapons in the past and has been caught trying to import parts for longer-range missiles. There are certainly military sites that Mr Hussein would be loth to lose. The list starts with those recently barred to inspectors.

Force would have its costs. Missile strikes would in the short run complicate Unscom's efforts to dig up Iraq's remaining weapons secrets. Moreover, even if they hit the factories where chemical weapons are being made (probably along with innocuous products), the damage might soon be repaired. Previous strikes—in 1991, 1993 and 1996—have bought no more than temporary lulls in Mr Hussein's misbehaviour. That he seems to relish the prospect of further attacks on him is perhaps one reason for not inflicting them.

Yet the alternative is to let him neuter, perhaps slowly, perhaps fast, the monitoring exercise that is the only peaceful way of keeping his ambitions in check. Mr Hussein is not a theoretical threat to peace. He is a proven one. Having set out to contain him, the Security Council—meaning the five permanent members—would be crazy now to let him break free.

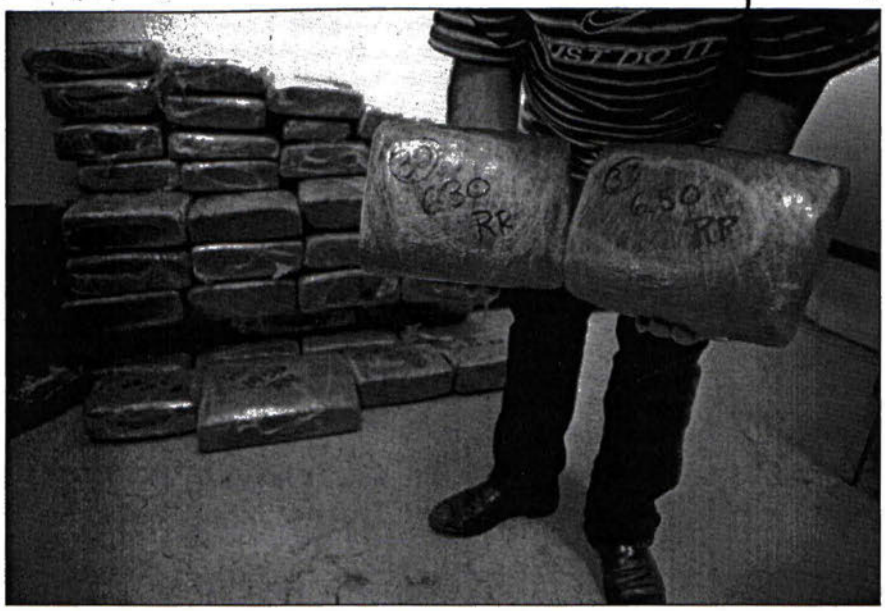
If it does, it will not be taken seriously the next time a country threatens the use of a weapon of mass destruction. And it will undoubtedly have to face up to, or funk, another challenge from Mr Hussein before long. That, it is true, it may have to do anyway. But yielding to Iraq this time would make the outcome of the next encounter a foregone conclusion—and represent an historic defeat for the United Nations. That is why the least bad way forward would be a unanimous warning from the Security Council that, if Iraq does not oblige at once, it will face an armed strike with the council's full backing. The council has lost one opportunity to deliver this message. Though time is limited, it can still disabuse Mr Hussein of any doubts he may have. The decision is then his.

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12-8-97

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MEXICO'S DRUGS MENACE

Return Sunday Fyi - BR



Poison across the Rio Grande

Americans and Mexicans have both begun to realise the growing power of Mexico's drugs mobs. The threat to both is greater than they dare imagine

"CERTIFY us? They should compensate us for the filthy mess they leave us." These harsh words recently directed at the United States could have been uttered by any of a dozen Latin American leaders outraged at its arrogant annual practice of "certifying" (or decertifying) them as allies in its fight against drugs. The shock was that they came from Mexico's usually diplomatic president, Ernesto Zedillo. He was due in Washington this week to meet President Bill Clinton. Drugs figured prominently on the agenda.

The flow of illegal drugs across the two countries' border is a hot issue—on both sides. Americans are preoccupied with addiction and crime, Mexicans with violence and corruption; yet the problems of one are rapidly becoming a menace in the other. Each blames the other for its woes; each largely ignores its own flaws. The United States has problems enough with its drug-prohibition policy. The discord with Mexico is making them worse still.

Americans are understandably frustrated. Since the early 1980s, when Ronald Reagan launched his much-trumpeted war on drugs, their country has spent nearly $300 billion to stem the flow—with "no discernible impact on either price or availability", as even the State Department admits. The impact of drugs on American life is plain enough: 14,000 dead each year; a soaring prison population; indirect costs put at $67 billion a year. Some senators recently gave warning that "it is not at all clear" that Mexico will be certified next year. Decertification could scare off investors and cut off World Bank loans.

Mexicans too are frustrated. It took that senatorial goading to push Mr Zedillo into his outburst, but his words revealed a resentment felt by many of his countrymen. A popular new *telenovela*, for example, features a corrupt American drugs agent named Don Johnson. On American television "the dealers are always named Martinez or Perez. What about the Smiths and the Robinsons?" asks the soap opera's writer pointedly. After all, there would be little reason for Mexico's drugs mobs to exist if the United States could control its own appetite for narcotics.

Mr Zedillo's remark also hinted at a deeper fear: the *gringos* just may be right. Thoughtful Mexicans have begun to worry about the *colombia*
try. For two decades
home for trafficker
government and in
The worst mobsters
hind bars; their corr

Could Mexico go ... way? Both struggle with poverty and stark disparities of income; both have police and courts permeated with corruption; and the police and the military in both have poor human-rights records. Both face guerrilla groups—embryonic in Mexico, full-grown in Colombia—some with drugs ties. Mexico has one thing extra: a porous, 3,200 km (2,000 mile) border with the United States.

Every year some 250m people, 85m cars and 3m lorries enter the United States across this border, legitimately. Mexican smugglers have for generations ferried illegal goods across it. They have links with the millions of Mexicans who live north of the border or cross it every day. Using corruption and violence, they have established a web of influence on both sides of the border. The corrosive power of Mexican criminals threatens not only that country but the United States as well.

Thomas Constantine, head of America's Drug Enforcement Administration (DEA), explains how seriously he takes this:

> These sophisticated drug syndicates from Mexico have eclipsed organised crime groups from Colombia as the premier law-enforcement threat facing the United States today... Bosses have at their disposal airplanes, boats, vehicles, radar, communications equipment and weapons in quantities which rival the c...bilities of some legitimate governments.

Squeeze the balloon

The irony is that American policies helped to create the Mexican mafia. The drugs trade is often likened to a balloon: squeeze one site or route, and the baddies will simply develop another. That is what American drugs-fighters did.

In the 1980s, the unquestioned kings of the cocaine trade were Colombian. They bought their coca in Bolivia and Peru, processed it in Colombia, and sent most of the resultant cocaine through the Caribbean. Mexicans played only a small role. But a fierce American-led crackdown on Caribbean routes in the mid-1980s led the Colombians to ship ever-increasing loads through Mexican smugglers. By the early 1990s, they had grown reliant on them. American drugs agents, aware of the shift, pressed for a change in policy, or at least for criticism of Mexico's growing role as a drugs route. But first George Bush and then

Bill Clinton were preoccupied with getting NAFTA—the North American Free Trade Agreement—through a sceptical Congress: don't rock the boat, they warned the DEA.

A second boost came in the mid-1990s with the American vendetta against Colombia's President Ernesto Samper, who stood accused of having accepted some $6m from the Cali drug lords for his election campaign. Attempting (in vain, it turned out) to stave off decertification, Mr Samper cracked down hard. The Medellin mob had already been smashed. He turned on the Cali one. Its leaders, the Rodriguez Orejuela brothers, and several of their lieutenants were put behind bars. Their Mexican friends happily picked up the slack.

The smugglers adapt

In doing so, they were building on generations of experience. Clans of smugglers, known as *iguanas*, based in Tijuana, Ciudad Juarez and Matamoros have been sneaking contraband across Mexico's border for at least a century. During the Mexican revolution of the 1910s, they smuggled guns south. In the 1920s, the decade of American prohibition, they shipped booze north. They also learned how profitable selling Americans cocaine could be. Later they added marijuana and heroin. But they still earned more smuggling goods like electronics into Mexico's protected market.

In the mid-1980s, the game changed. The Mexican government, lowering tariffs to meet GATT standards, unintentionally threw the *iguanas* out of work. They turned seriously to the booming cocaine business, at first as transporters for the Colombians.

They had help. The Institutional Revolutionary Party (PRI) had run Mexico for decades by sharing out the spoils peacefully among its members and friends. As early as the 1920s, its governors in Sinaloa and Baja California were engulfed in drugs scandals. By 1951, says an American intelligence report, the presidential police were bent. Yet, officially, the United States said nothing.

When Cuauhtemoc Cardenas, son of a popular president of the 1930s, broke with the PRI in the mid-1980s, he shattered the cosy consensus. Feuding broke out. In 1993 a cardinal, Juan Jesus Posadas, was killed by 14 bullets at Guadalajara airport. The following March, Luis Donaldo Colosio, President Carlos Salinas's hand-picked successor as the PRI's presidential candidate, was shot dead at a Tijuana rally. A few months later, Mr Salinas's former brother-in-law, Jose Francisco Ruiz Massieu, the party's secretary-general, was murdered in Mexico city. All these killings remain unsolved, but most Mexicans believe drugs-linked PRI "dinosaurs" were behind them.

The twisted case of Raul Salinas, the curiously rich brother of now ex-President Carlos, suggests that narco-corruption may have gone right to the top. He is accused of masterminding the Ruiz Massieu murder, but prosecutors have bungled that case. A more persuasive allegation—made unofficially—is that he protected Juan Garcia Abrego, ex-head of the Gulf cartel in Matamoros and the most powerful Mexican boss of the early 1990s. Mr Garcia Abrego, who had always magically eluded police while Raul Salinas was flying high, was arrested and shipped to the United States after his alleged protector was jailed in 1995; he is now serving a life sentence.

Lord of the Skies

His downfall paved the way for the audacious Amado Carrillo Fuentes. Like his rivals, Carrillo started small, smuggling drugs from his Ciudad Juarez base for Colombian bosses for a fee. But in the early 1990s he pioneered the use of large aircraft, earning the nickname "Lord of the Skies". As the Cali chiefs came under attack, he got them to pay not in dollars but in drugs.

With as much as half of every shipment coming their way, the Mexicans, led by Carrillo, became big in their own right, pushing cocaine through networks of Mexican migrants in the south-western United States. By early 1997, Carrillo had reached New York, muscling out the Colombians. Mexicans also started to get some of their cocaine directly from Andean suppliers, by-passing the Colombians altogether.

Carrillo was consolidating at home too. He took over much of Mr Garcia Abrego's business. Of local rivals, only the ruthless Arellano gang stood between him and control of the entire border. His network of bent politicians and policemen was formidable. Last January the army raided his sister's wedding party. They found federal police guarding the event. No Amado Carrillo, however; the cops had tipped him off.

He also used crooked friends to attack rivals. General Jesus Gutierrez, for example, seemed to have done well against the drugs barons while stationed in Guadalajara. When Mr Zedillo wanted to clean up his anti-drugs force in late 1996, he turned to the general ("a guy of absolute, unquestioned integrity," said the United States' anti-drugs tsar, Barry McCaffrey). Within weeks General Gutierrez was under arrest, on evidence that he had been paid by Carrillo to wipe out rivals. The deadline for certification was only days away; fearing a rift, Mr Clinton gave Mexico a clean bill.

The general claims he has been framed. But his is not the only case to raise doubts about the Mexican army, usually thought cleaner than the police. When a magazine published intelligence files from the defence ministry linking certain generals to drugs-traffickers, the defence minister did not sack the generals; he court-martialled the lower-ranking officers believed to have leaked the files. A beauty queen, once the mistress of a top general, was identified as an agent for drugs barons but now ready to name names. She was shot dead on a Guadalajara street; hours later, military policemen turned her house upside down.

Carrillo was on his way to becoming the world's most powerful criminal. He was taking no chances: he bought $6m of property in Chile, apparently planning to shift his headquarters there. For extra security, he decided to have plastic surgery to change his appearance. That was his error: the surgeons administered a drug that killed him on the operating table. That was theirs: their corpses, viciously tortured, have just turned up in barrels of concrete.



The fallout

Carrillo's demise in July has unleashed a fierce battle among rivals and lieutenants. The winners, unless their rise is checked, are likely to be the Arellanos. The struggle has already prompted an unprecedented wave of killings across Mexico.

Nowhere has this been more violent than in Ciudad Juarez, where Carrillo was based. This grimy city long had a murder rate twice that of New York city, but the killings happened mostly at night in the shanties. Now assassins operate during the day, in crowded plazas. Gunmen, some wearing police uniforms, have abducted dozens of people, including some Ameri-

cans; soldiers from the American base nearby are now forbidden to visit. Thousands of locals staged a brave protest in August to "take back the town"; an hour later, three men were shot on the same spot.

The Arellanos had already made such bloodshed commonplace in Tijuana. Of its 1.2m residents, over 400 died in drug-related murders last year; this year looks worse. The mobsters pay street gangs to terrorise innocents and murder enemies, honest police not least. The head of the federal police in Tijuana, Ernesto Ibarra, and two of his officers were killed by machinegun on a main street days after he accused some of his men of being "not just friends of traffickers, but their servants." Godin Gutierrez-Rico, a state prosecutor in Baja California, was shot 100 times, then run over by a car, after he had helped the DEA identify some of the Arellano clan's gunmen.

Mr Zedillo sacked Baja California's entire state police force this year, replacing them with soldiers. It has made no difference: the Arellanos, say Mexican prosecutors, spend $1m a week on bribes in Mexico.

Spilling across the border

And not just in Mexico. Its mobs have infiltrated American life. The DEA reckons that 70% of all cocaine entering the United States today does so through Mexico, a rising proportion of it through the Arellano network. The traffickers have moved hard into heroin, whose popularity is again on the rise; poppies are spreading like wildfire across the sierras of central Mexico. Mexicans have also progressed from smuggling marijuana across the border to growing it there: officials say four-fifths of the outdoor cannabis fields they discover in California are cultivated by Mexicans.

Methamphetamine, "speed", long peddled in small quantities by motorcycle gangs, is another speciality. A crackdown on the bikers' precursor chemicals enabled the Mexicans to grab the market, smuggling in chemicals from China and Switzerland. With superior production and distribution, they have created a boom for the "poor man's cocaine", especially in rural America: in the country as a whole, emergency admissions for overdoses tripled from 1991 to 1994, and are still soaring.

With the poison has come blood. Drug-related murders in south-western cities are multiplying. The mobs hire street gangs of illegal migrants—such as "Calle 30" ("30th Street") in San Diego or "Wetback Power" in Phoenix—to carry out executions. The killings used to be confined to Mexican ghettos, but now suburban whites are hit too. Many young killers—an arrogant generation known as *narco-juniors*— are well-heeled lawyers and businessmen.

Less tangible, but more insidious, is corruption. American officials insist it is "episodic", not "systemic" as in Mexico. Not yet, a look at the frontier suggests. Federal officials say that local ones in its many poor areas are often corrupt. So too, increasingly, are some border-patrol and customs men. Many come from the border (their unions have blocked plans to rotate them). Though local knowledge can help an honest officer, family ties make it easy for a crooked one to take a back-hander. The traffickers look for weaknesses, like infidelity or unpaid debts, to blackmail those they cannot co-opt.



He was a plastic surgeon to Amado Carrillo

The number of men on border patrol has been doubled since 1992. The DEA has opened new offices in Ciudad Juarez, Matamoros and Tijuana. It also launched the "south-west border initiative" three years ago, to co-ordinate efforts by the DEA, FBI, border patrol, customs service and sundry state and local authorities. Using wiretaps and stings, the combined forces have nabbed some distributors. But the cartels are compartmentalised, and these small men do not know—and so cannot finger, even if they dared—the big ones, safely ensconced in their *haciendas* in Mexico.

Frustrated, some Americans want to bring in the army, in force. Some soldiers have been sent. But in May one shot dead an innocent goat-herder. A proposal to put 10,000 soldiers on the border has just died a quiet death in Congress. Even so, the Pentagon plans to spend $809m fighting drugs next year—and General McCaffrey wants $950m. Yet even he admits that, if the army shut the entire border, the Mexican mobs would simply ship their drugs through Canada (as they have already begun to do).

Supply and demand

Simple economics ensures that the fight against drugs is an uphill one. Traffickers pay maybe $500 for the coca that makes a kilo of cocaine, which can retail in Miami or New York for $25,000. Heroin is even more lucrative. Such are the profits (over $50 billion a year, says the DEA) that the traffickers regularly produce twice as much as they expect to sell, to make up for losses in transit. No matter how much is intercepted, prices fluctuate little. Fifty square kilometres of poppies can meet a year's heroin demand. Two dozen tractor-trailers can hold a year's cocaine.

What can be done? Mr Clinton clearly does not believe he can push Mr Zedillo into a serious crackdown. The unstated fear is that this could result in instability in Mexico, disrupting trade and sending millions of migrants north. To tackle the Mexican mobs, America needs a more realistic policy on drugs. Recognition that they are rapidly corrupting its own institutions would be a start, and would make it easier for Mexico's leaders to accept criticism and join in the fight.

It will not be won. But ordinary Mexicans could help. Ranch-hands should stop singing—literally—the praises of mob bosses, clergy stop taking their money, bankers stop laundering it. Mexicans have shown, by voting the opposition into control of Congress in July, that they are ready for a break with the past. But could they bear the violent backlash?

Colombia's case suggests they might. In Cali, courageous citizens boycotted shops and restaurants owned by traffickers. Anti-drugs police have seized many top mobsters. It is possible to beat down, albeit never to eliminate, the influence of the traffickers. A former Colombian president, while in office, said this:

> I am convinced that legalisation is the only solution. But as long as the Americans are prohibitionist, we need to be even more hardline, or risk having every institution of our democracy overwhelmed by narco-corruption.

Until—far off, if ever—the United States accepts legalisation, that is sound advice.

The Reagan touch

HE WAS the only living ex-president not to turn up to the dedication of George Bush's presidential library. His Alzheimer's is so far advanced that he sometimes fails to recognise his own stepson, let alone former cabinet colleagues. "Who is that man sitting with Nancy on the couch?", he whispered to a nurse when George Shultz, his former secretary of state, paid him a visit recently. "I know him. He is a very famous man."

And yet, even as Reagan the man fades, Reagan the myth shines brighter than ever. At this autumn's meeting of the Californian Republican Party every speaker, from Fred Thompson to Dan Quayle, made a point of rallying behind Mr Reagan's banner. At this week's meeting of Republican governors in Miami, the governors unanimously endorsed the idea of renaming Washington National airport after him. His face has beamed out recently from the cover of three magazines: *Forbes* ("How Ronald Reagan re-elected Bill Clinton"), the *Weekly Standard* ("Reagan's Greatness") and the *National Review* ("Reagan's Russian Revolution"). A debate in *Slate* on who deserves more credit for America's healthy economy, Reagan or Clinton, has Mr Reagan winning by a margin of 62% to 38%.



Why this surge of interest in Mr Reagan? A thoroughly American mixture of piety and commercialism, for a start. Conservatives want to pay their last respects to their hero before he fades still further; and even those Americans who did not sympathise with his politics have been impressed with his courage in admitting to his illness. More important than either piety or opportunism, however, is nostalgia.

Republicans, long at war with each other, long to revive Mr Reagan's unifying magic. Unhappily, the Reagan formula involves mixing three ingredients that are difficult to get hold of even singly these days. The first of these is an evil empire. Since the fall of the Soviet Union, Republicans have struggled to find another nemesis—abortion? illegal immigrants? China?—without success. Indeed, each of these issues has fractured the party. Yet the other two elements in Mr Reagan's mix were if anything even more important, and have proved even more elusive.

The second ingredient was an unshakable belief in a few simple truths. Mr Reagan did not need lots of fancy books to tell him that businessmen were better than bureaucrats and America better than abroad. (One such book, Paul Johnson's "Modern Times", reportedly lay on his bedside table for years, the bookmark stubbornly stuck between the same pages.) Nor did he care what the *New York Times* thought of his performance.

But if Mr Reagan's life proves that "the unexamined life is worth living", in Peggy Noonan's phrase, his successors have not been so lucky. Newt Gingrich and Dick Armey were both that most unReaganite of things, college professors. Jack Kemp can outbore even Al Gore on issues such as school choice and empowerment zones. For all these men, the disdain of the liberal intelligentsia rankles.

The rise of the right-wing pointy-heads is not just the result of bad luck. The sad fact is that politics has got more complicated than it was in Mr Reagan's day. Republicans could unite on stripping trade-union barons of their powers. But what about depriving company chiefs of their pork? They could unite behind lightening the burden of regulations. But what happens when the newly liberated market starts to undermine traditional values? For Mr Reagan, lucky man, good things had a habit of cleaving together. For his successors, they often pull in opposite directions.

The third ingredient in Mr Reagan's success was his equally unshakable optimism. His "morning in America" was not just a cheap slogan; it expressed his conviction that, if meddling politicians did not prevent it, life in America really could go on getting better and better. The Republicans have tried to recapture this optimism ever since. Bob Dole repeatedly declared himself "the most optimistic man in America" in the 1996 presidential campaign. Steve Forbes's private think-tank is called "Americans for Hope, Growth and Opportunity".

But for all this bluster, the mood on the post-Reagan right is deeply pessimistic. Mr Reagan believed that, if you allow people to keep their own money, they will spend it wisely; his successors worry that they will splurge it on pornography. The best way to write a right-wing best-seller these days is to portray the United States as a sleazy version of Brazil (as Charles Murray and Richard Herrnstein do in "The Bell Curve") or as a latter-day Gomorrah (see Robert Bork).

The fading of the old Reaganite optimism reflects more than just the frustration of a few right-wing intellectuals. It reflects a shift in power in the Republican Party from California to the South. There is something quintessentially Californian about Mr Reagan's optimism: about his belief that, as a people, Americans could look forward to the future without apologising for the past and that, as individuals, they could invent a new life for themselves if the old one seemed inadequate. Mr Gingrich's optimism, on the other hand, though supported by repeated references to Alvin Toffler and other futurologists, is much more angst-ridden. He cannot look forward to the future without being haunted by a past that involves not just slavery but the one of the most fearsome civil wars in recent centuries.

Perhaps the most frustrating thing for the conservative movement, however, is that the one contemporary politician who possesses a little of the Reagan touch is their sworn enemy. Bill Clinton enjoys Reagan-like popularity ratings of more than 60%, and a Reagan-like Teflon coating that protects him from a rising tide of scandals. One rumour in Hollywood is that Mr Clinton may become head of DreamWorks, a new studio, when he retires in 2000. It would be a fitting tribute to America's film-star president if his most charismatic successor were to follow his career in reverse, and retire from politics to make movies.

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Killing in Colombia



Outsiders can help the search for peace

IT IS not Algeria, or the Rwanda of 1994, and never will be. Yet Colombia's bloody, and growing, violence is a stain on Latin America, a region that likes to think its standards are very different from those of such countries, and which, since the collapse of its military regimes, has elsewhere shown that to be true. Colombia is the sad exception: a country where large numbers of left-wing guerrillas and right-wing paramilitaries roam, often unchecked except by each other, with drugs money financing both sides.

These groups are little known or heard of outside the region, or indeed outside Colombia, until some horrendous killing or some especially audacious guerrilla attack makes momentary headlines. In two incidents last weekend (see page 33), death-squads—possibly in connivance with elements of the army—massacred some 20 people, almost unnoticed by a Europe and a North America that can number every hair of an Israeli head or even, at times, of Arab ones. Yet these and many earlier killings have driven hundreds of thousands of country people from their homes, and are draining the life of Colombia's civil society.

Can they be brought to an end? President Ernesto Samper has tried more than once, barely noticed, let alone aided or even commended, by those who were happy to denounce the drug money that went into his election campaign in 1994. This year things have grown both worse and better. The guerrillas, of sundry varieties—though none, mercifully, addicted to indiscriminate killing of the Algerian sort—have grown bolder and extended their range. So have the paramilitary "self-defence" groups. But government and guerrillas in June agreed, through intermediaries, on the release of nearly 70 soldiers and marines held prisoner since late 1996, and Mr Samper set up a "peace exploration commission" to study how a peace process could be developed.

That was not just a gesture. It obliged Mr Samper to sack his armed-forces commander, a braver step in Latin America, even now, than in, say, Canada. And in September the commission produced a report, promptly accepted by Mr Samper, that could lay the basis of peace. That did not stop the guerrillas doing their best to disrupt local elections a month ago. Nor have they formally responded since. But there have been informal contacts, both outside the country and, undeclared, within it. There are signs of hope.

Foreign aid welcome

The first step, says the commission, is for all groups to accept that none can win by force. Next, for all to accept the essentially political nature of the fighting and the need to remove its social causes. So far, all agree. Note that "all". This is not a two-sided war. The paramilitaries (some legal, some not) are in part bunches of thugs, in part what they call themselves, self-defence groups, a genuine response to the weakness of the state. But anyway they are part of the problem, and—though the guerrillas now say not—will have to join in its solution.

A solution, to be reached how? The government is ready for talks, without preconditions, aimed at a framework deal setting out an agenda for wide-ranging haggling on the many broad issues that will go into a final deal. It is ready to demilitarise a "zone of detente" for talks, with safeguards for guerrilla spokesmen. But lack of trust is a big obstacle. That is where foreign mediation would be useful, and welcomed. Already contacts have been made in Mexico and in Costa Rica. Mr Samper had a two-hour meeting during the recent Ibero-American summit with Fidel Castro. Spain and Venezuela are willing. The United States, feared by the guerrillas and at odds with Mr Samper, can do little yet, but it will back a peace process once one begins. All who can should join in.

America the unmighty



Bill Clinton has the firepower. But to deal with threats like Iraq's, he also needs the power of friends

SINCE the era of David and Goliath, if not from the fabled days of Aesop, the mighty have from time to time had their come-uppance at the hands of the puny. The paradox gives constant comfort to underdogs, and to those who wish them well, which means all Right-Thinking People. It is less comforting, however, when the underdog is a vicious bully and the vanquished giant is the world's only superpower, acting as guardian of international order and security. That is not, of course, the way the latest confrontation with Saddam Hussein has turned out—not yet, anyway. But the episode has drawn attention to the ways in which the United States, omnipotent though it may superficially seem in the post-cold-war age, is sometimes in fact quite weak. For at least some of this weakness a remedy could, and should, be found.

It is not hard to imagine how this month's showdown could have turned out differently, and much more awkwardly for America. Add a bit of Iraqi intransigence, subtract a bit of Russian ingenuity, throw in a bit of UN Security Council discord, and the choice for America would have been, broadly, acquiescence or air strikes. Acquiescence would have meant a stinging defeat for the UN's authority, and a licence for Mr Hussein to break out of his cage, armed with enough nerve gas to kill the world. Air strikes would have meant, at best, a setback to his weapons-making ambitions; at worst,

the deaths of many innocents; and either way the enhancement of Mr Hussein's underdog status and the further alienation of America from Arab opinion.

The United States should not have found itself so close to this appalling pair of choices. That it did so was at least partly because of its failure to keep its alliances in good repair. The fraying could be seen in three places. In the Arab world, the first of those places, the United States is widely blamed for failing to bring pressure to bear on Israel to sustain the peace process. True, America's influence over Israel has never been as great as many Arabs would believe, yet the Clinton administration has been notably less willing than its predecessors to get tough with Israel. True, too, Arab governments should not let their frustration about the peace process colour their attitude towards Mr Hussein, whose potential for mischief still threatens them as much as, maybe more than, anyone. Yet they know that Mr Hussein's capacity to undermine them lies not just in his readiness to use weapons of mass destruction but also in his claims to Arab leadership through the exploitation of the Arab sense of victimisation and despair.

More fraying has been on view in the United Nations, an organisation Americans tend to treat with scorn. The United States wanted a new secretary-general, and has got one. It wanted administrative reforms, and has got them. But it still refuses to pay the $1 billion it owes the UN. No wonder its stock is not high in the General Assembly.

It is not much higher in the Security Council, where the lack of solidarity against Iraq has been most serious. Admittedly, France and Russia needed little encouragement in dallying with Mr Hussein: they wanted old debts paid and new contracts signed. But their readiness to indulge the Iraqi despot would have been easier to oppose had America not antagonised both countries by its simple-minded equation of Iran and Iraq and its overbearing effort to punish anyone investing in Iran's oil and gas industries. More fraying here.

Tunnel-visioned Congress

Few American presidents annoy their friends deliberately. They tend to do so inadvertently, sometimes by neglecting problems, sometimes by yielding to lobbies, sometimes by failing to make the case for their policies in Congress, where more than ever before narrow domestic concerns seem to take precedence over bigger issues. The evidence litters American foreign policy from Cuba (for Jorge Mas Canosa's influence, see page 29) to Israel (Vice-President Al Gore looks to Jewish groups to help pay for his presidential bid in 2000), to free trade (Mr Clinton, triumphantly re-elected only a year ago, cannot win fast-track negotiating authority).

Mr Clinton is not altogether to blame. His allies are often difficult. So is Congress. And in the absence of an ultimate terror like the Soviet Union, deference to the president is inevitably diminished. All this, however, only adds to the need to pay attention to alliances. The rest of the world must realise that the end of the Soviet threat does not mean the end of all other threats. The United States must realise that it is more important than ever to keep friendships in good repair.

Don't mention the "v"-word



Politicians and the education establishment are wrong to oppose school vouchers

NEVER mind the "f"-word. Other words are far more offensive to some teachers. Mention the "c"-word (competition) and they wince. They tut at the "s"-word (selection). And don't ever say the "v"-word: the idea of giving vouchers to parents, to spend on either state or private schooling, horrifies them. The American Federation of Teachers calls vouchers "obscene". Mindful of how important a constituency teachers are to their parties, both Bill Clinton and Tony Blair will not allow vouchers a chance to prove themselves. Earlier this month a plan to give vouchers to poor families in Washington, DC, so they could escape the city's dire public schools, was postponed by Congress after Mr Clinton vowed to veto it. Mr Blair is abolishing the previous Conservative government's scheme, which had only just begun, to give the parents of four-year-olds a £1,100 ($1,840) voucher for nursery classes.

Vouchers inspire a flood of objections, none convincing. Schemes being pioneered in several American cities face legal challenges on the ground that, since many of those given vouchers choose Catholic or other religious schools, this violates the constitutional separation between church and state. But voucher schemes give public money to individuals, not institutions. Furthermore, precedents for this have been set by both the GI bill in the 1940s (which offered demobilised soldiers a college education) and more recently the Pell Grants (offering disadvantaged students a state-funded college place). In both cases the beneficiaries could, if they wished, study theology at church-affiliated colleges.

Mr Clinton and other critics of vouchers see them as a right-wing plot to help a few white middle-class kids into expensive private tuition, leaving the rest stuck in "sink schools". In fact it is the poorest families, who have no chance of paying private-school fees, and whose schools are already sink schools, who would gain most from vouchers. That is why a group of several thousand black parents in Denver is suing the local school board for the right to be given them. Cleveland's voucher scheme has led to the founding of new schools, free from the dead hand of school-board bureaucracy, offering poor families a real increase in choice (see page 27). A recent evaluation of Milwaukee's scheme found that the private schools which accepted pupils with vouchers not only educated them better, but did so more cheaply than the city's public schools.

Critics of vouchers complain that schools would be ruined by having to compete with each other for pupils. This is nonsense. The fierce competition between different carmakers and different supermarkets has led to better value, higher quality and more innovation. Look at the league table of Britain's fastest-improving secondary schools, published this month, in which many of the top places were taken by "city technology colleges" and "grant-maintained schools"—

The Economist
NOVEMBER 22ND 1997

THE PRESIDENT HAS SEEN
12-8-97
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Is Russia going wrong?

IT NEVER seems to get better. That, at any rate, is the feeling of millions of people who live in Russia—and of many foreigners who cast their eyes on that haunted, baffling country so rich in potential. False dawn, it seems, follows false dawn. Reformers come and go. Brutality, venality and poverty seem constant. Ten years after communism started to collapse, a demographic disaster—with male life-expectancy "stabilising" at around 58 years—has befallen a truncated, humiliated nation. And now Russia's most effective reformer, the first-deputy prime minister and finance minister, Anatoly Chubais, appears to have committed political suicide (see pages 23-26). Is it time to abandon the hope that Russia will soon emerge as a modern, liberal, capitalist democracy?



Certainly not. The current crisis of leadership is worrying, to be sure: without dextrous and steely hands in charge, the Russian machine of state is always prone to splutter and grind. Yet all is not lost.

Gloom and zoom

Bear in mind that the transformation already achieved in Russia since 1991, when Boris Yeltsin came to power, is little short of miraculous, however much remains to be done. Especially since reformers led by Mr Chubais grasped the levers of government last spring, Russia's health has begun to improve more quickly, showing what determined leadership can achieve. Shortly the economy, battered in recent years not by "shock therapy" but by the legacy of decades of communist incompetence, should register an increase in recorded output, the first since the collapse of the Soviet Union—and this official measure belittles the true improvement. Inflation, for the moment, is under control. Until Asia's troubles put all emerging stockmarkets in the dock, Russian equities were soaring, indicating a new willingness by foreigners to make the investments in Russia that the country so badly needs.

In short, things have improved a lot: the mood of despair to which Russians and outsiders alike are prone is often overdone. A platform is in place for economic and political progress. The question is whether that opportunity can be seized—or whether the humbling of Mr Chubais, whom many see as the only reformer capable of meeting the challenge, will delay Russia's deliverance, possibly for years.

Given Mr Chubais's acknowledged strengths, might Mr Yeltsin not help him to ride out this storm? Much as the president might wish it, the history makes this awkward. A year and a half ago, Russia was embroiled in a presidential battle to stave off the return of communism. Russia's new businessmen rallied, and cut-throat competition between business-cum-political clans was suspended. But once the fight against diehard Marxism wa
cious one began betw
truly open Russia to
forces and the rule of
the new capitalist oli
rules of the jungle. E[illegible] this month, Mr Chubais forced Boris Berezovsky, a businessman whose support had helped to get Mr Yeltsin re-elected, out of the government. His message was clear: such backers had no right to divide the spoils of the state among themselves. Now Mr Berezovsky (exploiting the media outlets he owns) has bitten back—with revelations that put Russia's key reformer in a similarly unflattering light.

In accepting an implausibly large advance for a book he is co-authoring (and from a firm now owned by a bank that is his political ally), Mr Chubais appears to have broken no law. But having paraded himself as the cronies' foe, he acted foolishly. He set high standards for himself. It is now almost inevitable—and in many ways right—that he should forfeit the enormous powers that have been at his disposal.

Without Mr Chubais's dynamism, guile and vision, the government may indeed drift: in a system of government where institutions are weak, strong individuals are essential. Yet a similar mood of alarm attended the departure of Yegor Gaidar from high political office. The West once invested all its hopes for reform in him—before Mr Chubais turned out to be a much more effective operator. And Mr Chubais, far more so than Mr Gaidar before him, has placed good people strategically throughout the administration. The Duma, unhelpful though it is, may yet lack the stomach for a reform-busting showdown—and even Communists these days seem to accept, albeit grudgingly, some of the broadest tenets of economic sense. Indeed, the Duma may be willing to co-operate with a reformer appointed to take Mr Chubais's place.

Everything therefore continues to depend on Boris Yeltsin. His illness notwithstanding, it will not do for him to adopt a passive end-of-regime persona after the manner of Ronald Reagan. Mr Yeltsin must retain and firmly back genuine reformers at the top of his government, lending them his decree-laden weight at critical moments. Mr Chubais had himself hoped for two good years of political calm and constancy, so that—come Duma elections due in December 1999 and the next presidential race in the summer of 2000—reforms would have become truly irreversible, with Russians even starting to notice their benefits. If that is not to be, Mr Yeltsin must find the right man to replace Mr Chubais, and then take up the cudgels on the new man's behalf.

It is a commonplace to say that Russia cannot revert to its Communist past. Almost certainly, this is true. But Russia can still go very wrong. If the Chubais brand of reformer loses

credibility, an array of non-Communist Russians could still pull Russia down: corporatists, fascists, colonels, mumbo-jumbo Slavophiles, crony capitalists. Contenders for the presidency—the populist ex-general, Alexander Lebed; the plausible but crony-stroking mayor of Moscow, Yuri Luzhkov; the stolid, trimming ex-apparatchik and current prime minister, Viktor Chernomyrdin—all have defects inimical both to Mr Chubais and to Russia's future well-being. What matters now is that Mr Yeltsin backs a proponent of the Chubais way forward—and stays alive and punching for the next two years.

Brazil near the edge



Its congressmen should help the government to save it from going over

FOR all Brazil's recent opening to the world, its legislators—like many elsewhere—do not give much thought to outside opinion. They have constituents and interest groups to think of, especially with an election less than 12 months away. But they should be thinking hard about the world, for its markets have been thinking, sceptically, about them.

For much of President Fernando Henrique Cardoso's term, Congress has avoided acting on the constitutional amendments that he wants, and Brazil needs, to put its public finances in order. A month ago, the crunch arrived: the Asian financial earthquake, which soon was making tidal waves in Brazil's stock and currency markets. Last week, the government had to meet trouble head-on. It did so, and did it boldly: to its earlier doubling of interest rates it added a fiscal package meant to slim the public-sector deficit by 2¼% of GDP. Short of this, the currency—and with it Mr Cardoso's greatest achievement, the defeat of inflation—were at risk. Did legislators rush to rally round? They did not.

Part of the package was a rise in personal income taxes. No way, said Antonio Carlos Magalhaes, the powerful chairman of the Senate and, in theory, a government supporter. The sum involved is not huge: around $1 billion in a total of $18 billion. But the principle is: are the few Brazilians who pay income tax, and the legislators they influence, willing to pull their weight in a fight that matters to all Brazil?

In fact, the government had a way: it brought in its income-tax changes by decree. Brazil's stockmarkets have perked up well since then. But decrees are not the word of God: where income tax is concerned, they require congressional approval. And world markets will demand approval soon. Brazil's congressmen have good reason to dislike government by decree: there has been far too much of it. But they have better reason still to back Mr Cardoso's fiscal package, and back it firmly and fast.

Even so, the government, for all its denials this week, may yet have to turn to the IMF—probably to further cries of congressional outrage, these ones on nationalistic grounds. True patriots should think how markets would react to that, and recognise recourse to the IMF as an unhappy necessity, not a disgrace. Let them note too that if the Fund were ready to help at all, it would insist that a country whose public-sector and current-account deficits both run at 4-5% of GDP must change its ways. The best time to do so—IMF or no IMF—is now.

One step forward

At least, Congress this week faced, and met, another crucial test. One much-needed, and long-delayed, reform is that of the civil service, both federal and (still more so) lower-level. It is a costly shambles. But the bureaucrats' pay, job security and conditions are enmeshed in constitutional red tape; and constitutional change requires 60% backing in both houses of Congress. On November 19th the lower house gave it 68%, passing responsibility to Mr Magalhaes and the Senate.

Delay to this and other changes—social security is still more in need of reform—was not all Congress's fault. If Mr Cardoso had cajoled and prodded enough earlier, he would not have had to shout and kick this month. Nor are the legislators without their reasons; it is not their duty to rubber-stamp whatever the president wants stamped. But they owe Brazil a duty. Having made a start, let them carry on accordingly.

The IMF and Asia



Let the fire brigade rest for a moment

THEY have toppled one by one, like the proverbial dominoes. But the first of the hitherto lusty economies to be abruptly felled in what has become an *annus horribilis* for emerging Asia were at least relatively small parts of the global scheme. From the start, the currency tumbles and stockmarket crashes in Thailand (GDP about $180 billion), Malaysia ($90 billion) and the Philippines ($80 billion) grabbed the full attention of those people who had been unwise or unfortunate enough to invest in those places at the wrong price or the wrong moment. But the rest of the world was able to take a more detached view of these distant alarms. Some onlooker may even have derived an unkind satisfaction from the spectacle of Malaysia's Mahathir Mohamed—and others who had spent so long lecturing the West about the superiority of "Asian values"—getting their come-uppance.

Over the past six to eight weeks, however, Asia's trouble have become harder to shrug off as a little local difficulty. At the end of October the crash of Hong Kong's stockmark

RUSSIA'S REFORMS IN TROUBLE



The humbling of Chubais

MOSCOW

Russia's leading reformer, Anatoly Chubais, is caught up in a scandal that may sink him. With the economy facing a difficult winter, and crucial measures not yet in place, the timing is dreadful

ADAM SMITH thought there was "a lot of ruin in a country", and Russia worked hard under communism to prove his point. The worrying thing since has been that, even without communism, Russia's capacity for ruining itself has diminished less than one might have hoped. Plainly, great things have been achieved. Russia's post-communists have created a market economy—something that nobody would have dared take for granted when Boris Yeltsin came to power in 1991. But assets have been strip-mined and stolen. Distrust of capitalism is widespread. Durable economic growth is not yet a reality.

Russians rarely tire of saying that their country has all the resources to be rich, but that the system has let the country down (see table on next page). Obviously they were right before 1991, but in at least one important respect they are still right: "the system" is failing in its basic duty of assuring the rule of law. The main question for post-communist Russia has therefore been a big but simple one: how and if government might be encouraged to put this right. Hence the importance attached by many people—especially in the West—to the rise of Anatoly Chubais, who has doubled since March as first-deputy prime minister and finance minister.

Mr Chubais began his career in the federal government five years ago by designing and carrying out a programme for privatising most industry. He has evolved since into an administrator without equal, a liberal-minded intellectual with all the cunning, camouflage and ferocity needed to prevail in the bureaucratic jungles of Moscow. Even rivals who oppose his political ends—chiefly, to entrench the market economy in Russia—concede his mastery of the means. Mr Chubais has come to stand for the possibility of a Russian government that works.

Hence, too, the despair attaching to the debacle of the past week. Mr Chubais has stumbled horribly, caught up in a scandal of his own making. On November 12th he and a team of colleagues were shown to have agreed to a "publisher's advance" worth $450,000 for a book on privatisation—an implausibly large sum for Russia, where a best-seller might earn its author $10,000. The money came from a publishing firm bought soon afterwards by a bank that had done exceptionally well out of privatisations overseen by Mr Chubais.

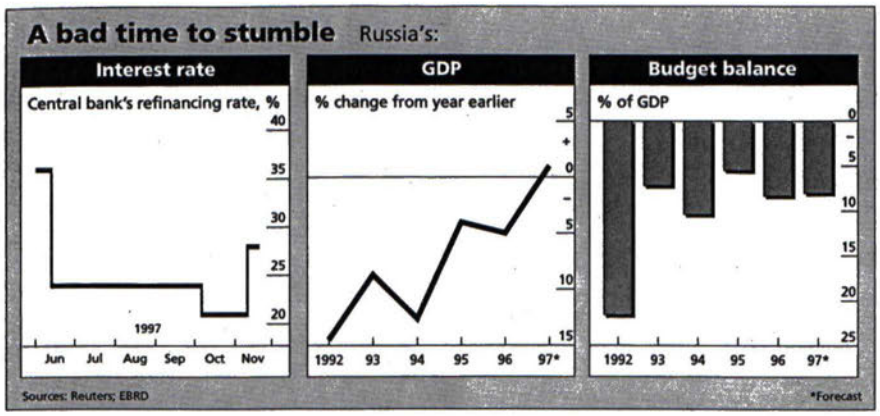
Three of the book's co-authors were sacked immediately from their jobs in government (a fourth had been sacked two months ago, over a strangely similar scandal). On November 15th Mr Chubais offered his own resignation. President Boris Yeltsin refused it, countering that there was too much urgent work ahead for the government to afford the loss. But, in effect, Mr Chubais was being told to await his sacking at a more convenient moment. This week he was told to expect questioning by Moscow's public prosecutor, and on November 19th he heard that he would lose his post of finance minister. Caught briefly by reporters, never had he looked so vulnerable.

His plight is being widely savoured. Mr Chubais has come to be disliked intensely by all sorts of people for all sorts of reasons. His attempts to reform the way public money is raised and spent have threatened a wide range of interest groups, and he has seemed at times to measure his success by the number of toes on which he has trodden. He is denounced with equal fury by the Communist Party, by the social-democratic Yabloko faction and by the far right. He has made enemies within government, and among the regional leaders he has tried to rein in.

Only the trust and authority of Mr Yeltsin have sustained him. Now they have been impaired, if they have not gone altogether. His resignation would have been a hugely popular move. The fact that Mr Yeltsin refused it at first offer should be read less as a renewed vote of confidence in Mr Chubais than as a grudging acceptance that the Russian economy was in too delicate a pass to manage without him.

Another bleak winter

The problem for Mr Yeltsin is that he wants desperately to see sustained economic growth under way in Russia next year. His second term ends in 2000, and so far the era of democracy he has championed has been a miserable one for most Russians. Only by bowing out (or, just possibly, running for re-election) on a rising tide of prosperity will Mr Yeltsin finally secure democracy in a country where liberal values are still being learnt and their efficacy is still widely doubted. But to grow, Russia needs investment. There will be no investment without confidence among investors. And



for many investors confidence is tied up with the continuation of economic reforms, of which Mr Chubais's presence in government has been the best guarantee.

In the short term Mr Yeltsin has been pressing the government to pay wages owed to public-sector workers by the end of the year. To do that the government will have to find about $1.5 billion in ready cash. Some short-term commercial borrowing may be inevitable. If it is, foreign lenders are liable to add points to their margins if they fail to detect the reassuring face of Mr Chubais across the table.

There will also be the delicate and demanding work of keeping the rouble on track during December and January. So far Russia has suffered comparatively little from recent turmoil in world financial markets. Russian share prices fell sharply when the storm hit late in October, and have fallen again this month. Several big firms and regional governments have been postponing plans for international bond issues. But foreigners holding Russian government treasury bills (known as GKOs) have been obliged by law to wait a month before repatriating their capital. So only at the very end of this month, and in early December, will the scale of any outflow from that large market be apparent.

Foreigners were probably holding about $20 billion of GKOs in late October. On November 10th, when amounts from $3 billion to $10 billion were rumoured as ready to leave the market, the central bank raised interest rates sharply (see chart) and looked decidedly edgy as it did so. It bought itself some calm. But if a rush for the exit does come in December nonetheless, the bank and the finance ministry will need to address the markets with all the credibility they can muster. If Mr Chubais is not there to stiffen their sinews, they will risk mustering much less of both.

After a nervous December may come a nervous January—always a difficult month for the finance ministry because tax collection, poor at best in Russia, falls to derisory levels amid the thick snow and public holidays of the new year. The government may also be wishing it had not proposed a currency reform at quite this moment. From January 1st it plans to redenominate the old rouble by stripping away three noughts from the exchange rate and launching the "new" rouble at a rate of just over six to the American dollar. The point of the exercise is to secure for the new rouble a measure of public trust long since forfeited by the hopelessly devalued old one. Any sharp depreciation of the new rouble at launch would destroy that hope. Confidence and credibility will be at a premium again.

The legislative agenda holds problems of equal moment. A desperately needed new tax code, long promised for the start of 1998, is being blocked and unpicked by the Duma, the lower house of Russia's parliament. A federal budget for next year has yet to be enacted. In a better organised world Mr Chubais would even now be persuading Mr Yeltsin to face down the Duma and use threats of dissolution to force through both the tax code and a tough draft budget favoured by the government.

As it is, Mr Yeltsin is doing neither and the Duma has smelt blood. The Communists, who dominate it, threatened briefly this week not to pass a budget for 1998 at all until and unless Mr Chubais were sacked outright. They backed down when it occurred to them Mr Yeltsin would be even more likely to sack Mr Chubais if the decision was seen to be his own, and not the product of opposition pressure. At best, the Duma seems liable to approve a budget loaded with unrealistic revenue and expenditure projections. Like past budgets it will be a dog's dinner to implement. Spending will be cut arbitrarily as the year progresses, to match failures in tax collection.

As for tax reform, that may be a lost cause for another year at least. Russia will be stuck with the old, blustering, leaky tax system that has been generating revenues for the federal government this year equivalent to barely 8% of GDP—a third or less of what is collected in most developed countries, and woefully inadequate to cover the government's spending. If it were much less, it would hardly be worth Russia's while to have a federal government at all.

Neither of these last developments can be expected to put much of a smile on the face of the International Monetary Fund, which is midway through disbursing a three-year, $10 billion loan to Russia. The IMF has been worrying about Russia's capacity to set and meet realistic fiscal targets. In October it held up a loan tranche worth $700m. It will take a fresh look in December. And again, though the IMF lends against policies, not against governments or individuals, it would doubtless find the continuation of Mr Chubais in government a comforting indicator.

With a winter of this severity ahead, small wonder Mr Yeltsin feared to ditch the pilot of his economic policy. But within Russia Mr Chubais has been cast as a much weakened figure operating on borrowed time. Mr Yeltsin is an imperious man who is known to hate having his hands tied by any person or circumstance. On Saturday he concluded that Mr Chubais was too important to sack right away: but that discovery can only have fired his determination to dispense with Mr Chubais as soon as even half a chance presents itself.

Crony reformism

Mr Chubais knows well the feel of Mr Yeltsin's boot. Having risen once before to the rank of first-deputy prime minister, he was sacked in January 1996 when hostility to privatisation was at its zenith and Mr Yeltsin needed a scapegoat. The outrage of the opposition was focused at the time on a programme called "loans for shares", under which government stakes in some of Russia's biggest firms, oil firms the most valuable among them, were parcelled out to a coterie of well-connected banks at knock-down prices. According to one of his allies, Mr Chubais supported the programme on the grounds that if the state shareholdings were not sold at knockdown prices to responsible owners, they would be looted by irresponsible ones.

Placing the blame

What are the reasons for poverty and wealth*?

%	Poverty		Wealth
Economic system	82	Connections	88
Laziness and drinking	77	Economic system	78
Unequal possibilities	65	Dishonesty	76
Discrimination	47	Good possibilities	62
Lack of effort	44	Talents	50
No talents	33	Luck	42
Bad luck	31	Hard work	39

*A survey by Interfax-AIF of 1,585 respondents, November 1997. Percentage of respondents agreeing to each reason.

The loans-for-shares deals did much to determine the balance of power and wealth in the new Russian private sector. The favoured banks were transformed into diversified "financial-industrial groups", supposedly ready to lead the economy forward in the manner of pre-war Japanese

zaibatsu, or post-war Korean *chaebol*.

The deals also created a strong, rich constituency of supporters for Mr Yeltsin's re-election in 1996. The loans-for-shares deals were not beyond reversion, should a different president have wanted to carve up the national wealth in a different way, and the Communists were making threatening noises about private property in general. So when Mr Yeltsin's election campaign looked in danger of floundering, and his Communist challenger, Gennady Zyuganov, was leading him by 20 percentage points in the opinion polls, a group of nervous tycoons made clear they would put up any amount of money and procure any amount of favourable media coverage for Mr Yeltsin. They also urged that Mr Chubais take over his campaign management.

Mr Chubais's success in that job sealed his return to power as Mr Yeltsin's chief of staff last year. When Mr Yeltsin fell dangerously ill and underwent a heart bypass operation, Mr Chubais held the machinery of government together. When he returned to the cabinet as its second-ranking member his position looked unassailable.

But in reality the tycoons who had helped carry Mr Chubais back to power were already squabbling with him and with one another. They felt they deserved to be treated generously for helping Mr Yeltsin stay in power. They had in mind a steady flow of favours in the form of state assets sold cheaply, free floats of public money to enrich their banks, tax breaks, licences for this and contracts for that. They got some of it, but they soon found Mr Chubais telling them they had had enough. Moral considerations aside, the government was nearly broke. It could no longer afford to squander revenue opportunities.

The storm broke in June with the proposed sale of a 25% stake in a new national telecoms firm, Svyazinvest. Mr Chubais wanted an open auction. The tycoons had other ideas: they wanted a rigged one in which they could buy the firm cheaply. The details are disputed. But somewhere in the thick of it was Boris Berezovsky, reputedly the richest man in Russia, who cast himself afterwards as Mr Chubais's nemesis. Mr Berezovsky was also deputy head of Mr Yeltsin's Security Council. Mr Yeltsin sacked him last month at Mr Chubais's request. The leaking of Mr Chubais's advance has smacked of revenge.

Mr Berezovsky was a main organiser of the tycoons' support for Mr Yeltsin. He had made one fortune in car dealing, he wanted to make a bigger one still in the media and oil industries, and he had claimed his job in the Kremlin as one of his rewards. He was joined in his revolt against Mr Chubais by Vladimir Gusinsky, a banking and media tycoon. As the "bankers' war" got under way, most bankers in fact kept their heads down. Mr Chubais was left with one main ally—Uneximbank, a large private banking group. Uneximbank had benefited from the loans-for-shares scheme to acquire, for next to nothing, Russia's fourth-biggest oil firm and its biggest nickel producer.

Unhappily, Uneximbank went on to buy the publishing firm that paid the $450,000 advance to Mr Chubais and his colleagues. In defence of Mr Chubais, most of the advance was to have gone to a foundation controlled by the reformers, not straight into their pockets. And book royalties are one of the few sources of revenue allowed to Russian public servants. Hence Mr Chubais's insistence that no laws were broken. By Russian standards, this was a venial venal sin, if sin at all. It proved so damaging mainly because Mr Chubais's own sharp insistence on high standards in public life required him to be above suspicion himself.

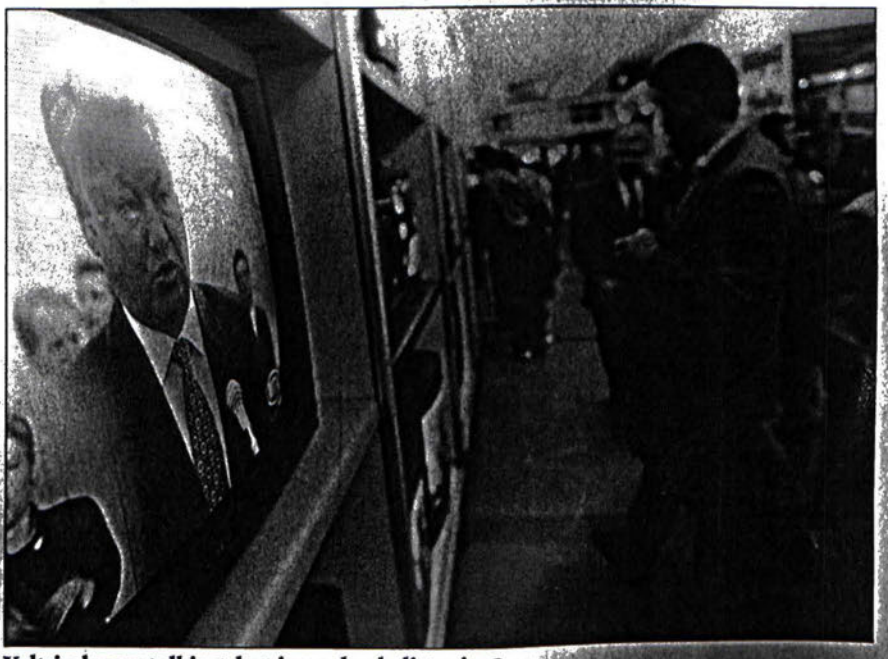
The state at stake

To hear friends of Mr Chubais tell it, the clash with Mr Berezovsky went to the heart of how Russia should be governed. Mr Chubais was calling an end to the political-financial oligarchy that had been needed to get Mr Yeltsin re-elected. He was standing up for economic liberalism and the rule of law. Mr Berezovsky and like-minded tycoons were demanding a continuation of what might politely be termed "crony capitalism". That, of course, is not the way Mr Berezovsky tells it. In his version of events it is Mr Chubais and the boss of Uneximbank, Vladimir Potanin, who are the arch-"cronies", scheming to divide between them all the power and money in Russia.

Mr Chubais is entitled to the benefit of the doubt. He was, his supporters would say, playing a long game: using the tycoons to support him, while he built the rule-based economy which would contain them. His way of doing things was far from ideal, but it was consistently the least bad available in the circumstances. And throughout, he was fighting for austerity and accountability in public finances: it was not a one-man battle, but nobody else carried such clout within the bureaucracy, and even that clout was not enough.

There have been famous victories on Mr Chubais's watch. The economy has been coaxed to a point at which ordinary credit and investment decisions have become possible. Interest rates have fallen from sky-high levels, even if recent market turbulence has forced them back up a few points. The rouble has been stable so far this year. But a virtuous circle needed for good government has yet to be closed. Improvements in the macroeconomic environment have yet to translate into higher government revenues. Inflation is receding: at a little over 10% a year, it is no longer Russia's main obstacle to recovery. As a result, though, the tax system and its failures loom ever larger.

Worse, "crony capitalism" is far from vanquished, and may yet conquer. Market forces have grown stronger with each year, but may not yet be strong enough to propagate themselves unaided. Their chances would be much better if there were a hundred more people in government of Mr Chubais's calibre, or even a score. Mr Yeltsin, at least, appears to believe that there isn't one. Un-Marxist as it might be to argue as much, great men are needed to do great things. Mr Yeltsin, in his way, is one such. And Mr Chubais, in his way, is another.



Yeltsin keeps talking, but is anybody listening?

FALL 1997 $3

TIME

SPECIAL ★ ISSUE

A cast of talented innovators employ new and exciting techniques to become the latest

Heroes of Medicine

INSIDE:

The War on Brain Cancer

Search for Plants That Heal

Operations Without Blood

The Genes' Dark Secrets

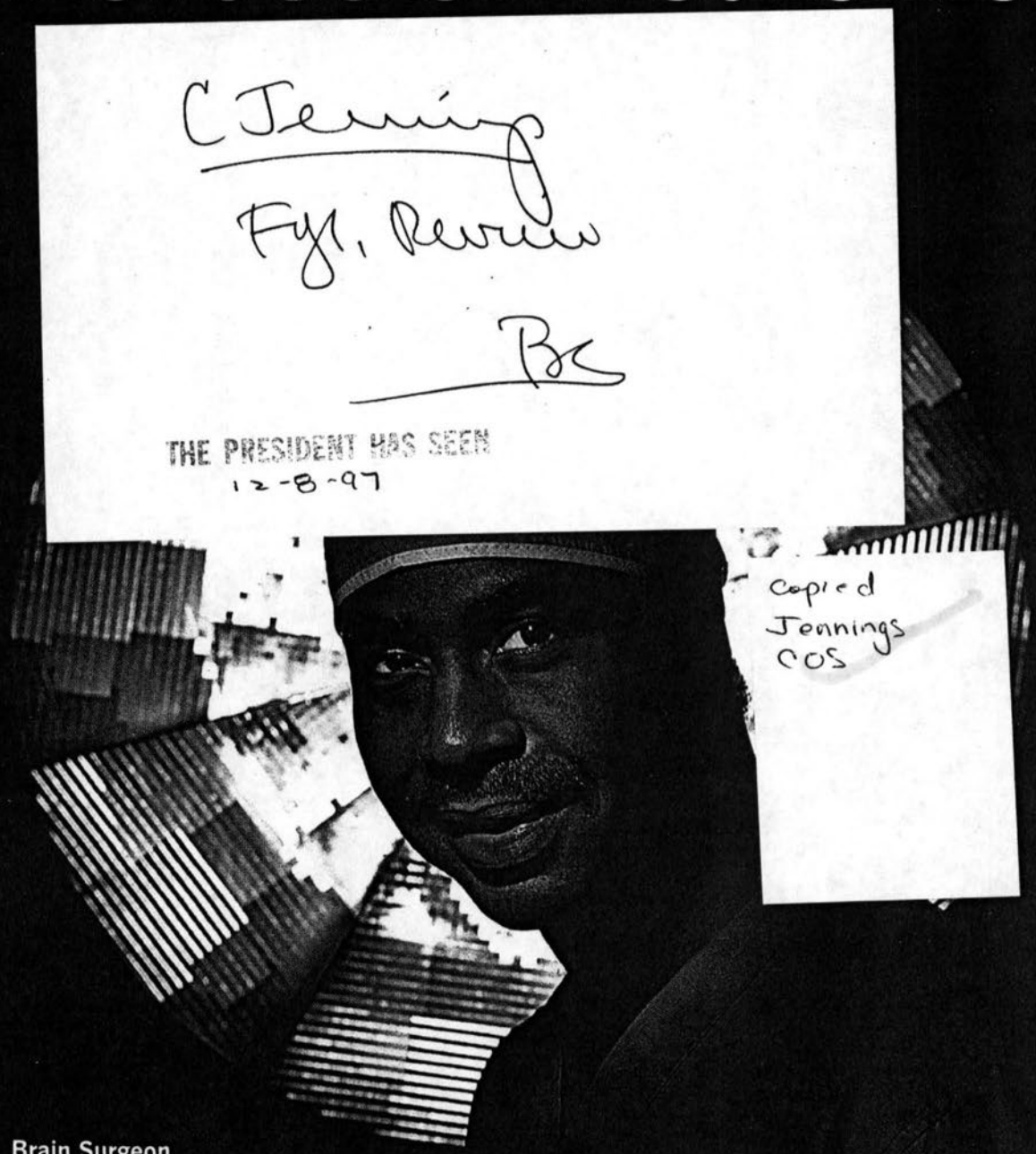
Dealing with a Child's Pain

Radical Heart Repair

Life in a Burn Clinic

New Hope for Failing Sight

And More



Brain Surgeon
KEITH BLACK

lay until December 29, 1997

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ME INC. SPECIALS

THEY SHARE ENDLESS CURIOSITY, A HUGE CAPACITY FOR WORK AND A WILLINGNESS TO DEFY CONVENTION. THEY ARE THE

Heroes of Medicine

BY SHERWIN B. NULAND



LARRY MULVEHILL—PHOTO RESEARCHERS

Thomas Carlyle, more than 1½ centuries ago, wrote that "history is the essence of innumerable biographies." Indeed, the literature of medicine introduces us to a cavalcade of colorful and intriguing characters, an assortment of personalities that prompted historian Fielding Garrison to remark that "all human life is there." And yet, as distinctive as each of its many outstanding innovators has been, through the many ages and places in which their discoveries were made, there is a sturdy thread of tangible traits that unites them all. Even during the past four decades, which have witnessed medical innovation on an unprecedented scale, that sturdy thread has not frayed. Nor has the rapidity of achievement—with the linear progress of yesterday succumbing to exponential acceleration—stretched it to the breaking point. If anything, the new science and its bedside applications have provided more

2,397 YEARS OF PROGRESS

From the Hippocratics to the genetic engineers of today, the practitioners of medicine have been discovering, amending and refining both their science and their art. Here are some of history's great contributors:



circa 400 B.C.

Greek physician **Hippocrates** founds a tradition of medicine emphasizing clinical observation and ethics. Doctors still take the Hippocratic Oath, which embodies that tradition

circa A.D. 170

Galen, a Greek physician in the Roman Empire, uses pulse taking as a diagnostic aid; his studies in physiology and anatomy remain widely influential until the 1500s



1268

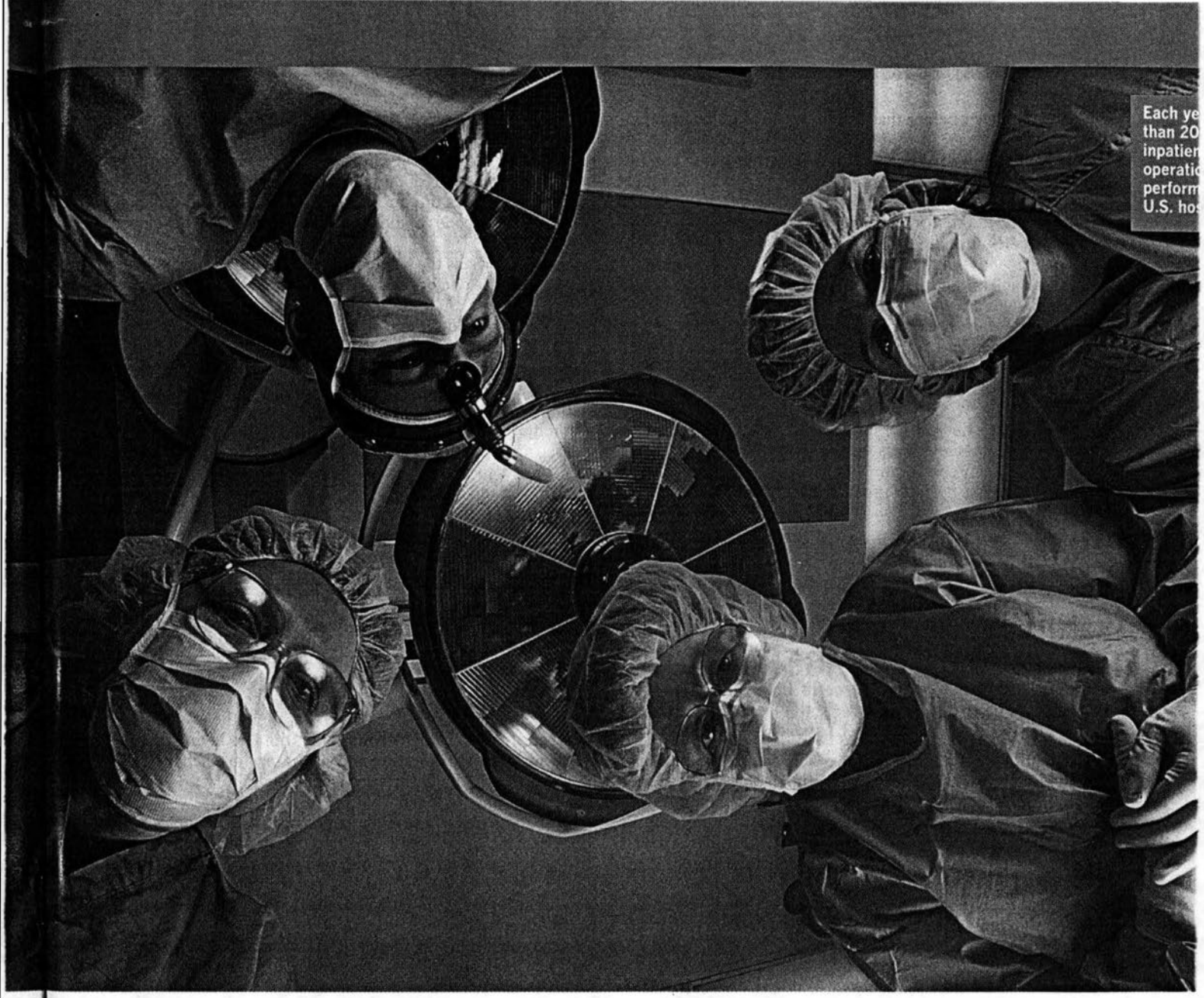
Roger Bacon, a British scientist and philosopher, publishes a treatise on how sight can be improved by using eyeglasses, which are already being worn in Europe and China



1628

British physician **William Harvey** publishes *On the Movement of the Heart and Blood in Animals,* an accurate explanation of how blood circulates in the body





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1796

British doctor **Edward Jenner** administers the first effective vaccination against smallpox; within 30 years, his treatment is practiced throughout the world

1846

U.S. dentist **William Morton** gives the first demonstration of the effective use of ether as an anesthetic; the operation—for the removal of a neck tumor—lasts 25 minutes





1854

British philanthropist **Florence Nightingale** tends the wounded during the Crimean War, applying revolutionary nursing practices; she later establishes a model school of nursing

1858

German pathologist **Rudolf Virchow,** at center, in dark coat, publishes *Cellular Pathology,* in which he elaborates on his discovery that disease—and even life itself—occurs at a cellular level





1862

French chemist and microbiologist **Louis Pasteur** publishes his findings on how germs cause disease, which he later uses to develop the pasteurization process

1866

Austrian bot
monk **Grego**
proposes ba
of heredity i
Experiments
Plant Hybrid
statistical ar
his crossbre
work on pea



evidence than ever before that certain tangible human characteristics inevitably accompany innovation.

A year ago, a special issue of TIME highlighted some of the biomedical advances of the late 20th century. This 1997 issue celebrates men and women who have contributed to those advances. Not all of the assemblage of healers presented here are doctors. Nurses, technical personnel and seekers of botanical remedies have also found the limelight. So has one committed American woman who donated her bone marrow to a desperately sick person whom she had never met. When she was asked what moved her to come forward, and how she could tolerate the weeks of soreness and fatigue that follow the marrow harvesting, her reply was unassuming. She did it, she says, because "there's no choice. You're talking about saving somebody's life."

Though she is not a healer by profession, the altruistic donor is imbued with the same stimulus, the same motivation, that has driven medical pioneers throughout history. The force that leads men and women to devote their lives to those who need help is their simple realization that, for them personally, there is no choice. More than a career, this has been their calling.

EARLY GREEK DOCTORS INSISTED THAT THE CAUSES OF DISEASE NOT BE ATTRIBUTED TO DISPLEASED AND VENGEFUL GODS

No matter what other goals it may achieve, the medical profession has always maintained as its ultimate mission the relief of human suffering. Though the greatest of medical innovators have made their most important contributions for any combination of personal and professional reasons, the background against which their motivations play has never changed. It remains what it has been since earliest times: the constant mindfulness that individual people are enduring the effects of disease and that only through the intervention of others can their problems be addressed.

Modern medicine has grown by means of a tradition that is almost 2,400 years old. Its practices are said to have begun on the Greek island of Cos, near the western coast of Asia Minor, where a school arose around the teachings of the legendary Hippocrates. Today the name of Hippocrates is mentioned most frequently in discussions of the oath attributed to him. But the Hippocratic physicians did far more than introduce the principles from which the codes of today's medical ethics have developed.

Perhaps the single most striking difference between the doctors of the Hippocratic school and all others was their injunction that the causes of disease should no longer be attributed to the influence of supernatural forces. Henceforth, the origins of illness were to be sought in observable natural factors that influence the functions of the body. Attempts were made to relate specific symptoms to actual internal or environmental causes, rather than to the intervention of displeased and vengeful gods. This was a departure for physicians accustomed to seeking cures by appealing to the divinities with prayer and sacrifice.

Casting off the shroud of mysticism, the Greek physicians replaced it with the thesis that the causes and cures of every disease are not only quite natural but also discoverable through the careful study of each patient. Thus curiosity, keenness of observation and the value of scrupulous record keeping became paramount priorities in the new philosophy of care. And as knowledge grew and was shared within the guild, the experience of a single physician became the experience of all.

Over the course of several hundred years, a literature, later known as the Hippocratic Corpus, was created, forming the basis of all medical practice. Since that time, the accumulated and recorded knowledge of one generation has been passed on to the next through literature and via those who teach their successors. *Docere,* the Latin word from which the word doctor is derived, means "to teach."

The influence of a teacher can be profound, sometimes far more than intended. So it was with the heritage of Hippocrates. Although a great many writings would be added to the literature of medicine over the next 1,800 years, they were largely restatements of, or small emendations to, the vast store of original findings in the Corpus.

One exception was the work of Galen, an immensely productive, Greek-speaking physician who lived much of his life in Rome. By the time of his death around A.D. 201, the indefatiga-

1867

British surgeon **Joseph Lister** reports his findings on how potentially deadly infections can be prevented by antiseptic operating procedures and treatment of wounds





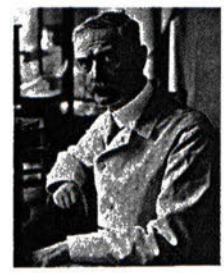
1895

German physicist **Wilhelm Roentgen** discovers invisible electromagnetic rays, which he calls X rays; they are used to create diagnostic images of structures within the body



1897

Felix Hoffman, a German chemist, synthesizes a form of acetylsalicylic acid that enables mass production of aspirin; it becomes the best-selling drug for pain and inflammation



1900

Austrian pathologist and immunologist **Karl Landsteiner** discovers the major blood groups, A, B and O, and works out a blood-typing system that allows safe transfusions



1910

German bacteriologist **Paul Ehrlich** develops a cure for syphilis by administering a form of arsenic; the procedure establishes modern chemotherapy—the use of selectively toxic drugs to treat disease



1921

Canadian surgeon **Frederick Banting** and colleagues isolate insulin from the pancreas; within a few years, it is commercially produced for insulin-deficient diabetics

ble Galen had written some 350 treatises detailing his own experimental work in anatomy and physiology. Although he added much to medical knowledge, his studies were based largely on monkeys and farm animals and thus were frequently unreliable in their conclusions about human anatomy. But the sheer prodigiousness of Galen's output and the aura of infallibility that surrounded him served to perpetuate his errors and stifle further research. His work would remain unchallenged until the 16th century, as though the Hippocratic teaching of detailed, objective studies had been forgotten.

Like Hippocrates, Galen had become a medical icon, and it would take a bold idol smasher to undo him. History found the perfect candidate in Andreas Vesalius, a contentious young Flemish physician who, in his single-minded pursuit of the correct human anatomy, cared not a whit about Galen's untouchable authority. Gifted with intelligence, drive and the courage to stick with his convictions, he went his solitary way, dissecting cadaver after cadaver until he had made enough unbiased observations to write a book that would forever transform medicine's image of the human structure. Vesalius was 29 when it was published in 1543. The anger first directed against him for daring to defy Galen's teachings was matched by his own contempt for those who took so long to accept the validity of his work.

The feisty spirit of Vesalius has pervaded the history of medical discovery—not the contentiousness, perhaps, but certainly the refusal to accept what is not verifiable by one's own observations and the willingness to stand alone when principle is involved. And always the capacity for hard work has been the glue that holds everything else together, the underlying characteristic that enables all of the other qualities to produce a successful conclusion.

Though their contributions were made in eras far apart, the Hippocratics, Galen and Vesalius all shared the same messianism that still characterizes today's outstanding medical achiever. Their discoveries were only the beginning of their contributions. Public demonstrations, the writing of treatises and books and the teaching of both colleagues and students became the vehicles for their individual crusades to better the state of medical care. Among them, like a constantly humanistic refrain playing softly in the background, the credo of the ancient Greek physicians prevailed. Nowhere is that principle more eloquently expressed than in the memorable words found in *Precepts*, one of the books of the Hippocratic Corpus: "Where there is love of humankind, there is also love of the art of medicine."



LARRY MULVEHILL—PHOTO RESEARCHERS

U.S. hospital emergency departments treated an estimated 97 million patients in 1995; about 40% of them were there as a result of new injuries

If medical theory and practice are based on an ever expanding body of knowledge handed down from one generation to the next, it follows that progress will occur only when additions are made to that knowledge. Although this is true for the most part, every era sees a few marked departures from the acquired wisdom—departures sometimes so radical as to create entirely new ways of looking at the evidence gleaned from the study of nature and disease.

The notion that disease originates in cells rather than tissues or organs, introduced in the mid-19th century by the German pathologist Rudolf Virchow, brought on just such a radical change in perspective. So too did the germ theory, based on British surgeon Joseph Lister's application of Louis Pasteur's work to prevent wound infections. Each was the result of thousands of meticulous observations made over many years. Virchow's studies were done in a university setting; Lister's in a lab-

1928

British bacteriologist **Alexander Fleming** identifies the bacteria-killing properties of penicillin, the first safe, successful antibiotic; in the 1940s, it is refined and widely used to cure infectious diseases





1928

Greek-American pathologist **George Papanicolaou** develops the Pap smear test, making possible the early detection of cancer in the female reproductive tract

1940

U.S. surgeon **Charles Drew** describes the long-term storage properties of blood plasma, which often can be used in place of whole blood to transfuse wounded or burned patients





1943

Dutch physician **Willem Kolff** develops the first artificial dialysis machine to perform the kidneys' blood-cleansing functions; it is often used before or after a kidney transplant

1953

American biochemist and geneticist **James Watson**, below left, and British biophysicist **Francis Crick** decipher the structure of DNA, the molecule that carries the genetic code





1956

U.S. biologist **Gregory Pincus** reports on the first successful trials of a birth-control pill, which he developed at the urging of social activist Margaret Sanger



Worldwide, about four babies are born every second; advanced medical care has helped halve the infant mortality rate since 1960

ANNIE GRIFFITHS BELT

There are no new Listers or Virchows in the pages that follow, but the stories told are of healers who share those same qualities that have always been at the heart of medical innovation. Their contributions may not occupy entire chapters in future textbooks, but they have nonetheless helped many patients who might otherwise never have been relieved of their suffering. The men and women portrayed here are not so much icons as they are representatives of the kind of people who change medical care. The contributions of some are not, in fact, unique. Others are engaged in similar endeavors for similar reasons, and their work might just as appropriately have been chosen to illustrate the story of medical accomplishment in our time. And this, of course, is the real lesson of this special issue of TIME: The future of medical discovery is in good hands, and plenty of them.

THE ENCOURAGING LESSON OF TODAY IS THAT THE FUTURE OF MEDICAL DISCOVERY IS IN GOOD HANDS, AND PLENTY OF THEM

oratory that he and his wife set up in the kitchen of their home, where they worked tirelessly until they were ready to test their conclusions on a series of patients.

Both Virchow and Lister faced not only opposition but scorn until the medical mandarins of the day were finally brought around to admitting the truths on which the scientists' work was based. Lister, in particular, was ridiculed or ignored by his fellow surgeons, who refused to acknowledge the marvels he was accomplishing. But he forced himself to overcome his own gentle nature, persisting with the zeal of an evangelist. In the end, honored by Queen Victoria as Baron Lister, he lived to see his name ranked with those of the greatest medical thinkers of all time. As for Virchow, so revered did his theories make him that he came to be admiringly called "the pope of German medicine."

The vision to see that things can be done better, a belief in principle, the conviction that comes with confidence in the correctness and value of what one is doing, and a strength of spirit that overcomes the inertia of long-established custom—these are ingredients without which the work cannot be accomplished. While genius is sometimes a factor, the tales in this issue tell of doggedness, common sense and the simple wish to help the sick or injured.

Though some of the contributions described here were the result of a few bursts of inspiration, there is not one that would have reached fulfillment were it not for the sense of personal responsibility that fueled its originator's persistence during the day-by-day grind necessary for success. In this, medicine is no different than any other form of endeavor. For when all is said and done, it is the perspiration that makes the difference. Henry Wadsworth Longfellow made the point much more elegantly:

The heights by great men reached and kept
Were not attained by sudden flight,
But they, while their companions slept,
Were toiling upward in the night.

■

Sherwin B. Nuland, clinical professor of surgery at Yale University, wrote the 1994 National Book Award winner How We Die *and* The Wisdom of the Body, *recently published by Knopf.*

1964

Using his discovery of beta blockers, British pharmacologist **James Black** produces a heart-disease drug that can prevent hormones from triggering undesirable reactions



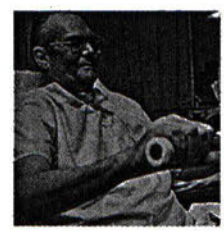


1967

British physician **Cicely Saunders** establishes St. Christopher's, the first modern hospice, in London; she also pioneers aggressive pain management for the terminally ill

1982

U.S. patient **Barney Clark** is the first to receive a permanent artificial heart; he survives 112 days after the surgery, providing valuable information about his reaction to the device





1984

U.S. surgeon **Leonard Bailey** performs the first transplant of an animal heart to a human; the patient, a baby, receives a baboon's heart, but a mismatch of blood types proves fatal

1985

Gallo, of the U.S. National Cancer Institute, and **Montagnier,** of France's Pasteur Institute, each publish the genetic sequence of the AIDS virus they have identified; their findings turn out to be identical



Robert Gallo



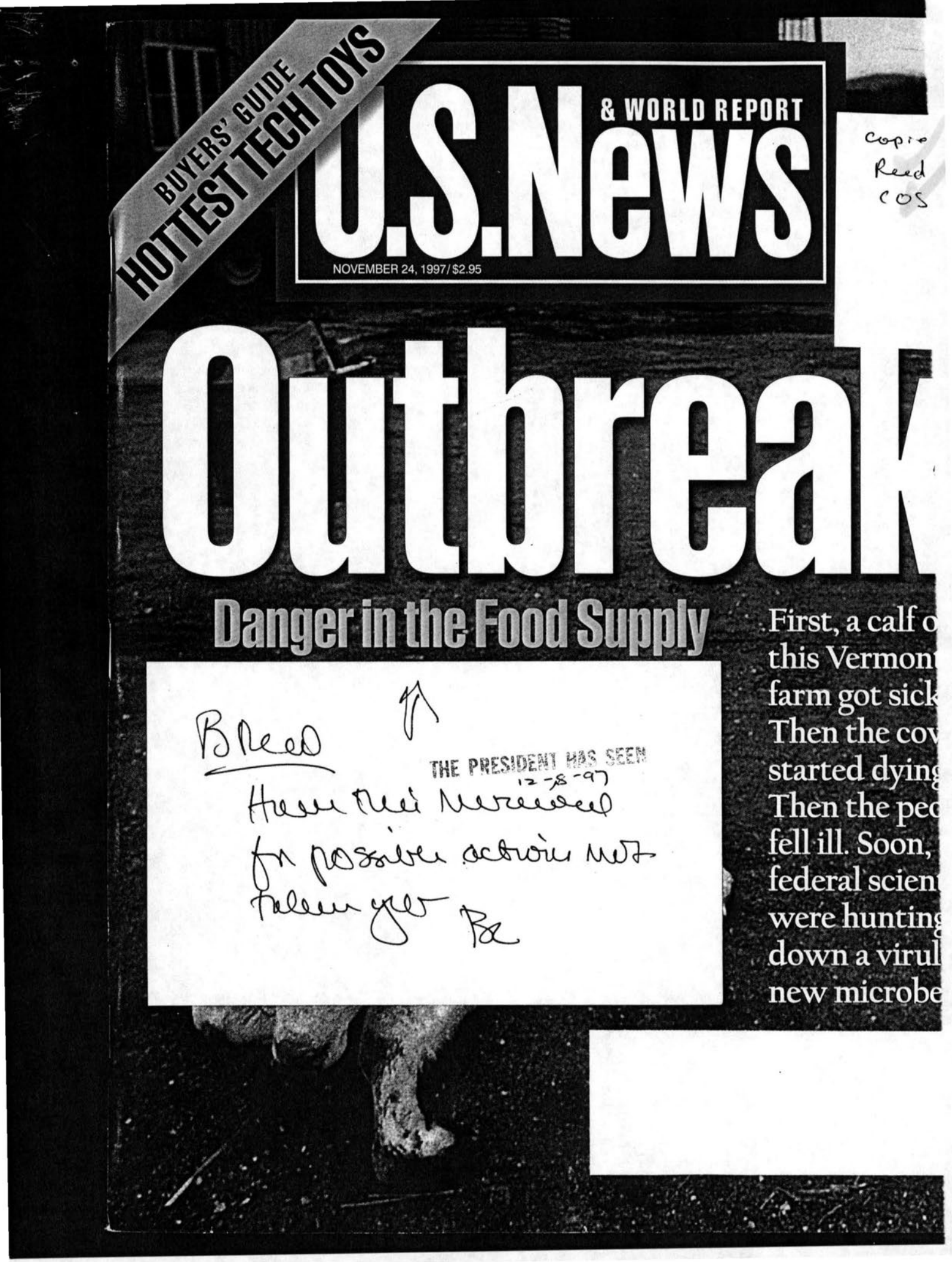
Luc Montagnier



1990

U.S. geneticist **W. French Anderson** performs the first gene therapy on a human, injecting engineered genes into a four-year-old to repair her faulty immune system

PAGE 6: CORBIS—BETTMANN; CULVER PICTURES; CULVER PICTURES; CULVER PICTURES. PAGE 7: CULVER PICTURES; MANSELL—TIME INC.; CAMERA PRESS; HISTORISCHES BILDARCHIV; NADAR; CORBIS—BETTMANN. PAGE 8: MANSELL—TIME INC.; NO CREDIT; NO CREDIT; AP WIDE WORLD; CULVER PICTURES; AP WIDE WORLD. PAGE 9: CULVER PICTURES; UPI/CORBIS—BETTMANN; ALFRED EISENSTAEDT—LIFE; MARVIN M. GREENE—CLEVELAND PLAIN DEALER; UPI/CORBIS—BETTMANN; AP. PAGE 10: LEVENSON—REX; SNOWDON; BRAD NELSON—UNIVERSITY OF UTAH MEDICAL CENTER; SHEPARD SHERBELL—SABA; PATRICK ALLARD—REA/SABA FOR TIME; ALEXANDER TSIARAS—PHOTO RESEARCHERS; MARIANNE BARCELLONA



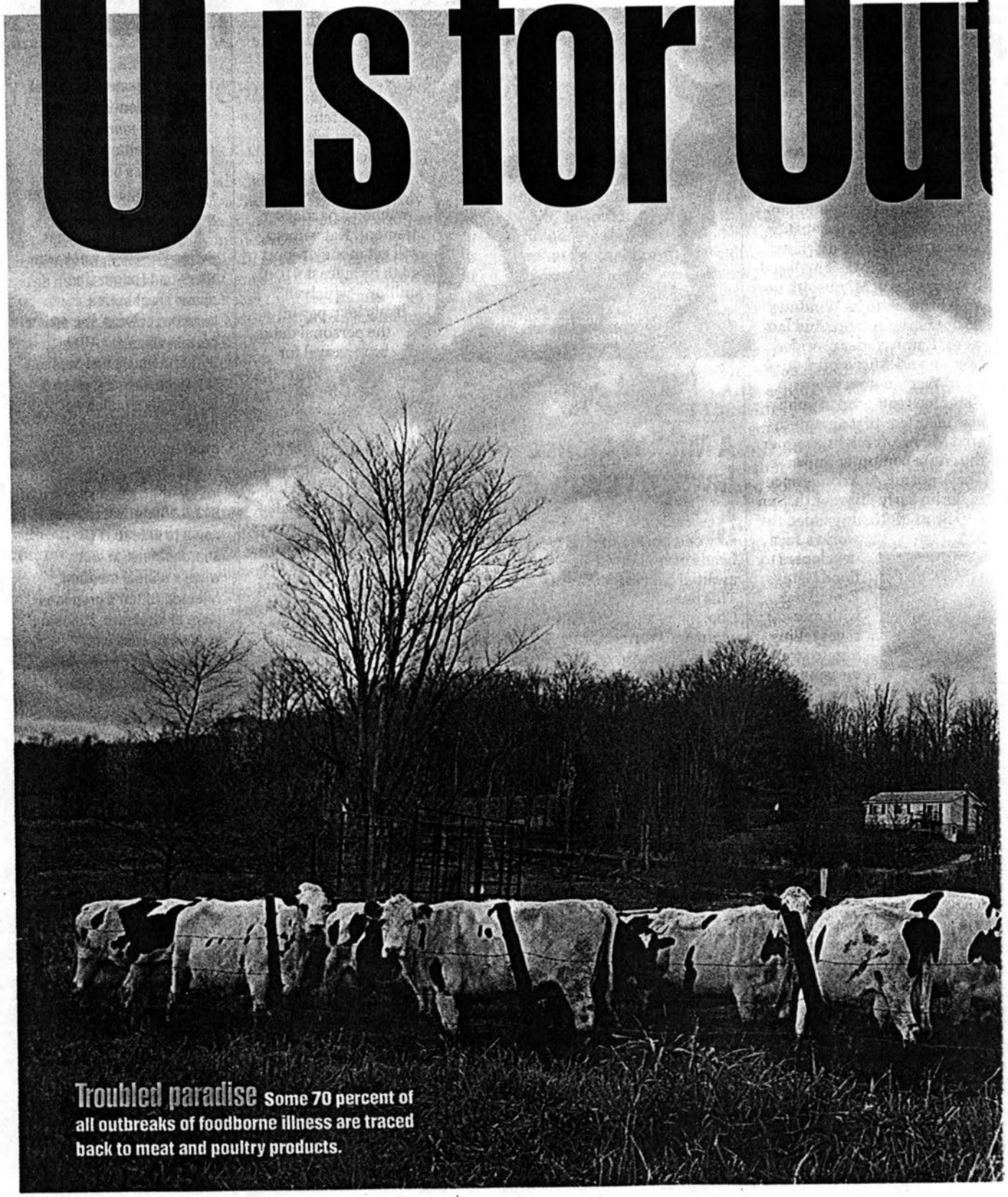
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Have this reviewed
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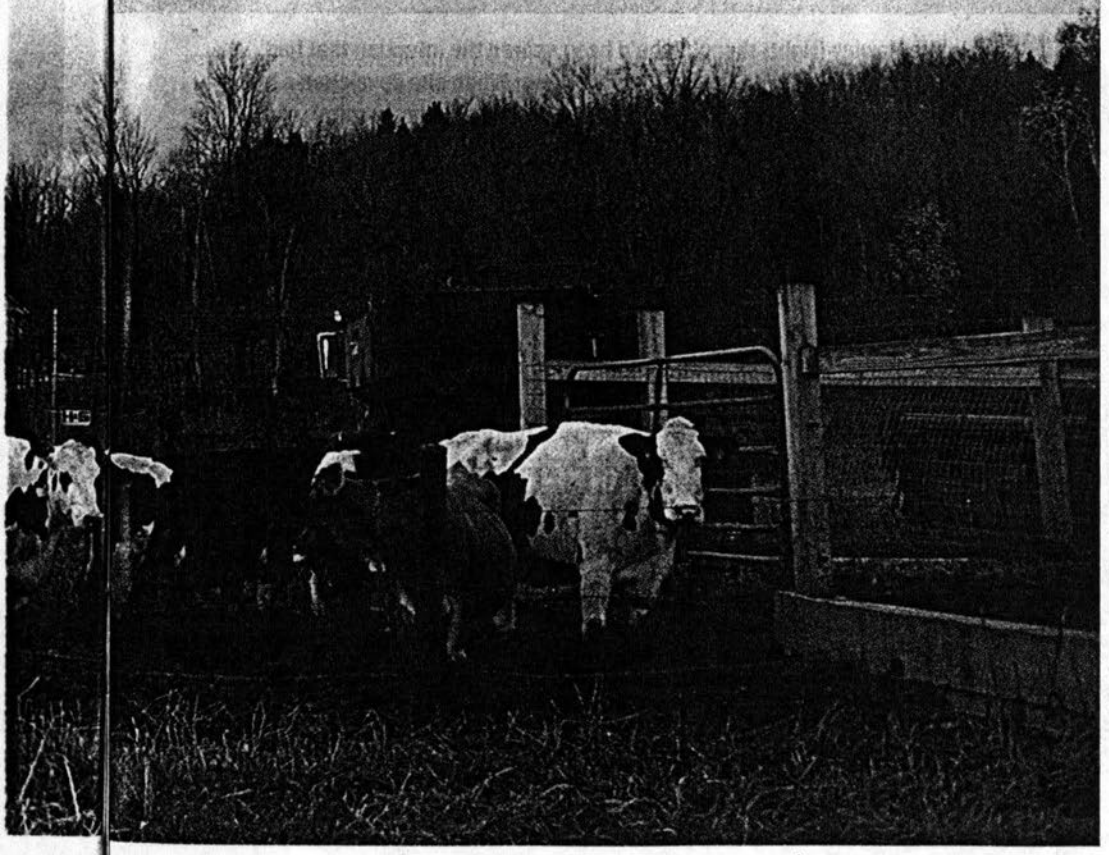
O is for Ou



Troubled paradise Some 70 percent of all outbreaks of foodborne illness are traced back to meat and poultry products.

tbreak

When a drug-resistant salmonella struck a Vermont farm, health officials knew it might be just the beginning



BY AMANDA SPAKE

Cynthia Hawley walked out the back door of her mother's house about 8 a.m. to feed the calves. It was a cold May day at Heyer Hills Farm, but she remembers the sun was shining, unusual for Franklin County, Vt., 50 miles south of Canada, where snow stays on the Green Mountains sometimes into June.

Hawley crossed the stone steps to the barn and got the pails for the calves' grain and fresh milk. When she carried Evita's food into her hutch, she saw that the calf's eyes were sunken and her belly was bloated. Evita, mostly black with just a little white, was her baby, her beauty, a perfect Holstein. Hawley gave the calf some aspirin, a shot of the antibiotic ampicillin, and the milk. But by 2 p.m. Evita was worse. Hawley phoned her veterinarian, Milton Robison, and left a message that a calf was very sick.

Robison arrived at the farm about 4 p.m. All the calves were running high fevers. Suspecting he might be dealing with some sort of salmonella, he treated the animals with analgesics, with electrolyte solutions because they were dehydrated, and with more ampicillin to knock out the bug. None of it helped Evita, and about 9 p.m. the calf died.

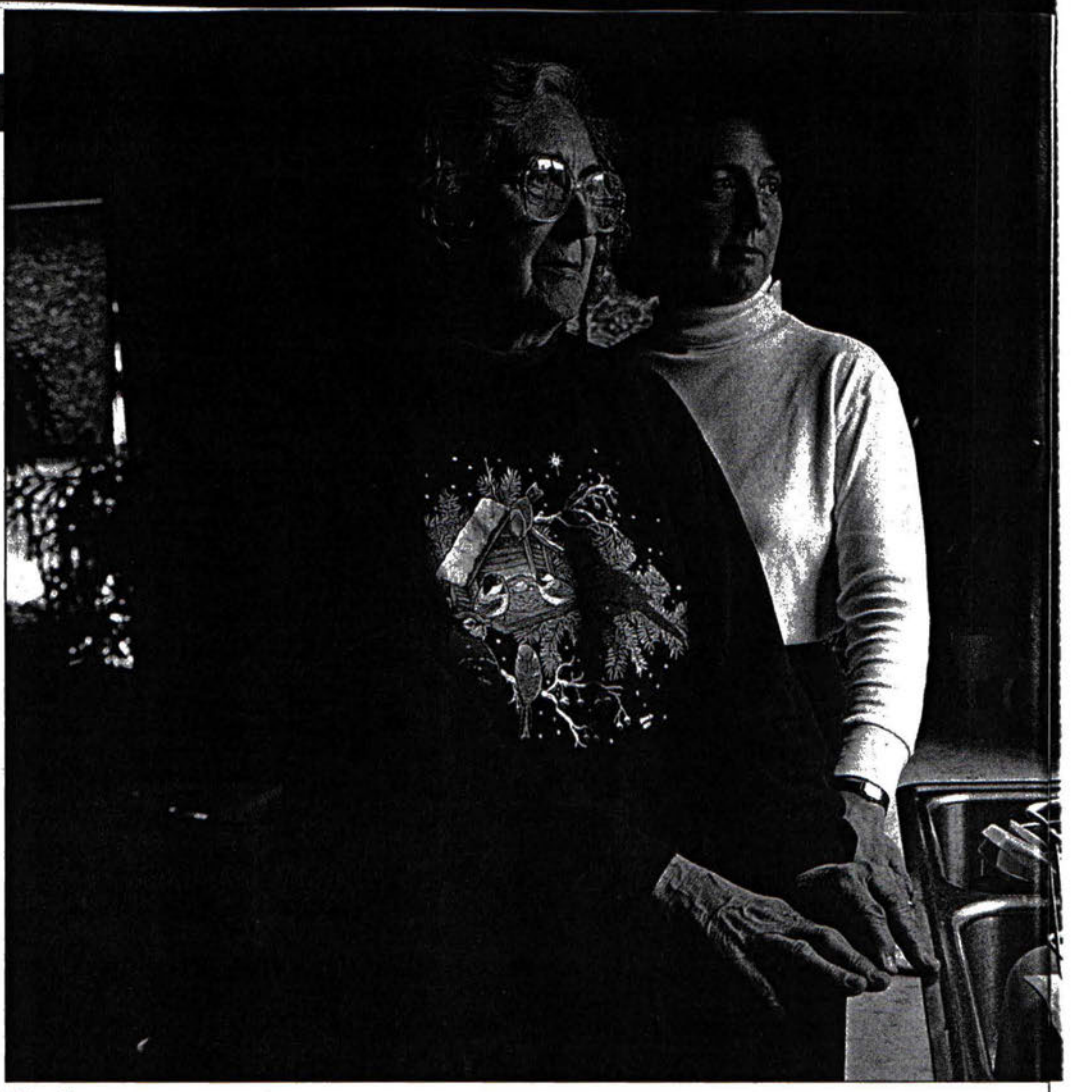
The next morning, another calf was down. Wednesday morning there was a third. Most of the animals suffered bloody diarrhea, a sign that bacteria were destroying their intestinal walls. In the vet's experience, cows fought off salmonella on their own, just as most healthy people do. But these animals weren't fighting it off. And the odd thing was that the antibiotic wasn't working either. Was his diagnosis wrong? An autopsy on the second calf that died revealed massive damage to the lining of the intestine. Yes, it was salmonella. But what kind? Robison already had sent stool samples from the first calves to the veterinary lab at Cornell University, his alma mater, but results were days away. Now he sent a section of the dead

PHOTOGRAPHY BY
YUNGHI KIM—CONTACT FOR *USN&WR*

calf's intestine on to Cornell, too.

At Robison's suggestion, Hawley, 45, and her mother, Marjorie Heyer, kept the young grandchildren away from the barn. But, like many dairy farmers, the Heyers drank their own, unpasteurized milk. "It tastes better," Heyer says, "and you're selling it for $1 a gallon. Are you going to buy it [at the store] for $2.50?" They'd never had a problem with contamination at the farm before; why should their raw milk be unsafe now?

Neither Hawley nor Heyer knew that they were battling a virulent new foodborne pathogen. Or that, within days, nine members of the family would fall ill, and one would nearly lose her life.



The farmers Cynthia Hawley (right) thought she'd been spared the infection that had sickened other members of her family and was killing the cows. When she developed a high fever and bad stomach pains, her mother, Marjorie Heyer, rushed her to the hospital.

The odd thing was the antibiotics weren't working

EACH YEAR UP TO 81 MILLION Americans suffer a foodborne illness; 9,100 die. The cost to the nation is anywhere from $5.6 billion to more than $22 billion per year in medical treatment and lost wages. Bad food also makes big headlines. Last August, Hudson Foods ordered the largest meat recall in history—25 million pounds of hamburger patties—after *E. coli 0157:H7*, a deadly bacterium, was found in its burgers. Imported raspberries contaminated with the parasite cyclospora sickened thousands in 29 states in the spring of 1996 and again in 1997. Last month, United States Department of Agriculture inspectors discovered *E. coli 0157:H7* in ground beef shipped to a Virginia grocery by Beef America, resulting in another big recall. And earlier this month, some 700 people became infected with *Salmonella heidelberg* after eating ham stuffed with greens and spices at a church supper in rural Maryland. Two women died and 31 other people were hospitalized.

Traditionally, America has had the safest food supply in the world, enviable for its quantity, quality, and cleanliness. Rapid changes in food production have put a cheap chicken in every pot—and a chicken takeout shop on every corner—and brought the bounty of the global garden to our doorstep. We live in a "culture of plenty," unimaginable 50 or 60 years ago when most food still was grown locally by individuals and small producers on family-owned farms.

Plenty has its price, however. Outbreaks of foodborne illness have become more common, larger, and international in source and scope. And federal enforcement of food-safety laws, spread among 12 different agencies, has grown disparate and chaotic as the food industry has expanded and become more complex. The Food and Drug Administration has 700 inspectors and lab personnel to monitor 53,000 food-processing plants and all imported produce. Plant inspections have slipped from once every three to five years in 1992 to once every 10 years today. "Recalls," says Maurice Potter, assistant director for foodborne diseases at the Centers for Disease Control and Prevention in Atlanta, "are an admission of defeat—they're bad for everyone." Recalls of FDA-regulated products have increased almost fivefold since 1988.

About 70 percent of outbreaks of foodborne illness are traced back to meat and poultry products, according to the USDA, which regulates animal foods production and processing. Eighty percent of illnesses and 75 percent of deaths from meat and poultry products are caused by two pathogens—salmonella and campylobacter. Crowding animals together on large farms, multistep processing, and broad distribution of perishable food—all, ironically, hallmarks of our modern food system—promote the spread of both bacteria.

Scientists have been familiar with some strains of these two pathogens for years. But as better ways to produce food have been developed, the bacteria have found new ways to infect the food. "If you understood the epidemiology of foodborne illness 10 years ago, you don't necessarily understand it today," says Michael Osterholm, chief epidemiologist at the Minnesota Department of Health. Five or 10



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years ago, says Osterholm, the No. 1 vehicle for foodborne disease in Minnesota was meat; now it is produce. Microbes also have shown far more cunning than researchers once imagined they could. Scientists did not discover until 1986 that *Salmonella enteritidis,* rare in this country in the 1970s, had found its way *inside* the shells of eggs by infecting the ovaries of laying hens. Passed to humans who eat undercooked eggs, the strain now kills more people than any other foodborne pathogen in the United States.

The most worrisome development, however, is the emergence of new disease organisms resistant to drug treatment. Like the bug that struck last spring at Heyer Hills Farm.

THE IMPORTANCE OF THE ILLNESSES might never have been recognized had it not been for Doc Robison. On Thursday, May 8, Robison checked back with Cornell on the calves' samples. He'd been right; the culture plates indicated salmonella. By Friday, Cornell had the strain: *Salmonella typhimurium.* The samples were being forwarded to the USDA lab in Ames, Iowa, for phage typing, a screen that would yield more information about the bug. Robison reported the salmonella outbreak to the Vermont Department of Health, as vets and physicians are required to do by law.

By Monday, May 12, 5-year-old Nicholas Heyer, Cynthia Hawley's nephew, had become very ill with diarrhea, cramps, fever, and vomiting. Nicholas's cultures were positive for salmonella. The illness can be deadly to young children (who don't yet have well-developed immune systems), to the elderly, and to people with chronic illnesses, cancer, or AIDS. In some cases, the bacteria pass through the intestinal wall into the bloodstream where the infection, if not stopped, can be fatal. The CDC estimates there are 2 million to 4 million salmonella cases in the United States annually, and perhaps 200,000 of those people are sick enough to see doctors. About 6 percent of serious infections invade the bloodstream. An estimated 1,000 to 2,000 people die of salmonella yearly.

Nicholas's doctor wasn't taking any chances. He put the child on Bactrim, an antibiotic combination of trimethoprim and sulfamethoxazole. Soon, Heyer and five or six other people around the farm who'd been drinking milk came down with the illness. Their doctors, in turn, treated them with Bactrim.

Robison told a colleague at the Vermont Department of Health that he thought something unusual was happening at Heyer Hills Farm. Not only were a significant number of cattle dying but people at the farm were getting sick, too. He had a touch of it himself. Robison piqued the interest of the Vermont Health Department, which contacted the CDC in Atlanta.

Until Friday, May 16, Cynthia Hawley thought she had escaped infection. She had cared for the sick cattle, but she drank no raw milk. She had an appointment at noon to get a haircut in Burlington, 25 miles away. At the hairdresser's, she began to have chills. Then she was burning up. Next, she began to feel excruciating pains in her stomach and lay down on a couch. Within an hour, she could not stand up. At about 2 p.m. she phoned her mother and asked if she and Cynthia's sister could pick her up and take her home.

By the next day, Hawley could not keep liquids down. Her diarrhea began to turn bloody, just like the calves'. Heyer drove her daughter to the nearest hospital, in St. Albans. Emergency room doctors there called in Mara Vijups, an internist. Vijups did an examination, heard about the salmonella, and admitted Hawley immediately.

The hospital hooked her up to electrolyte solutions to hydrate her, and Vijups prescribed a synthetic penicillin (she was allergic to Bactrim). Hawley worsened. After a day, Vijups tried another antibiotic, a cephalosporin, without suc-



The veterinarian When Milton Robison arrived at Heyer Hills, all the calves were running high fevers. Bloody diarrhea made him suspect salmonella, but often cows threw the illness off on their own. These animals, though, weren't getting better. They were dying.



The littlest patient **Nicholas Heyer, now 6, was the first to fall ill last spring. Foodborne illnesses are especially dangerous for children, whose immune systems are not yet fully developed, as well as for the elderly and people with chronic illnesses.**

cess. Mostly, Hawley slept. She struggled to the bathroom on Sunday to find her diarrhea watery and very bloody. "I was pretty scared," she remembers. "I knew from the cows that once their diarrhea started getting watery and bloody, they were dead."

On Monday morning, May 19, Vijups, Hawley's doctor, checked on her in the hospital. Hawley had seen a news report the night before about the spread of a new salmonella strain in England. "I know I've got that DT 104," she told Vijups. To her surprise, Vijups responded, "Yeah, that's what we're dealing with."

The report from the USDA laboratory in Iowa had come back that morning. The samples showed *Salmonella typhimurium* DT 104, identifiable by its resistance to five or more antibiotics including ampicillin, chloramphenicol, streptomycin, sulfonamides, and tetracycline.

THE CENTERS FOR DISEASE CONTROL and Prevention in Atlanta is located in a six-story brick building adjacent to the campus of Emory University. At the Foodborne and Diarrheal Diseases Branch of the Center for Infectious Diseases, eight epidemiologists spend the majority of their time working their computers and telephones. Eight medical investigators, epidemiologists in training, are sent to the site of outbreaks. But only in a limited number of outbreaks—about 12 each year—does the CDC actually send an investigator to look for more cases, interview patients, take lab samples, and report back to Atlanta. Those cases are chosen because CDC scientists believe they will lead to new information and advance the science of foodborne disease.

The heart of the CDC's operation is the electronic network it has built with local health departments in every state. The health departments feed raw numbers to the CDC weekly. The public hears about salmonella or E. coli when large numbers of people are hospitalized. But most foodborne illnesses are not associated with large outbreaks. They are "sporadic" or isolated cases among individuals that may never be reported to health departments or the CDC. The CDC estimates that for every reported case, 10 to 100 go uncounted.

Sitting in small cubicles, staring at printouts, CDC epidemiologists scour the state data looking for patterns, trends, and anomalies. When the epidemiologists find something curious, the CDC notifies the state health department and asks for more information or suggests avenues of investigation. When CDC scientists find trends that worry them enough, they begin to track the bacteria worldwide. And that is how epidemiologist Frederick Angulo, became obsessed with *Salmonella* DT 104.

Angulo had watched this bug sweep through Germany, Denmark, England, and Wales, eventually emerging in the United States. DT 104 was identified in this country in 1985. By last spring, when the Heyers were trying to save their dying calves, Angulo had discovered that 10 percent of all salmonella cultures being sent to the CDC were the DT 104 strain. He knew of only one large U.S. outbreak, among 19 Nebraska schoolchildren in October 1996. The source was never determined.

In England, DT 104 already had become epidemic. It was killing 40 percent of infected cattle and putting 36 percent of people who became sick in the hospital, twice the number expected from food poisonings. There are bacteria that stay in only one type of animal and never make people sick. DT 104, however, first infected cattle, then spread to other spe-

"I know I've got that DT 104," Hawley told her doctor.



The scientist **Frederick Angulo, an epidemiologist at the Centers for Disease Control and Prevention in Atlanta, watched a virulent new strain of salmonella sweep through Germany, Denmark, England, and Wales. Then it came to America.**

cies in every country where it gained a foothold—and no one was sure how.

Angulo knew that in the United States, DT 104 had already been found in sheep, pigs, horses, goats, cats, dogs, elk, mice, coyotes, squirrels, raccoons, chipmunks, pigeons, and starlings. The birds were a real concern because their droppings spread disease everywhere. As microbiologist Paula Fedorka-Cray, the USDA's DT 104 expert had said, if it's in birds "it would just be a matter of time before it would show up in a lot of animal species." There was some evidence in England that DT 104 had first infected exotic birds, parrots, and parakeets, which had spread the infection to cattle through feed.

The English experience with DT 104 is notable for several reasons. Ten years ago, the bacteria began infecting cattle and killed many of them. Farmers in the UK treated infected cattle with several types of antibiotics. Within about two years, the bacteria became resistant to the antibiotics. The first humans infected in the UK were like the Heyers, dairy farmers who had direct contact with sick animals and drank their own raw milk. But the bacteria soon moved into other food animals.

When Peter Galbraith, Vermont's state epidemiologist, called Angulo in Atlanta to tell him that DT 104 had shown up on a dairy farm near Burlington, the CDC quickly dispatched investigator Cindy Friedman to Vermont.

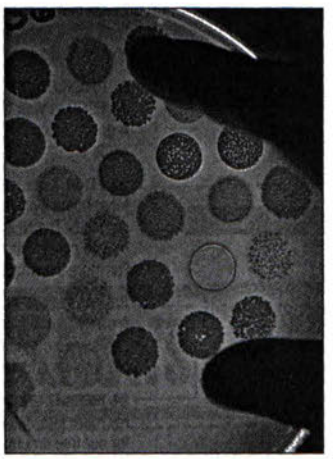
ONCE HAWLEY'S DOCTOR HAD THE REport from the USDA lab, she realized the only drug DT 104 was clearly *not* resistant to was a powerful class of new antibiotics called fluoroquinolones, "the drug of last resort," as one doctor calls them. Vijups gave Hawley a fluoroquinolone called ofloxcin, which probably saved her life.

Scientists have recently discovered genes that carry antibiotic resistance on plasmids, or extra pieces of DNA, that are replicated when a bacterium multiplies. What makes DT 104 so special is that its resistance genes are located right on a chromosome, hard-wired into it, making antibiotic resistance easier to pass along to the next generation of bacteria.

Since the early 1990s, there has been growing controversy over using the few remaining effective antibiotics to treat animals, thereby creating multiresistant strains against which humans will have no defense. When DT 104 struck cattle in the UK, farmers used Bactrim to treat them; since 1993, they have used fluoroquinolones. By 1995, 14 percent of DT 104 strains in the UK had become resistant to fluoroquinolones and nearly 30 percent had developed resistance to trimethoprim, the agent in Bactrim that kills DT 104. "With antibiotics, the mor you use them the faster you lose them, says Patrick Wall, chief of gastrointesti nal disease at the Public Health Servic Laboratory in London.

Wall underscores his point with a story about holiday turkeys. Last year some turkeys were put on fluoroquinolone drugs by a farmer in England who feared a respiratory disease would make them ill and unsalable. "But once you introduce a quinolone drug to kill one bug, it causes resistance in all the others," Wall says. "So a large number of these turkeys ended up with multiresistant DT 104 infections that were also resistant to fluoroquinolones."

Soon after, there was an outbreak in a restaurant where frozen turkeys were left out all night to thaw. The next morning, the chef came in and thought the turkeys were fresh. He didn't cook them long enough to kill all the DT 104 bacteria in the meat. "Thirteen people became ill with *Salmonella* DT 104 infections," Wall says, "and one person died. Because the bacteria had become fluoroquinolone-resistant, there was no drug to treat that one very sick person."



Salmonellas **They cause more foodborne illness than any other pathogens.**

The FDA's Center for Veterinary Medicine is reviewing an application to use fluoroquinolones to treat cattle. A fluoroquinolone for treating E. coli infections in poultry was approved by the agency in 1995. Now fluoroquinolone-resistant campylobacter have shown up in poultry.

Linda Tollefson, an epidemiologist at the FDA's Center for Veterinary Medicine, says DT 104 has caused some soul searching within the agency and the scientific community. "I think the situation in the U.S. has the potential to be similar to that in the UK," she says. "The fact that it's epidemic in the UK is something FDA takes very seriously."

THE CDC INVESTIGATOR, FRIEDMAN, ARrived at Heyer Hills Farm shortly after Hawley came home from the hospital on May 24, nine days after she was admitted. Because the outbreak sickened both humans and animals and because it closely paralleled the English experience, the CDC

In England, DT 104 already had become epidemic

considered it scientifically significant. At about the same time Friedman was arriving in Vermont, other CDC scientists were investigating DT 104 outbreaks in Washington State and in California. Hundreds of people fell ill from eating Mexican *queso fresco,* or fresh cheese, made from unpasteurized milk and sold in Mexican-American communities in both states.

Washington State health officials were unable to trace the cheese back to a particular dairy. But DT 104 had been a growing problem in the state's dairy herds and beef cattle. According to research by Thomas Besser at the department of veterinary microbiology and pathology at Washington State University, no DT 104 infections were reported in the state before 1986. But by 1995, 84 percent of the salmonella samples from cattle were DT 104. Among humans, 42.5 percent of the 1994 samples were DT 104.

The power that emerging pathogen like DT 104 potentially hold over our food supply has not gone unrecognized in Washington, D.C. Over the past year, the federal government has instituted a new Hazard Analysis Critical Control Point (HACCP) system to try to halt the march of the microbes in slaughterhouses and food processing plants. Beginning in January, USDA inspectors will begin reviewing results of the new, mandatory testing for ge-

HOLIDAY TIPS

Turkey à la microbes?

STEVEN NEEDHAM—ENVISION



A closer look at the traditional Thanksgiving spread—say, through a microscope lens—may make you hesitate before eating. Here are ways to make sure your holiday feast is safe.

■ **Turkey and stuffing.** If undercooked, turkey can spread *Campylobacter jejuni,* the leading cause of foodborne bacterial infection in the United States. Campylobacter sickens about 2 to 8 million people annually, causing up to 800 deaths. Doctors have also recently discovered that campylobacter can lead to Guillain-Barré syndrome (GBS), an autoimmune disease that attacks nerve tissue, causing temporary paralysis and chronic nerve-related abnormalities. One strain of campylobacter, 019, seems to produce very high rates of GBS—one case in 158 infections. Turkey can also carry salmonella, culprit in 2 to 4 million illnesses and at least 1,000 deaths per year. To avoid the nausea, vomiting, diarrhea, and other more serious side effects of these bacterial invasions, the USDA urges shoppers to avoid prestuffed birds, to buy poultry last, and to defrost it only in the fridge. Stuff the bird right before cooking and make sure it reaches 180 degrees at its thickest point. Stuffing should reach 165 degrees. To slow-cook overnight or leave roasted meat out all day is to invite a case of food poisoning, because bacteria thrive at temperatures between 40 and 140 degrees. The USDA's year-round Meat and Poultry Hot Line (800-535-4555) is open from 8 a.m. to 2 p.m. EST on Thanksgiving Day.

■ **Paté, deli meats, soft cheeses.** Listeria is far less common than salmonella and it is sometimes found in foods made with unpasteurized milk. The bacterium can lead to stillbirths, miscarriages, and meningitis, and causes about 250 deaths yearly, though that number is dropping with prevention efforts. One study suggests high digestive-tract acidity fights listeriosis, so people on antacids may be more at risk.

■ **Eggnog.** Homemade with raw eggs, the holiday favorite is an environment ripe for *Salmonella enteritidis* bacteria growth. No amount of strong liquor will kill the bug. Amazingly, 50 percent of Americans still eat raw or undercooked eggs. Pasteurized eggnog is OK.

■ **Shellfish.** Grandma's oyster stuffing could carry the bacterium *Vibrio vulnificus* if shellfish is undercooked. The same goes for raw shellfish harvested from warm waters, culprit in 10,000 poisonings and 100 deaths annually.

■ **Fresh fruit and vegetables.** Fresh produce consumption has jumped 50 percent since 1970. Lettuce, tomatoes, and fruit can carry salmonella if tainted by sewage water or unclean hands. *E. coli,* the bacterium found in undercooked hamburgers, has also popped up on lettuce. In 1996, Guatemalan raspberries contaminated with the parasite *Cyclospora cayetanensis* were implicated in a rash of poisonings. So you might be wise to forgo those fresh raspberry tarts in favor of cooked berries. Perhaps serve over vanilla ice cream—made from pasteurized milk, of course.

–Mary Brophy Marcus

ceric E. coli (a sign of fecal contamination) required of the slaughterhouses under HACCP. Only 1 in 300 beef carcasses, 1 in 3,000 turkeys, and 1 in 20,000 chickens will be tested, however. No microbial testing is required in meat and poultry processing plants.

Some of those within the government who have faith that HACCP will improve food safety still recognize its limitations. "We, of course, *hope* HACCP will lower the pathogen load in food," says USDA's I. Kaye Wachsmuth, deputy administrator of the Office of Public Health and Science at the Food Safety and Inspection Service. But she concedes that the food industry has, to date, been no match for the microbes. Between 1990 and 1992, for example, an average of 25 percent of all chickens FSIS tested were positive for salmonella. Under the agency's new "Pathogen Reduction Performance Standards," 20 percent of a company's broiler chickens and 45 percent of its ground chicken can test positive for salmonella and the plant will still be in compliance with HACCP. Among turkey processors, the magic number will probably be 15 percent.

This may not be quite as bad as it sounds. According to Michael Doyle of the University of Georgia's Center for Food Safety and Quality Enhancement, salmonella colonies in poultry are small and cause illness only when the birds are mishandled, such as when frozen turkeys are not fully thawed (box, Page 79).

The real problem with poultry is not salmonella but *Campylobacter jejuni*. Recent data that have been made available to the federal government by the Minnesota Department of Health show that 70 to 90 percent of chickens and turkeys in Minneapolis supermarkets have been tainted with campylobacter. Unrecognized until 1977, campylobacter is now the most frequent cause of acute bacterial diarrhea in the nation, striking from 2 million to 8 million people each year.

In an effort to bring order to the crazy quilt of food safety enforcement, legislation was introduced in Congress on November 4 that would create a $1 billion-a-year Food Safety Administration. Caroline Smith DeWaal, food-safety director at the Center for Science in the Public Interest, proposed such an agency—hundreds of outbreaks ago.

The CDC's Angulo says that new food-safety initiatives may eventually reduce foodborne-illness risks, but they don't attack the problem at its source. "What DT 104 is calling for," Angulo says, "is a more comprehensive understanding that foodborne illness starts on the farm. Stopping it will require a paradigm shift, a re-evaluation of everything from the massive use of antibiotics in animal feed to the practice of giving calves milk from cows who are sick or that have just given birth. These are



Back to normal at Heyer Hills "There need to be studies on how these pathogens circulate on farms and how we can prevent their spread," says Angulo, of the CDC. Farmers ask scientists what to do, he says, "and we don't know."

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Bobby Socks and Bomb Shelters



AMERICA IN THE FIFTIES

Ike, the Mouseketeers and *Father Knows Best*. Heady optimism and wholesome values permeated America in the 1950s. But so did latent fear and palpable disquietude. Tension—between innocence and menace, optimism and fear—characterized the decade:

- Post-war Baby Boom coexisted with anti-Red hysteria
- Television brought Ed Sullivan into the living room and slick new campaign techniques to Richard Nixon
- Idolatry of Marilyn Monroe fed a feminist backlash led by Betty Friedan
- Exodus to the suburbs got underway as Rosa Parks defied segregation on city buses

The History Channel examines these fascinating tensions in a world-premiere series on America in the Fifties. For more on the decade that began with World War II victory euphoria and ended with an ominous "kitchen debate" between Nixon and Khrushchev, tune in on Sunday, November 30th.

David Halberstam's The Fifties

The History Channel
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very common practices which no one had to worry about until DT 104."

CINDY FRIEDMAN WAS ALSO DEVELOPing this comprehensive understanding—from the ground up in Vermont. She was interviewing family members, testing animals, and sampling milk tanks.

By the end of the outbreak in June, 22 of the 147 cows at Heyer Hills had become ill and 13 had died. Friedman found 17 other cows with positive DT 104 cultures. Three of the family's six dogs were positive, too, but did not fall ill. "We cultured the bulk milk tank filter on two occasions," one week apart, Friedman says. Both samples were positive. "DT 104 was still in the milk." Ninety percent of family members who drank raw milk became ill. But milk was only one cause of the illness. Caring for sick cattle was another. "This was the first outbreak that conclusively showed animal-to-human transmission," she says.

Leaving Heyer Hills Farm after three weeks of detective work, Friedman was still pondering the questions that bedevil Fred Angulo and England's Patrick Wall: "How did DT 104 get on this farm? How did it move around? Why is it so virulent?" And where will it show up next? ■

IMPORTED BUGS

Maybe Jell-O wasn't so bad

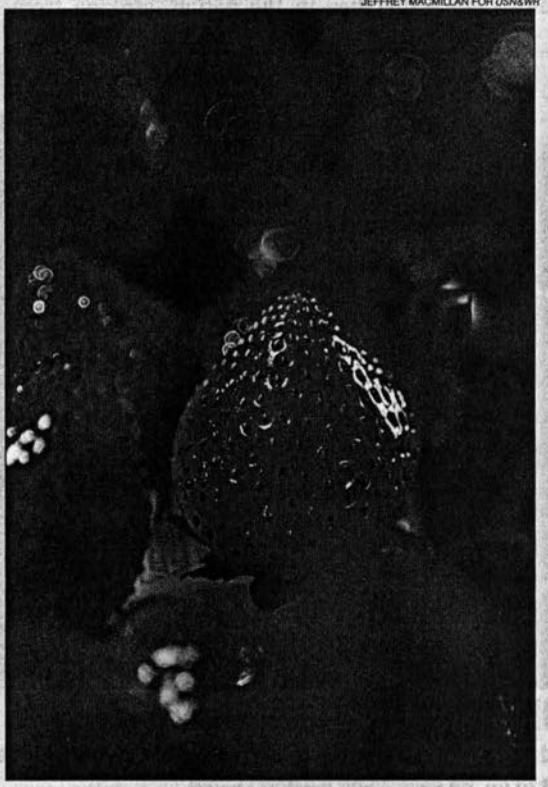
NOGALES, ARIZ.—Bite into a fresh, juicy tomato this winter and more than likely you are tasting fruit grown in Mexico and imported through this tiny border town. The same goes for the sliced strawberries that top your breakfast cereal, the lettuce in your dinner salad, and the eggplant served parmesan-style at a local eatery.

Nearly two thirds of all winter produce eaten in the United States—about 600 million servings per day—comes into the country through the Nogales checkpoint. A thousand trucks line up daily for inspection before hauling their loads toward Interstate 19 and the American dinner table. During January's peak growing season, trucks from the Mexican state of Sinaloa—about eight hours south of the border—are often backed up for 3 miles or more.

More imported food is inspected in the southern Arizona desert than probably anywhere else in the country. Yet the sheer volume of trade means that about 70 percent of the trucks sail through the Nogales entry gates without anyone from any agency inspecting the cargo at all. Since 1989, trucks carrying Mexican produce through Nogales have increased by 62 percent, to 150,744 annually; in the same period, fresh produce passing through has nearly doubled, from 1.9 billion to 3.7 billion pounds per year.

As a result, government agencies that police border trade—the U.S. Customs Service, the Food and Drug Administration, and the Department of Agriculture—use the threat of random inspections to ensure compliance. But the agencies have different mandates. Customs is primarily concerned with collecting tariffs and searching for illegal drugs. The USDA grades food products and looks for unwelcome pests that could attack domestic crops, such as insects hiding in lettuce leaves.

JEFFREY MACMILLAN FOR *USN&WR*



Imports of food have doubled in the past five years.

Random tests. The FDA is the agency primarily responsible for food safety, but its purview is mostly limited to testing for excessive pesticide residue. The FDA does a cursory random examination of about 30 percent of the trucks coming through Nogales, and of those, samples are taken from about 3 percent. Those samples are sent to a lab in Los Angeles where they are tested for safe levels of about 300 pesticides. The results come back within 24 hours (trucks tagged by the FDA are held in warehouses pending the results). Produce that tests positive for unsafe pesticides must be destroyed or the distributors face stiff fines.

But the FDA has no on-the-spot tests for pathogens such as cyclospora, cryptosporidia, or E. coli, all linked to foodborne illnesses. One problem in testing for these bacteria is that microbial contamination does not typically affect all produce harvested from one farm, as is the case with pesticides. One carton of strawberries on a truck, for example, might have traces of cyclospora, while the rest could be untainted. Another problem is time: It can take more than a week to culture disease-causing microbes. By then, shipments may already be in stores.

Experts disagree about whether such extensive testing of imported produce is really necessary. And there is no reliable data to show that imported food is more dangerous than domestic produce. But one fact everyone does agree on is that the globalization of the food marketplace is exposing some consumers to a host of strange microbes—a problem unheard of a generation ago. The changes have more to do with consumer demand than with unsanitary growing conditions. A generation ago, few housewives would pay high prices for fresh fruits and vegetables in the winter. Jell-O was substituted for salads, frozen vegetables for fresh, and canned fruit cocktail was for many the dessert of choice.

As long as consumers demand fresh fruits and vegetables during the winter—at prices comparable to those grown in the summer—the number of trucks coming through Nogales will continue to rise. And inevitably, the number of inspections will not keep up with the volume. *–Dan McGraw*

THE WHITE HOUSE

WASHINGTON

Date 12/8

To: Dan Tarullo, Carl Brainard

From: The Staff Secretary

Do we have to respond quickly to this?

Phil Caplan

Ao Bernhardt

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December 5, 1997

The President
The White House

Dear Mr. President:

On December 12, the Financial Service negotiations under the World Trade Organization will conclude. I write in my capacity as a member of this Administration's Industry Sector Advisory Committee for Services and as one of the Administration's two most senior insurance industry trade advisors, urging your personal commitment to a successful outcome in the Financial Services negotiations generally and the Insurance negotiations in particular.

The Administration is extremely close to a historic trade policy success for the country and the world. An Agreement in this vital sector of world trade would be a keystone in the Administration's growing success in fostering productive U.S. trade in the global market place. Plainly put, this Agreement offers critical support to our American financial service exporters as well as a doorway for them to the global economy of the future.

As you are no doubt aware, the deadline for these talks has been extended three times in the past, due to inadequate -- but improving -- market access offers by the signatory countries. Fortunately, it looks now as if only five or six insurance issues of consequence remain, leaving a manageable amount of work to be finished.

The International Insurance Council supported you without reservation on NAFTA, the Uruguay Round and fast track. We will support your action in this instance just as strongly. And, of course, we will continue to back your efforts to establish market-based democracies around the world.

Go for it Mr. President! You and your Trade Representative, Charlene Barshefsky, deserve the applause that a successful Financial Services Agreement will produce.

Sincerely,

Gordon J. Cloney
President.

THE PRESIDENT HAS SEEN
12-8-97

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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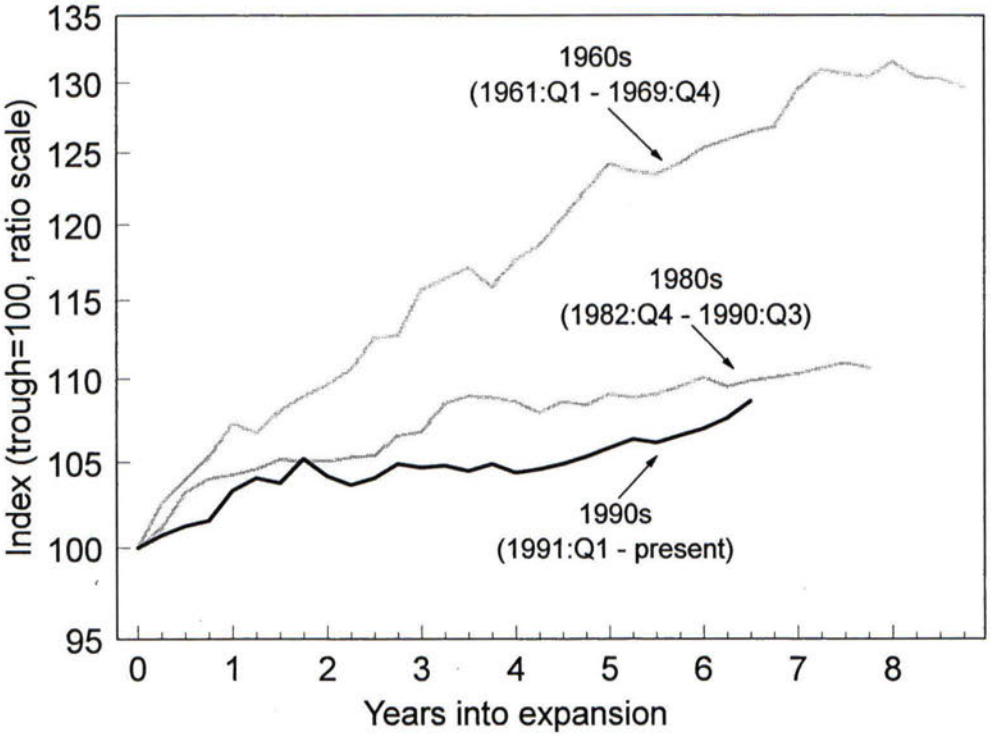
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

December 5, 1997

copy of Yellen COS

CHART OF THE WEEK

Nonfarm Business Sector Productivity in Three Expansions



Cumulative growth in (output-side) productivity of about 9 percent since the beginning of this expansion has been similar to what was achieved over a comparable period in the 1980s expansion. As then, productivity growth has been substantially less than what was achieved prior to 1973. (At this point in the 1960s expansion, for example, cumulative productivity growth was 26 percent.) The pattern of productivity growth has also been unusual this time. Rather than petering out as the expansion has matured, productivity growth has recently picked up steam, allowing the economy to grow strongly without rising inflation.

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"Number two, step forward and say 'You can't lose if you invest in this stock.'"

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12-8-97

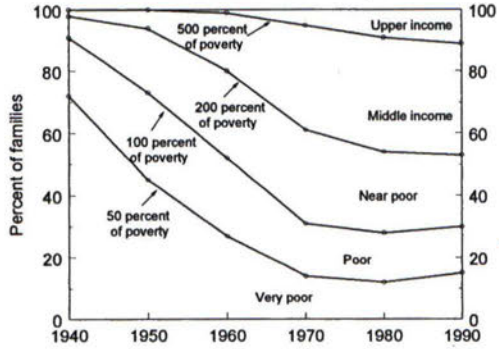
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The Middle Class in Black and White

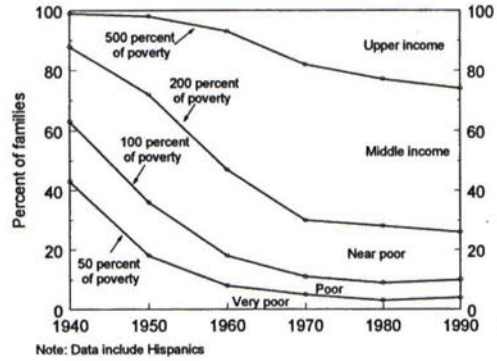
A major economic achievement of the postwar period has been the emergence of a large middle class. By most economic measures, the "middle class" expanded rapidly from 1940 to the mid-1970s for both blacks and whites. But little expansion has occurred since then.

The long view. By one definition (family income between 200 percent and 500 percent of poverty), the expansion of the black middle class was greatest in the 1960s, though also substantial in the 1940s and 1950s (see upper chart). The expansion of the white middle class was greatest in the 1950s, but also substantial in the 1940s and 1960s (see lower chart). In 1990, nearly half of black families and three-quarters of white families had middle class or higher incomes.

Distribution of Black Families by Income



Distribution of White Families by Income



Note: Data include Hispanics

Recent trends. Because these data come from decennial censuses, they cannot identify turning points. Annual data using a slightly different measure (families with income between $25,000 and $75,000 in 1996 dollars) suggest that the expansion of the black middle class ended in the mid-1970s. Between then and the early 1990s, the proportion of black families with middle class or higher incomes remained largely unchanged, though some expansion has taken place since 1993.

Implications. The earlier large expansion of the middle class was accompanied by a substantial reduction in the proportion of lower-income families for both blacks and whites. More recently, the proportion of affluent families has continued to grow but the proportion of lower-income families has not fallen much. Given the expansion of the upper-income group, the failure of the lower-income groups to shrink is disappointing.

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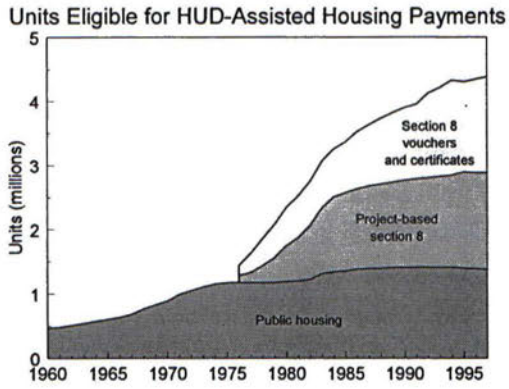
SPECIAL ANALYSIS

Housing Programs and Neighborhood Characteristics

New data suggest that the shift in Federal housing assistance from public housing projects to housing vouchers has led to a decline in the concentration of recipients in high-poverty neighborhoods.

Federal housing assistance. Currently, 4.4 million housing units are Federally subsidized. In general, an assisted household pays 30 percent of its adjusted income in rent, with the Federal government providing the difference between that and the fair market rent. Households with incomes up to 80 percent of the median in their area are eligible for housing assistance, but availability is limited and varies widely across areas. In the 100 largest metropolitan areas, for example, the proportion of eligible households receiving housing assistance varies from 8 percent to 50 percent, with a median of 22 percent. About three-quarters of recipients have incomes below 30 percent of the area median.

The three major forms of assistance. Federal housing assistance can take the form of publicly owned-and-operated housing projects, privately owned-and-operated projects with government subsidies to low-income tenants (project-based Section 8), and direct rental subsidies in the form of vouchers or certificates that the renter can use in the private housing market (Section 8 vouchers and certificates). Currently, each of these programs accounts for about a third of all subsidized units. Since the mid-1980s, however, Section 8 certificates and vouchers have accounted for virtually all of the incremental units or additions (see chart).



Where are these units located? Public housing projects have traditionally been located in poor and racially segregated neighborhoods, due to both political pressure and economic necessity. Voucher programs, by contrast, allow recipients to select more diverse neighborhoods. Indeed this seems to have happened. On average, Section 8 units are located in neighborhoods that are 38 percent minority, compared with 59 percent for public housing. Section 8 units also tend to be located in less-poor neighborhoods. On average, they are in neighborhoods in which 20 percent of the population is poor, compared with a 37 percent poverty rate around public housing units.

Implications. The opportunity to move to better neighborhoods offers potential advantages to recipients of Federal housing assistance. The concentration of poor families in high-poverty neighborhoods can physically isolate them from jobs, high-

quality schools and medical care, and social contacts with people who are integrated into the mainstream economy. Research has found that children raised in disadvantaged neighborhoods have poorer outcomes on a number of indicators, including teen pregnancy, high school drop-out rates, and subsequent employment, compared with otherwise similar children.

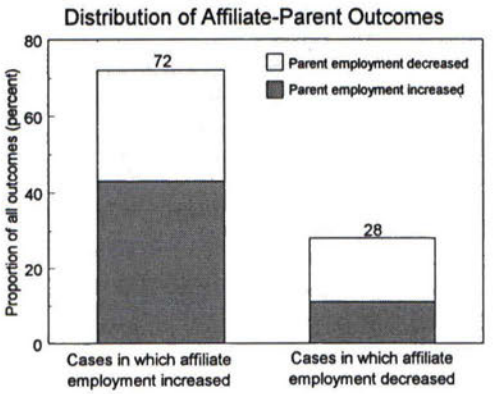
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SPECIAL ANALYSIS

Foreign Investment and Domestic Employment

Do U.S. firms export U.S. jobs when they move production abroad? Recent studies suggest not. Rather, employment growth in a foreign affiliate of a U.S. firm more often than not is associated with employment growth in the parent as well.

The evidence. A study of employment growth in U.S. multinational firms between 1983 and 1992 shows that the number of cases in which employment increased in an affiliate was far larger than the number of cases in which employment fell (see chart). In 60 percent of the cases in which employment increased in the affiliate, it also increased in the parent. In a similar fraction of the cases where employment fell in an affiliate, it also fell in the parent. Moreover, large changes in affiliate employment were generally associated with large changes in parent employment.



The positive correlation between employment growth at home and abroad is more likely when the affiliate is in a developing country. Indeed, the evidence suggests that when wages decline at an affiliate location in a developing country like Mexico, multinationals tend to increase employment at the parent location—although they may reduce production in affiliates located in other developing countries. This suggests that Malaysian workers are more likely to be put at risk by a decline in Mexican wages than are U.S. or Canadian workers, who may actually benefit.

Why the correlation? Lower costs are an important reason why U.S. firms choose to produce abroad. But achieving lower costs does not necessarily mean shedding U.S. jobs. Firms may try to place complementary parts of the production process (such as manufacturing and assembly) in locations with different labor force skill mixes. For instance, by placing routine assembly operations in developing countries with an abundant supply of low-wage, less-skilled workers, semiconductor firms can achieve cost savings that permit overall expansion of production, which increases the demand for skilled workers to undertake technologically advanced manufacturing in industrialized countries.

Remaining concerns. Although the feared negative link between employment in U.S. foreign affiliates and domestic employment does not occur in the majority of cases, employment in the U.S. parent did decline in 40 percent of the cases where employment rose in the affiliate. Moreover, even in cases where employment rose, the parent may have shifted to hiring more skilled labor at the expense of unskilled labor. This is most likely to result from firms' taking advantage of the low cost of

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unskilled labor elsewhere. Evidence from the literature on outsourcing to foreign producers, which often occurs for the same reason, suggests that multinational activity may have some adverse impact on domestic low-skilled workers.

Implications. The correlation between employment changes in the parents and affiliates of U.S. multinationals is consistent with other empirical findings that show a positive correlation between direct foreign investment and exports. The bottom line is that greater foreign investment tends to be associated with more domestic jobs.

ARTICLE

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Costly Jams

Traffic jams are a serious and rapidly growing problem that current policy does little to address.

The cost of congestion. A recent report funded by the Department of Transportation puts the costs of congestion, relative to free-flowing traffic, at nearly $60 billion in 1994, up from less than $40 billion in 1986. These costs (which include routine and incident-related delays) reflect both the dollar value of delays to motorists and the additional fuel consumption from congestion, although only about a tenth of the total estimated costs are fuel-related. The growth in the number of total vehicle miles traveled—expected to be 2 percent per year—will further raise congestion costs unless highway capacity expands to match rising vehicle use.

Other costs are left out of this computation, including the following:

- Scheduling inconvenience. To avoid congestion-related delays, many commuters travel at inconvenient times. The loss of convenience in scheduling appears to represent tens of billions of dollars per year of additional congestion-related costs.

- Environmental effects. Motor vehicles are more fuel-efficient in free-flowing traffic than they are in congested conditions. Thus, congestion contributes to air pollution problems—although these congestion-related pollution costs appear small compared with delay and inconvenience costs.

Congestion results from inappropriate incentives. Travelers choose a type of transportation, and a departure time, based on the costs and delays that they incur. But drivers do not have incentives to consider delays that they impose on others. Therefore, too many people commute alone by car. The result is traffic jams that make those involved collectively worse off than if some had not driven or had rescheduled their trips. Many current policies have limited effects on congestion because they address how people choose to travel but not when they choose to travel. For example, fuel taxes tend to reduce motor vehicle use, even when routes are not congested. Similarly, transit subsidies serve to increase the use of public transit during rush hours and off-peak hours alike.

Congestion pricing abroad. A more direct way to reduce traffic jams is congestion pricing—charging motorists more to use bridges, tunnels, or roads during times of heavy use. Such policies have already been adopted in some other countries.

- Singapore, which to casual observers has exceptionally light traffic relative to other Asian cities, began in 1975 to require motorists entering the city core

during peak hours to display a windshield license that currently costs about $2.00 per day. Traffic is now some 20 to 25 percent below 1975 levels, despite substantial increases in population, employment, and incomes.

- Starting in 1986, the Norwegian cities of Bergen, Oslo, and Trondheim implemented road pricing schemes as a means of financing road and transit improvements. Over motorists' opposition, fairly modest tolls of $.70 to $1.75 per trip were established. Although the tolls were set primarily to raise revenues, not to reduce congestion, traffic has been reduced by about 5 percent in Oslo and 6 to 7 percent in Bergen.

Congestion pricing here? Several studies suggest that congestion pricing could substantially reduce traffic delays in this country. For example, a study sponsored by the State of California found that a congestion pricing option that would raise about a billion dollars of revenue annually in the San Francisco Bay Area would reduce congestion-related delays by a fifth. This congestion pricing option would cut delays by three times more than a fuel tax raising roughly the same amount of revenue, while cutting carbon and nitrous oxides by two-thirds as much. Congestion pricing also entails costs associated with electronic toll collections systems, although new technologies appear to keep these relatively low.

One barrier to adopting congestion pricing in this country has been Federal law, which has long stipulated that no toll of any kind may be imposed on the use of Federal-aid highways, with specified exceptions including bridges, tunnels, and facilities initially built as toll roads. Congress has not yet acted on a recent Administration proposal to amend the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) to allow increased use of tolls on Interstate highways. ISTEA does, however, exempt projects to test the use of congestion pricing.

Conclusion. Congestion costs are large and growing. Congestion pricing is an economically attractive solution to this problem. But its widespread adoption may require greater public willingness to accept the necessary tolls. Pilot projects that demonstrate the effectiveness of such pricing could prove useful.

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BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Reports Continued Moderate Growth. On balance, the Federal Reserve's summary of commentary on regional economic conditions indicates a continued moderate pace of economic growth since the last report a month ago. Most districts report that retail sales have improved, and retailers in most regions are expressing optimism about the sales outlook for the holiday season. Manufacturers report high levels of capacity utilization, although factors like rail bottlenecks in the West and South and possible fallout from Asian financial turmoil and currency weakness are constraining current output growth and future expansion plans. Virtually all regions are experiencing tight labor markets, with some reporting increased wage pressures in specific industries and occupations with labor shortages. Retailers are having a particularly difficult time in hiring and retaining seasonal workers. Business respondents report that price pressures remain neutral, on balance, as steady to declining commodity prices, productivity gains, and increasing overseas competition appear to be offsetting any effects of wage gains.

Who Pays for Cuts in Medicare Payments? For several years, efforts to achieve Medicare savings have focussed on payments to providers, particularly the "update factor" for hospital reimbursements. A recent study examines the incidence of these cuts, asking whether hospitals shifted them or absorbed them. It finds that between 1985 and 1990, hospitals that had a greater share of their revenues from Medicare (and were therefore more affected by Medicare cuts) experienced larger increases in private revenues per patient than other hospitals, but that between 1990 and 1995 the relationship was reversed. Thus, the study concludes that hospitals shifted Medicare cuts to the privately insured population in the earlier period but absorbed them in the latter. In addition, hospitals in areas with more managed care tended to shift costs less, particularly in the 1990s, suggesting that the cost constraints imposed on hospitals by managed care may limit hospitals' ability to shift costs to the privately insured. Hospitals might have been operating more efficiently, or they may have cut back on free care or provided less care to the Medicare population. While evidence on the question of how hospitals cut costs in the 1990s is scant, the study finds no evidence that hospitals closed emergency rooms or trauma centers that predominately serve the poor in response to Medicare cuts.

Economy On Track For the Longest Peacetime Expansion. Continued robust growth in high-technology industries and in aerospace should extend the current economic expansion beyond 1998, making it the longest peacetime expansion, according to a recent trade and industry report by the Commerce Department and McGraw-Hill. If it were to continue beyond January 2000, this expansion would be the longest on record. Growth is expected to slow to between 2.0 and 2.6 percent annually in 1997 and 1998, but so far this year growth has been much faster than that. Capital goods, especially information technologies, should be the best performers, with 30 percent annual growth in shipments of computers and peripheral equipment expected to lead the way.

INTERNATIONAL ROUNDUP

Index Assesses Countries' Economic Freedom. A central tenet of economic reform is that economic freedom fosters economic growth. But how should such freedom be measured? One attempt is the annual Index of Economic Freedom, published jointly by the Heritage Foundation and the *Wall Street Journal*. The index scores countries in 10 areas (trade policy, taxation, government intervention in the economy, monetary policy, capital flows and foreign investment, banking, wage and price controls, property rights, regulation, and the black market). In the recently released 1998 Index, the United States is tied for fifth place with Switzerland. Hong Kong (1) and Singapore (2) head the list. The Index ranks 83 of 156 countries as unfree or repressed, the majority in Africa and Asia. The Latin American and the Caribbean region showed the most progress, with almost half the countries improving their score. Research indicates a correlation between the Index of Economic Freedom and growth rates. It should be noted, however, that economic freedom is different from political freedom or democracy.

World Bank Sets Priorities for Environmental Relief in East Asia. In an effort to focus on priorities and target resources most effectively, the World Bank has released a new study that analyzes costs and benefits of various options to address environmental problems in East Asia. The report singles out the need for expanded access to clean water and urban sanitation and the high costs of air pollution as areas for urgent attention. If East Asian countries act soon, the benefits of improving water infrastructure are estimated to be 5 to 10 times the costs, while the benefits of reducing air pollution could be 2 to 3 times the costs.

Politics and Financial Instability. Economic troubles may have contributed to political upsets in Taiwan and the Czech Republic this weekend, followed by additional financial volatility. Whether Korea will have a similar experience when it holds its presidential election on December 18 remains to be seen. In the Czech Republic, an internal party coup forced the resignation of Prime Minister Vaclav Klaus, the champion of free-market economics in Central Europe, following allegations of misdeeds. Fears that the government shake-up might halt the restructuring necessary to reform and revive the slowing Czech economy resulted in a 4 percent fall in the stock market and a 2 percent fall in the koruna when markets opened on Monday. In Taiwan, regional elections were marked by a surprise victory and the gaining of a significant majority of local government seats by the opposition party (the DPP). Fear of political instability and China's reaction to the success of the pro-independence DPP contributed to a 5 percent fall in the stock market. In Korea, the decision to seek IMF support has become a wild-card in the presidential election. Korean public sentiment is supportive of the need for a tough economic program in dealing with their financial crisis, but the ultimate impact of the IMF agreement on the election remains uncertain. Some evidence suggests that the financial crisis is working to the opposition's favor, but the race appears too close to call.

RELEASES THIS WEEK

Employment and Unemployment
****Embargoed until 8:30 a.m., Friday, December 5, 1997****

In November, the unemployment rate was 4.6 percent; it was 4.7 percent in October. Nonfarm payroll employment rose by 404,000.

Productivity

According to revised estimates, nonfarm business productivity rose at an annual rate of 4.1 percent in the third quarter. Manufacturing productivity rose 9.3 percent.

Leading Indicators

The composite index of leading indicators increased 0.2 percent in October.

NAPM Report on Business

The Purchasing Managers' Index declined to 54.4 percent in November from 56.0 percent in October.

MAJOR RELEASES NEXT WEEK

Retail Sales (Thursday)
Producer Prices (Friday)

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	3.3
GDP chain-type price index	5.4	2.3	2.4	1.8	1.5
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	1.2	1.4	2.4	**4.1**
Real compensation per hour:					
Using CPI	0.6	0.2	2.1	2.2	**1.9**
Using NFB deflator	1.3	1.4	2.4	1.6	**2.8**
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	-0.2

	1970-1993	1996	September 1997	October 1997	November 1997
Unemployment Rate	6.7**	5.4**	4.9	4.7	**4.6**
Payroll employment (thousands)					
increase per month			**300**	**287**	**404**
increase since Jan. 1993					**13967**
Inflation (percent per period)					
CPI	5.8	3.3	0.2	0.2	N.A.
PPI-Finished goods	5.0	2.8	0.5	0.1	N.A.

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

New or revised data in **boldface**.
Employment and unemployment data **embargoed until 8:30 a.m., Friday, December 5, 1997**.

FINANCIAL STATISTICS

	1995	1996	October 1997	November 1997	Dec. 4, 1997
Dow-Jones Industrial Average	4494	5743	7876	7677	8050
Interest Rates					
3-month T-bill	5.49	5.01	4.97	5.14	5.13
10-year T-bond	6.57	6.44	6.03	5.88	5.84
Mortgage rate, 30-year fixed	7.95	7.80	7.29	7.21	7.15
Prime rate	8.83	8.27	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	**Current level December 4, 1997**	**Percent Change from Week ago**	**Year ago**
Deutschemark-Dollar	1.771	0.6	13.3
Yen-Dollar	129.4	1.5	14.3
Multilateral $ (Mar. 1973=100)	98.37	0.6	10.5

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	3.9 (Q3)	**4.6** (Nov)	2.1 (Oct)
Canada	3.7 (Q2)	9.0 (Sept)	1.5 (Oct)
Japan	1.0 (Q3)	3.4 (Aug)	2.4 (Oct)
France	2.6 (Q3)	12.7 (Jul)	1.0 (Oct)
Germany	2.3 (Q3)	7.8 (Sept)	1.7 (Oct)
Italy	1.9 (Q2)	11.9 (Jul)	1.6 (Oct)
United Kingdom	3.8 (Q3)	6.8 (Sept)	3.7 (Oct)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, December 5, 1997**.

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THE WHITE HOUSE

WASHINGTON

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12-8-97

December 6, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Budget and State of the Union: Over the next few days, we will send you memos on proposed initiatives to include in your FY 99 budget and State of the Union. These initiatives involve education, child care, health, crime, welfare, housing, and civil rights enforcement.

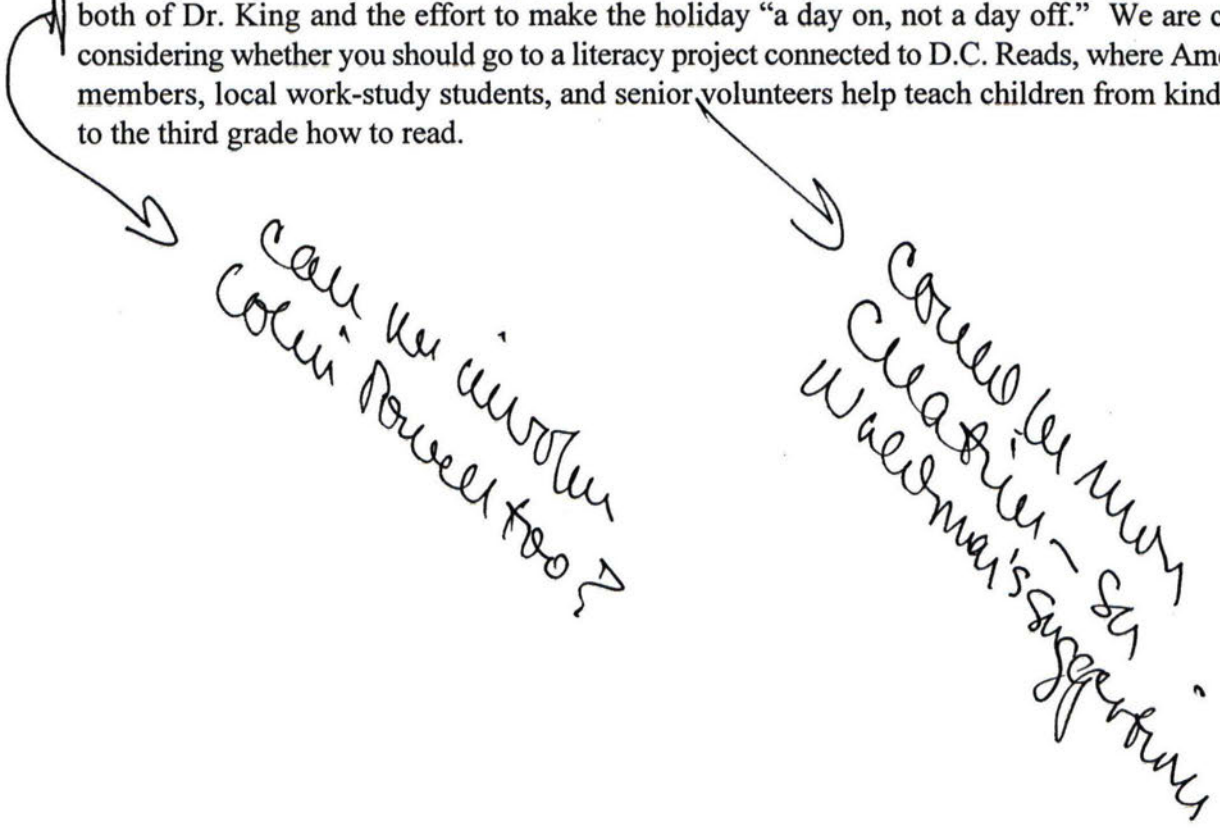
2. Health -- Pediatric Labeling: You recently asked about a *New York Times* story on the Administration's pediatric labeling regulations. The *Times* reiterated the pharmaceutical industry's claims that clinical trials required under the regulation will expose children to inappropriate and potentially harmful doses of medication. These claims, however, are spurious. The testing requirement generally ensures that doctors will not endanger children by giving them inappropriate doses of medication. When the application of this requirement poses unacceptable health risks to children, the FDA Commissioner has the authority to waive it. The American Association of Pediatrics and other consumer advocates immediately responded to the *Times* article by emphasizing the ethical propriety of, and the medical need for, this regulation. The industry's true complaint is not with the regulation's ethics, but with its cost. Even here, however, the industry has no legitimate grievance: the FDA reform bill you recently signed contains a provision to give a company that has tested a drug for use on children the exclusive right to market that drug for six months.

3. Health -- Medicaid AIDS Demonstration: About six months ago, the Vice President asked HHS to consider the feasibility of a demonstration program that would provide Medicaid coverage to relatively healthy HIV-infected people, so that they could get the benefits of early drug treatment. After much study, HHS concluded that a program of this kind would cost a significant amount of money ($8 billion over five years), thus violating the Administration's rule of budget neutrality for Medicaid demonstrations. We now have asked HCFA to develop a legislative proposal for a capped Medicaid demonstration to provide HIV-infected individuals with early access to drugs. The Vice President's request created high expectations among AIDS advocates, and they are demanding that the Administration make room for this program (in addition to increasing support for other AIDS treatment and research activities) in the FY 99 budget. We will give you an options memo on this issue later this week.

4. Race -- Race and Service Link: We are attaching a column by Steve Waldman of *U.S. News* arguing that service activities by people of diverse backgrounds, such as AmeriCorps' CityYear program, does more to foster racial understanding than dialogue or more traditional efforts

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to promote racial harmony. In keeping with this article, Harris Wofford has urged the race initiative to focus on common action by Americans of different backgrounds. In a recent note to us, you indicated that you would like to engage in service activity on Martin Luther King Day, in recognition both of Dr. King and the effort to make the holiday "a day on, not a day off." We are currently considering whether you should go to a literacy project connected to D.C. Reads, where AmeriCorps members, local work-study students, and senior volunteers help teach children from kindergarten to the third grade how to read.



Sweating to the oldies

Toiling together will do as much for race relations as talking together

BY STEVEN WALDMAN

The topic was supposed to be race, but the conversation quickly turned to music. As alumni of the national service program City Year gathered at a conference in Boston, one panel of young people convened to discuss how their ethnic backgrounds had affected their experiences with the program.

More than one former team of workers described how, whenever they would arrive at a work site to do graffiti removal or housing renovation, conflict would arise over what music to play on the boom box. Black corps members (and some urban whites) would generally put on hip-hop or rap—music that some of the white suburbanites found annoying. When a white City Year participant would change it to heavy metal or grunge, the black corps members would be insulted. The daily decision of what music to play became a constant issue of "respect," a proxy for whatever insecurities and anxieties each group had about working with the other.

One team of corps members hit upon a comical, yet poignant, compromise. Instead of listening to rap or grunge, they agreed to listen to oldies—a musical genre that no one there particularly liked but which no one felt threatened by. The key to the compromise, the alumni agreed, had been the mutual trust they'd gradually developed through working together toward common goals.



ROBERT TRIPPETT—SIPA FOR USN&WR

City Year corps members warm up before starting a project.

Racially loaded arguments about music sometimes erupted at the work site.

Colorblind huddle. Usually when critics recommend that racial dialogue be accompanied by action, they mean acts such as appointing more minorities to important positions or promoting affirmative action. But there is also a need for people of different races to work jointly toward goals that have nothing to do with race. The failure to recognize this reality is one reason President Clinton's race initiative has been such a dud.

The same dynamic described by the City Year alumni is typical of team sports. Republican politician Jack Kemp, for example, has often talked about how his experience as a pro football quarterback made him more understanding of African-Americans. As John Mackey, a former football buddy of Kemp's, explained, "The huddle is colorblind." Whatever Kemp's preconceived notions, he was far less concerned with the race of his offensive linemen than with their ability to keep him from getting killed by an opposing linebacker. Similarly, although there's no statistical proof, it sure seems that most interracial friendships in high schools are forged on sports teams.

The other widely cited example of black-white cooperation is the military—where, again, the goals toward which soldiers strive have nothing explicitly to do with racial harmony. Indeed, if the *goal* of the Army were race mixing instead of defending our shores, it might do neither job well.

By contrast, college students spend a great deal of time talking about racial issues—and yet it doesn't seem to translate into better relations. A recent study by the Corporation for National Service on diversity in civilian service programs included this telling passage: "A white female . . . commented that the college she had attended was very diverse but the students there 'hung out in groups where everyone was the same.' In contrast, at her AmeriCorps program, members truly served and socialized across racial, ethnic, and class lines."

Why the contrast between college and national service? Primarily, it's a question of individual goals versus group goals. While the college student's grades reflect only on her, a service corps—like an army or a sports team—measures success collectively. (At the end of the day, are the graffiti gone, the hill taken, the other team defeated?) Few things force you to take an honest measure of people as much as having to rely on them to accomplish an objective. You don't have the luxury of your prejudices. Young people in City Year didn't learn that everyone worked hard or was pleasant company; they learned that there wasn't a correlation between those qualities and race.

So how could Clinton improve his race initiative? Perhaps by no longer thinking of it as a race initiative. He should pick a goal largely unrelated to race and create opportunities for people of different backgrounds to work together toward that goal. The president could help organize a partnership between black churches and white churches to fight drug addiction, or between Hispanic high schools and non-Hispanic ones to renovate low-income housing. There would be a lot less time for talk and perhaps more time for progress. ■

Steven Waldman is national editor of U.S. News. *In 1996, he worked as an official at the Corporation for National Service.*

INTERNATIONAL LEADERSHIP

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12-8-97

Climate Change

The climate negotiations in Kyoto have now completed the first five days with many issues under active deliberation, but none of significance yet resolved. Issues where substantial disagreements remain include:

- **Target and timetable** - Other developed nations that are pushing for reductions below 1990 baseline levels though coverage of gases, makes comparisons among proposals more complicated;

- **Differentiation** - There is support in principle from most developed nations except the European Union (EU), but no agreement on any specific formulation;

- **Coverage of gases** - The EU and Japan are arguing against inclusion of all six greenhouse gases this year, while the U.S. and others are supporting their inclusion;

- **Forest and soil sinks** - There is considerable debate about whether to include some or all;

- **Joint implementation (JI) with credit** - Discussions are focusing on a Brazilian proposal for a Clean Development Fund which possibly could permit JI activities;

- **The European Union's bubble** - This plan with other developed nations is raising questions as to why the EU should benefit from this grouping; and

- **Developing country commitments** - Discussions are still focused on a provision for voluntary agreements by some developing countries and the possibility of a Kyoto Mandate for future negotiations.

Because countries may only be willing to compromise as part of a final deal, and because many of these issues are interconnected (e.g., the treatment of sinks impacts the size of any target), it has been difficult to narrow the range of issues still unresolved. Whether or not a resolution of these many issues will come together at the end remains very much an open question that may not be clear until the early part of next week when ministers take over.

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ONE AMERICA IN THE 21ST CENTURY

The President's Initiative on Race

The New Executive Office Building
Washington, DC 20503
202/395-1010

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12-8-97

MEMORANDUM FOR THE PRESIDENT

FROM: JUDITH A. WINSTON

Copied
Winston
Mathews
Bowles

THRU: ERSKINE BOWLES
SYLVIA MATHEWS

SUBJECT: PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT -- NOVEMBER 24- DECEMBER 5

AKRON TOWN HALL MEETING

Town Hall Meeting. On December 3, you hosted your first Town Hall Meeting in Akron. Over 5,000 people attended and it aired live on C-Span. In attendance from your Advisory Board were Chairman Dr. John Hope Franklin, Angela Oh, Rev. Suzan Johnson Cook, Governor William Winter and Linda Chavez Thompson.

Watch Parties. Approximately 100 Town Hall Watch Parties were held across the country. Over 20,000 Americans viewed the town hall meeting through these watch parties.

Promising Practices. Ten organizations which have been highlighted as promising practices from across the country also participated in your Akron Town Hall meeting.

ADVISORY BOARD ACTIVITIES

Brown University. On November 24, Angela Oh was the closing speaker for the Asian Pacific American Heritage celebration at Brown University. She spoke to 50 students, faculty, and administrators about the Initiative and urged the students to become actively engaged in the Initiative.

Status Report. Attached to this report, you will find Angela Oh's status report on the Initiative. We are hoping to have all of the Advisory Board members complete these in

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12-8-97

the upcoming weeks.

K-12 School Visits. Each Advisory Board Member plans to visit elementary or secondary schools in their respective cities during the next three weeks. The purpose of these visits is to provide each Advisory Board member with a real experience of race in schools today and tied in with the focus of the December Advisory Board Meeting.

Advisory Board Meetings. The December 17 Advisory Board meeting will focus on issues of race in public primary and secondary education. It will include dialogue about the challenges facing primary and secondary education in America as they intersect with race (e.g., urban segregation, insufficient resources in terms of teaching and facilities) and about promising practices in dealing with those challenges with people familiar with those issues. Attached is a proposed agenda for this meeting.

We are working closely with the Department of Labor staff and the DPC in preparing for the January Advisory Board meeting on employment issues.

OFFICE OF THE EXECUTIVE DIRECTOR

NAACP Roundtable. I briefed a group of NAACP leaders from across the country and discussed the importance, purpose, and critical success of, Presidential Town Hall meeting. I also participated in dialogue aimed at making the NAACP a more racially inclusive organization.

OUTREACH

CEO Roundtable. On December 1, Secretary Slater moderated a meeting of more than 80 corporate CEOs in Miami, included Advisory Board Member Bob Thomas, who has relocated to Republic Industries in Miami and its CEO Wayne Huizenga. It was very successful, as evidenced from the attached news article. We plan at least four more of these meetings. The next Roundtable will be held in January.

RESEARCH AND POLICY PLANNING

Promising Practices. There are now 40 promising practices posted on the Initiative web page.

Fairfax County Schools. The Fairfax case study is scheduled to be unveiled December 15 by Advisory Board member Linda Chavez-Thompson.

COMMUNICATION

PSA. On Tuesday, December 2, 1997, we unveiled a public service announcement (PSA) that was developed by the Ad Council in consultation with the Leadership Conference on Civil Rights and the White House staff. The PSA targets Young America

and features young people who talk about the values they have in common while asking viewers what they would do to help build One America. The PSA also has a web-site listing and a 1-800 number.

YOUTH

Call to Action Letter. On November 28, 1997, your letter to youth was mailed to 25,000 young leaders asking them to join you in your efforts to examine the current state of race relations in America. This letter provides a call to action to Young America and was targeted to high school senior class presidents, University and College class presidents, and leaders of national and local community organizations. We have already begun to receive responses to these letters.

Youth Briefing. On Monday, December 1, 1997, Vice President Gore hosted a briefing with youth and youth-oriented media (i.e. MTV, Rolling Stone, Vibe, Essence) where he discussed the importance of having young America involved in this initiative. The event featured a local high school football captain who has organized other high school captains to become involved in the Initiative.

FEDERAL AGENCY ACTIVITIES

DEPARTMENT OF TREASURY

Conversations That Bring Us Together. On November 28, the Treasury Department issued a press release on a *One America* roundtable conversation on race. The roundtable was hosted by Alex Rodriguez, Deputy Assistant Secretary for Administration, in Boston. The release went out to both the national and regional media markets.

Department of Interior

Tuskegee Airmen Historic Site. The National Park Service Southeast Region is conducting a study of Moton Field, the small Tuskegee, AL airport that served as a training base for the black Tuskegee Airmen of World War II fame, to determine whether the site should become part of the national park system. The study is being funded by a $75,000 grant from AL Department of Economic and Community Affairs. Moton Field could potentially come under NPS management as a separate park unit or as part of Tuskegee Institute National Historic Site.

UNITED STATES DEPARTMENT OF AGRICULTURE

Outreach. Under Secretary for Food, Nutrition, and Consumer Services Shirley Watkins began her Food and Nutrition Service-District of Columbia initiative to reach out to the African-American Community. As part of this project, Consumer Advisor Joyce Willis met with Washington ministers on November 24 on the plan, "Do It Here First: How Churches Can Make Food and Consumer Service Programs Available To

The Community." Future plans include meeting with the Under Secretary, and an all-day educational seminar for ministers interested in participating in the plan.

Department of Housing and Urban Development

Housing Discrimination: On November 25, Secretary Cuomo continued HUD's fight against housing discrimination by announcing charges against the owners and managers of an apartment complex in Richmond, VA, who are refusing to rent to African-Americans. A HUD investigation found several white tenants who said that the on-site apartment manager, Rita Lewis, boasted to white tenants that she would not rent to African-Americans. The manager no longer works at the 160-unit Wedgewood Village Apartments. HUD filed civil charges against Lewis, the apartment management company, and the owners of the apartments, alleging violations of the Fair Housing Act for discriminating against prospective black tenants. In addition, HUD issued an order barring Lewis from employment by any company that receives HUD housing assistance for one year.

DEPARTMENT OF TRANSPORTATION

Conversations That Bring Us Together: DOT has eight commitments from senior staff to lead small round table discussions on race over the next few weeks. Several staff members attended training at the New Executive Office Building on November 24.

FRA Update: FRA has incorporated an internal reporting system, in order to insure that all efforts toward the One America concept are recognized and fully implemented. In this internal reporting system, all Associate Administrators and the Chief Counsel, have been asked to submit the name of an employee in each functional area who will serve as the contact person for weekly reporting of race relations items. In addition, the Office of Civil Rights will initiate programs designed to promote constructive dialogue within the FRA and to unite individuals along a path to improve internal race relations.

Coast Guard Update: On November 19, the first of two award ceremonies was held recognizing selected Coast Guard units for their participation in the Coast Guard Partnership in Education 2000 Program. Outstanding unit achievement in this program is recognized each year. The program, started in 1991, is one of the Coast Guard's formal steps to achieving a more diverse workforce by reaching out to women and to minority communities. It is designed to enhance educational opportunities and career awareness for the Nation's youth regardless of their ethnic and racial backgrounds and genders, as well as giving them exposure to positive Coast Guard role models both on the job and in the classroom.

Outreach. On November 24, Secretary Slater participated in a press conference by the Leadership Conference on Civil Rights. He joined government, civic and corporate

leaders to launch its new website to help combat hate crimes.

Minority Educational Institutions (MEIs): On December 1, OSDBU signed Cooperative Agreements with five Hispanic Serving Institutions to provide training to small, women-owned and Disadvantaged Business Enterprises (S/DBEs) in the use of and access to Electronic Commerce and Internet business use. Under the Agreement, each MEI will also receive funding for transportation-related student internships and to provide information dissemination and outreach activities regarding the Presidential initiative to hire individuals off the welfare rolls and the DOT Garrett A. Morgan Technology and Transportation Futures Program. As of December 1, OSDBU has Cooperative Agreements with 14 MEIs, including 8 HBCUs, totaling $880,000.

DEPARTMENT OF ENERGY

"One America" Event in San Diego: Secretary Pena held a race relations discussion with students at San Diego State University's Aztec Center on December 5. Secretary Peña hosted a dialogue with 20-25 students as part of the "One America: Conversations that Bring Us Together" national effort of encouraging dialogue on race and diversity. The roundtable was be observed by an audience of approximately 100 college and high school students.

DEPARTMENT OF EDUCATION

Outreach. The Secretary was interviewed by *USA Today* at the White House's request for a story that ran Monday announcing the beginning of the "Conversations That Bring Us Together" initiative. Secretary Riley held the first of several Administration official-led sessions. Leslie Thornton held a race round table in Philadelphia as well.

Race Town Hall: Secretary Riley traveled to Akron, OH to participate in the Race Town Hall with the President.

DEPARTMENT OF VETERANS AFFAIR

Conversations That Bring Us Together: On December 3, the Assistant Secretary for Human Resources and Administration hosted VA's first dialogue on race. The Assistant Secretary invited 11 members of the public, representing a cross-section of our racially and ethnically diverse society.

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GODFREY ISAAC
A PROFESSIONAL LAW CORPORATION
OF COUNSEL

November 26, 1997

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20502

Re: Status Report on Initiative on Race

Dear Mr. President:

I am writing to thank you and to encourage you to trust your first instinct. I want you to know that my experience as an Advisor to your Initiative on Race has affirmed your expressed belief that the American people are looking for leadership, vision, and hope in confronting the question of race, racism, and the possibility of reconciliation among the diverse people who are a part of this great nation. You have definitely begun to fulfill this need.

Over the past several weeks I have met with community leaders, members of the business sector, religious leaders, local government officials, artists, philanthropists, professional groups -- all of whom are enthusiastic and supportive of the process created by the Initiative. My work on behalf of this Initiative has taken me across the country and across my own state of California. There is a sense of awe over the fact that you have seen fit to take this issue up at the level of the Executive Office. Perhaps this is the underlying feeling that the media has been misreporting as disbelief, cynicism or doubt. Real people (not academics and policy experts caught up in politics) view this endeavor as a wonderful thing and they also recognize the complexity of our situation. Despite the delicacy of the politics and the complexities, the public expresses to me a belief in the possibility of reaching new levels of understanding, a desire to work with the Initiative and a willingness to examine where our future options lie. I am working on a mechanism by which I can report my experiences and the suggestions and models I discover to the Initiative staff on a regular basis. There are innumerable promising practices to be documented in our communities.

I would like to share with you some views expressed at one very important meeting I had with the leaders of the American Indian/Alaska Native tribal leaders last week. Judith, Governor Winter and I were in New Mexico for the 54th Annual Convention of the National Congress of

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American Indians. There were hundreds of tribes present. We had a small meeting with about twenty representatives, some of whom you know.

First, you should be informed that there is a split in sentiment among American Indians about being represented on the Advisory Board. On the one hand, there is a feeling that a Native American person should have been asked to participate because, after all, these are the first people of this nation. One leader who you have met with on several prior occasions, Chairwoman of the Oneida Nation of Wisconsin, Deborah Doxtator articulated this view well. She has specifically asked that I deliver to you a concern that the failure to include an American Indian on the Advisory Board seems to be inconsistent with your own Executive Order, directing all federal agencies to ensure that consultation with American Indian tribes be a part of their protocol. On the other hand, there is a view that the absence of a Native American person is fine because of the unique political status held by the Indian nations. Specifically, unlike others, American Indians have sovereignty, a status not conferred upon other "minorities" in the United States. In essence, this view holds that the American Indian's political status is a large part of their racial identity.

No matter which view one holds, there is an overarching desire to see that the White House create an institutional or structural vehicle through which the input of Native Americans can be received. A suggestion put forward was to examine the Indian Opportunities Council instituted by President Johnson during his tenure at the White House. The Council was composed of tribal leaders who met regularly with members of the Cabinet to discuss a wide range of issues that affected the tribal nations. The Council provided a nation-to-nation vehicle that permitted policy discussions to be held at the highest level of governments. No President since Johnson has taken such Executive action. If you were to establish a Council such as the one described above, a major concern would certainly be addressed. More importantly, the goal of inclusion in this Initiative effort would be advanced.

In closing, I want you to know that I feel deeply gratified to have been invited to assist you in guiding the development of this historic Initiative. I believe that each and every member of this Advisory Board wishes to see success out of this endeavor. That is, as we continue to provide global leadership in trade, technology and international relations, that we move closer to becoming a society which expresses in its own institutions and policies, principles of equality and justice. I also believe that all of those who agreed to be a part of this effort knew in advance that the criticism and cynicism would be there. There are many people and organizations that have a singular interest in finding ways to present challenges to what you are trying to do. You know this, and we know this. However, the American people, that is the vast majority of people living, working and worshiping in our communities across the nation, are people who hold on to hope and who are constantly looking for leadership in creating a society in which the ideals of this nation can be brought to life. This direct effort to examine our experience with racial divides and

to search for opportunities to create mutually beneficial relationships in the future is visionary, courageous and essential to the growth and development of the nation.

Thank you again for your leadership.

Respectfully,

ANGELA E. OH

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THE WHITE HOUSE

WASHINGTON

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December 6, 1997

THE PRESIDENT HAS SEEN
12-8-97

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra MI

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- November 24 - 28, 1997 and December 1 - 5, 1997

CC: The Vice President

I. PRESIDENTIAL PRIORITIES

Race Initiative

- We coordinated the activity of local elected officials for the Town Hall Meeting in Akron, Ohio. Mayor Don Plusquellic (D-Akron,OH), County Executive Tim Davis (D-Summit County, OH), and the city and county councils were extremely helpful in preparations for the meeting. The local electeds were pleased with their involvement and the success of the event, particularly Mayor Plusquellic, who then traveled to the National League of Cities "Congress of Cities" to encourage other local elected officials to engage in our race initiative.

- The National Association of Counties published a "Multicultural Diversity" report on race reconciliation activities in counties around the country. It highlights award-winning diversity programs nationwide. The publication was developed in coordination with our race initiative.

Child Care

- Intergovernmental Affairs has been integrally involved in the policy planning meetings for the FY99 child care initiative. We have consulted many governors, both Democrat and Republican, and communicated their views to the DPC and the First Lady's office.

II. INTERGOVERNMENTAL CONSTITUENCIES

Governors

- We participated in a full day of activities on Wednesday, December 3, with the leadership of the Democratic Governors' Association (DGA), including Governors Howard Dean (D-VT), Pedro Rossello (D-PR), and Frank O'Bannon (D-IN). We represented the White House at a luncheon for supporters of DGA, and joined a number of White House senior staff and Secretary Slater at an afternoon reception for DGA.

- We staffed the First Lady at her Thursday, December 4, luncheon address to the Jobs for America's Graduates (JAG) program which included Governors George Voinovich (R-OH), Tom Carper (D-DE), Cecil Underwood (R-WV), and Marc Racicot (R-MT).

- You received a letter signed by all the members of the National Governors' Association (NGA) Transportation Committee requesting a meeting with you next week to discuss transportation issues and the FY99 budget. We have invited NGA to attend a meeting with Secretary Slater, OMB Director Raines, Gene Sperling, and others on Monday, December 8, which will focus on our upcoming transportation priorities.

- DPC and Intergovernmental Affairs met with Governor Tommy Thompson (R-WI) to discuss the possibility of a FICA/FUDA exemption for workfare and his state's pending children's health care waivers. We agreed to work closely with the Governor to find a solution to the workfare problem. In addition, we agreed to work with the state and HCFA to resolve the outstanding children's health care issues.

- We facilitated the participation of Governor Tom Carper (D-DE) in the AMTRAK Bill Signing Ceremony on Tuesday, December 2.

- We arranged a meeting for Governor Frank O'Bannon (D-IN) to meet with EPA Administrator Carol Browner to discuss air quality in Indiana.

- Governor Jeanne Shaheen (D-NH) called to relay her interest in the appointment of Jim Casey as OSHA Regional Administrator for District 1 and of Junie Blasdell to the Federal Home Loan Bank Board. We have routed both suggestions to Presidential Personnel.

- The following letters were sent to you:

  - Governor Zell Miller (D-GA) wrote to apprise you of the Voluntary Ozone Action Program that he implemented in Georgia on December 4, 1997.

  - Governor Pete Wilson (R-CA) wrote to urge you to approve Israel's request to be

admitted to the Western European and Others (WEO) regional group at the United Nations.

- Governor Ben Cayetano (D-HI) wrote to you offering support for your climate change action policy and commend EPA's climate change mitigation efforts.

State Legislators

- Intergovernmental Affairs hosted a group of 25 state legislators from across the country for a White House briefing on Friday, December 5. The legislators are in Washington attending a five-day summit sponsored by the Center for Policy Alternatives (CPA). They were briefed by Chris Jennings on several health-related issues including the Child Health Initiative Policy, HMO reform, tobacco settlements, and health care disparity among minorities. They also heard from Maria Echaveste on coalition building and the Office of Public Liaison's mission to build support for your policy initiatives. The group showed a particular interest in the dialogue created by your recent race town hall and how it will be continued. I met privately with Linda Tarr-Whelan, the President and CEO of CPA.

Mayors/Municipal Officials

- We attended the 74th annual National League of Cities (NLC) Congress of Cities and Exposition, which was held in Philadelphia December 2 - 6. I spoke to the NLC Board of Directors, met privately with the new NLC President, Brian O'Neill (R-Philadelphia, PA), and addressed the Hispanic and Black municipal officials' caucuses. Lynn Cutler spoke to Democratic Municipal Officials as well as the presidents and executive directors of the State Municipal Leagues. Your video greeting to the conference was extremely well-received. Fifteen federal agencies and departments participated in our "Federal Agency Showcase," highlighting how we are making our Administration more accessible to local government officials.

- We participated in the Vice President's Friday, December 5 announcement of up to $80 million in federal funds to complete the revitalization of the Philadelphia Naval Shipyard. This agreement is a model of successful intergovernmental collaboration. Governor Tom Ridge (R-PA), Mayor Edward Rendell (D-Philadelphia, PA), the development corporation, the Department of Defense, and the Department of Labor all coordinated to put this closed base to a new use that will benefit the American economy and provide jobs. DCOS Podesta, Karen Tramontano, and Kris Balderston did a tremendous amount of great work on this project and Mayor Rendell, as always, was a diligent advocate for his city.

- A meeting was convened by IGA with the U.S. Conference of Mayors (USCM), Mayor Richard Daley's Washington representative, and Mike Cohen of DPC to discuss

the USCM's request for a Mayors' Conference on Public Schools. It was a productive meeting which will be very useful in our preparation of a proposal for consideration by the appropriate White House staff prior to making a recommendation to you.

- I met with Mayor Scott King (D-Gary, IN) on Tuesday, December 2.

- I met with Mayor Ed Rendell (D-Philadelphia, PA) on Wednesday, December 3, to discuss preparations for the December 5 Philadelphia Naval Shipyard event with the Vice President, his National Constitution Center proposal, the Rebuild America Coalition (which he now chairs), and the future status of the Advisory Commission on Intergovernmental Relations. He remains among your strongest supporters.

- We facilitated a conference call between Mayor Marty Chavez (D-Albuquerque, NM) and CEQ Director Katie McGinty regarding an issue with a national monument in New Mexico.

Indian Country

- White House and interagency meetings on several major issues affecting Indian Country -- including law enforcement, education, child care and the possibility of an executive order on Indian children and youth -- were conducted. The needs in Indian Country are tremendous and statistical information is limited for Indian children and youth. We are coordinating with several Federal agencies, as well as with the DPC and NEC to generate initiatives that will help improve conditions in Indian Country.

- Betsey Myers and John Spotilla from the Small Business Administration met with us to discuss the work their agency is doing with tribal governments. Several areas were identified in which we can work together to promote economic development and welfare-to-work initiatives.

Insular Affairs

- Puerto Rico Status Choice Bill: Senate Energy Committee Chairman Frank Murkowski (R-AK) will try to move the Puerto Rico Status Choice bill quickly if it passes the House next year. He wants to eliminate some statements about the Commonwealth arrangement to which Commonwealthers object and which we have said are not necessary.

- Puerto Rican Nationalists' Citizenship: We are working with the State and Justice Departments on the cases of dozens of Puerto Ricans who have filed to renounce their U.S. citizenship, do not have another national citizenship, and continue to live in Puerto Rico. The State Department has not acted on most of the applications and must respond to a suit for not doing so this month.

12-8-97

- Puerto Rico Investment Incentive: Governor Pedro Rossello (D) expressed concern about your proposal to continue the credit past 2005 and enable new operations to qualify for the tax credit based on wages paid in the islands. He is fearful that Treasury may not advocate for inclusion of this incentive in the FY99 budget process.

- Guam Commonwealth Bill: Senator Murkowski agreed to a hearing on the Guam Commonwealth Bill next year.

- Guam Compact Impact Funding: OMB has offered the Interior Department the $5.5 million per year request for Guam that we recommended. This covers the unmet authorized reimbursement for costs due to immigration under the Free Association Compacts with Micronesian areas.

III. OTHER ISSUES AND ACTIVITIES

Governing Magazine

- The December issue of *Governing* magazine, which has a circulation of approximately 90,000 -- mostly state and local public officials, features the White House Office of Intergovernmental Affairs on its "Feds" page. This very positive review is attached.

- On Wednesday evening, December 3, IGA represented the White House at the annual *Governing* magazine Public Officials of the Year Awards banquet which honored Governor Tommy Thompson (R-WI), Mayor Richard Daley (D-Chicago, IL), Commission President Mary Buckelew (NP-Jefferson County, AL), and Speaker "Hunt" Downer, Jr. (D-LA), among others. Secretary Daley and Rahm Emanuel were also in attendance.

Electronic Commerce

- At the suggestion of Intergovernmental Affairs, DCOS Podesta held a meeting on the Internet taxation issue with Treasury, NEC, Legislative Affairs, and IGA. All levels of state and local government continue to express alarm about the Cox-Wyden bill which they insist will pre-empt state and local taxation. We have scheduled a meeting on December 16 with Treasury Deputy Secretary Larry Summers and the "Big Seven" intergovernmental organizations to listen to their concerns.

- The National Governors' Association, the National Conference of State Legislatures, and the National League of Cities held a press conference on December 3 to announce that they have established a Working Group on State and Local Revenues to address Internet and other revenue concerns.

- Emily Bromberg, our lead IGA staff member on the Internet taxation issue, and I met with Delegate Jim Rosapepe (D-MD), the new Ambassador to Romania, regarding this issue. He advocates for the White House to play a more central role in striking an

agreement on the Cox-Wyden legislation among all parties -- state and local elected officials, Congress, the Administration, and the business community.

Millennium Program

- Millennium Program Director Ellen Lovell spoke to our regular meeting of the agency/department intergovernmental affairs representatives on Monday, December 1. She highlighted the important role of the agency liaisons to the Millennium Program and the role of agency IGA representatives as a critical link in mobilizing state and local electeds to participate in events leading up to the next millennium.

Your Friendly Local White House

Randy Johnson, president of the National Association of Counties, has a two-word description of the White House Office of Intergovernmental Affairs, and it might seem amazing, especially since the chairman of the Hennepin County, Minnesota, commissioners is a Republican.

"They're splendid," says Johnson. "They've gone out of their way to seek county views on a variety of issues. They give us access to the administration. It's a night-and-day difference from a year ago. Then, we didn't even get our calls returned, let alone get in the door."

BY EILEEN SHANAHAN

Inevitably, there is some dissent from his view, but among city and county officials it approaches unanimity. Among governors, and the people who work for them, the sentiments are more mixed, but still predominantly favorable.

That would be good news at any time, but right now it is especially valuable to have attentive and effective people in the White House intergovernmental office (not to mention the corresponding offices, many of them recently created or expanded, in some 30 federal agencies). They are urgently needed, because one of the consequences of devolution, it turns out, is an ever-longer, more important and more complex array of issues that can pit almost every possible combination of federal, state and local governments against each other.

The unfavorable comments about the White House "intergov" people of yesteryear primarily refer to those who served in the first Clinton administration. Pretty much without regard to party, state and local officials who deal with Washington say complimentary things about how it was to work with most earlier administrations, starting with Carter's, the first to have such an office. Back then, as any number of them put it, the intergovernmental staff asked, "What can we do to help you?" But under Clinton, it became "What can you do to help us?"

The intergovernmental-affairs operation has been rejuvenated—just in time for some nasty fights.

Now, they think this has changed. And that is surprising, because Mickey Ibarra, who took over as Clinton's director of intergovernmental affairs just this past June, will come right out and state that "the Office of Intergovernmental Affairs is responsible, first of all, for building support for the president's policy initiatives." But he, and especially Lynn Cutler, his deputy for city and county affairs, have coupled that priority with plenty of consultation and action on behalf of those whom Ibarra calls "our partners in government."

Commissioner Johnson, for example, cites the group of federal officials representing 14 different agencies that Ibarra and Cutler brought to NACo's most recent national convention, setting them up in a room where any county officeholder could come and talk through problems.

Debby Kilmer, the director of Florida's Washington office, says when she can't get a timely answer from Health Care Financing Administration staff about whether something's permissible under Medicaid, "the White House will set up a meeting with more reasonable people." It doesn't mean Florida always gets what it wants, but it does get a decision.

All the top people in today's intergov office bring strong backgrounds to the job. Ibarra, once a classroom teacher, got into politics and advocacy and working with officialdom at various levels with the National Education Association. Cutler was a county official in Iowa. Fred DuVal, the intergov office's point person for state officials, has been one himself, under former Governor Bruce Babbitt in Arizona.

All that being said, what really lies ahead for state and local governments and their newfound friends in the White House? Battles royal, at every turn.

Some fights will be familiar, such as who gets how much highway money and under what rationale, a problem complicated by new concepts surrounding transportation policy. Other struggles over money are new. For instance, local governments foresee a clash with the states to keep from being left out when the feds distribute the new block grant for health care for poor children.

But that's not all. An entirely different set of issues is suddenly emerging—most of it championed by conservative Republicans in the House of Representatives and some by the administration. It's the very opposite of devolution: a drive to transfer to the federal government a wide array of powers traditionally exercised by state or local governments, or shared with the feds.

Among the various proposals: End local regulation of power companies; require state and local governments to permit cellular telephone companies to build their towers anywhere they need to in order to reach every potential user; end state court jurisdiction over lawsuits involving the securities industry; and, most important, get state courts out of the "takings" issue, disputes over rights to the use of land.

The administration may well oppose most of these, certainly the "takings" legislation. But there are also signs of administration support for a law that would prohibit state or local taxation of Internet services, although it has generated unified opposition from state and local governments. Potentially even more contentious is an idea, certain to enrage local officials, that has come out of the federal Department of Housing and Urban Development: To make housing more affordable for low-income families, limit the ability of local governments to impose building codes on prefabricated housing.

Meanwhile, some knowledgeable folks are predicting that the biggest intergovernmental fight of 1998 will come over which governments get how much of the financial settlement of state lawsuits against the tobacco industry. Governments at every level claim that the health problems related to smoking have cost them big money. Sounds like an issue made to order for a rejuvenated White House Office of Intergovernmental Affairs. G

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THE WHITE HOUSE
WASHINGTON

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December 5, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: **THURGOOD MARSHALL, JR.** TM

SUBJECT: **Summary of Cabinet Weekly Reports**
November 22 - December 5, 1997

AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **The President's Initiative on Race:** With the help of the General Services Administration, the Regional Administrators set up approximately 80 Local Town Meetings on race in 24 different states across the country. Each site attracted local press coverage and hosted conversations discussing your Akron Town Meeting. The Local Meetings took place in high schools, universities, vocational schools, federal offices, churches, museums, and mayors' offices.

DEPARTMENT OF TREASURY

- **Korea:** On December 3, the IMF and Korea announced an agreement on a stabilization program for Korea, through which the IMF will provide $21 billion, the World Bank $10 billion, and the Asian Development Bank $4 billion. Korea has committed to close down weak financial institutions, allow foreign bank subsidiaries to buy Korean banks, and publicly disclose details of the IMF program. Secretary Rubin released a positive statement, and announced that the U.S. is prepared to make available up to $5 billion of contingency financing to supplement financing from the international financial institutions and private lenders. In addition to Japan, which has committed $10 billion in similar assistance, Australia, Canada, France, Germany, Italy, and the United Kingdom have offered supplementary assistance. Treasury is pressing IMF to provide its financing in part through a new short-term high interest rate loan facility.

- **Asia:** On November 21, Yamaichi Securities, Japan's fourth largest securities house, announced that it would be closing, and on November 24, Deputy Secretary Summers issued a statement supporting the Japanese decision. On November 26, Deputy Secretary

THE PRESIDENT HAS SEEN
12-8-97

Summers met with his G-7 counterparts and IMF Managing Director Camdessus in New York to discuss Japan, Korea, and ways to strengthen IMF's ability to respond to financial crises. On December 1-2, Assistant Secretary Geithner traveled to Kuala Lumpur to discuss these issues with the ASEAN Finance Ministers. The Ministers ratified the framework on financial cooperation agreed to by the Deputy Finance Ministers in Manila and by the APEC Economic Leaders in Vancouver.

- **Chile:** On December 1-3, Secretary Rubin traveled to Chile for the Summit of the Americas Western Hemisphere Finance Ministers meeting. The Ministers discussed global economic developments and agreed that progress on economic reforms and financial market strengthening had helped to protect Latin American financial markets. A key theme was the need for ministers to work together to strengthen and further integrate financial systems in the region. While in Santiago, Secretary Rubin also met separately with Brazilian Finance Minister Malan and with Argentine Economic Minister Fernandez. Deputy Assistant Secretary Zelikow continued on to Brasilia to discuss Brazil's economic policies with his counterparts.

- **NADBank:** On November 20-22, Treasury officials joined Reps. Hinojosa, Reyes, and Torres in meetings in McAllen and El Paso, TX, on the Community Adjustment and Investment Program (CAIP) of the NADBank. On November 21, the Presidential Advisory Committee of the CAIP joined representatives from Treasury, DOC, DOL, USDA, and SBA to listen to the concerns of local leaders. On November 20, Principal Deputy Assistant Secretary Thompson joined Rep. Hinojosa in Weslaco, TX, to announce that the community is eligible for loans though the CAIP. On November 26, the Finance Committee endorsed six SBA guarantees for private sector loans to businesses located in El Paso and Weslaco, TX, Post Falls, ID, and Ironwood, MI.

- **Student Loan Interest Rates:** Treasury is analyzing the effects of the new student loan formula which is scheduled to take effect on July 1, 1998. Preliminary results suggest that private lenders, on average, are earning a very competitive rate of return on student loans under the current formula, which keys on the 3-month Treasury bill rate, but would not earn a competitive rate of return under the new formula, which would be based on the 10-year Treasury note rate. Treasury is working with NEC and CEA to examine possible remedies, including auctioning off rights to originate student loans or continuing to tie the rate on student loans to the bill rate, but trimming the spread.

DEPARTMENT OF JUSTICE

- **Health Care Fraud:** The owner and two employees of an ambulance service in OK were charged with 64 counts of conspiracy and mail fraud for submitting more than $1 million in false claims to Medicare and Medicaid over the past two years.

- **Home Health Agencies:** On November 10, Putnam Home Health Care filed a motion requesting immediate federal court relief from the nationwide moratorium announced by HHS on the certification of new home health agencies. The effect of the moratorium is to freeze the process for home health agencies to become eligible for Medicare reimbursement, pending the issuance of new, stricter controls to curb rampant fraud and abuse in the home health care program.

- **Terrorist Bombings Convention:** From November 13-19, the Sixth Committee of the UN General Assembly met in New York to consider the draft Convention on the Suppression of Terrorist Bombings. The Committee resolved all remaining issues and forwarded the completed text to the General Assembly for its adoption in mid-December. Once adopted by the General Assembly, the Convention will open for signature on January 12.

- **Terrorist Convicted:** On November 14, in Washington, D.C., Tsutomu Shirosaki, a member of the Japanese Red Army, was found guilty on all counts for his role in firing rockets at the U.S. Embassy in Jakarta, Indonesia, on May 14, 1986.

- **Same-Sex Harassment:** On December 3, the Supreme Court heard oral arguments in the case that involves a male employee who, while on an oil rig, was subject to forced sexual contact and threats of rape. The district court dismissed the case and the Fifth Circuit affirmed, holding that same-sex sexual harassment is never sufficient to create a hostile environment under Title VII. DOJ argues as *amicus curiae* that the Fifth Circuit was wrong to hold that same-sex sexual harassment could never constitute a violation of Title VII.

- **Gangster Investigation:** On November 18, a coordinated nationwide effort resulted in the execution of 67 arrest warrants and 12 search warrants in eight cities in connection with the extensive narcotics activities of the Eight Trey Gangster Crips, a street gang based in Los Angeles and St. Louis. This represents the culmination of a two-year, multi-jurisdictional, Safe Streets Task Force investigation that has resulted in the indictment of 83 individuals.

- **Assault Weapons Ban:** In a case brought by firearms manufacturers, prospective purchasers and the NRA challenge provisions of the 1994 Assault Weapons Ban, the Sixth Circuit Court of Appeals held that manufacturers who produced firearms barred by the statute had standing to sue and that their challenges were ripe for review.

- **COPS Grants:** The COPS Office's next Universal Hiring Program grant announcement will take place before December 12. COPS will award $44.8 million to 139 jurisdictions in 31 states and Puerto Rico to fund the hiring of 772 additional officers.

DEPARTMENT OF INTERIOR

- **Indian Gaming Procedures Rule:** DOI will forward a proposed rule that would authorize the Secretary to adopt procedures for the conduct of casino style (class III) gaming, under the Indian Gaming Regulatory Act (IGRA). The rule would be used when an Indian tribe alleges that a state refuses to negotiate an Indian gaming compact in good faith. Tribes are authorized to make such allegations in federal court and to participate in a judicially supervised mediation scheme, but in Seminole Tribe of Florida v. Florida, the U.S. Supreme Court ruled that states may assert sovereign immunity from suit. The proposed rule would allow tribes to seek relief from the Secretary when states refuse to consent to suit. DOI expects this rule to be very controversial with the states. The DOI Appropriations bill contains a rider that OMB interprets as allowing DOI to complete this rulemaking, but precludes it from implementing the rule in FY98. The public will be given at least 60 days to comment on the proposed rule.

- **AK Indian Country Case:** On December 10, the Supreme Court will hear oral arguments in the Venetie case. Senator Stevens and others contend strongly that the 1971 Alaska Native Claims Settlement Act (ANCSA) extinguished Indian Country establishing a corporate, private property model of Native land ownership. The advocates for Venetie assert that ANCSA did not extinguish Indian Country, and that the Venetie lands in particular should be recognized as Indian Country. Over 20 states filed a brief in support of AK's position. The U.S. is not a party to the case, but a Solicitor's opinion issued during the Bush Administration will be cited by AK in favor of its position.

- **Atlantic Salmon:** On December 15, Secretary Babbitt will participate in the Atlantic Salmon Conservation Plan signing ceremony in Augusta, ME. The agreement between the Fish and Wildlife Service, the State of ME, and the National Marine Fisheries Service establishes a cooperative effort to reduce incidental take and help recover Atlantic Salmon populations in seven ME rivers.

- **Quaker Neck Dam:** On December 17, Secretary Babbitt will take part in demolishing the Quaker Neck Dam on the Neuse River in central NC.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **FDA Meat Irradiation Rule:** USDA has worked closely with FDA in the approval process for irradiation of meat to facilitate the rapid completion of a USDA rule that spells out the procedures plants will be required to follow to irradiate meat, including ground beef, and descriptive labeling for irradiated meat products. USDA issued a brief statement in reaction to the December 2 FDA announcement that it is publishing a rule to permit irradiation of meat, explaining that USDA "views irradiation as another weapon in the fight against pathogens that can contaminate raw meat and poultry."

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- **Argentina and Chile:** On December 1, Secretary Glickman departed for Argentina and Chile. The Chile portion of the trip fulfills the commitment made to you earlier this year to have the Secretary launch a new U.S.-Chile consultative committee on sanitary and phytosanitary issues.

- **Food Recovery:** On November 26, Secretary Glickman, the National Restaurant Association (NRA) Chief Executive Officer, and representatives of Second Harvest, Foodchain, and American Express announced the publication of *Food Donation: A Restauranteur's Guide*, the NRA's comprehensive handbook on food recovery for restaurants.

- **Helicopters in Tongass Wilderness:** On Nov. 26, the AK Regional Forester restricted the use of helicopter landings in congressionally designated wilderness within the Tongass National Forest.

- **Erie Canal:** On December 12, Secretary Glickman will join Secretary Cuomo at the USDA-HUD Erie Canal Corridor Conference in Albany, NY.

DEPARTMENT OF COMMERCE

- **Anti-Bribery Convention:** After years of negotiation, the U.S. was successful in its push for a multilateral bribery convention in the Organization for Economic Cooperation and Development. On November 21, negotiations were completed, and on December 17, the draft convention will be signed in Paris. DOC is working with State to ensure implementation.

- **Western Hemisphere Trade Growth:** The International Trade Administration reports that U.S. exports to the Western Hemisphere exceeded $209 billion for the first nine months of the year -- over 40 percent of the U.S. total, and a 17 percent increase over the comparable 1996 period. This growth rate is more than two and one-half times that for U.S. exports to the rest of the world and accounted for two-thirds of all U.S. export growth for 1997. Excluding the NAFTA countries, our trade with the rest of the Hemisphere resulted in our only trade surplus (over $5.2 billion) with any major trading region in the world.

- **Ronald H. Brown Theater:** The National Maritime Center Nauticus in Norfolk, VA, dedicated its Theater in honor of the late Secretary of Commerce Ronald H. Brown. After the ceremony, guests toured NOAA Ship Ronald H. Brown which is moored at the Nauticus complex.

- **Interview:** On December 7, the *Los Angeles Times* will run an interview with Secretary Daley on its opinion page, focusing mainly on DOC activities, fast track, and trade.

- **Haiti Initiative:** On December 2-4, DOC led a Business Development Mission to Haiti, the eighth such mission since 1995, as part of the Administration's Haiti Recovery Initiative. The mission is designed to help American companies compete for over $300 million in World Bank and Inter-American Development Bank projects to rebuild Haiti's infrastructure.

DEPARTMENT OF LABOR

- **One-Stop Career Center Initiative:** Within the next week, DOL will announce two grants totaling $3.5 million to launch One-Stop Career Center Systems in HI and AR. Since 1994, DOL has awarded Implementation Grants to assist in the creation of One-Stop Career Center Systems. In that time, 33 states have won competitive three-year awards. The Employment and Training Administration expects the remaining 21 states and territories to receive implementation grant funding during the remainder of 1997 and 1998. Funding levels are based on a states's share of the civilian labor force.

- **Welfare-to-Work:** On December 10, Secretary Herman will host a reporters' round table in Washington, DC. The Secretary will discuss her national welfare-to-work fact-finding mission and provide background on the myths, realities, and challenges of the welfare-to-work effort, using charts that will form the basis of a new DOL publication. On December 11-12, the Secretary will travel to Racine and Milwaukee, WI, to visit best practice welfare-to-work programs and host round tables at each site with welfare participants.

- **Child Labor:** *AP* interviewed Secretary Herman for a five part series on child labor which they plan to release in the last two weeks of December.

- **401(k) Fees:** *NBC Nightly News* is planning a general story on 401(k) plan fees to run early next week. They have not conducted any other interviews yet, but are trying to include people or groups that took part in DOL's 401(k) public hearing on November 12.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Abortion Data:** The December 5 issue of CDC's *Morbidity and Mortality Weekly Report* presents a preliminary analysis of 1995 abortion surveillance data. CDC received 1995 data on legal induced abortions from the 50 States, New York City, and DC. During 1980-95, the annual number of legal induced abortions in the U.S. varied by 5 percent or less. However, since 1990 (the year in which the number of abortions was highest), the number of reported abortions has steadily decreased. In 1995, 77 percent of reporting areas reported fewer abortions than in 1994.

- **Welfare Reform:** On December 5, the *Federal Register* will publish a Final Rule which removes regulations governing certain programs that were repealed or eliminated under

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the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. These programs include Emergency Assistance, Job Opportunities and Basic Skills Training, and three child care programs authorized under Title IV-A of the Social Security Act.

- **Malformed Frogs and Environmental Health:** On December 4-5, a workshop on Strategies for Assessing the Implications of Malformed Frogs for Environmental Health will be held at the Conference Center at the National Institute of Environmental Health Sciences in Research Triangle Park, NC.

- **FDA Advisory Panels:** On December 11, an FDA advisory panel will discuss and make recommendations on FDA's blood donor deferral policy which excludes men who have had sex with another man even once since 1977. On December 12, the panel will make recommendations on *in vitro* detection of HIV viral load and will hear a presentation on hepatitis C virus risk in sexual partners of HIV-positive individuals. On December 17, another panel will discuss public health issues of xenotransplantation or cross-species transplantation, including detection and identification of infectious retro viruses.

- **Medicare Compare:** HCFA's Medicare Compare, the Managed Care Plans Comparison Database, is now available on the Internet. HCFA, realizing the importance of providing comparison information to beneficiaries and those who counsel them in their decision making process, has worked hard to make Medicare Compare valuable and easy to use. Since this is HCFA's first version of the database, continuous improvements will be made to Medicare Compare throughout the quarterly updating process.

- **Medicare + Choice User Fees:** On December 2, HCFA published a regulation which notifies Medicare risk contracting plans that HCFA will collect $95 million in user fees in FY98. The $95 million fee will be collected by deducting .428 percent from each risk plan's total monthly Medicare payment starting in January 1998. Medicare + Choice plans will also be subject to these user fees once they begin to contract with the Medicare program after regulations are developed in June 1998. The fees will be used by HCFA to fund the Congressionally mandated Medicare + Choice information campaign for all Medicare beneficiaries.

- **Smoking Cessation:** On December 12, AHCPR, as a part of their collaboration with the Robert Wood Johnson Foundation (RWJ) to assist health care delivery systems in making tobacco cessation a priority, will provide copies of the Smoking Cessation Systems Guide to include in a mailing by RWJ to 31,000 managed care professionals. The mailing formally announces an undertaking over the next four years that will provide informational, educational, and technical assistance to managed care organizations implementing cessation programs, primarily based on the recommendations in the AHCPR-sponsored Smoking Cessation Guideline. Other partners in this effort are the American Association of Health Plans and the Centers for Disease Control and Prevention.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Refunds to Homeowners:** On November 24, Secretary Cuomo announced a new federal drive to find 100,000 home buyers owed $70 million in HUD refunds and crack down on individuals and businesses posing as federal representatives and charging millions of dollars in needless fees for obtaining refunds for them.

- **Housing Production:** On November 20, HUD released its U.S. Housing Market Conditions report, which shows that housing production continued at a strong pace in the third quarter this year. If the year-to-date rates for housing permits, housing starts, and sales of manufactured homes continue into the fourth quarter, 1997 will be one of the best years of the past decade.

- **Living Conditions Improvement Funds:** On December 3, Secretary Cuomo announced the award of $45.9 million to 17 communities to provide relocation assistance and rental subsidies for over 3,500 low-income families living in public housing that is being demolished. The families will receive housing subsidies under HUD's Section 8 rental assistance program that will enable them to move into privately-owned housing.

- **Elderly Housing:** On November 25th, Secretary Cuomo convened a meeting of the Elderly Housing Coalition to reaffirm the Administration's commitment to providing decent and affordable housing for the elderly. Secretary Cuomo briefed the advocates on the implementation of the HUD 2020 Management Reform Plan and HUD's legislative agenda.

- **"Officer Next Door":** For the week ending November 21, HUD accepted 34 sales contracts and closed 13 deals on HUD-held properties to police officers under the "Officer Next Door" program. These additions bring the total number of contracts to 261 and closings to 59. The program is an anti-crime and community revitalization initiative that enables police officers to purchase HUD homes at a 50 percent discount.

DEPARTMENT OF TRANSPORTATION

- **Roundtable Discussions:** On December 1, Secretary Slater traveled to Miami, FL, to participate in a round table dialogue on the President's race relations initiative. Over 65 business and community leaders attended. Reviews of the meeting, particularly the Secretary's participation, have been very positive. On December 5, the Secretary traveled to Dallas, TX, to participate in a race relations round table with community leaders.

- **Jefferson County Airport:** On December 6, Secretary Slater will travel to Beaumont, TX, to tour the Jefferson County Airport and facilities and meet with officials.

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- **Institute of the Americas Project:** On December 4, Deputy Secretary Downey was the keynote speaker and a panelist at a conference sponsored by the FHWA, University of California and San Diego Institute of the Americas Project on Financing in La Jolla, CA. The conference is a policy workshop for senior state transportation executives.

- **DC Initiative:** A federal-aid highway enhancement project in the Georgia Avenue corridor will be announced this month. The project is being designed to enhance the vitality and livability of a neighborhood impacted by major transportation improvements. The project is expected to include the following types of roadway and improvements: landscaping, benches, trash cans, sidewalk repair, pot hole repairs, dead tree removal, graffiti removal, and neighborhood park improvements.

- **TWA 800:** The NTSB Public Hearing on TWA Flight 800 will be held at the Convention Center in Baltimore, MD, the week of December 8. While the FAA continues to assist the NTSB investigation of the cause of the TWA 800 accident, the FAA is moving forward with its own efforts to increase safety and to reach out to technical experts around the world to act on every possible cause of the accident.

- **Drug Seizures:** DOT may announce the results of the 97 Coast Guard drug seizures in Miami on Thursday. The Coast Guard seized 103,617 pounds of cocaine in FY97. This triples the FY96 seizures and is a 1000 percent increase in arrested traffickers.

DEPARTMENT OF ENERGY

- **Green Power Meeting:** On December 8, Secretary Peña will meet in CA with executives from energy companies that will be marketing "green power" under CA's new competitive electricity market.

- **Reducing Greenhouse Gases:** On December 5, in San Diego, CA, the Secretary will visit and tour Solar Turbines, Inc., a co-generation plant which produces gas turbines (combined heat and power) which generate efficient energy and reduce pollution. Secretary Peña will make remarks that encourage common sense and market-based solutions to the problems posed by greenhouse gas emissions.

DEPARTMENT OF EDUCATION

- **Hispanic Dropout Rates:** In mid-December, DOEd will release a Congressionally-mandated report on dropout rates among Hispanic Americans. Secretary Riley, Congressman Hinojosa, and Senator Bingaman will participate in the release. The report reflects very high dropout rates among Hispanic Americans compared to other ethnic groups.

- **Technology Challenge Grants:** In early December, the Vice President and Secretary Riley expect to release approximately $425 million in Technology Literacy Challenge Fund grants to 46-47 states.

- **One America:** On December 11, Secretary Riley will host a "One America: Conversations that Bring us Together" event in Baltimore, MD.

- **Direct Loans Website:** On December 15, direct loan borrowers will be able to access account information via the new Direct Loan website. The website already features interactive budget and repayment calculators, all direct loan publications, forbearance and deferment forms, and links to conference registration, direct loan schools, and other higher education-related organizations.

VETERANS AFFAIRS

- **VA Cemeteries Burials:** The Veterans' Affairs Committees have requested information regarding burials in the National Cemetery System. Both chairmen appear to be taking a personal interest in this matter. At issue is the Secretary's authority under current law to establish eligibility for burial in the National Cemetery System.

- **Health Care:** VA has issued a news release recognizing 36 VA programs around the country as providing the best in health care as judged by peers in specialized clinical areas. Designated as "VA Clinical Programs of Excellence," the services cover specialized programs in eight categories: cardiac surgery, renal dialysis, geriatrics, home-based primary care, health care for the homeless, spinal cord injury, serious mental illness, and substance abuse.

ENVIRONMENTAL PROTECTION AGENCY

- **Philadelphia Superfund Site:** On December 10, Administrator Browner will travel to Philadelphia, PA, to celebrate the completion of cleanup construction at the Publicker Industries Superfund site. The cleanup cost approximately $20 million, most of which has been recovered through litigation. This cleanup marks the 500th site cleanup to be completed. The Publicker site is being redeveloped as part of the Port of Philadelphia expansion project with federal, municipal, and private investments. Hundreds of new jobs are expected to result from the port expansion project.

UNITED STATES TRADE REPRESENTATIVE

- **U.S.-EU Summit:** On December 5, Ambassador Barshefsky is participating in the U.S.-EU Summit and meeting with Sir Leon Brittan. The Summit addresses a full range of bilateral and multilateral trade issues, and is expected to produce a joint statement on Global Electronic Commerce.

- **Leghold Traps:** The U.S. and European Commission negotiators reached a consensus in their longstanding efforts to develop humane trapping standards in order to avoid an EU ban on U.S. fur exports. EU member states and representatives of the individual U.S. states have endorsed the understanding, which must receive formal approval in both the U.S. and the EU next week.

- **Japan Auto Report:** This week, USTR and DOC will issue the fourth report of the interagency task force formed to monitor the progress made under the 1995 U.S.- Japan Automotive Agreement. Ambassador Barshefsky has expressed concern over the pace of progress achieved this year under the agreement.

SMALL BUSINESS ADMINISTRATION

- **New York City Announcement:** On December 10, SBA will announce the approval of the Bronx Overall Economic Development Corporation with Administrator Alvarez and Fernando Ferrer, Bronx Borough President. In addition, SBA has provided information regarding the approval of a Small Business Investment Company license for Exeter Venture Partners IV, L.P.

- **Welfare-to-Work:** On December 15, Administrator Alvarez will keynote Eli Siegel's Welfare-to-Work Partnership Statewide Conference in Indianapolis, IN. Also attending will be the Governor, Lt. Governor, Mayor, and Members of Congress.

- **Adarand:** The *Wall Street Journal* is writing a story regarding the Adarand decision and its effect on federal government procurement policies, including how federal agencies such as HUD are implementing the 8(a) program.

OFFICE OF PERSONNEL MANAGEMENT

- **Official Time Survey:** OPM provided a copy of guidance for implementing a congressionally mandated survey of the usage of Official Time and Services by federal unions to House and Senate Appropriations staff. Agencies will be required to collect data during the first 13 pay periods of 1998 and submit it to OPM by August 31.

- **Swearing-in Ceremony:** On December 10, the Vice President will administer the oath office to Janice Lachance as OPM Director.

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 STATE

Kyoto Climate Change Conference: Most of the U.S. delegation arrived in Kyoto on November 29 to find the same level of contentiousness that has characterized the negotiations to date. In an effort to advance an agreement on emissions targets, the U.S. delegation offered to support limited differentiation. In spite of the U.S. opening statement making clear that any agreement should include meaningful participation by key developing countries, opposition by the G-77 to even discuss binding commitments remains firm. The EU continues to cling to including harmonized policies and measures, rather than moving toward flexible, market-based systems, as a centerpiece to an agreement. We have made progress with our Pacific Rim allies in support of a national security exemption but are awaiting a commitment from our European partners, particularly the U.K.

Bosnia Election Update: With final seat distribution still a week away, and while it is clear that Pale has been severely weakened, unofficial indications are that SDS and the radical SRS may together maintain a one-seat majority after the November 23 Republika Srpska Assembly elections. This diminished position leaves Pale vulnerable to defections, and may render them unable to govern with such a slim majority. Meanwhile, Plavsic's party has shown solid growth and momentum. Whatever the outcome, the December 9-10 Peace Implementation Council meeting in Bonn will need to be used to pressure the parties to accelerate the implementation of the peace agreement.

DEPARTMENT OF DEFENSE

E-Mail Helps Sailors Keep In Touch With Home: Since the Norfolk based nuclear aircraft carrier USS GEORGE WASHINGTON (CVN 73) deployed six weeks ago, its E-mail network has handled about 300,000 messages. The 5,600 Sailors and Marines aboard the carrier received Internet training, their own E-mail accounts, and have access to 600 computers. E-mail access has boosted morale, giving service-members and their families a way to communicate regularly and much faster than normal mail allows.

CENTRAL INTELLIGENCE AGENCY

60 Minutes Segment: CIA's Deputy Director for Administration (DDA) participated in an on-camera interview this week with Mike Wallace of CBS' 60 Minutes, who is doing a story on CIA's requirement that a former intern in the CIA's Program for People with Disabilities who had suffered multiple epileptic seizures (and had broken her nose after falling) wear a protective helmet in the workplace. The DDA emphasized that the job accommodation was designed to allow the intern to return to work without doing any further harm to herself and to complete her internship. Several individuals, including Tony Coehlo, have criticized the job accommodation. No word yet on when the segment will air.

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December 5, 1997

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT - November 30 to December 5

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

RACE INITIATIVE

- We met with the leaders of the Coming Together Project, after the Town Meeting in Akron. The group's feedback was extremely positive; they will launch an effort to involve more organizations in the dialogue.

- Several African-American groups organized "watch party" town meetings to parallel that in Akron. In Seattle, Blacks in Government hosted over two hundred local community and business leaders; Delegate Eleanor Holmes Norton and Congressman Tom Davis hosted other Members and staff in Washington; the Shiloh Baptist Church hosted local religious and community leaders; employees of NASA Langley Research Center hosted a "watch party;" Historically Black Colleges and Universities held events in Mississippi and Maryland.

- OPL assisted in identifying business participants for the Town Hall in Akron. The CEO of Goodyear, Samira Gibara, was quite pleased to participate and provided the panel with a valuable international business perspective.

- The Asian- / Pacific-American community responded very well to the Town Hall Meeting. While their population in Akron is small, their visible participation on stage, and the participation of community leaders were taken as signs that you wish this to be a truly inclusive dialogue.

- The ethnic community applauds your Town Meeting in Akron. They appreciate the efforts to include many ethnic communities and felt that you made a bold, positive step in helping the nation to honestly examine race relations. They stressed the importance of the initiative to the various ethnic communities, emphasizing that the discussion is not simply "black / white," but a multi-cultural, multi-ethnic dialogue.

- We involved the women's community in the Akron Town Meeting, and coordinated "watch parties" around the country with national women's organizations, including NWPC, NAWBO, The Women's Network, Planned Parenthood, YWCA, NOW, and AAUW.

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from lab unions), with NEC, DPC and OPL, to address their concerns regarding the development of goals and follow-up for the Child Care Initiative.

CONSTITUENT OUTREACH AND OTHER ISSUES

RELIGIOUS OUTREACH

- We continue to receive positive feedback from the breakfast. We gather that a number of participants are telling their congregations that if the President of the United States reads his church newsletter, then so should they.

- A number of issues in the budget process are of particular concern to the faith community. Many are concerned that funds for food stamps for immigrants will be diverted to child nutrition, which they feel is not as urgent. They stress the need for quality day care for those moving from welfare to work. They are also concerned over funding that may be cut to finance a middle-class tax cut.

ASIAN- / PACIFIC-AMERICANS

- We are coordinating with DPC, Counsel's Office and the Veterans Administration to examine an outreach strategy to the Hmong and Hmong veterans communities, regarding issues such as food stamps. The situation is beginning to receive more attention. This week *The Washington Times* ran a three-day series on the Hmong community in America.

ETHNIC OUTREACH

- The Baltic community is encouraged by the coming signing of the Baltic Charter. The community and specialty press have received the press release; we are ensuring the community's involvement in what they believe will be a very important event.

- A number of Italian-Americans joined Senator D'Amato and Congressman Engel at a New York press conference regarding Italy's admittance as a permanent member of the United Nations Security Council. Later meeting with Amb. Richardson, the group was pleased with his support of the delaying debate at the UN. They continue to collect signatures (currently at over fifty thousand) to encourage the Administration to reconsider its position on Italy's role in the Security Council.

AFRICAN-AMERICAN OUTREACH

- We briefed over one hundred members of the National Council of Negro Women on welfare-to-work, education and environmental initiatives. The organization is hosting its national conference in Washington; Secretary Herman is expected to address them.

- Shorter College, an Historically Black College, has lost its accreditation, bringing to four

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the number of Historically Black Colleges and Universities having lost accreditation in the past few years. The school may use no federal funds until accreditation is restored, which appears unlikely in the near future. Irma Hunter Brown is working with the Department of Education on a transition plan for the students

- We are involving African-American farmers in your December 17 meeting with small farmers. They are encouraged by your interest in them and their concerns.

- OPL is working in conjunction with Political Affairs to coordinate your visit to the Metropolitan Baptist Church in Washington, DC.

WOMEN'S OUTREACH

- We participated in a luncheon and round table forum sponsored by Secretary Herman in celebration of the thirtieth anniversary of Executive Order 11375, in which President Johnson extended labor protections to women.

GAY AND LESBIAN OUTREACH

- Jim Hormel's nomination to be Ambassador to Luxembourg got a surprise endorsement from Senator Hatch on *Meet the Press,* Sunday.

AIDS

- The Presidential HIV/AIDS Council is meeting in Washington this weekend and is expected to issue a report which will praise the Administration's overall AIDS effort but will be critical of its efforts on needle exchange programs. It will similarly be critical of the reported abandonment of the Vice President's proposal to expand Medicaid coverage, earlier, to more HIV-infected Americans. A White House working group headed by Sylvia Mathews, Sandy Thurman, and myself has been meeting regularly to devise strategies to address the Council's concerns. Erskine Bowles will meet with Dr. Scott Hitt, the Council's Chair, in December.

MEDICARE COMMISSION

- Reactions to your selections were overall very positive among the provider community, and the managed and home care industries. Physicians, though pleased with the group, were disappointed that one of their own was not appointed.

- Prior to the public announcement on Friday, we contacted all major aging organizations to inform them of your Medicare Commission appointments. The groups greatly appreciated the advanced noticed; the reaction was generally favorable. Publicly, AARP applauded all the appointments, stating that they stand ready to work with the Commission, and indirectly criticizing Speaker Gingrich by stating that all viewpoints must be considered. Privately, Deets is upset with Gingrich over the tax pledge issue;

AARP is also concerned over the prospect of Senator Breaux as Chair. The labor retirees groups were positive, reacting most favorably to Vladeck. The National Council on Aging believes beneficiaries should be represented. The National Committee to Preserve Social Security and Medicare reacted very positively.

cc:

First Lady	Mrs. Gore
Erskine Bowles	Rahm Emanuel
Michael McCurry	Sylvia Mathews
John Hilley	Thurgood Marshall, Jr
Craig Smith	Doug Sosnik
Gene Sperling	Sid Blumenthal
John Podesta	Bruce Reed
Mickey Ibarra	Ron Klain
Ann Lewis	Susan Liss

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

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December 5, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: JOHN H. GIBBONS

CC: ERSKINE BOWLES

SUBJECT: OSTP WEEKLY REPORT

CHINA MOVES TO DEPLOY RENEWABLES

I had the unique opportunity last month to travel outside of Beijing with my Chinese counterpart, State Councilor for Science and Technology, Dr. Song Jian. Song invited me on a five-day personal tour of China's eastern provinces. I could not have been accorded a more cordial time, both in Beijing and in the Shandong and Guangdong Provinces, where we were entertained by the Governors. This display reflected the fact that I was the first high-level U.S. official to visit China after the Summit and also the respect the Chinese people have for Dr. Song.

The purpose of the trip was to visit sites of particular interest in renewable energy and environment in support of the Summit's Clean Energy and Environment Initiative. We saw first-hand China's biomass and wind energy capabilities, as well as China's reforestation efforts. I came away from the trip with the sense that although China has the know-how to make a long-term transition from a coal-dependent economy (China now relies on coal for 75% of its energy), the government will not risk an economic slowdown by shifting from inexpensive and abundant coal in favor of cleaner, but more expensive energy technologies. While there are clearly opportunities to make use of U.S. clean energy technologies in China—even in the most remote areas—as long as we are not able to offer any financial incentives, China will make only modest advances in lowering its emissions rate. I know both Sandy Kristoff and Leon Fuerth have written you recently regarding steps the Administration could take to free up government financing, such as Trade Development Assistance. I urge you to give serious consideration to their proposal, particularly in the context of linking it to our broader climate change goals..

EB/Sandy
Need discussion
on this.

During our tour, I also had the opportunity to have a candid discussion with Song on climate change. I was able to relay some valuable insights into China's position on climate change to the Vice President and Stu Eizenstat. According to Song, China is prepared to cut its rate of increase of carbon emissions (carbon per GDP), but not (yet) to lower its total CO2 emissions (Chinese per capita energy consumption is now about 10

percent of U.S. per capita energy consumption). Song also says that China recognizes that industrial and developing nations carry "shared but differentiated responsibility" for protecting global climate. They are also prepared to experiment with joint implementation.

CLIMATE CHANGE MESSAGE DELIVERED IN SEVERAL FORUMS

- On November 21 I received the John P. McGovern Science and Society Award, which is presented annually by Sigma Xi to a researcher who has made an outstanding contribution in science and technology. My remarks were on the science of climate change and the great potential for R&D to help us respond to the challenge of global warming. The lecture will be published in the proceedings of Sigma Xi's annual forum, which will be sent to all 91,000 members of that national honor society for scientific research.

- The U.S. delegation in Kyoto is distributing OSTP's climate science brochure, *State of Knowledge*.

- The PCAST report, *Federal Energy Research and Development for the Challenges of the 21st Century*, will be posted on the World Wide Web by the time the Vice President leaves for Kyoto. I sent a copy to you today, and I am disappointed that we have been unable to schedule John Holdren to brief this key report to you.

S&T SUPPORTS U.S.-EU TRANSATLANTIC AGENDA

Today I hosted a ceremony at Blair House to sign the U.S.-E.U. Agreement on Science and Technology Cooperation. Deputy Secretary of State Strobe Talbot signed for the United States. The agreement, which took two years to negotiate, will give our scientists access to the EU's five-year $4 billion R&D program. The agreement was called for in the U.S.-EU Transatlantic Agenda, which you signed in Madrid in 1995, and supports the Agenda's goals of working together to combat global problems, such as environmental degradation, by building bridges across the Atlantic.

12-8-97

We will send original to Burkhardt after you have seen -

OK

C

POTUS received at Metropolitan Baptist Church on Sunday Dec 7.

THE PRESIDENT HAS SEEN

12-8-97

DAN BURKHARDT:

please coordinate the reply.

Mike Mitchell

Video at Metropolitan Baptist

Should reply be

Non Partisan

BK

THE PRESIDENT HAS SEEN
12-8-97

President Clinton + Mrs. Clinton
I want to thank you for all that
you're doing for this nation. I'm proud
to live in the Nation's Capital and
have you as our leader.
My thanks to Mrs Clinton, for
we know it still takes a
village to raise our children.

Mr. President I too still
believe in a place called
Hope.

God Bless you

Deacon Mamie Moniar

P. S. Merry Christmas to you, Hillary
+ Chelsey.

THE WHITE HOUSE
WASHINGTON

Date 12/8

To: Dan Tarullo, Gael Brainard

From: The Staff Secretary

Do we have to respond quickly to this?

Phil Caplan

12-8-97

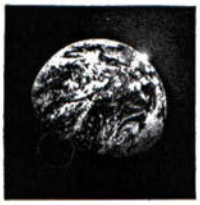
Send to Burkhardt?

Yes ✓

No _____

(

'97 DEC 8 AM10:2



INTERNATIONAL INSURANCE COUNCIL



GORDON J. CLONEY
PRESIDENT
INTERNATIONAL INSURANCE COUNCIL

900 19TH STREET, N.W./SUITE 250/WASHINGTON, D.C. 20006
TELEPHONE: (202) 682-2345 FAX: (202) 218-7730

December 5, 1997

The President
The White House

Dear Mr. President:

On December 12, the Financial Service negotiations under the World Trade Organization will conclude. I write in my capacity as a member of this Administration's Industry Sector Advisory Committee for Services and as one of the Administration's two most senior insurance industry trade advisors, urging your personal commitment to a successful outcome in the Financial Services negotiations generally and the Insurance negotiations in particular.

The Administration is extremely close to a historic trade policy success for the country and the world. An Agreement in this vital sector of world trade would be a keystone in the Administration's growing success in fostering productive U.S. trade in the global market place. Plainly put, this Agreement offers critical support to our American financial service exporters as well as a doorway for them to the global economy of the future.

As you are no doubt aware, the deadline for these talks has been extended three times in the past, due to inadequate -- but improving -- market access offers by the signatory countries. Fortunately, it looks now as if only five or six insurance issues of consequence remain, leaving a manageable amount of work to be finished.

The International Insurance Council supported you without reservation on NAFTA, the Uruguay Round and fast track. We will support your action in this instance just as strongly. And, of course, we will continue to back your efforts to establish market-based democracies around the world.

Go for it Mr. President! You and your Trade Representative, Charlene Barshefsky, deserve the applause that a successful Financial Services Agreement will produce.

Sincerely,

Gordon J. Cloney
President.

THE WHITE HOUSE
WASHINGTON

Date 12/8

To: Dan Tarullo, Carl Brainard

From: The Staff Secretary

Do we have to respond quickly to this?

Phil Caplan

'97 DEC 8 AM10:2



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Gordon J. Cloney
President.

THE WHITE HOUSE

WASHINGTON

Date 12/8

To: Dan Tarullo, Carl Brainard

From: The Staff Secretary

Do we have to respond quickly to this?

Phil Caplan

'97 DEC 8 AM 10:2



INTERNATIONAL INSURANCE COUNCIL



GORDON J. CLONEY
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INTERNATIONAL INSURANCE COUNCIL

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TELEPHONE: (202) 682-2345 FAX: (202) 218-7730

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Sincerely,

Gordon J. Cloney
President.

Stephanie S. – Fyi

cc: Pres Streett

BC

THE PRESIDENT HAS SEEN

12-8-97


Staff
TITANIUM
TITANIUM CORE
THE LONGEST SPIN BALL
Wilson
SPIN·90

THE WHITE HOUSE
WASHINGTON

Date 12/8

To: Dan Tarullo, Carl Brainard

From: The Staff Secretary

Do we have to respond quickly to this?

Phil Caplan

Anna - See Dan's note. 12-8-97

Thanks -
Send to Burkhardt?

12/11
Reuben. For AP
Have Anna find
out if this needs
to go out first.

Yes ✓

No ____

TDS

D

C.

12-9-97 '97 DEC 8 AM 10:2



INTERNATIONAL INSURANCE COUNCIL



GORDON J. CLONEY
PRESIDENT
INTERNATIONAL INSURANCE COUNCIL

900 19TH STREET, N.W./SUITE 250/WASHINGTON, D.C. 20006
TELEPHONE: (202) 682-2345 FAX: (202) 218-7730

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Sincerely,

Gordon J. Cloney
President.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
12-8-97

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN
SEAN MALONEY

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Rubin Memo on NADBank/Trade Adjustment Outreach Efforts** -- Treasury recently coordinated two days of events in South and West Texas with Reps. Hinojosa, Reyes and others highlighting your Administration's trade adjustment efforts; events included site visits, discussions with community and business leaders, and a day-long meeting of the Presidential Advisory Committee for the U.S. Community Adjustment and Investment Program (CAIP); sessions were productive and well received; Rep. Hinojosa told Chamber of Commerce members you would soon be visiting his district; Rep. Esteban Torres' chief of staff expressed support for the proposed additional $37M for expanding CAIP technical assistance programs.

(B) **Berger Memo on Rumored NIS Food Crisis** -- in response to your note on recent CEA Weekly Report; the Int'l Red Cross recently reported that a million people in Russia and the former Soviet republics could face starvation this winter; you suggested developing a contingency plan; Sandy responds that NSC and CEA have concluded that the concerns are overstated, but the situation will be monitored and aid has been offered; Russia, Ukraine and Moldova will see their best harvest in recent years with production increases of 25%-30%; Belarus will make up a slight shortfall with imports; conclusion: "the winter food situation in the NIS appears brighter than it has been in years."

(C) **Berger Memo on Russian Political Activist Yavlinski** -- Sandy forwards a memo summarizing Yavlinski's comments and observations during a recent week-long visit to Harvard's Strengthening Democratic Institutions Project; *highlights:* central question is whether Russia remains criminalist oligarchy or develops democratically; economy remains highly vulnerable; reform requires separating political and business powers; critical threats include loss of weapons of mass destruction, Caucasusian instability, and regional instability; NATO enlargement means the West lacks confidence in Russia's future; U.S. must treat Russia as "mature adult;" too much reliance on personalities whose time has past (*i.e.,* Yeltsin); Russia presents you with an historic opportunity.

(D) **Berger/Hilley Memo on Rangel Africa Mission** -- as you know, Rangel will lead a Presidential Mission Dec. 5-16 to Cote d'Ivoire, Ethiopia, Uganda, Botswana, Mauritius

THE PRESIDENT HAS SEEN
12-8-97

and Eritrea; Sec. Albright and Sec. Slater will also make trips; mission participants will include Reps. Pat Danner, Carrie Meek, Sheila Jackson-Lee, William Jefferson and Carolyn Kilpatrick, along with other public and private officials.

(E) **Steinberg Memo on Encryption** -- responds to your request for background on the European Commission's opposition to U.S. encryption plan; says EC subcommittee report focused on exploring ways to ensure the authenticity of electronic transactions and listed concerns and disadvantages with U.S.-backed "key recovery" approach, whereby encryption users would have to provide decoding information to an independent organization that would, where appropriate, provide decoding assistance to law enforcement and intelligence authorities. *Please see memo for details.*

(F) **Harris Wofford Letter forwarded by Sylvia** -- offers "a few thoughts" on the Race initiative; "You are the first President since LBJ who is able and willing to lead and move the country forward on this issue;" praises your "very good words" in launching the initiative; says, "working together across racial lines that divide us, through sustained citizen service for goals that go beyond race, will do more for race relations than talking together;" believes a "breakthrough can come by connecting Americans in nation-wide citizen service, organized to bring people of all backgrounds together, focused on the fundamental needs of children and youth;" offers a number of examples; "research shows that national service can significantly help bridge the gap between people of different races;" attaches a copy of such a study and a report on supporting diversity in AmeriCorps. *Please see memo for details and attachments.*

(G) **Sec. Glickman Memo on Dairy Issues** -- detailed memo that offers a summary of current dairy issues, "the most complex, controversial farm problem before the Department;" says four factors have converged creating the current contentious political climate: (i) divisive regional views; (ii) the 1996 farm bill price support phase out requirements; (iii) weak prices; and (iv) recent federal litigation that negated a decades-old tenet of dairy programs. *Please see memo for details.*

(H) **Gearan Update on the Peace Corps** -- Mrs. Clinton's visits with volunteers in Panama and Central Asia were "enormously popular;" FY98 budget of $222M will provide for 6,400 volunteers and trainees in 86 countries; during FY97 a record 150,000 people inquired about Peace Corps service, an increase of 45% from 1994; Crisis Corps volunteers are now working in Chile, the Czech Republic and with Liberian and Sierra Leonean refugees in Guinea and Cote d'Ivoire; new Peace Corps programs are now open in South Africa and Jordan, and will soon be open in Bangladesh, Mozambique, and Georgia; the Haiti program has been renewed; Russian visas continue to be a problem despite the "enormous assistance" of the Vice President; the new Peace Corps recruitment book contains a collection of essays by Donna Shalala, President Carter, Leon Panetta and others on their or their family members' volunteer service; *we have the book in our office should you wish to see it.*

THE PRESIDENT HAS SEEN
12-8-97

(I) **Ann Lewis note on *Shalom Haver* Exhibit in D.C.** -- "If you did not already know about this exhibit, named after your farewell to Yitzhak Rabin, I thought you should see this brochure."

We have also received the following item:

- **Mathews/Audrey Haynes Memo on Mexico City Policy and Global Gag Rule** -- Sylvia and Audrey attach a collection of clips, press releases, and letters that show strong support for the Administration's stance on Mexico City Policy and the Global Gag Rule since November 1, 1997.

- **Collection of Letters and Speeches from Amb. Donald Blinken** -- "Vera and I were privileged to serve you in Budapest. We would like you to know what we are most proud of having accomplished." *We have the material in our office if would like to see it.*

THE PRESIDENT HAS SEEN
12-8-97

'97 DEC 1 PM5:

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

December 1, 1997

SECRETARY OF THE TREASURY

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin

SUBJECT: El Paso, South Texas and the NADBank Community Adjustment and Investment Program (CAIP)

DATE: November 24, 1997

On November 20 and 21, 1997, Treasury coordinated two days of events that highlighted the Administration's trade adjustment efforts. The first was a series of site visits and discussions with Congressman Rubén Hinojosa (D-TX), SBA officials and business and community leaders in Hidalgo County, Texas. In the context of discussing his support for Fast Track, Congressman Hinojosa also informed Chamber of Commerce members that you would be visiting the District within the next few months, and that there would be visits from Secretaries Herman and Slater, as well as Veterans Affairs. The second was a day-long public meeting of the Presidential Advisory Committee for the U.S. Community Adjustment and Investment Program (CAIP). To maximize impact of the second event, Treasury worked with Congressman Silvestre Reyes (D-TX) and Mayor Carlos Ramirez to include community and business leaders. Treasury also coordinated the participation of other Federal agencies focusing on trade adjustment issues in El Paso and nationwide, such as Labor, Commerce, Agriculture and the Small Business Administration. We believe that this public session was the first for senior Administration officials collectively representing a number of the core agencies addressing trade adjustment issues, which together with Secretary Herman's recent visit to El Paso, demonstrated a proactive commitment to address these issues.

Both days in South and West Texas were productive. The sessions were received positively by attendees and participants, and publicized in these communities the important work being done by the Administration. It also demonstrated our concern and commitment. At the same time, Federal officials learned first-hand about the economic problems of these areas, while providing Federal, state and local officials with some suggestions for future partnership arrangements. We believe that the business community and public are encouraged by the CAIP. They, and Congressman Esteban Torres'(D-CA) Chief of Staff, also expressed support for the proposed additional $37 million for expanding the activities of the program to provide technical assistance, micro-lending and grants.

We will follow-up these sessions with other Administration officials to ensure that the program works as designed. We are also considering arranging additional public sessions in other trade affected communities.

Attachment

- **Federal Representatives:**

  - Mozelle W. Thompson, Principal Deputy Assistant Secretary, **Treasury**
  - Peter Necheles, Senior Advisor, **Treasury**

  - John Gray, Associate Deputy Administrator, **Small Business Administration**
  - Jeanne Sclater, Deputy Associate Deputy Administrator, **Small Business Administration**
  - Carlos Mendoza, Regional Director, **Small Business Administration**

  - Arthur Campbell, Deputy Under Secretary, **Agriculture**
  - Steve Levy, Supervisory Program Analyst, **Agriculture**

  - Phil Singerman, Assistant Secretary, **Commerce**
  - Pedro Garza, Regional Administrator, **Commerce**
  - Len Smith, Regional Administrator, **Commerce**

  - Irasema Garza, Secretary, National Administrative Office, **Labor**
  - John M. Robinson, Deputy Assistant Secretary, Employment and Training Administration, **Labor**
  - Joe Juarez, Regional Administrator, Employment and Training Administration, **Labor**

Panel Lists

1. <u>Community & Labor Panel</u>

Acción El Paso

Carmen Contreras
Executive Director
Acción El Paso
Montwood National Bank
7744 North Loop
El Paso, TX 79915
(915) 779-3727 FAX (915) 779-3966

La Mujer Obrera

Cindy Arnold
La Mujer Obrera
2120 Texas Avenue
El Paso, TX 79901
(915) 533-9710 FAX (915) 544-3730

EP Central Labor Union

[Name will be provided]
Vice President
7924 Gateway East, Suite 204
El Paso, TX 79915
(915) 594-8691 FAX (915) 594-8694

Willie Valazquez Intitute

Ricardo Castañon *{invited}*
Assistant, New Economic Strategies
1712 West Beverly Blvd., Suite 201
Montebello, CA 90640
(213) 728-5613 FAX (213) 728-1020

2. Business Panel

El Paso Chamber of Commerce

Wes Jurey
President and CEO
El Paso Chamber of Commerce
10 Civic Center Plaza
El Paso, TX 79901
(915) 534-0537 FAX (915) 577-9916

Lending Institutions

Gerardo (Jerry) Romero
Vice President and CRA Officer
Norwest Bank El Paso, NA
221 N. Kansas
El Paso, TX 79901
(915) 546-4216 FAX (915) 546-4254

South El Paso Redevelopment & Revitalization Association

Tanney Berg
Executive Director
South El Paso Redevelopment &
Revitalization Association
507509 South Oregon St.
El Paso, TX 79941
(915) 532-4519 FAX (915) 532-4517

Levi Strauss Foundation

Annette Morales
Community Affairs Manager, Western District
Levi Strauss Foundation
1440 Goodyear
El Paso, TX 79936
(915) 594-5288 FAX (915) 594-5376

3. Academic Panel

El Paso Community College

Dr. Adriana Barrera
President
El Paso Community College
919 Hunter
El Paso, TX 79915
(915) 594-2112 FAX (915) 594-5024

University of Texas at El Paso

Dr. Tim Roth
Business School
University of Texas, El Paso
College of Business Administration
El Paso, TX 79968
(915) 747-5245 FAX (915) 747-6282

Dr. Tom Fullerton
Business School
University of Texas, El Paso
College of Business Administration
El Paso, TX 79968
(915) 747-7747 FAX (915) 747-6282

Dr. Dennis Soden
School of Public Policy
University of Texas, El Paso
College of Business Administration
El Paso, TX 79968
(915) 747-5514 FAX (915) 747-5400

4. Local and State Government Panel

Mayor's office

John Edmonson
Consultant to Mayor Carlos Ramirez
2 Civic Center Plaza
El Paso, TX 79901
(915) 541-4437 FAX (915) 541-4501

State Senate

State Sen. Eliot Shapleigh *{invited}*
800 Wyoming, Suite A
El Paso, TX 79902
(915) 544-1990 FAX (915) 544-1998

State House

State Rep. Norma Chavez *{invited}*
6070 Gateway East, Suite 508
El Paso, TX 79905
(915) 778-9960 FAX (915) 778-4065

5. CAIP Panel

NADBank

Hugh Loftus
Director of the Los Angeles Office
North American Development Bank
13191 Crossroads Parkway North, Suite 275
City of Industry, CA 91746-3435
(562) 908-2100 FAX (562) 908-2110

Treasury

Peter Necheles
Senior Advisor, Government Financial Policy
U.S. Treasury Department
1500 Pennsylvania Avenue, Room 2415
Washington, DC 20220
(202) 622-2139 FAX (202) 622-0265

Agriculture

Steve Levy
Supervisory Program Analyst, Rural Development
U.S. Department of Agriculture
14th and Independence, SW
Washington, DC 20250
(202) 720-5044 FAX (202) 720-5114

Small Business Administration

Jeanne Sclater
Deputy Associate Deputy Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416
(202) 205-6657 FAX (202) 205-0617

Carlos Mendoza
District Director
U.S. Small Business Administration
10737 Gateway West, Suite 320
El Paso, Texas 79935
(915) 540-5676 FAX (915) 915-540-5636

6. Other Federal Efforts (Commerce & Labor)

Department of Labor

John M. Robinson
Deputy Assistant Secretary
Employment and Training Administration
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210
(202) 219-6050 FAX (202) 219-6827

Joe Juarez
Regional Administrator
Employment and Training Administration
U.S. Department of Labor
525 Griffin St., Room 317
Dallas, TX 75202
(214) 267-8263 FAX (214) 267-5113

Commerce

Pedro Garza
Regional Director
Economic Development Administration
903 San Jacinto, Suite 121
Austin, TX 78701
(512) 916-5463 FAX (512) 916-5613

Len Smith
Regional Director
Economic Development Administration
915 Second Avenue, Suite 1856
Jackson Federal Building
Seattle, WA 98174
(206) 220-7660 FAX (206) 220-7659

THE PRESIDENT HAS SEEN
12-8-97

7709

THE WHITE HOUSE

WASHINGTON

December 2, 1997

'97 DEC 2 PM3:3

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: Rumored Food Crisis in the NIS

A recent "Weekly Economic Briefing" (Tab A) cited an International Federation of the Red Cross report warning that a million people in Russia, Ukraine, Moldova and Belarus may face starvation this winter. You suggested developing a contingency plan to help. Since then, NSC and CEA staff have looked into the Red Cross report and concluded that the concerns are overstated. That said, Dick Morningstar's office, AID and USDA are monitoring the situation and have offered humanitarian aid (humanitarian rations, blankets, etc.) to the Red Cross.

Russia, Ukraine and Moldova will see their best harvests in recent years, with production increases ranging from 25-30 percent. Stocks are good in both Ukraine and Russia; Moldova will move from being a net agricultural importer to an exporter. Belarus will meet a small shortfall through imports from Ukraine and Kazakhstan.

To be sure, pensioners and other vulnerable groups are at risk due to a breakdown in institutional safety nets. Many families have had to change eating habits (more starch, less meat). Extended families, second jobs and informal safety nets that date to Soviet times also mitigate risk. The World Bank is actively engaged in pension reform in Russia, Ukraine and Moldova. But it will take time and strong political will to fix these types of structural problems - no politician wants to stand up for a higher retirement age.

We will advise you if the situation changes, but right now the winter food situation in the NIS appears brighter than it has been in years.

Attachment
Tab A Weekly Economic Brief

Courtney / Schwartz 11/10/97

THE PRESIDENT HAS SEEN
11-4-97

7709

Response? SRB

INTERNATIONAL ROUNDUP

Copied
Berger
VP
COS
[redacted]
Sperling
McGinty
Stern
~~Steinberg~~
Tarullo

Growing Concerns about Food Security. About a million people in Russia, Belarus, Moldova, and the Ukraine are expected to be on the verge of starvation this winter, according to Red Cross expert assessments. About half of these are in Russia, where funds for social protection were slashed during the recent budget sequester. The failure of many countries in the former Soviet Union and Eastern Europe to make significant advances in economic transition and agricultural development, and the decline in the availability of food aid and official development finance, have added to existing concerns over world food security brought about by the rapid reductions in global stocks and increases in the prices of cereals in 1995-1996. A recent report from the International Food Policy Research Institute warns that if current trends continue the net import demand of developing countries will more than double by 2020. Although most measures of food security are expected to improve between 1993 and 2020, conditions in sub-Saharan Africa are likely to worsen. For example, the number of malnourished children in that region could increase by 45 percent, reaching 40 million in 2020.

① CC: Sandy/U
would a
contingency
plan to
help?

Q We need a contingency plan to help.

EU to Add Labor and Environment Clause to GSP. This week the European Commission adopted a proposal to offer trade incentives to developing countries that agree to comply with specific labor and environmental standards. These are the International Labor Organization standards on freedom of association, child labor, and collective bargaining; and standards of sustainable management of tropical forests developed by the International Tropical Timber Association. The plan would be instituted under the Generalized System of Preferences (GSP), which offers tariff preferences to developing countries; it would allow countries in compliance to enjoy additional preferential margins on January 1, 1998. EU member states are expected to approve the Commission proposal, although they could demand some changes.

② UP/SRB/Gene
IS this a viable alternative to Labor's position here. I like this — have we considered?

? Is this is a viable alternative to Labor's position here. I like this — have we considered?

Economic Concessions Offered to Preserve Italian Government. Italian Prime Minister Prodi was forced to make several concessions in an effort to preserve the coalitional support of the Communist Renewal Party (RC) for his government and for the new budget designed to put Italy on track for the EMU in 1999. Among the concessions, the prime minister agreed to decrease the work week to 35 hours by 2001 and exempt manual workers from proposed pension cuts. Because the concessions will take effect only after Italy's scheduled accession to the EU, it remains to be seen whether they will in fact occur.

Trick or Treat: Which is chocolate? As the EU tries to establish standards for a single market, debate is raging over what constitutes chocolate. The UK, Ireland, Finland, Austria, Portugal, and Denmark all allow vegetable oils in what they call chocolate. The other eight "pure" chocolate countries ban them and allow only cocoa butter. On October 23, the European Parliament took the side of the purists by voting that chocolate containing vegetable oils must be labeled as such. The European Commission is reportedly seeking a compromise.

SITROOM

THE PRESIDENT
12-8-97

THE SECRETARY OF AGRICULTURE
WASHINGTON, D. C. 20250-0100

'97 DEC 3 PM5:25

Monday, December 1, 1997

MEMORANDUM FOR THE PRESIDENT

From: Secretary Dan Glickman

Subject: Current Dairy Issues

Dairy is the most complex, controversial farm problem before the Department.

Four factors have converged, creating the current, contentious political climate over the future of dairy policy: 1) long-standing, sharply divisive regional views; 2) the 1996 farm bill phases out dairy price support programs and requires me to reform the remaining structure of dairy programs, federal milk marketing orders; 3) weak prices, compared to those of 1996; and 4) a recent federal district court decision negating one of the fundamental, decades-old tenets of dairy programs.

The proposal brought to your attention -- that I establish a floor on milk prices -- is but one of the options I have been weighing; they, the background I outlined, and the steps I am planning are discussed in this report in four sections: I-The Dairy Industry Today; II-Highlights of Current Dairy Policy; III-Federal District Court Strikes Down Key Dairy Program Provision; and IV-USDA's Actions and Options.

I-The Dairy Industry Today

Many dairy producers continue to experience financial difficulties. Reports of dairy farm closings are frequent occurrences across the country. Unfortunately, dairy producers can expect lower returns later next year as normal springtime production increases occur. High feed and forage costs, low cull cow and calf prices, and only a modest increase in milk prices from historic levels continue to aggravate these trends.

These trends are playing out across a dairy industry markedly different than the one which opened this decade. It is far more concentrated, its geographic center has shifted, and its numbers have declined sharply.

In the last 10 years, the number of dairy farms has dropped by 44%; since 1990, the number has fallen by nearly one-third. Dairy farms total 126,800, or about 6% of all US farms. Meanwhile, milk production has actually increased 8% over the last decade. Today's dairy farms are larger than those of a decade ago, and more productive.

Importantly, they are also in different parts of the country. While the traditional milk belt remains populated by sizeable numbers of generally smaller dairy farms, the locus of production has shifted to the South and West, where large farms -- those with 100 cows or more -- out produce the small, traditional farms in the Upper Midwest and New England. California dairies produce at 124% of the national average rate; Arizona, 125%; and New Mexico dairy farms produce 117% the national average. In contrast, Wisconsin dairy farms now produce at only 94% of the national average rate and Minnesota at 96% of the national rate.

Earlier this year, the Department responded to the dip in dairy prices from 1996 levels by increasing dairy product exports through the Dairy Export Incentive Program (DEIP) and by expanding the use of dairy products in its food and nutrition assistance programs, which were up nearly one-third in fiscal year 1997. These actions have been somewhat successful: Milk prices increased steadily over the past several months. USDA expects the all-milk price to average $13.35 per hundredweight (cwt) in 1997, well below last year's record of $14.87, but slightly above the 1990-96 average of $13.20.

II-Highlights of Current Dairy Policy

The 1996 farm bill phases out the dairy price support program, ending it January 1, 2000. The phase-out began at a level of $10.20 per cwt, nearly 25% below the peak support price of the early 1980s. On January 1, 1998, the support level steps down again to $10.05, then to $9.90 on January 1, 1999.

In stark contrast to the policies for grain, oilseed, and cotton farmers in that legislation, the 1996 farm bill did not provide dairy farmers any transitional assistance as their support programs end. Congress provided direct, fixed payments over 7 years for grain, oilseeds, and cotton farmers to ease the transition to the end of traditional price and income supports, but dairy producers receive no transition assistance.

Instead, Congress mandated the consolidation and reform of milk marketing orders by April 1999 -- a reform I supported. The Department is developing a proposed rule, which will be released late this year, and which is discussed in greater detail in section IV.

III-Federal District Court Strikes Down Key Dairy Program Provision

In 1990, the Minnesota Milk Producers Association filed suit in the local federal district court challenging certain pricing provisions of milk marketing orders. On November 3, 1997, the Court issued a decision finding, in essence, that class I differentials -- the premiums milk purchased for fluid use earns -- are unlawful. The court enjoined USDA from enforcing them except in certain deficit production areas, primarily the Southeast.

THE PRESIDENT HAS SEEN
12-8-97

8184

THE WHITE HOUSE

WASHINGTON

INFORMATION

December 5, 1997

'97 DEC 5 AM10:

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER
JOHN HILLEY

SUBJECT: Presidential Mission to Africa led by Representative Rangel

As we discussed, Representative Rangel will lead a Presidential Mission to Africa December 5-16, 1997. This mission to Cote d'Ivoire, Ethiopia, Uganda, Botswana, Mauritius and Eritrea comes at an important time as we begin to build economic and trade bridges with African nations on the path to economic reform.

Representatives Pat Danner, Carrie Meek, Sheila Jackson-Lee, William Jefferson and Carolyn Kilpatrick are also part of the delegation along with members of the private sector, NGO community and U.S. Government officials, including NSC staff. The goal of this mission is to highlight your Partnership for Economic Growth and Opportunity in Africa Initiative and to discuss the importance of the pending Africa Trade Bill in advancing U.S.-Africa economic ties.

One of our key policy objectives toward Africa is to demonstrate our desire to work as partners with African nations and assist their integration into the global economy of the 21st century. Other highlights of the trip include a wreath laying ceremony for the late President of Cote d'Ivoire, Houphet Boigny; a building dedication for late Congressman Mickey Leland in Ethiopia; and a ceremony in honor of Ron Brown in Uganda.

There is great interest in the Rangel trip because of your Partnership Initiative and the new effort to strengthen U.S.-Africa ties. This mission, like others to the region such as Secretary Albright's (December 8-15) and Secretary Slater's proposed trips in early January, will promote your Initiative on the continent and underscore our commitment to seeing a vibrant and economically sound Africa become a valuable trade and investment partner with the United States.

cc: Vice President
Chief of Staff

THE PRESIDENT HAS SEEN
12-8-97

THE DIRECTOR OF THE PEACE CORPS
WASHINGTON, D.C.

November 20, 1997

MEMORANDUM FOR THE PRESIDENT

From: Mark D. Gearan MDG
Peace Corps Director

Subject: Update on the Peace Corps

The purpose of this memo is to update you on activities and initiatives at the Peace Corps.

Mrs. Clinton visits Peace Corps Volunteers — Mrs. Clinton's visits with Peace Corps Volunteers during her overseas travels have been enormously popular with, and very beneficial for, our Volunteers and staff. In October, she gave the oath of service to our most recent group of Volunteers in Panama, and during her trip to Central Asia, she met with Volunteers who are serving in Kazakhstan, Uzbekistan, and the Kyrgyz Republic. The Volunteers are very motivated and inspired by Mrs. Clinton's generous remarks about the importance of their service, and I appreciate her continuing support for the Peace Corps. We would be honored to arrange for you to visit with Peace Corps Volunteers during your upcoming trips abroad, particularly during your trip to Africa next year. I think that you would find it to be a very rewarding experience.

Peace Corps' FY 1998 Budget — The Peace Corps fared very well in the final FY 1998 Foreign Operations Appropriations bill: Congress has appropriated your full request of $222 million for the Peace Corps, which represents an increase of $2 million above last year's funding level. Given the restraints on the foreign assistance accounts, I appreciate your strong support for the Peace Corps. I also believe that this increase in funding reflects the strong, bipartisan support that the Peace Corps continues to enjoy in Congress. These funds will allow us to field a corps of 6,400 Volunteers and trainees in 86 countries.

Record Number of Inquiries about Peace Corps Service — In FY 1997, more than 150,000 people contacted the Peace Corps to inquire about serving in the Peace Corps. This represents an increase of 45 percent above the number of inquiries we received in 1994, which I believe reaffirms that your message about the importance of service is reaching more Americans. In the near future, radio and television stations across the country will begin airing the Peace Corps' new public service announcements. These announcements, which are among the best that the Peace Corps has ever produced, should add strength to our efforts to attract highly qualified and motivated Volunteers.

NOV 21

Progress with the Crisis Corps — Since you announced the establishment of the Crisis Corps in the Rose Garden in July 1996, we have continued to move forward with this initiative, which allows experienced Peace Corps Volunteers and former Volunteers to provide short-term assistance in the aftermath of natural disasters and humanitarian crises. Currently, six Crisis Corps Volunteers are providing assistance in the Czech Republic in response to the enormous damage caused by devastating floods that occurred there in July. In addition, seven Crisis Corps Volunteers are working with the World Food Program and the American Refugee Committee to provide assistance to Liberian and Sierra Leonean refugees in Guinea and Côte d'Ivoire. In December, four Crisis Corps Volunteers will begin working in Chile to respond to the damage caused by the earthquake that took place in October.

New Peace Corps Programs — Over the last two years, we have opened new Peace Corps programs in South Africa and Jordan, and we have reopened our program in Haiti. I am also pleased to report that in FY 1998 the Peace Corps will open new programs in Bangladesh, Mozambique, and Georgia. These programs will provide new opportunities for Volunteer service in countries where we have not had a presence in the past.

Visas for Volunteers Serving in Russia — Vice President Gore has been of enormous assistance to our efforts to obtain standard visas for our Volunteers serving in Russia. But due to persistent intransigence within the Russian bureaucracy, we continue to experience difficulties on this important issue.

New Recruitment Book — I have enclosed for your information a copy of our latest recruitment book, *Peace Corps: The Great Adventure*. This book is a collection of interesting essays written by former Volunteers about their service in the Peace Corps. Secretary of Health and Human Services Donna Shalala contributed a moving and eloquent essay about serving as a Volunteer in Iran from 1962-64. We are also honored that Mrs. Clinton allowed us to place a quote from her about the Peace Corps on the back of the book. In addition to the essays by former Volunteers, we included a poem by President Carter about his mother's service as a Peace Corps Volunteer in India, an excerpt from remarks by Secretary of State Albright at the Peace Corps' 35th anniversary, and an essay by Leon Panetta about his son's service as a Volunteer in Kenya. We will use this book to recruit future Volunteers, particularly on college campuses across the country.

THE PRESIDENT HAS SEEN
12-8-97

'97 DEC 4 PM1:37

THE WHITE HOUSE

WASHINGTON

December 4, 1997

MEMORANDUM TO THE PRESIDENT

FROM: **ANN LEWIS**

SUBJECT: **SHALOM HAVER**

If you did not already know about this exhibit, named after your farewell to Yitzhak Rabin, I thought you should see this brochure. It is a moving example of the hopes for peace, and the regard for your leadership -- here and in Israel.

Shalom Haver

שלוס חבר

30 Artistic Responses to the
Life and Tragic Death of
Yitzhak Rabin



Under the Honorary Sponsorship of
Mrs. Lea Rabin

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Mark and Jill Talisman, Project Judaica Foundation,
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Charles and Rhoda Steiner, Hillard and Karolyn Donner,
Sheldon and Faye Cohen, Norman and Diane Bernstein,
Sidney Topol, Henry and Carole Goldberg

THE PRESIDENT HAS SEEN
12-8-97

DEPARTMENT OF STATE

Kyoto Climate Change Conference: Most of the U.S. delegation arrived in Kyoto on November 29 to find the same level of contentiousness that has characterized the negotiations to date. In an effort to advance an agreement on emissions targets, the U.S. delegation offered to support limited differentiation. In spite of the U.S. opening statement making clear that any agreement should include meaningful participation by key developing countries, opposition by the G-77 to even discuss binding commitments remains firm. The EU continues to cling to including harmonized policies and measures, rather than moving toward flexible, market-based systems, as a centerpiece to an agreement. We have made progress with our Pacific Rim allies in support of a national security exemption but are awaiting a commitment from our European partners, particularly the U.K.

Bosnia Election Update: With final seat distribution still a week away, and while it is clear that Pale has been severely weakened, unofficial indications are that SDS and the radical SRS may together maintain a one-seat majority after the November 23 Republika Srpska Assembly elections. This diminished position leaves Pale vulnerable to defections, and may render them unable to govern with such a slim majority. Meanwhile, Plavsic's party has shown solid growth and momentum. Whatever the outcome, the December 9-10 Peace Implementation Council meeting in Bonn will need to be used to pressure the parties to accelerate the implementation of the peace agreement.

DEPARTMENT OF DEFENSE

E-Mail Helps Sailors Keep In Touch With Home: Since the Norfolk based nuclear aircraft carrier USS GEORGE WASHINGTON (CVN 73) deployed six weeks ago, its E-mail network has handled about 300,000 messages. The 5,600 Sailors and Marines aboard the carrier received Internet training, their own E-mail accounts, and have access to 600 computers. E-mail access has boosted morale, giving service-members and their families a way to communicate regularly and much faster than normal mail allows.

CENTRAL INTELLIGENCE AGENCY

60 Minutes Segment: CIA's Deputy Director for Administration (DDA) participated in an on-camera interview this week with Mike Wallace of CBS' 60 Minutes, who is doing a story on CIA's requirement that a former intern in the CIA's Program for People with Disabilities who had suffered multiple epileptic seizures (and had broken her nose after falling) wear a protective helmet in the workplace. The DDA emphasized that the job accommodation was designed to allow the intern to return to work without doing any further harm to herself and to complete her internship. Several individuals, including Tony Coehlo, have criticized the job accommodation. No word yet on when the segment will air.

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Berger

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
12-8-97

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN
SEAN MALONEY

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Rubin Memo on NADBank/Trade Adjustment Outreach Efforts** -- Treasury recently coordinated two days of events in South and West Texas with Reps. Hinojosa, Reyes and others highlighting your Administration's trade adjustment efforts; events included site visits, discussions with community and business leaders, and a day-long meeting of the Presidential Advisory Committee for the U.S. Community Adjustment and Investment Program (CAIP); sessions were productive and well received; Rep. Hinojosa told Chamber of Commerce members you would soon be visiting his district; Rep. Esteban Torres' chief of staff expressed support for the proposed additional $37M for expanding CAIP technical assistance programs.

(B) **Berger Memo on Rumored NIS Food Crisis** -- in response to your note on recent CEA Weekly Report; the Int'l Red Cross recently reported that a million people in Russia and the former Soviet republics could face starvation this winter; you suggested developing a contingency plan; Sandy responds that NSC and CEA have concluded that the concerns are overstated, but the situation will be monitored and aid has been offered; Russia, Ukraine and Moldova will see their best harvest in recent years with production increases of 25%-30%; Belarus will make up a slight shortfall with imports; conclusion: "the winter food situation in the NIS appears brighter than it has been in years."

(C) **Berger Memo on Russian Political Activist Yavlinski** -- Sandy forwards a memo summarizing Yavlinski's comments and observations during a recent week-long visit to Harvard's Strengthening Democratic Institutions Project; *highlights:* central question is whether Russia remains criminalist oligarchy or develops democratically; economy remains highly vulnerable; reform requires separating political and business powers; critical threats include loss of weapons of mass destruction, Caucasusian instability, and regional instability; NATO enlargement means the West lacks confidence in Russia's future; U.S. must treat Russia as "mature adult;" too much reliance on personalities whose time has past (*i.e.,* Yeltsin); Russia presents you with an historic opportunity.

(D) **Berger/Hilley Memo on Rangel Africa Mission** -- as you know, Rangel will lead a Presidential Mission Dec. 5-16 to Cote d'Ivoire, Ethiopia, Uganda, Botswana, Mauritius

THE PRESIDENT HAS SEEN
12-8-97

'97 DEC 1 PM5:

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

December 1, 1997

SECRETARY OF THE TREASURY

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin

SUBJECT: El Paso, South Texas and the NADBank Community Adjustment and Investment Program (CAIP)

DATE: November 24, 1997

On November 20 and 21, 1997, Treasury coordinated two days of events that highlighted the Administration's trade adjustment efforts. The first was a series of site visits and discussions with Congressman Rubén Hinojosa (D-TX), SBA officials and business and community leaders in Hidalgo County, Texas. In the context of discussing his support for Fast Track, Congressman Hinojosa also informed Chamber of Commerce members that you would be visiting the District within the next few months, and that there would be visits from Secretaries Herman and Slater, as well as Veterans Affairs. The second was a day-long public meeting of the Presidential Advisory Committee for the U.S. Community Adjustment and Investment Program (CAIP). To maximize impact of the second event, Treasury worked with Congressman Silvestre Reyes (D-TX) and Mayor Carlos Ramirez to include community and business leaders. Treasury also coordinated the participation of other Federal agencies focusing on trade adjustment issues in El Paso and nationwide, such as Labor, Commerce, Agriculture and the Small Business Administration. We believe that this public session was the first for senior Administration officials collectively representing a number of the core agencies addressing trade adjustment issues, which together with Secretary Herman's recent visit to El Paso, demonstrated a proactive commitment to address these issues.

Both days in South and West Texas were productive. The sessions were received positively by attendees and participants, and publicized in these communities the important work being done by the Administration. It also demonstrated our concern and commitment. At the same time, Federal officials learned first-hand about the economic problems of these areas, while providing Federal, state and local officials with some suggestions for future partnership arrangements. We believe that the business community and public are encouraged by the CAIP. They, and Congressman Esteban Torres'(D-CA) Chief of Staff, also expressed support for the proposed additional $37 million for expanding the activities of the program to provide technical assistance, micro-lending and grants.

We will follow-up these sessions with other Administration officials to ensure that the program works as designed. We are also considering arranging additional public sessions in other trade affected communities.

Attachment

- **Federal Representatives:**

  - Mozelle W. Thompson, Principal Deputy Assistant Secretary, **Treasury**
  - Peter Necheles, Senior Advisor, **Treasury**

  - John Gray, Associate Deputy Administrator, **Small Business Administration**
  - Jeanne Sclater, Deputy Associate Deputy Administrator, **Small Business Administration**
  - Carlos Mendoza, Regional Director, **Small Business Administration**

  - Arthur Campbell, Deputy Under Secretary, **Agriculture**
  - Steve Levy, Supervisory Program Analyst, **Agriculture**

  - Phil Singerman, Assistant Secretary, **Commerce**
  - Pedro Garza, Regional Administrator, **Commerce**
  - Len Smith, Regional Administrator, **Commerce**

  - Irasema Garza, Secretary, National Administrative Office, **Labor**
  - John M. Robinson, Deputy Assistant Secretary, Employment and Training Administration, **Labor**
  - Joe Juarez, Regional Administrator, Employment and Training Administration, **Labor**

Panel Lists

1. Community & Labor Panel

Acción El Paso

Carmen Contreras
Executive Director
Acción El Paso
Montwood National Bank
7744 North Loop
El Paso, TX 79915
(915) 779-3727 FAX (915) 779-3966

La Mujer Obrera

Cindy Arnold
La Mujer Obrera
2120 Texas Avenue
El Paso, TX 79901
(915) 533-9710 FAX (915) 544-3730

EP Central Labor Union

[Name will be provided]
Vice President
7924 Gateway East, Suite 204
El Paso, TX 79915
(915) 594-8691 FAX (915) 594-8694

Willie Valazquez Intitute

Ricardo Castañon *{invited}*
Assistant, New Economic Strategies
1712 West Beverly Blvd., Suite 201
Montebello, CA 90640
(213) 728-5613 FAX (213) 728-1020

2. Business Panel

El Paso Chamber of Commerce

Wes Jurey
President and CEO
El Paso Chamber of Commerce
10 Civic Center Plaza
El Paso, TX 79901
(915) 534-0537 FAX (915) 577-9916

Lending Institutions

Gerardo (Jerry) Romero
Vice President and CRA Officer
Norwest Bank El Paso, NA
221 N. Kansas
El Paso, TX 79901
(915) 546-4216 FAX (915) 546-4254

South El Paso Redevelopment & Revitalization Association

Tanney Berg
Executive Director
South El Paso Redevelopment &
Revitalization Association
507509 South Oregon St.
El Paso, TX 79941
(915) 532-4519 FAX (915) 532-4517

Levi Strauss Foundation

Annette Morales
Community Affairs Manager, Western District
Levi Strauss Foundation
1440 Goodyear
El Paso, TX 79936
(915) 594-5288 FAX (915) 594-5376

3. Academic Panel

El Paso Community College

Dr. Adriana Barrera
President
El Paso Community College
919 Hunter
El Paso, TX 79915
(915) 594-2112 FAX (915) 594-5024

University of Texas at El Paso

Dr. Tim Roth
Business School
University of Texas, El Paso
College of Business Administration
El Paso, TX 79968
(915) 747-5245 FAX (915) 747-6282

Dr. Tom Fullerton
Business School
University of Texas, El Paso
College of Business Administration
El Paso, TX 79968
(915) 747-7747 FAX (915) 747-6282

Dr. Dennis Soden
School of Public Policy
University of Texas, El Paso
College of Business Administration
El Paso, TX 79968
(915) 747-5514 FAX (915) 747-5400

4. Local and State Government Panel

Mayor's office

John Edmonson
Consultant to Mayor Carlos Ramirez
2 Civic Center Plaza
El Paso, TX 79901
(915) 541-4437 FAX (915) 541-4501

State Senate

State Sen. Eliot Shapleigh *{invited}*
800 Wyoming, Suite A
El Paso, TX 79902
(915) 544-1990 FAX (915) 544-1998

State House

State Rep. Norma Chavez *{invited}*
6070 Gateway East, Suite 508
El Paso, TX 79905
(915) 778-9960 FAX (915) 778-4065

5. CAIP Panel

NADBank

Hugh Loftus
Director of the Los Angeles Office
North American Development Bank
13191 Crossroads Parkway North, Suite 275
City of Industry, CA 91746-3435
(562) 908-2100 FAX (562) 908-2110

Treasury

Peter Necheles
Senior Advisor, Government Financial Policy
U.S. Treasury Department
1500 Pennsylvania Avenue, Room 2415
Washington, DC 20220
(202) 622-2139 FAX (202) 622-0265

Agriculture

Steve Levy
Supervisory Program Analyst, Rural Development
U.S. Department of Agriculture
14th and Independence, SW
Washington, DC 20250
(202) 720-5044 FAX (202) 720-5114

Small Business Administration

Jeanne Sclater
Deputy Associate Deputy Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416
(202) 205-6657 FAX (202) 205-0617

Carlos Mendoza
District Director
U.S. Small Business Administration
10737 Gateway West, Suite 320
El Paso, Texas 79935
(915) 540-5676 FAX (915) 915-540-5636

6. Other Federal Efforts (Commerce & Labor)

Department of Labor

John M. Robinson
Deputy Assistant Secretary
Employment and Training Administration
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210
(202) 219-6050 FAX (202) 219-6827

Joe Juarez
Regional Administrator
Employment and Training Administration
U.S. Department of Labor
525 Griffin St., Room 317
Dallas, TX 75202
(214) 267-8263 FAX (214) 267-5113

Commerce

Pedro Garza
Regional Director
Economic Development Administration
903 San Jacinto, Suite 121
Austin, TX 78701
(512) 916-5463 FAX (512) 916-5613

Len Smith
Regional Director
Economic Development Administration
915 Second Avenue, Suite 1856
Jackson Federal Building
Seattle, WA 98174
(206) 220-7660 FAX (206) 220-7659

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
12-8-97

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN
SEAN MALONEY

SUBJECT: Recent Information Items

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(D) **Berger/Hilley Memo on Rangel Africa Mission** -- as you know, Rangel will lead a Presidential Mission Dec. 5-16 to Cote d'Ivoire, Ethiopia, Uganda, Botswana, Mauritius

THE PRESIDENT HAS SEEN
12-8-97

7709

THE WHITE HOUSE

WASHINGTON

December 2, 1997

'97 DEC 2 PM3:3

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: Rumored Food Crisis in the NIS

A recent "Weekly Economic Briefing" (Tab A) cited an International Federation of the Red Cross report warning that a million people in Russia, Ukraine, Moldova and Belarus may face starvation this winter. You suggested developing a contingency plan to help. Since then, NSC and CEA staff have looked into the Red Cross report and concluded that the concerns are overstated. That said, Dick Morningstar's office, AID and USDA are monitoring the situation and have offered humanitarian aid (humanitarian rations, blankets, etc.) to the Red Cross.

Russia, Ukraine and Moldova will see their best harvests in recent years, with production increases ranging from 25-30 percent. Stocks are good in both Ukraine and Russia; Moldova will move from being a net agricultural importer to an exporter. Belarus will meet a small shortfall through imports from Ukraine and Kazakhstan.

To be sure, pensioners and other vulnerable groups are at risk due to a breakdown in institutional safety nets. Many families have had to change eating habits (more starch, less meat). Extended families, second jobs and informal safety nets that date to Soviet times also mitigate risk. The World Bank is actively engaged in pension reform in Russia, Ukraine and Moldova. But it will take time and strong political will to fix these types of structural problems - no politician wants to stand up for a higher retirement age.

We will advise you if the situation changes, but right now the winter food situation in the NIS appears brighter than it has been in years.

Attachment
Tab A Weekly Economic Brief

Courtney / Schwartz 11/10/97

Response? SRB

THE PRESIDENT HAS SEEN
11-4-97

7709

INTERNATIONAL ROUNDUP

copied Berger VP COS [redacted] Sperling McGinty Stern ~~Steinberg~~ Tarullo

Growing Concerns about Food Security. About a million people in Russia, Belarus, Moldova, and the Ukraine are expected to be on the verge of starvation this winter, according to Red Cross expert assessments. About half of these are in Russia, where funds for social protection were slashed during the recent budget sequester. The failure of many countries in the former Soviet Union and Eastern Europe to make significant advances in economic transition and agricultural development, and the decline in the availability of food aid and official development finance, have added to existing concerns over world food security brought about by the rapid reductions in global stocks and increases in the prices of cereals in 1995-1996. A recent report from the International Food Policy Research Institute warns that if current trends continue the net import demand of developing countries will more than double by 2020. Although most measures of food security are expected to improve between 1993 and 2020, conditions in sub-Saharan Africa are likely to worsen. For example, the number of malnourished children in that region could increase by 45 percent, reaching 40 million in 2020.

① CC: Sperling/[redacted] would like a contingency plan to help. Re

② We need a contingency plan to help.

EU to Add Labor and Environment Clause to GSP. This week the European Commission adopted a proposal to offer trade incentives to developing countries that agree to comply with specific labor and environmental standards. These are the International Labor Organization standards on freedom of association, child labor, and collective bargaining; and standards of sustainable management of tropical forests developed by the International Tropical Timber Association. The plan would be instituted under the Generalized System of Preferences (GSP), which offers tariff preferences to developing countries; it would allow countries in compliance to enjoy additional preferential margins on January 1, 1998. EU member states are expected to approve the Commission proposal, although they could demand some changes.

③ Is this is a viable alternative to Labor's position here. I like this — have we considered?

Economic Concessions Offered to Preserve Italian Government. Italian Prime Minister Prodi was forced to make several concessions in an effort to preserve the coalitional support of the Communist Renewal Party (RC) for his government and for the new budget designed to put Italy on track for the EMU in 1999. Among the concessions, the prime minister agreed to decrease the work week to 35 hours by 2001 and exempt manual workers from proposed pension cuts. Because the concessions will take effect only after Italy's scheduled accession to the EU, it remains to be seen whether they will in fact occur.

④ UP/SRB/Gene Is there a viable alternative to Labor's position here? I like this — have we considered? SRB

Trick or Treat: Which is chocolate? As the EU tries to establish standards for a single market, debate is raging over what constitutes chocolate. The UK, Ireland, Finland, Austria, Portugal, and Denmark all allow vegetable oils in what they call chocolate. The other eight "pure" chocolate countries ban them and allow only cocoa butter. On October 23, the European Parliament took the side of the purists by voting that chocolate containing vegetable oils must be labeled as such. The European Commission is reportedly seeking a compromise.

SITROOM