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THE PRESIDENT HAS SEEN

12-9-97

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: STUART EIZENSTAT

SUBJECT: Kyoto Climate Change Negotiations

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This memo is intended to convey to you the current state of the negotiations and my view of the best way to proceed.

State of Play

We have made considerable progress on a number of fronts, but with about 24 hours left in the Kyoto Conference, the negotiations are in a difficult state. There is still no meeting of the minds among developed ("Annex I") countries, owing largely to the unhelpful behavior of the EU, and the differences with developing countries are even greater. On a variety of important issues, the EU has shown little willingness to accommodate either our concerns or those of the Japanese. Meanwhile, the Chairman of the Conference, Raul Estrada of Argentina, has just put out a new "Chairman's Text". It contains much of what we need, though it is doubtful whether the key provisions that are favorable to us will be accepted by the overall conference of the parties.

Here is the status of our key issues:

- Targets — We have proposed a reduction that amounts to 5% below 1990 levels -- 2% of "real" reductions, and an additional 3% of reductions that derive from the way certain greenhouse gases and "sinks" (such as forests) are accounted for. The EU is demanding a 6% reduction by 2005-2009, which translates, by their own accounting, to a 10.5% reduction below 1990 levels by 2008-2012 (although we have some reason to believe that at the end of the day they will move lower). The EU has also been difficult with regard to the highly technical, but quite important, issues of sinks and gases -- refusing to cover sinks and refusing to accept the Japanese need for an adjustment in the way certain greenhouse gases are accounted for. Finally, although they permit countries within the so-called EU "bubble" to have differentiated targets, they have so far refused to consider allowing differentiated targets for other countries.

The Chairman's text does have differentiated targets, including an 8% reduction for the EU and a 5% reduction for us.

- Emissions trading — Although the EU bubble allows EU members to allocate responsibilities for reducing greenhouse gases without limit, the EU is demanding restrictions on the ability of non-EU countries to trade emissions permits. The EU insists that we should agree that two-thirds of our reductions come from domestic efforts. This

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12-9-97

is a backward move; previously they demanded that a "majority" of our reductions come from domestic efforts, which we resisted. They have refused to accept our offers of qualitative restrictions -- e.g., that a substantial amount of reductions must be domestic, or that trading must be supplemental to domestic efforts. We have also made a major offer to restrict emissions trading (but not JI), saying trading could not account for a "majority" of our reductions. But they have thus far not accepted our offer. —

NEW REPORT
THEY HAVE
NOW
ACCEPTED
THIS.

- **Developing countries -- joint implementation --** We have made a good deal of headway on this front, working behind the scenes with the Brazilians to merge their idea of a Clean Development Fund (unacceptable in its original form) with JI. We now have a fair amount of traction for a new "Clean Development Mechanism" that contains the core elements of our JI proposal. Your call to President Cardoso was undoubtedly helpful in moving this along.
- **Developing countries -- voluntary opt-in and follow-on process --** We are struggling to preserve Article 10 -- which would permit developing countries to voluntarily opt-in to binding commitments -- and the odds are heavy against us. (Even though Article 10 is in the new Chairman's text, it is unlikely to be approved by the conference of parties.) Moreover, it is doubtful that any side agreement or "Mandate" for a follow-on process will be agreed to. Thus, there are likely to be no Kyoto vehicles for developing countries to move into a regime of commitments over time -- even commitments to growth targets or energy efficiency standards.

Our strategy

Recognizing the difficulties of this process, our strategy of working with the Japanese to develop a common front for taking on the EU has been successful. We are not isolated. The Japanese are standing with us on virtually every issue, and, like us, have shown genuine flexibility. In addition, we have taken steps to extend this front to Canada, Australia, New Zealand, Russia and Ukraine. Tonight, we had a meeting with these countries to explore the possibility of creating our own umbrella group. Unlike the EU bubble, members would each be responsible for their own targets, and no allocation of greenhouse gases would be permitted. But the members of the umbrella could have differentiated targets within the umbrella, and would, assuming that there weren't a legal problem, have priority in trading with one another. Our initial analysis suggests that such an umbrella could be economically favorable for us and unfavorable for the EU, as well as establishing additional climate change solidarity among the members. The group who attended the meeting were all quite interested in the concept, and we are continuing to develop it at top speed.

From a tactical standpoint, such an umbrella might be quite unwelcome to the EU and prompt them to move off their recalcitrant positions. Moreover, the economics are such that we might want to move on the idea in any event.

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12-9-97

The endgame -- our target

Our plan, at this stage, is to continue pressing the EU, while working to build our non-EU umbrella. If we can come to agreement with the EU on the basis of the 5% reduction we have proposed (whether in the context of the umbrella, or individually), or something quite close to this, then there is no issue. But we may well continue to be at loggerheads. The EU's desire to restrict our ability to trade and do JI projects, as well as their opposition to sinks, are very serious problems for us, even apart from the difference between us on the target. And their positions on trading and JI, differentiation, and the way to count gases are all serious problems for the Japanese.

If the EU continues to be unyielding, the question will be whether to make an additional move on our target. I understand that you want to make sure we get a 5% real reduction target on the table before allowing the negotiations to fail. But there are downsides in this approach. If we prevail in our effort to accommodate the Japanese in the way gases are counted, and to have sinks included, our target would amount to an 8-9% reduction (3-4% optical). We would then find ourselves having made a very large move (from 0% to 8-9% below 1990), and being well out in front of the Japanese, who won't go higher than 4-5%. In my view, this would be quite difficult politically. In addition, based on a question I put directly to the EU this afternoon, I do not believe that such a move would cause the EU to drop its insistence on putting a restriction on emissions trading.

It is even possible that the optical reductions in our target could be higher, since we might fail in our efforts to have all six greenhouse gases covered (covering only the 3 major gases would give us a 3% reduction) and to have sinks covered (*not* covering sinks would save us another 3%). In that case, going to a 5% real reduction would push to 11% overall.

On the other hand, the gases and sinks issues may end up getting resolved in such a way as to give us no optical reductions, in which case a 5% reduction would amount to just 5%.

My preference would be to fight this out on the basis of a target that includes at least the 2% real reduction we have already proposed, but stays in the 5-7% percent range, with the final amount that is real depending on resolution of the gases and sinks issues. I think a reduction beyond that will appear to be too large a movement off your initial proposal and will separate us too far from the Japanese.

You should be aware that several of the more moderate environmental organizations (Environmental Defense Fund, Natural Resources Defense Council, Union of Concerned Scientists, among others) today presented to us a package that they would be prepared to "praise" were we able to get it. The core elements include an 8 percent reduction target below 1990 levels (with 5 percent coming from real movement, 1 percent from changing the baseline on the CFC replacement gases, and 2 percent from project-based sinks), a Clean Development Fund, international emissions trading, Article 10, and strong compliance mechanisms. The enviros also presented this package to several of the Congressional delegation, and Senator Kerry now supports it.

Finally, on the developing country issue, I understand that you are prepared to accept the treaty even if we fail to get Article 10 or a follow-on process. Those devices are extremely thin reeds, and would provide us no more than the ability to say that we had vehicles for developing country participation. But if we lose them, we lose even the vehicles, and that will make the job of defending the treaty, even on the basis of the "two-step" approach, that much harder.

Mr. President,

The Japanese will refuse to go this deep. If we depart from there and ask our industry to assume even greater reductions, at a time of a \$70 billion trade deficit, it is, in my opinion, unsustainable economically and politically. Moreover, a 5% real reduction would have very significant economic impacts on the U.S., quite apart from the Japanese angle. We are not isolated here -- the EU is.

St. Eizenstat

12-9-97

Money to burn?

Controlling global warming will be expensive. Emissions trading is an intelligent way to lower the cost

LIMITS on the emissions of the "greenhouse gases", notably carbon dioxide, that have caused the gradual rise in the earth's temperature are an obvious way to tackle the problem of global warming. But as this week's meeting of 150 nations in Kyoto, Japan, has made clear, introducing limits is far from straightforward. Witness the fact that while emissions of greenhouse gases are rising fastest in poorer countries, these nations, under the terms of the agreement negotiated so far, do not have to try to curb their output.

The justification for this exemption is that, for poor countries, escaping poverty must come first. Fair enough—except that if poor countries do not reduce their emissions of greenhouse gases, overall emissions worldwide will rise, even if wealthier countries succeed in scaling back the use of coal-burning power plants and petrol-driven cars. Is there a way out of this impasse? Economists think there is: tradeable emissions permits.

Economists, of course, are usually keen on markets. Here, as in many cases, they see possibilities in creating a market where none exists. There is a precedent in America, where a law allowing power companies to trade their right to emit sulphur dioxide has proved highly successful. The government determines what the allowable emissions from each power plant are. Those plants that can clean up cheaply, and thus emit less than allowed, are then free to sell their unused rights to those for whom pollution control would be costly. Overall, this has cut sulphur emissions faster and more cheaply than anyone predicted.

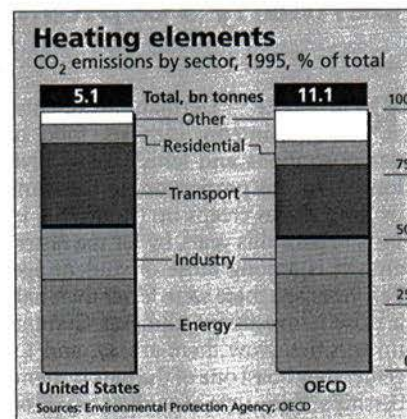
Permit us to pollute

American and European delegates in Kyoto want to explore a similar approach for greenhouse gases, starting with carbon dioxide. Under this concept, each of the 33 countries which must curb emissions would accept a target and a standard for determining how much it is emitting—two items that are basically settled already. Each government could allocate its allowable emissions to different uses. On average, about half of these come from dispersed sources, such as cars and home heating systems, that would be hard to monitor with a permit system (see chart). Each government would divide the remainder of its allowable emissions among the handful of big industries, such

ECONOMICS FOCUS

as oil refineries and steelworks, that spew out greenhouse gases in large amounts. Allocations would be made annually, and would diminish over time.

On a national basis, emissions trading would be straightforward. An ageing coal-fired power station might conclude that it would be cheaper to buy extra emissions capacity than to switch fuel sources. It finds a nearby power plant that has switched to clean coal and therefore is emitting less than its entitlement. They



make a deal. The national emissions targets are still met, just redistributed.

Trading could work across borders as well. Suppose a German coal-fired power station finds that meeting its allocation of emissions is unexpectedly expensive. It might contract to buy the unused emissions of a Russian chemical plant working far below capacity. This leaves some tricky accounting: German emissions will rise, perhaps alarming environmentalists, even though those in Russia will fall. What matters, however, is that global emissions are being limited in a cost-effective way, with the cuts being made where they are cheapest.

A subset of emissions trading is "joint implementation," in which one country does something that reduces carbon dioxide levels in another country, perhaps replanting a logged-out forest or modernising a smoke-belching smelter, and applies part of that reduction against its own commitments. Many such projects would probably involve poorer countries, because they have more opportunities for inexpensive emissions reduction.

Determining which activities should get credit would not be easy; why give a paper company credit for planting trees, for example, when its business requires it to do so anyhow? But if the details can be worked out, enormous benefits beckon. If poorer nations accept the principle of a full-blown international permit-trading system—which would require overall limits on emissions—it could turn out to be a money-spinner for them. By some, admittedly speculative, estimates, they could receive more money from such a scheme than they now do from aid programmes.

An emissions-trading scheme would have other benefits. The prices at which emissions rights are bought and sold would give policymakers a useful gauge of the cost of emissions reduction. In addition, a trading mechanism offers certainty about how far emissions will be cut, an advantage that the main alternative, taxing carbon, cannot offer.

Nonetheless, the idea of international emissions trading remains controversial. One objection is that it could allow rich countries to avoid taking domestic action to curb greenhouse gases. The answer to that is: so what? Global emissions are still being reduced. Another complaint is that emissions trading does nothing to address emissions from homes or vehicles. This is true, but the implication is simply that different ways of controlling emissions should be adopted for these sources.

The real problems are not theoretical but logistical. America's sulphur-reduction programme has an enforceable target and a limited number of players. The measurement and monitoring systems are effective. The bureaucracy has resisted pressure to hand out more pollution rights to companies that complain about the difficulty of reducing emissions. All of those things have to happen to make an emissions-trading system work.

But that is an argument for caution, not for whiting the idea out of the environmental picture. America is almost certain to use emissions trading to meet some of whatever obligations it takes on in Kyoto. The European Union has already accepted the principle of variable emissions targets for different countries, and its cross-national institutions would make it easy to trade emissions rights among members. So there is reason to think that global emissions trading might work. And if, in the end, it does not? Little harm would have been done. The risks are negligible, and the potential economic benefits very large.

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'97 DEC 8 - 5:00

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Date : December 5, 1997

For : Betty Currie

Subject : Follow up on Year 2000

Enclosed are my latest materials on the Year 2000 crisis. The President expressed an interest in seeing these results the last time that I saw him.

If there is a need to reach me you may do so at the numbers above or via pager at 800-SKY-PAGE Pin# 2291309.

Thank you,

Howard

12-9-97
To Dan Burkhardt
for reply.
Need to coordinate
response w/ Sally Katzen. JMB
PM

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Date : December 5, 1997

**For : President Clinton
Vice President Gore****From : Dr. Howard A. Rubin****Subject : Update to Year 2000 data previously supplied**

I've been collecting Year 2000 data from Fortune 500 companies for the past 3 years on a quarterly basis. I have just completed my latest survey -- the detailed findings follow later in the memo -- and for the first time have computed the potential GDP impact as follows:

- *The US GDP for 1996 was \$7,576B. The Fortune 500 companies account for \$5,077B or 67% of the GDP.*
- *The 100 Fortune 500 companies in my latest survey account for \$1,015B or 14% of GDP.*
- *The survey results indicate that 2 out of 3 companies in my survey do not yet have detailed plans in place to address Year 2000 ... that leaves \$680B of the GDP unprotected or 9% of the GDP... if this sample is representative, multiply the 9% x 5 (to extrapolate for 500 companies) and that leaves 45% of the GDP unprotected.*
- *The survey results should that only 1 in 5 are in the process of executing their plan. As a result, the situation looks worse... 11% of the GDP is unprotected and if you multiply by 5... it appears that 55% of the GDP is unprotected.*
- *Therefore, the only conclusion is that a LARGE portion of the GDP is at risk at this time.*

Here are the latest detailed results that I have. Please feel free to use the data contained herein as you wish. If you have any comments or questions or even ideas for inclusion in my next survey, please let me know.

As I mentioned in one of memos last year, I'd be pleased to assist your office in any way necessary to support your actions on this issue. I also have the draft results from my work on the IT Labor Task Force if you desire to see them "early".

YEAR 2000

**December, 1997
Survey Results**

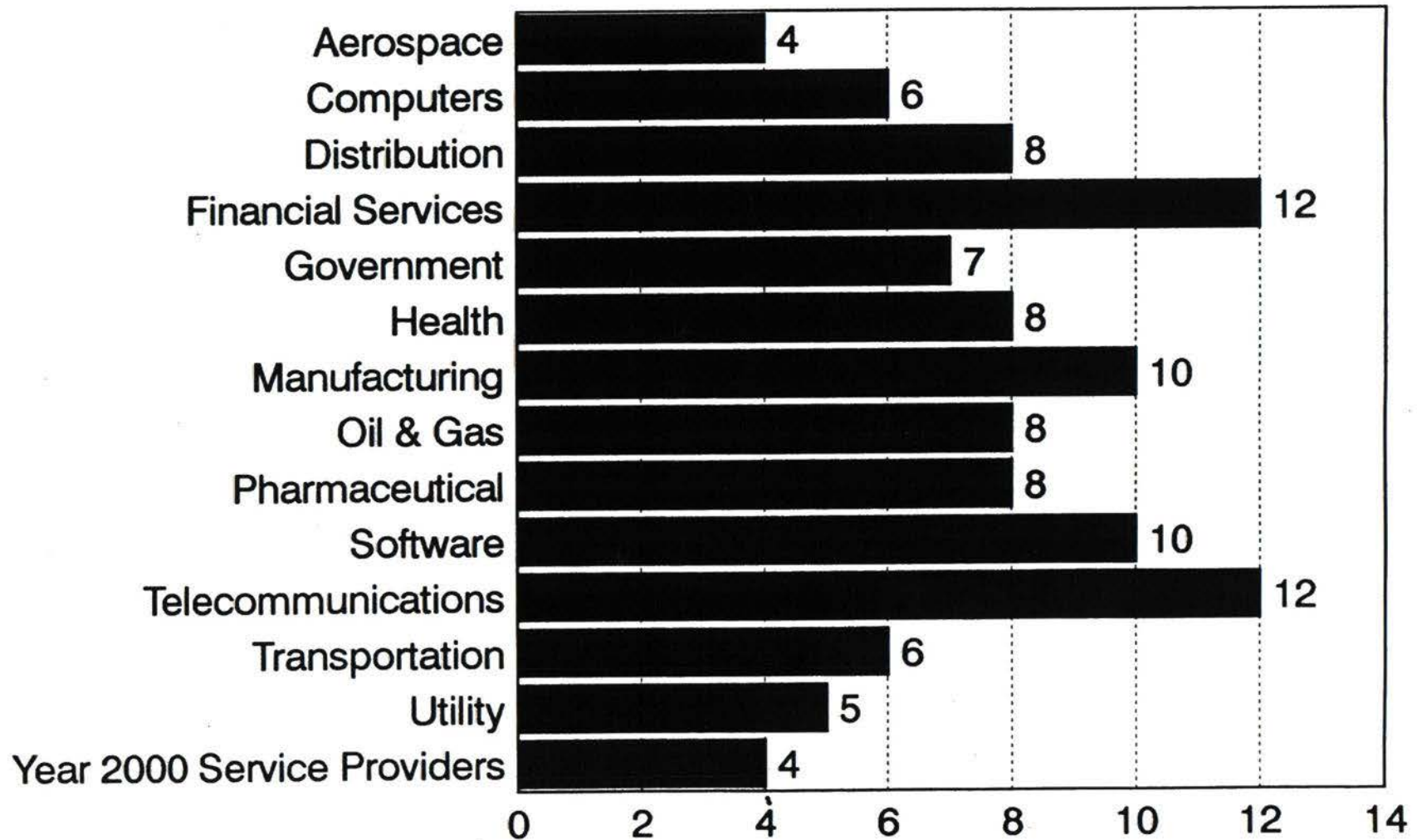
Dr. Howard A. Rubin

**December 1, 1997
(version 2.0)**

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December, 1997 Response Summary

Profile of responses (108 responses)



December, 1997 Response Summary

• BIG Headlines

- The Year 2000 budget "pendulum" is swinging back up again... testing, manual labor needed, and non-mainframe platform issues are the drivers.
- 77% have had to change their overall approach since starting their initiatives.
- Cooperation and information exchange between companies and their partners/vendors is weak.
- Staffing is a big issue.. resources are scarcer than before; those doing work find it boring.
- More work in flowing back to in-house solutions while tools are not living up to their promise.
- Only 1 in 3 companies have detailed plans in place.
- End-to-end testing of all systems is a rarity in Year 2000 strategies.
- More than 88% of those surveyed do not have distinct plans to communicate their Year 2000 efforts to the public.

December, 1997 Response Summary

• IT Spending

- There has been a Year 2000 spending "rebound". While companies downgraded their estimates in August, 1997, there now is an increase in companies expecting to spend between 11 and 30% of their IT budgets on Year 2000.
- Almost 75% companies now think that they will be spending between 21 and 30% of their IT budget on Year 2000..
- In terms of budget allocation to the Year 2000 process, on average companies are planning the following distribution: Assessment - 18%; Code conversion - 22%; Application level testing - 25%; Suite testing - 35%.
- In terms of budget allocation for platform compliance, companies are allocating 60% of their budgets to the mainframe, 20% to the network environment, 8% to the desktop, 10% to managing their Year 2000 programs, and 2% to other system categories.
- Year 2000 is impacting both new development and maintenance by forcing reductions in these areas. Since April, 1997 those deferring new development work have gone from 11% to 18% and those deferring enhancements/new functionality of existing systems have
- Year 2000 funding is coming from predominantly outside the IT department; 25% claim to pay for it through their maintenance budgets; 40% from other IT areas; 80% from elsewhere. For the first time, 5% of companies indicate that they intend to pass thru t
- Roughly 82% of companies claim they have underestimated their Year 2000 costs; only 2% are "on target" while 12% claim they are too high.

December, 1997 Response Summary

• Strategies/Staffing

- Outsourcing of assessment and conversion is declining as a strategy. While 87% claimed they were doing this in April, 1997, only 70% are using this strategy today.
- Conversion work appears to be moving in-house, while hybrid on-shore/off-shore approaches are on the rise. The use of off shore resources themselves have not changed.
- The number of companies indicating a need to increase staff has risen dramatically...45% in April, 1997 to 72% today.
- Finding staff is still classified as "difficult" by 90% of those surveyed.
- When classifying the nature of Year 2000 work, 72% of those surveyed classified it as "boring", while only 4% found it "exciting".
- The distribution of labor for companies using outside vendors is 32% internal and 68% internal.

December, 1997 Response Summary

- **Experiences/Perception**

- While 60% of companies now have completed a full assessment of their inventory, on 1 in 3 have detailed plans in place..... 1 in 5 claim to have a full program in place, however.
- With regard to tools for Year 2000 support, 66% of those surveyed have found that tools do not meet their expectations... about 24% believe they did.
- The Year 2000 issue is now the #1 priority for most IT organizations and their priorities in dealing with the problem are ranked as speed, automation, and integrity on an equal basis.
- 90% of companies now believe that it is easier for them to assimilate tools and vendor processes than it is for vendors to learn about their systems.

December, 1997 Response Summary

• Conversion Profile and Progress

- Roughly 77% of companies have changed their approach to the Year 2000 problem since they started.
- 13% of those surveyed believe that less than half their systems will be compliant by 1/1/99, while 87% believe that more than half will be.
- The majority of companies have no standards as to the volume of code units being passed through their processes (68%). 28% are using code blocks of 2-5 million lines of code while 4% are using less than 2 million lines of code.
- While all companies are planning to do 19xx and 20xx testing, only 60% are planning some end to end testing and this is likely to be done for less than 25% of all systems.
- The level of testing completed to date is low; 35% have done 19xx; 22% have done 20xx; only 2% have done end to end.
- 38% of those surveyed have not developed contingency plans.
- The top 2 process issues identified are overall throughput and testing.

December, 1997 Response Summary

- **Business Impact**

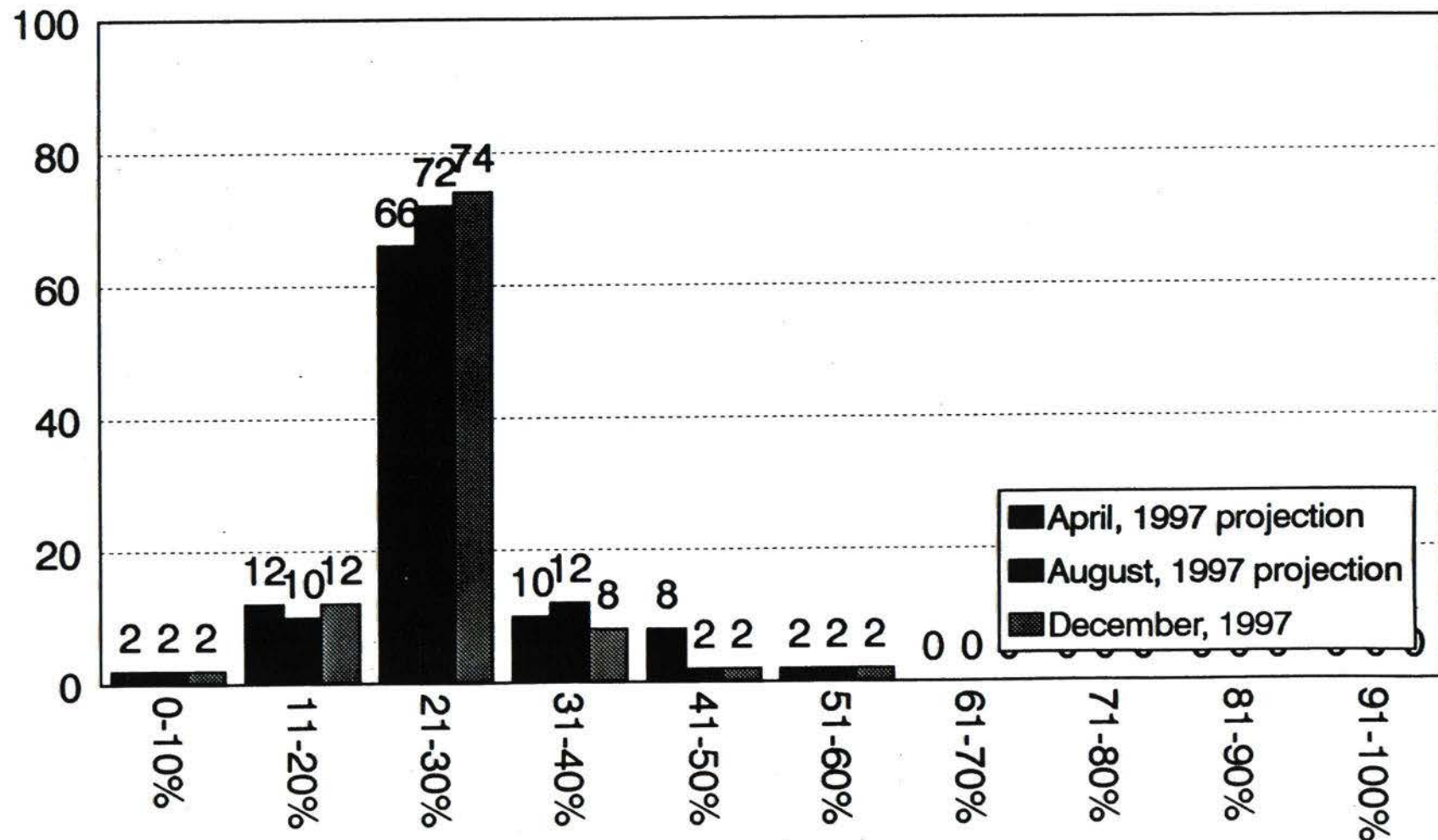
- The top 2 internal business impact areas are new product development and "time to market".
- The top 2 external business impact areas are customer satisfaction and delivery... pricing impact is expected to be low.
- Business partner and vendor cooperation are ranked as somewhat poor in general.
- In terms of general impact, the impact on the stock market and banking transaction is perceived as high.. air traffic safety is ranked as very high in terms of impact.
- Most companies (more than 88% in general) have no plans to report or communicate their Year 2000 status at this time.
- Only 7% of those surveyed, claim to have had a Year 2000 related failure.

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IT Spending Results

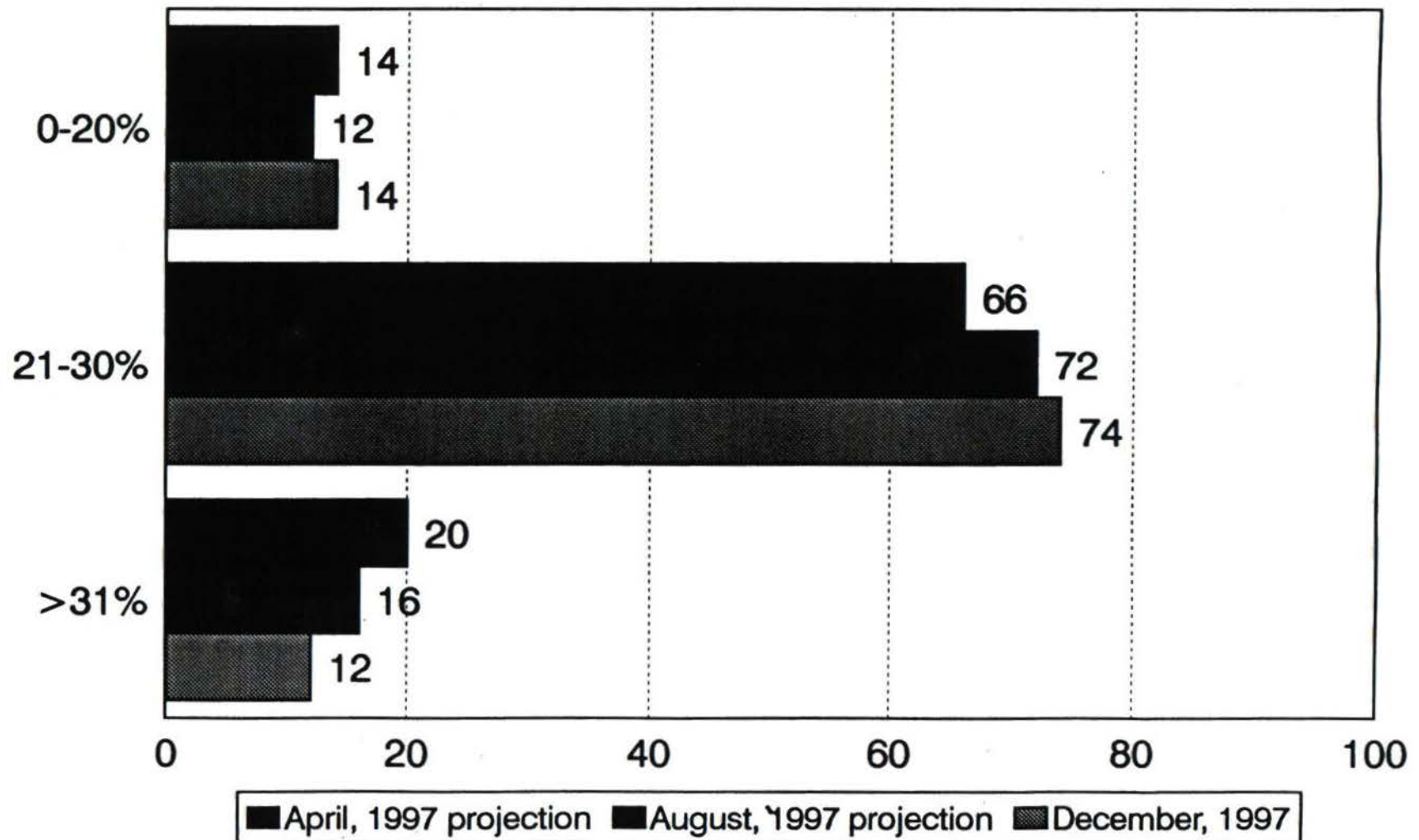
December, 1997 Response Summary

Percent of IT Budget Allocated to Year 2000 Solution



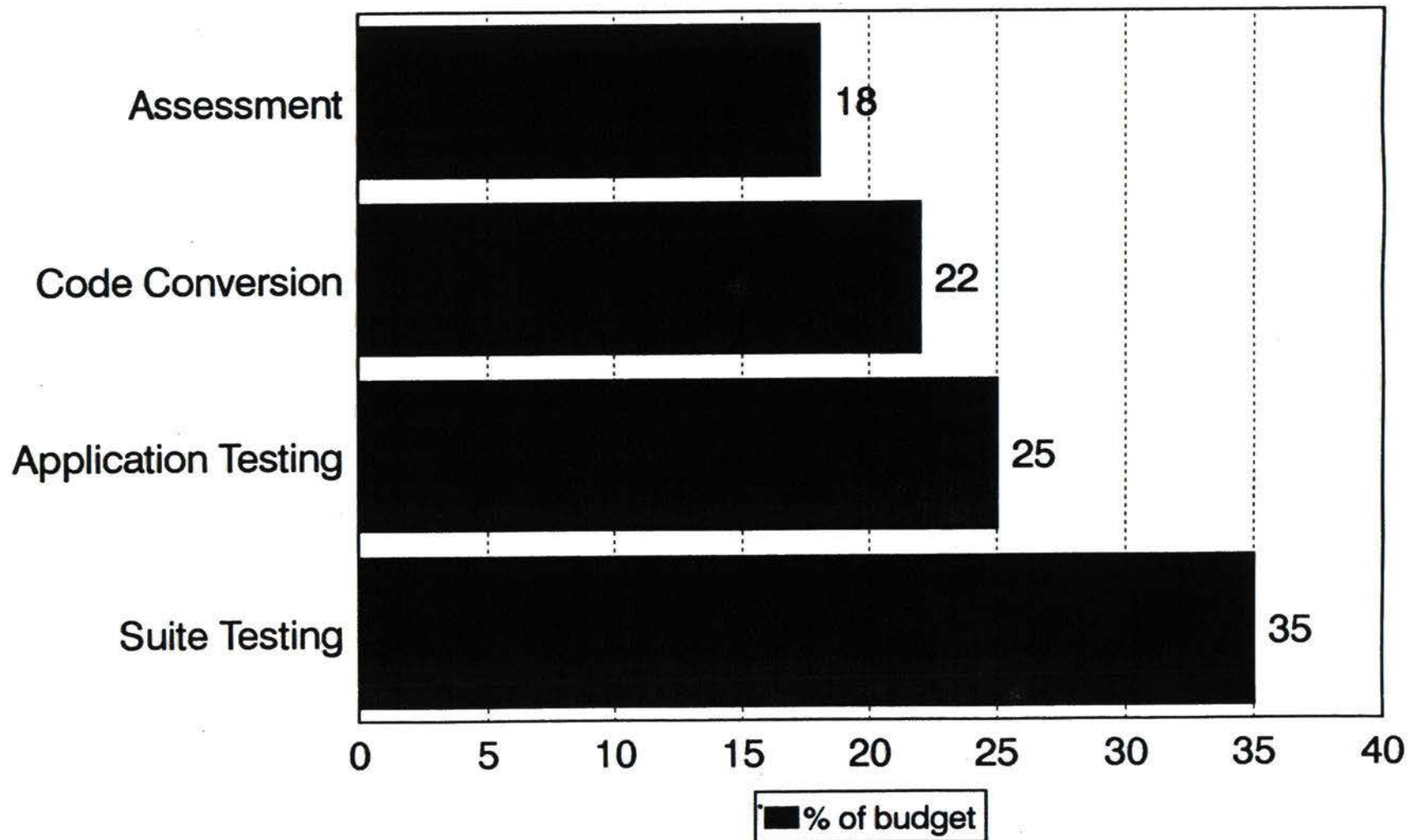
December, 1997 Response Summary

Percent of IT Budget Allocated to Year 2000 Solution



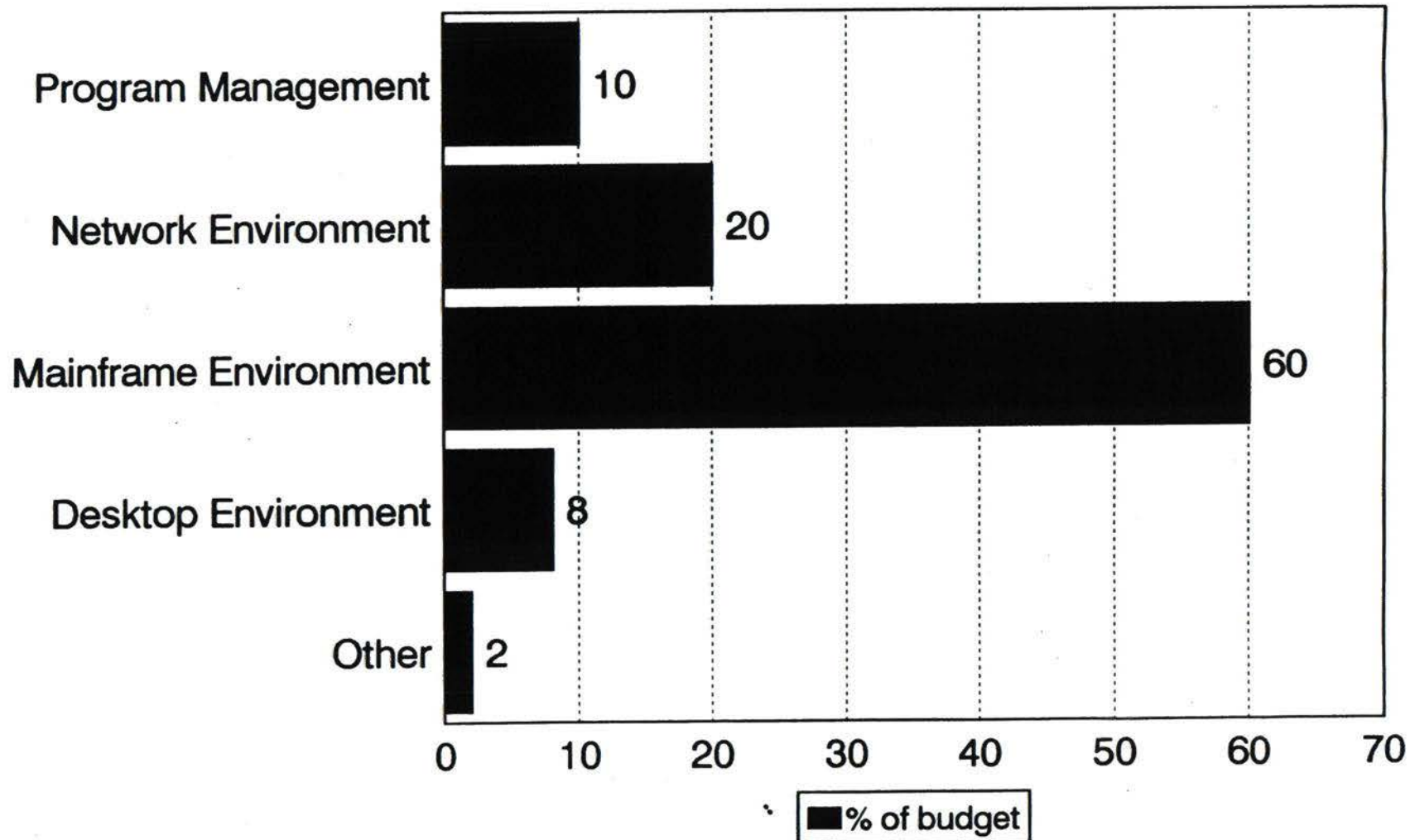
December, 1997 Response Summary

Year 2000 Budget Allocations



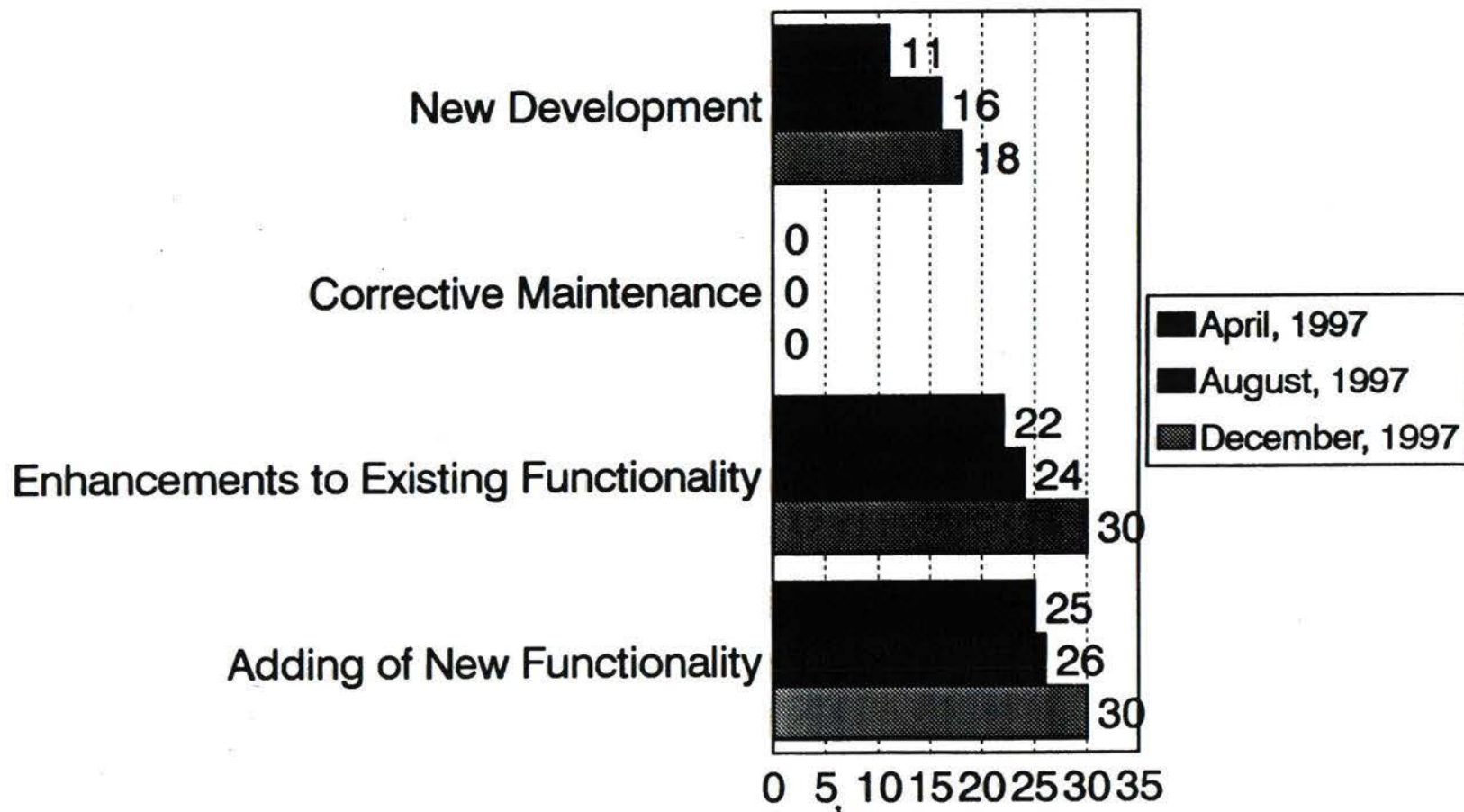
December, 1997 Response Summary

Year 2000 Budget Allocations



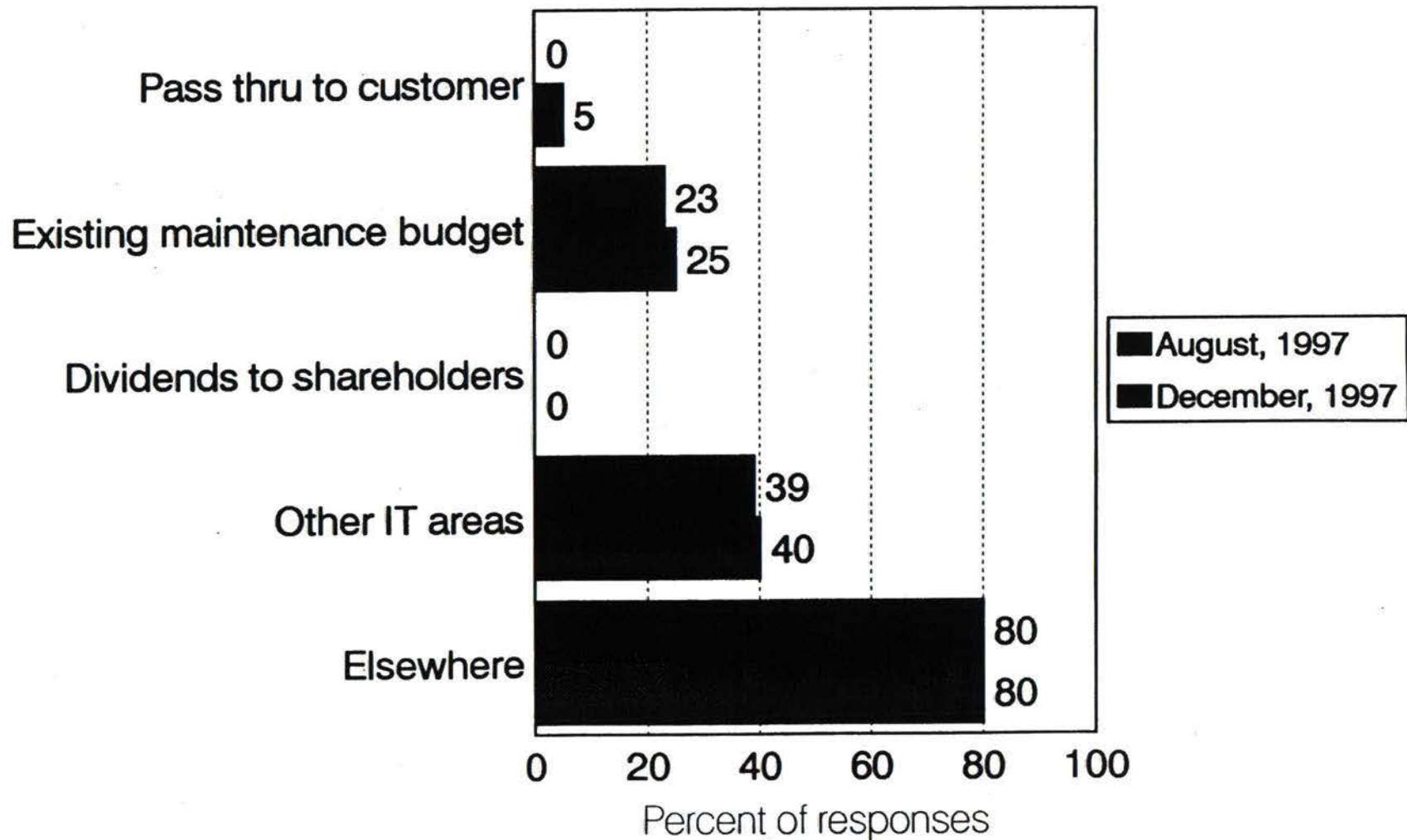
December, 1997 Response Summary

Percent of respondents that have reduced spending in these areas to fund Year 2000 Projects



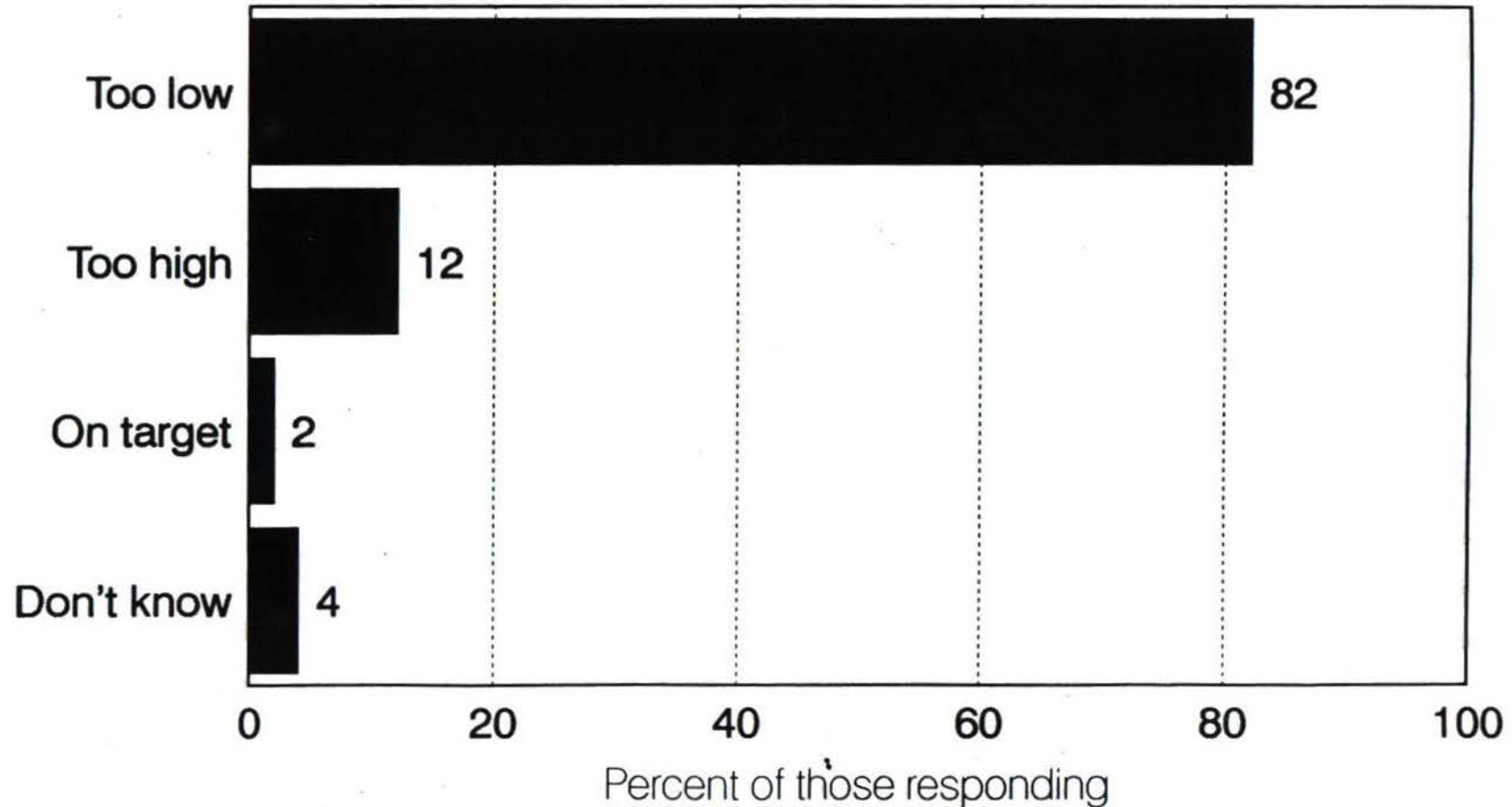
December, 1997 Response Summary

Where will (does) funding come from?



December, 1997 Response Summary

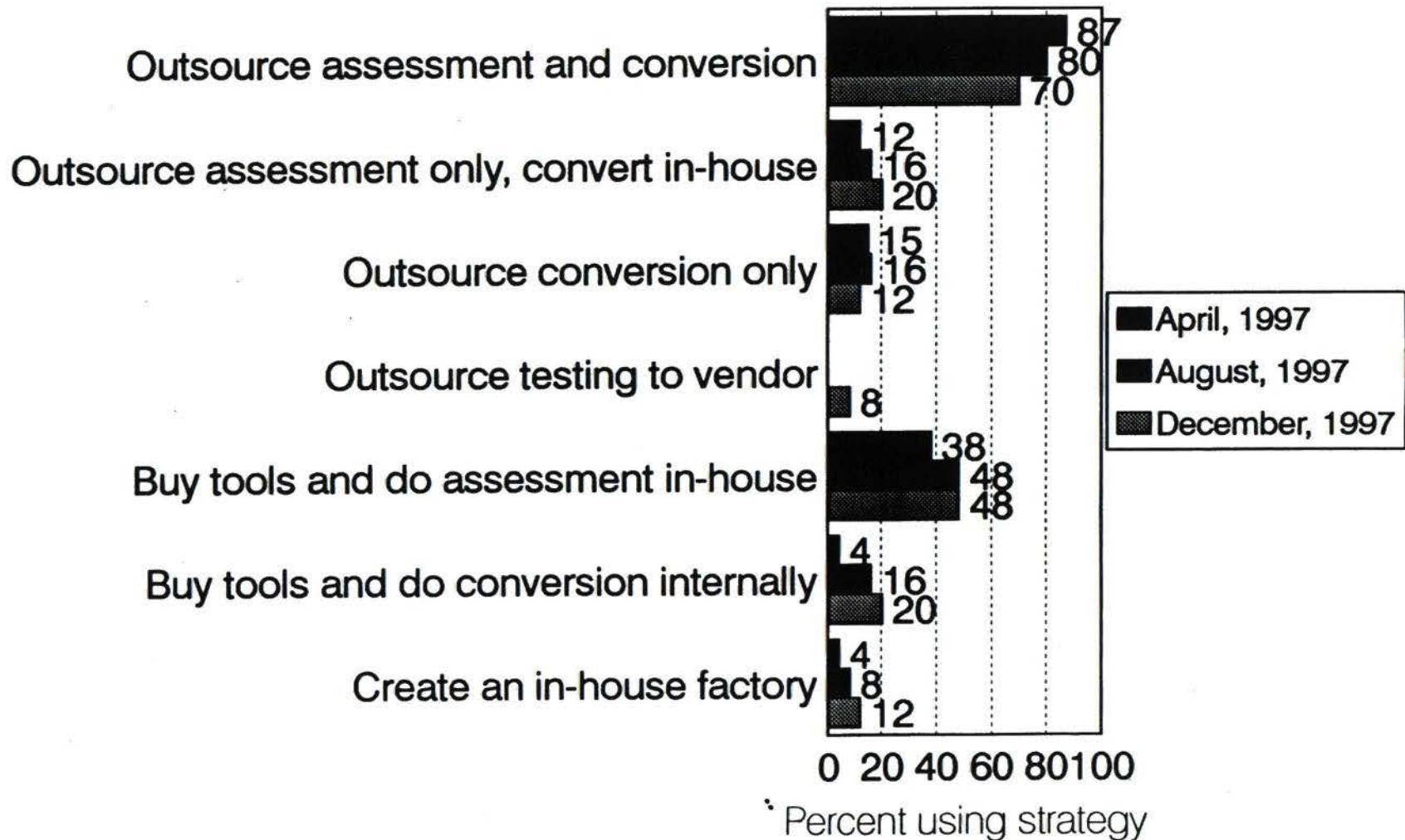
How would you classify your Year 2000 spending estimates to date?



Staffing

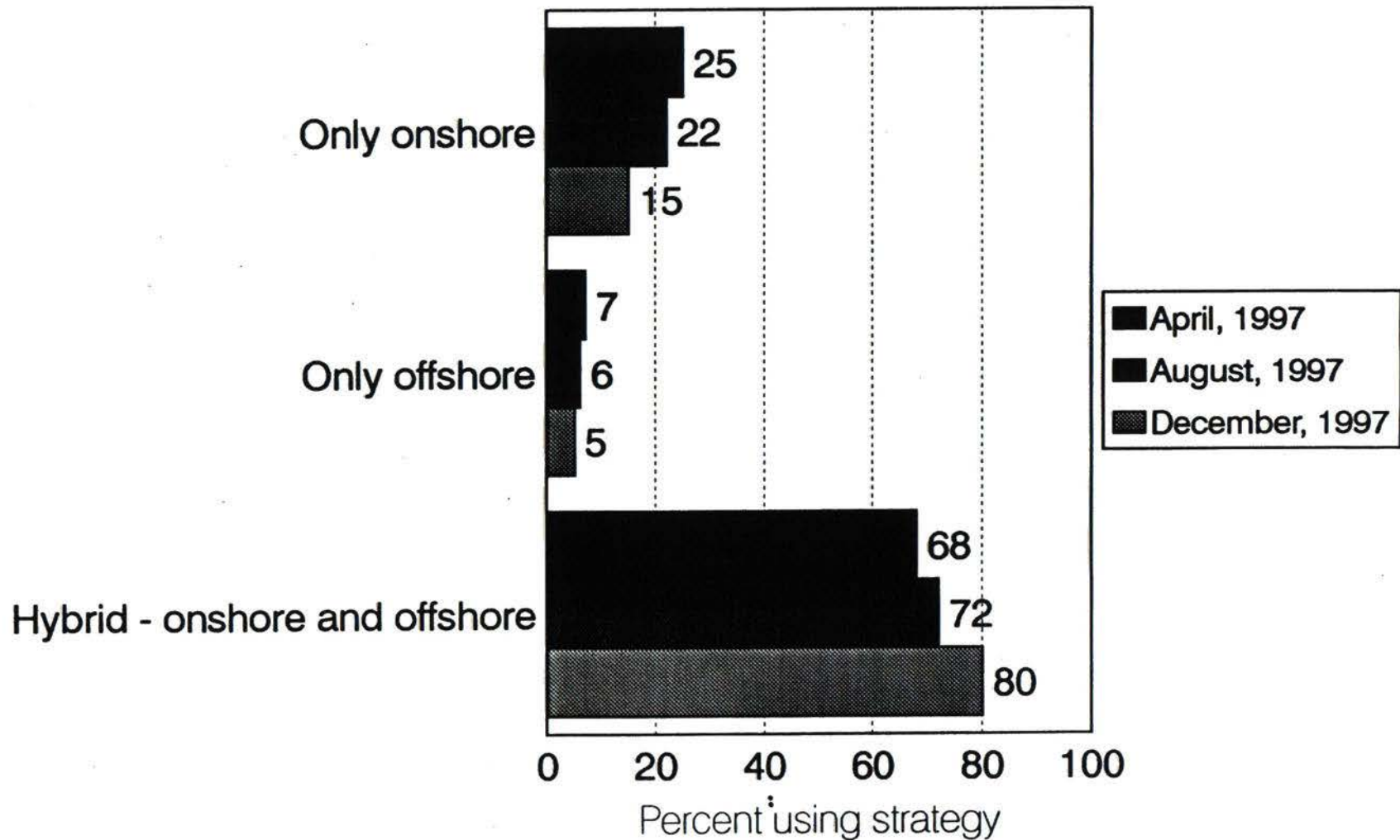
December, 1997 Response Summary

Of those with plans in place -- what is your strategy?



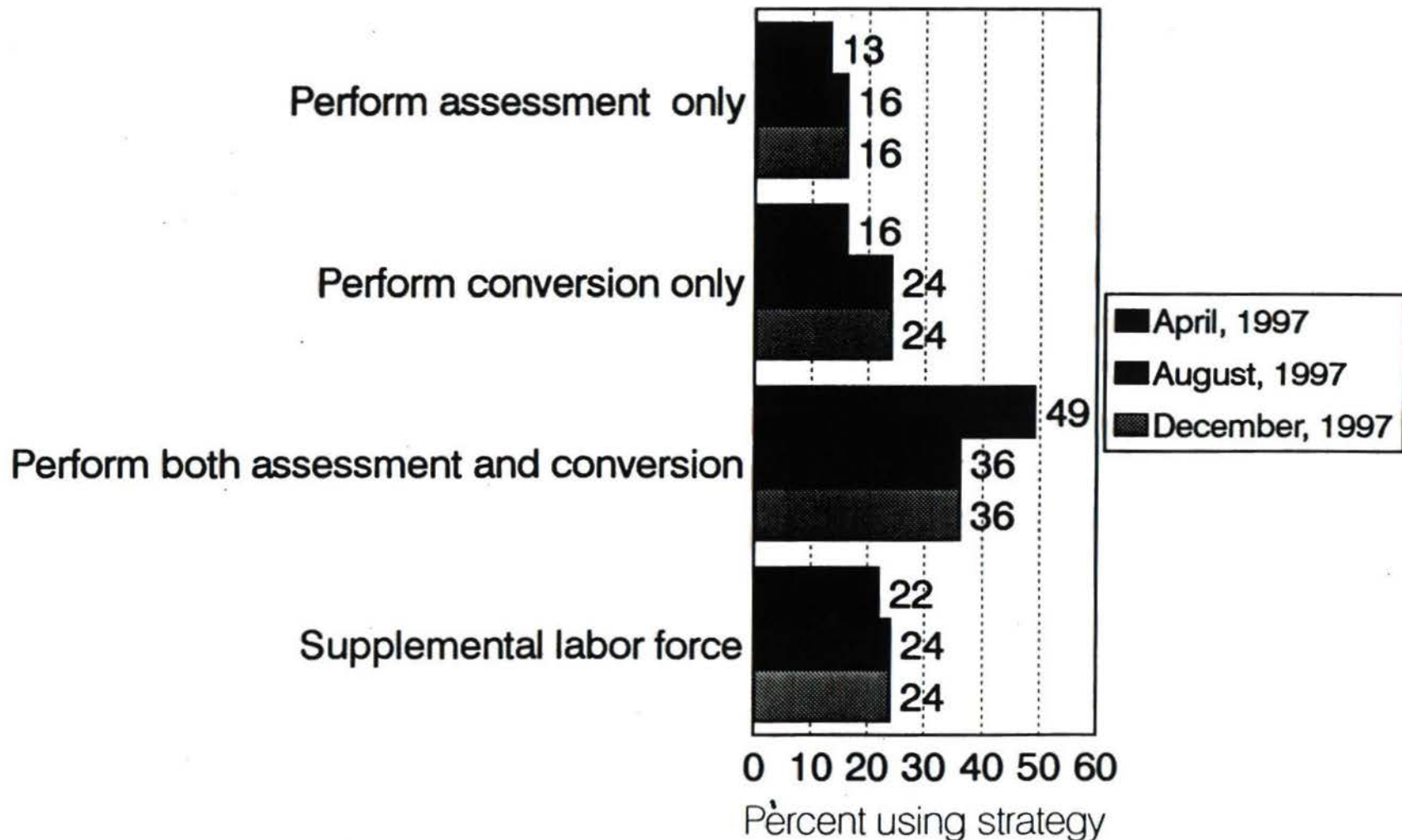
December, 1997 Response Summary

Will the work be done onshore or offshore?



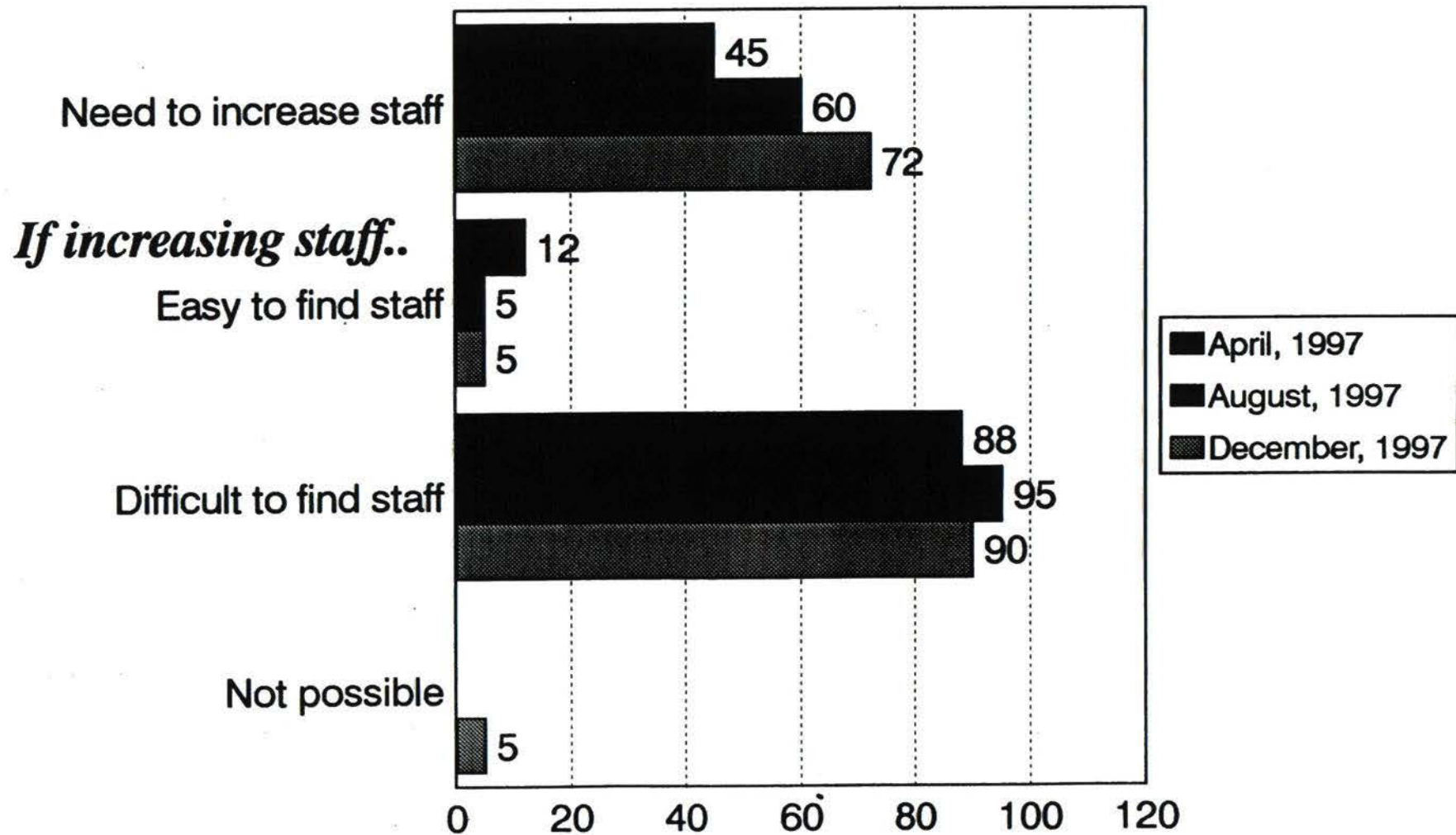
December, 1997 Response Summary

If planning to use offshore resources.... in what manner?



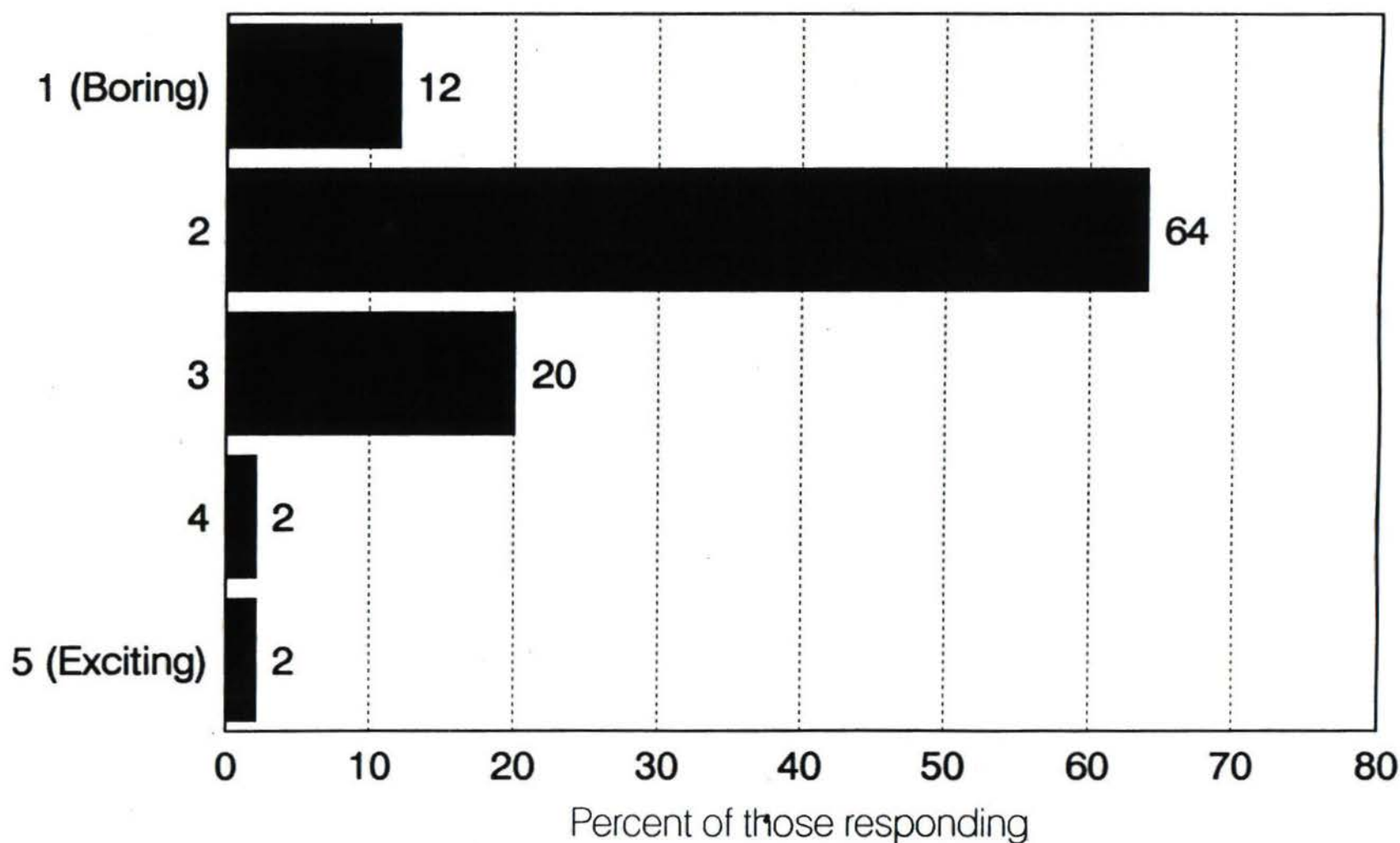
December, 1997 Response Summary

Percent indicating "YES" to various staffing issues



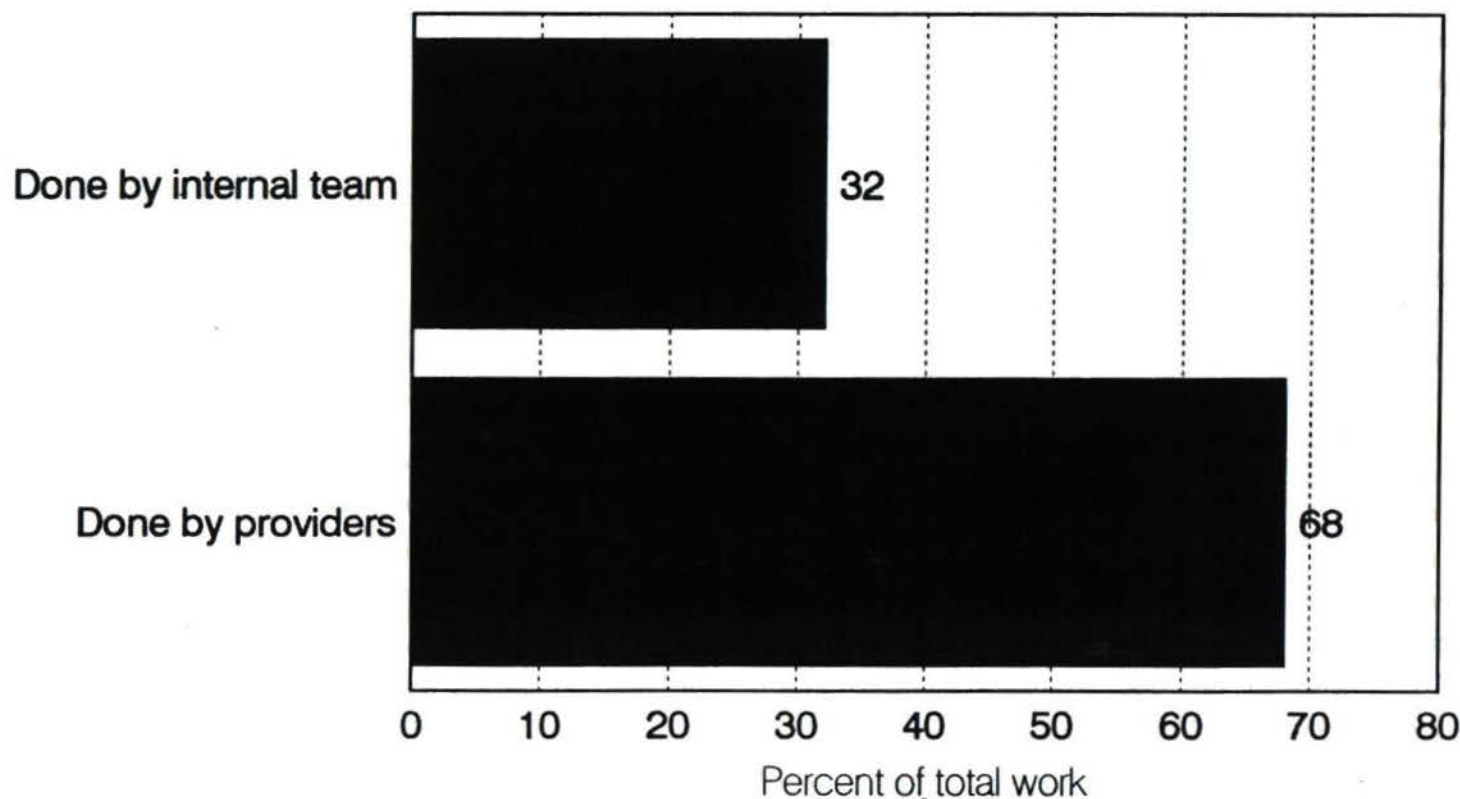
December, 1997 Response Summary

Staff rating of Year 2000 work



December, 1997 Response Summary

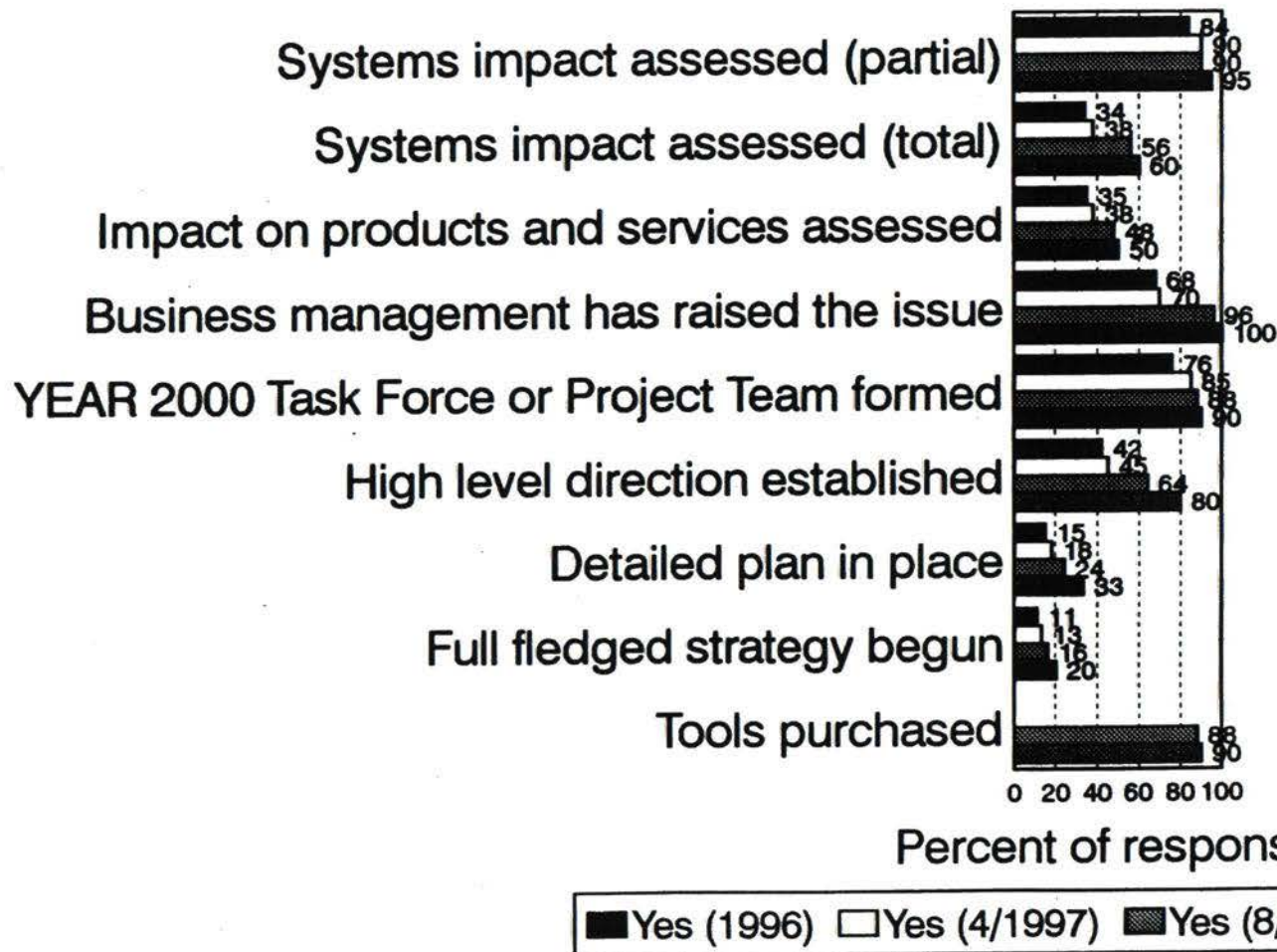
For companies using external providers for assessment and conversion, what is the division of labor in percent?



Experiences and Perception

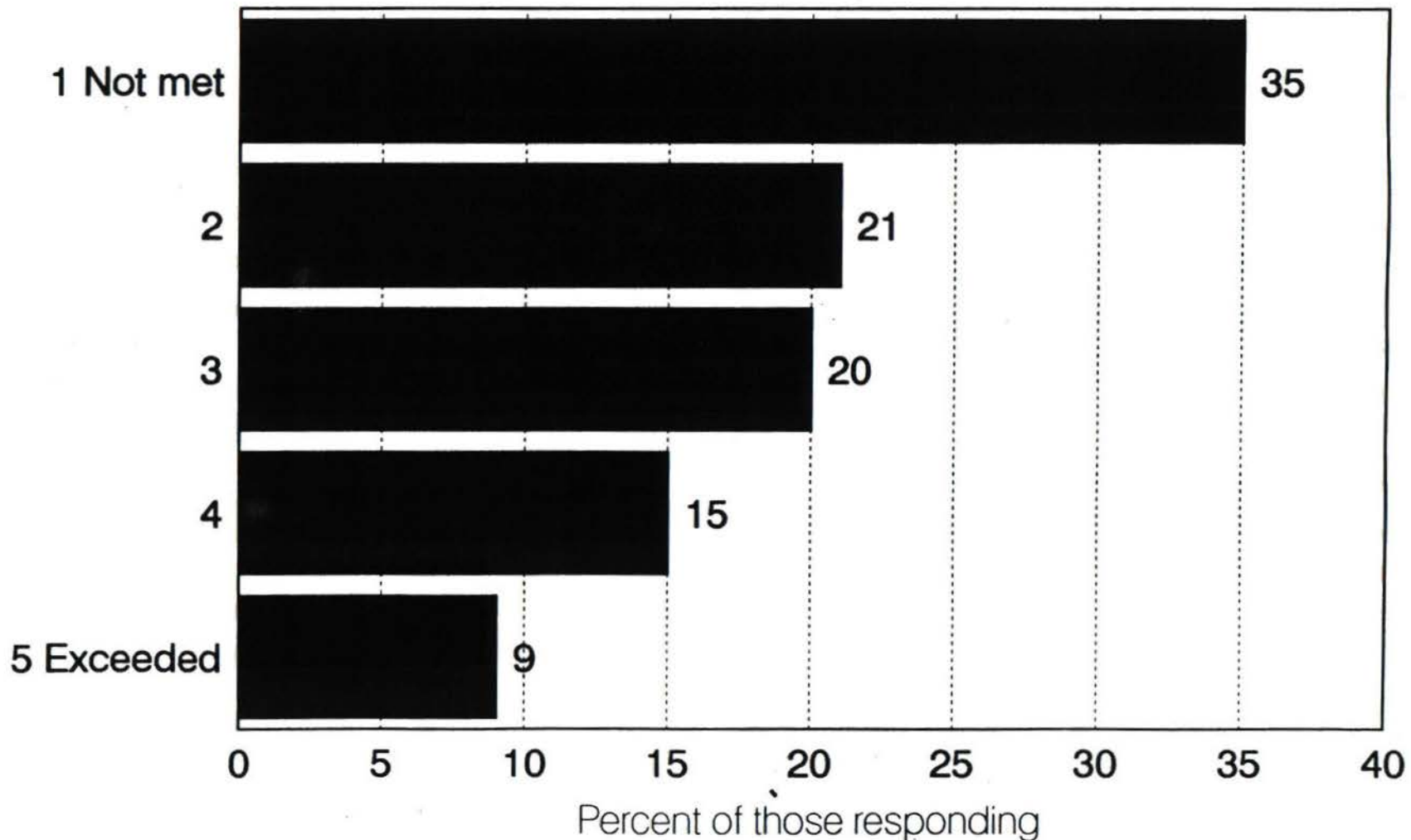
December, 1997 Response Summary

Status of addressing the Year 2000 crisis



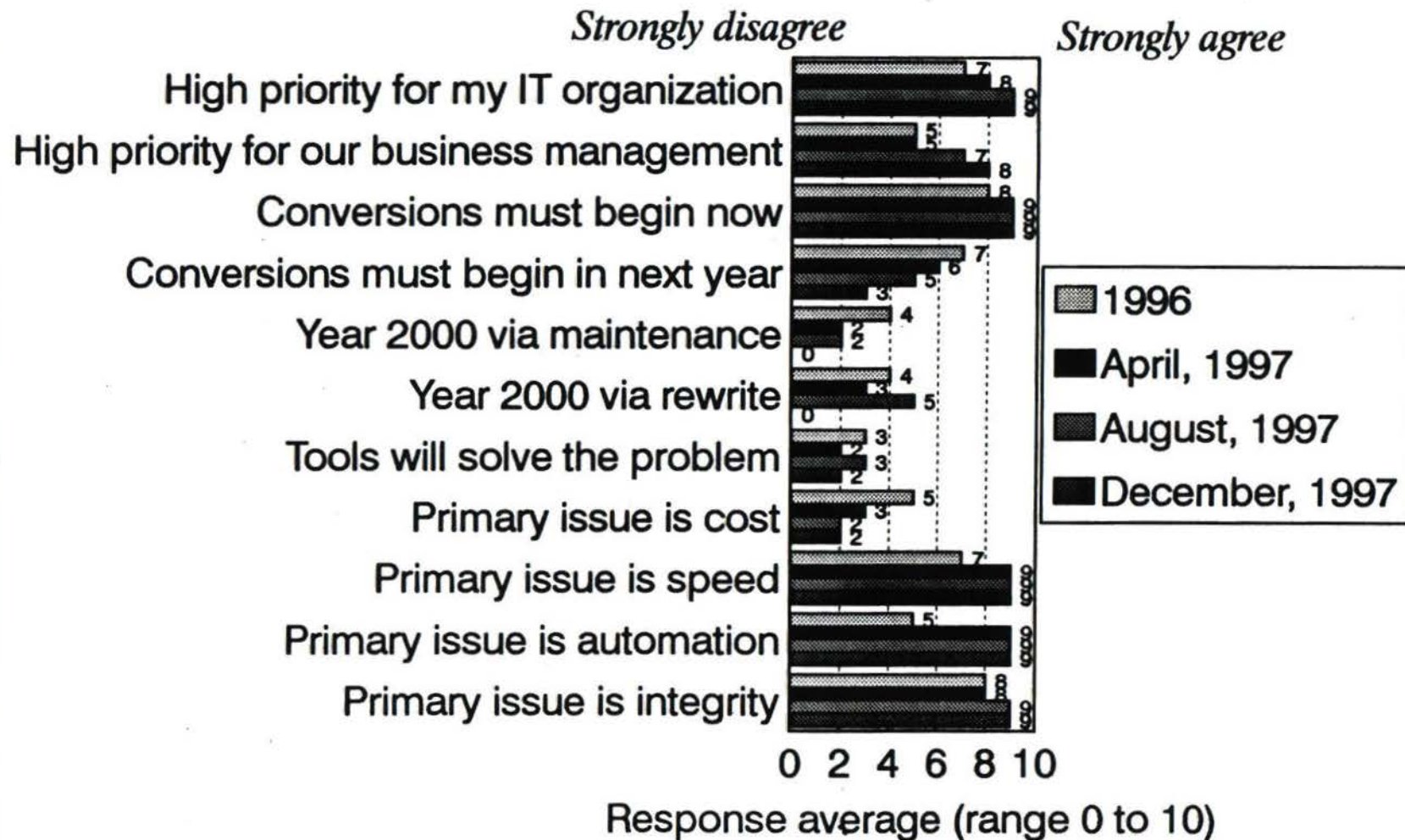
December, 1997 Response Summary

To what extent have tools met your expectations?



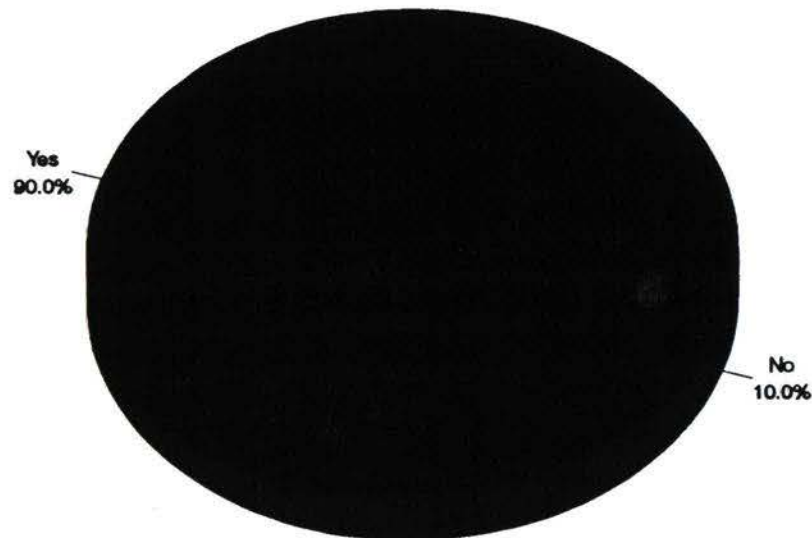
December, 1997 Response Summary

Attitudes in regard to the Year 2000 crisis

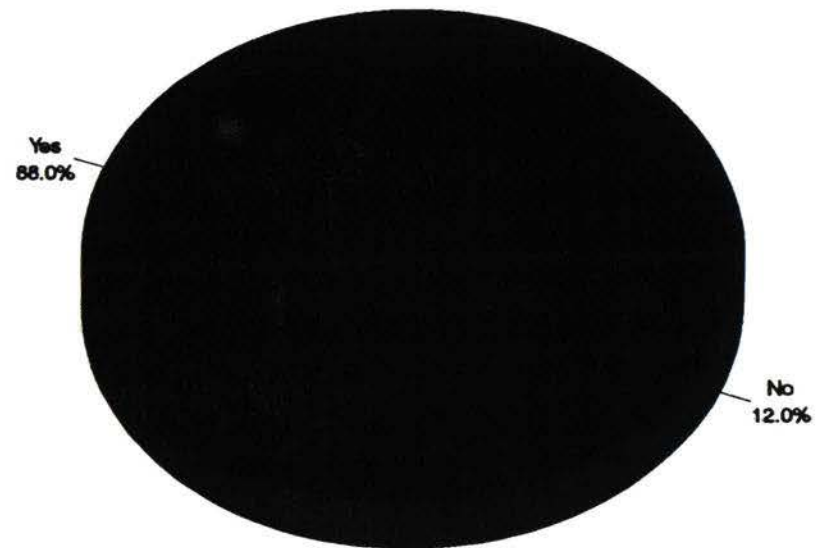


December, 1997 Response Summary

*Believe that it is easier for us to learn vendor processes
than for vendor to learn our systems*



December, 1997

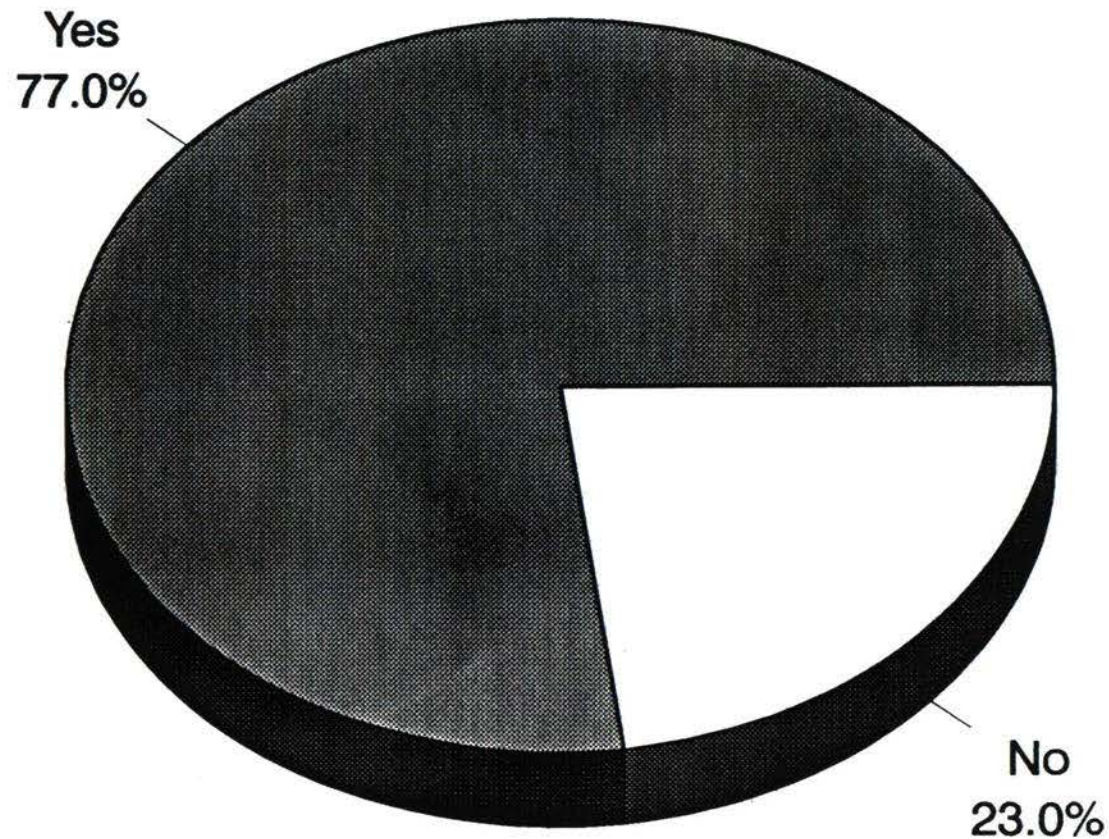


August, 1997

Conversion Profile and Progress

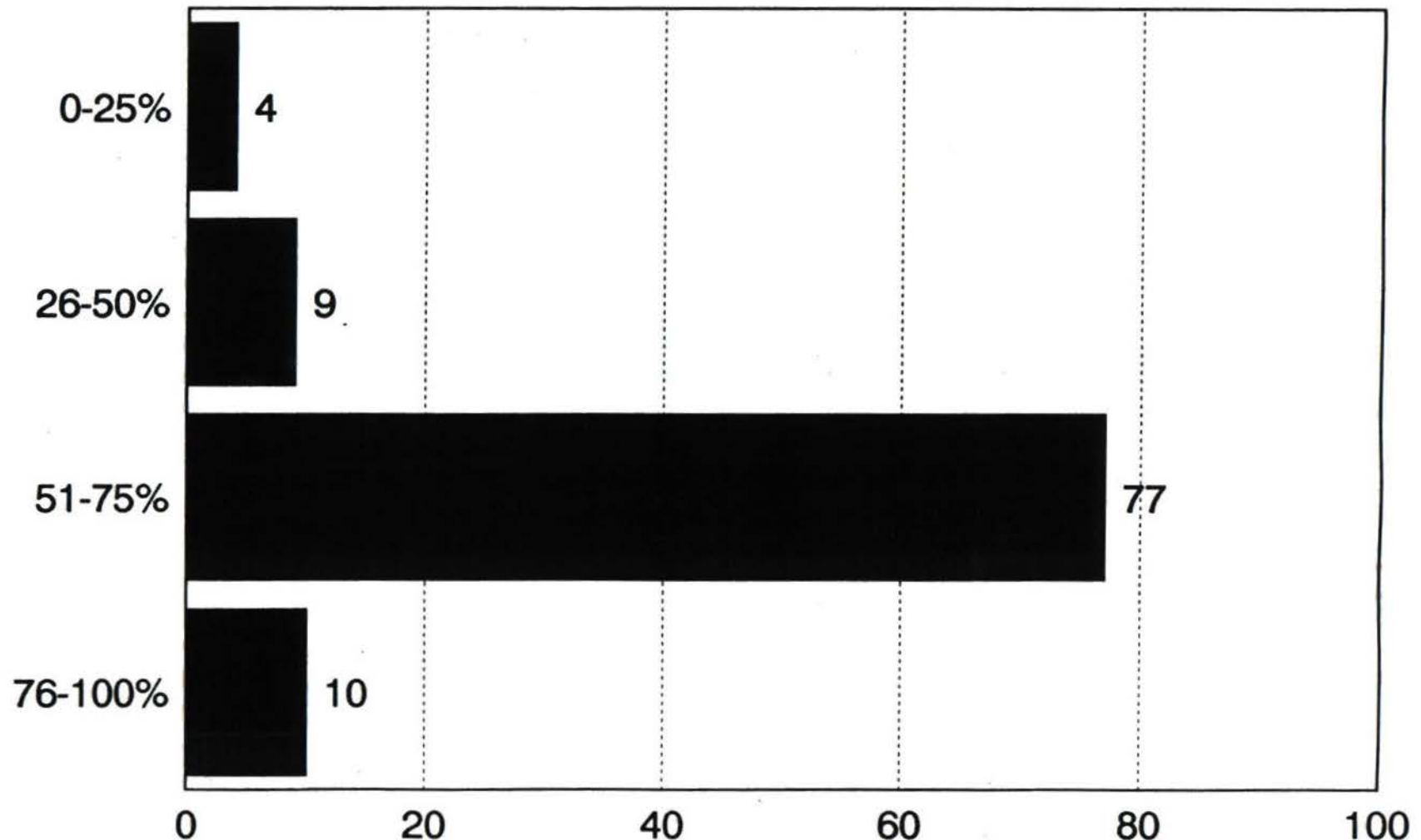
December, 1997 Response Summary

Year 2000 Approach Changed



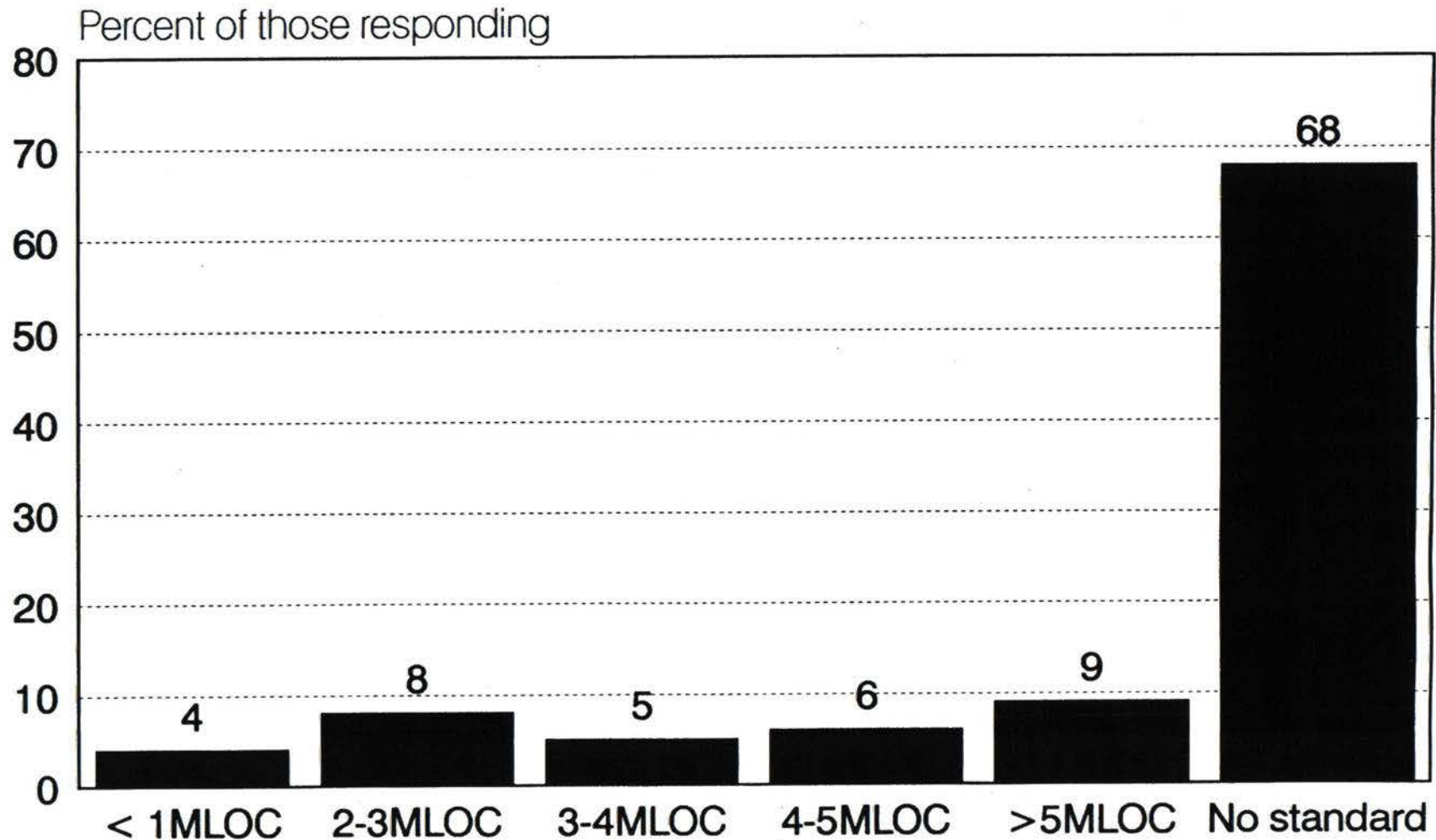
December, 1997 Response Summary

Percent of systems tested and compliant by 1/1/99



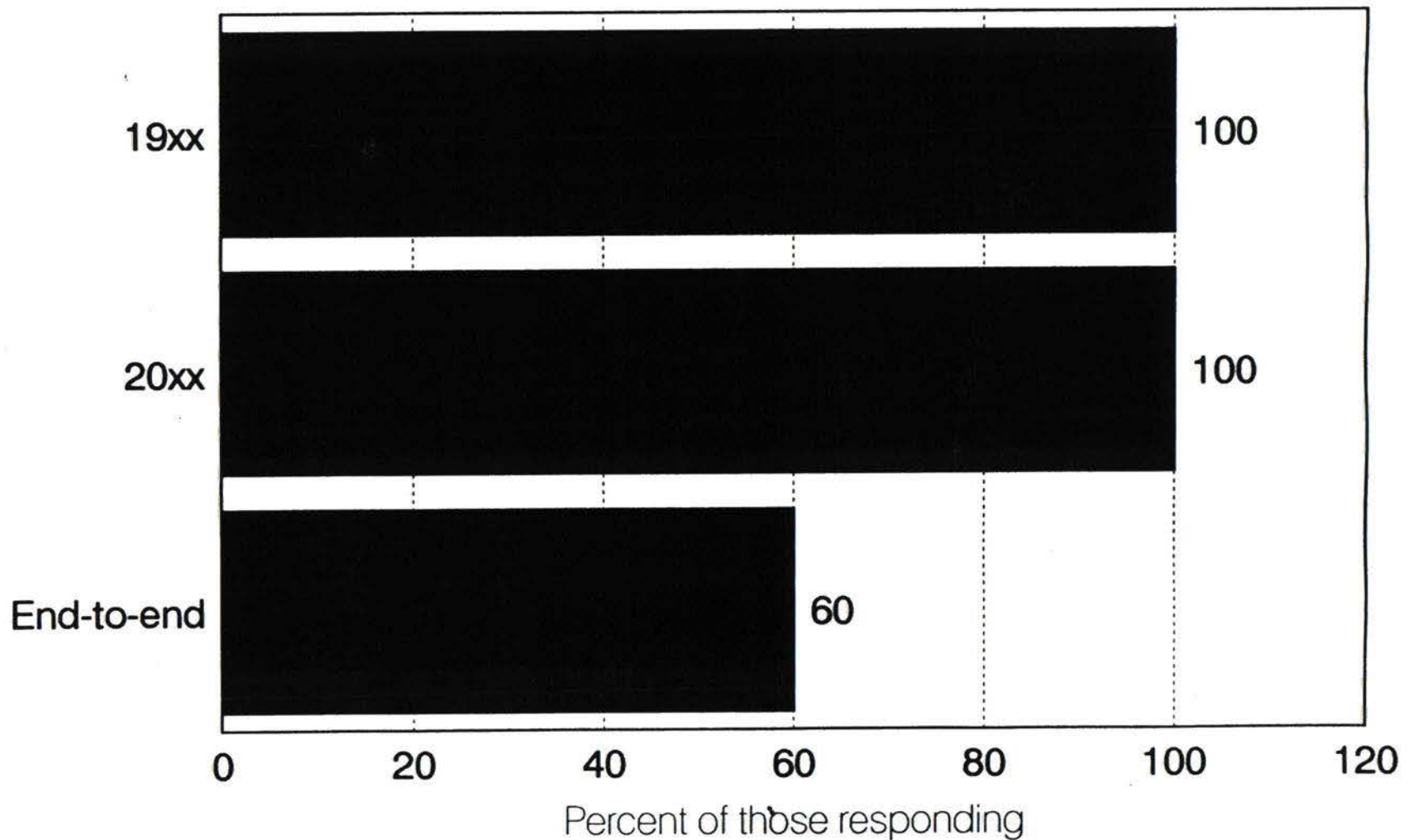
December, 1997 Response Summary

Size of units of code being converted



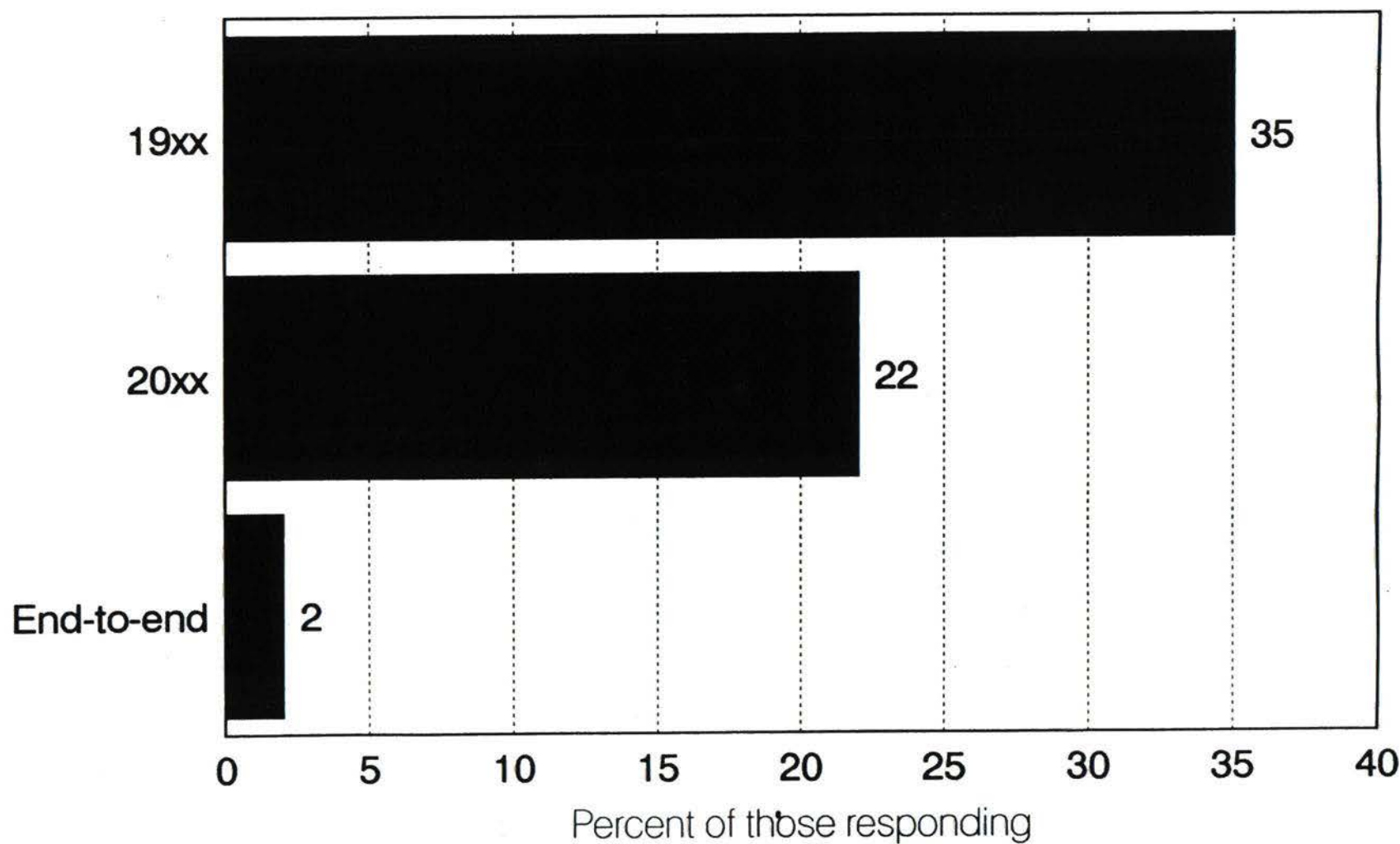
December, 1997 Response Summary

Types of testing planned



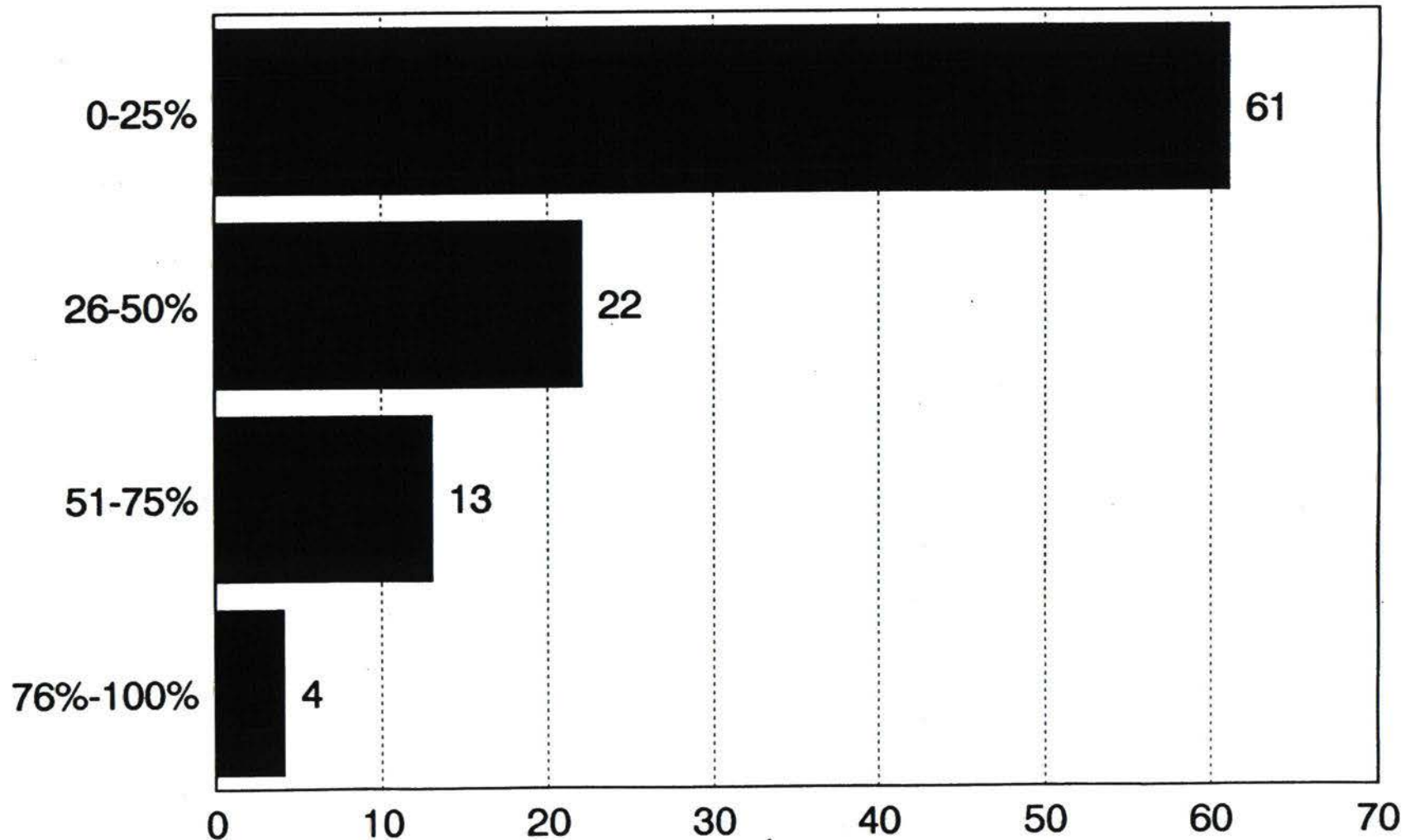
December, 1997 Response Summary

Types of testing completed



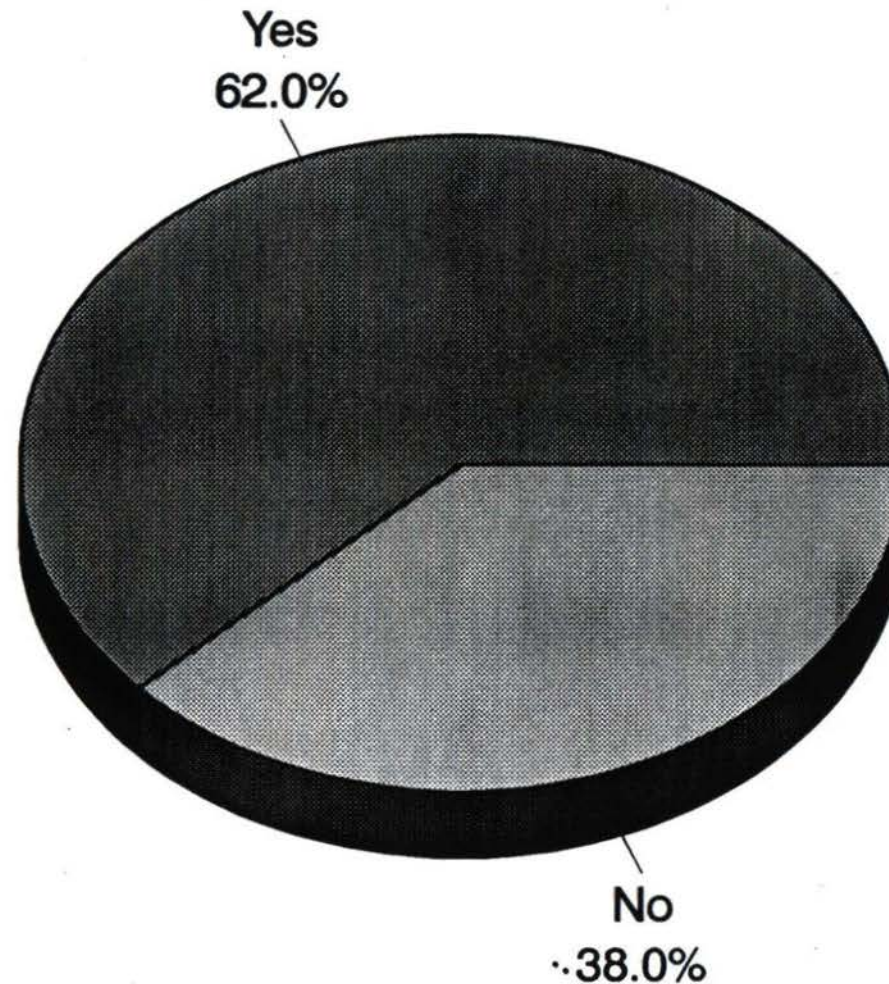
December, 1997 Response Summary

Percent of systems planned for end-to-end testing



December, 1997 Response Summary

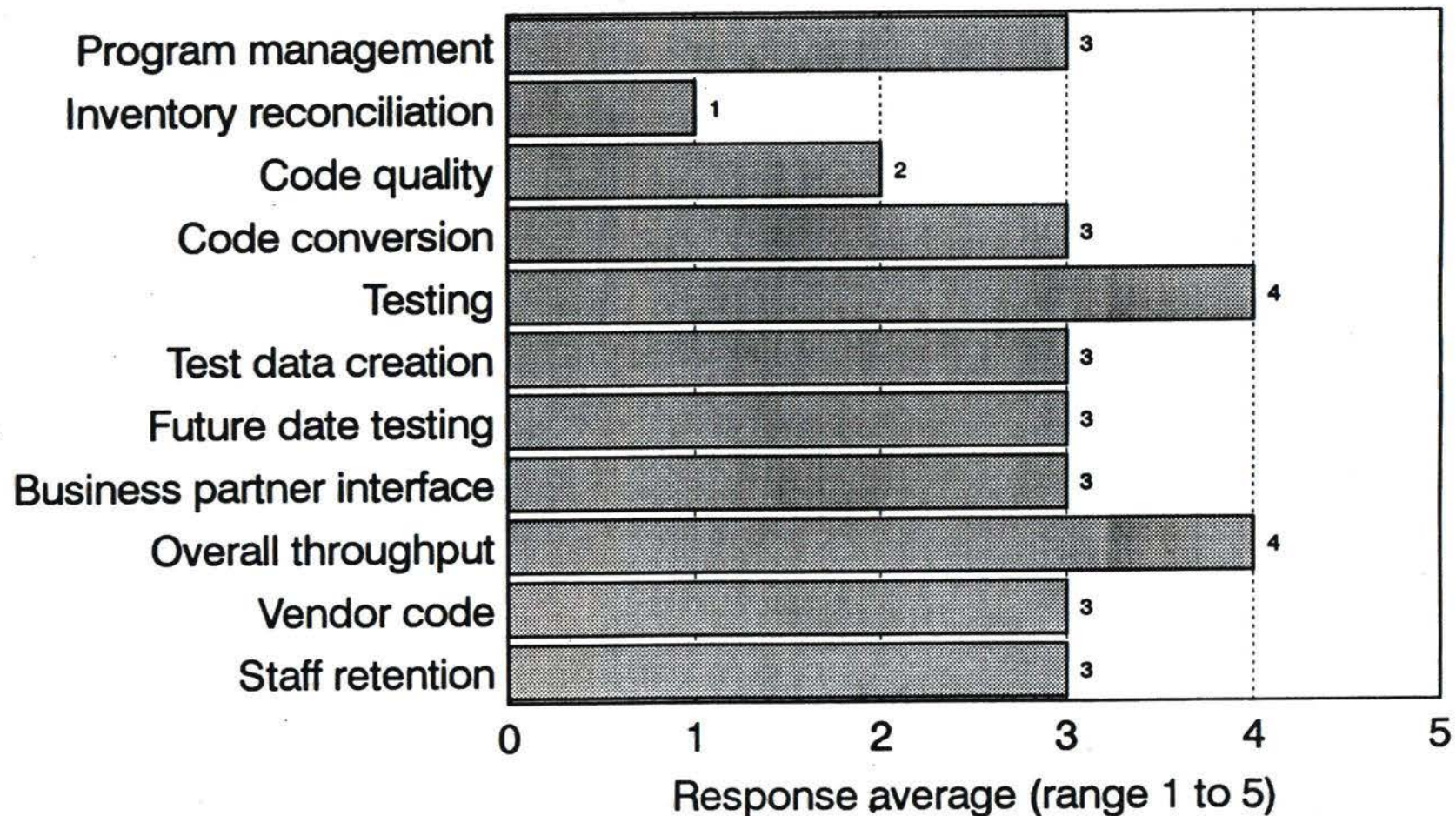
Are you developing contingency plans?



December, 1997 Response Summary

Attitudes in regard to Year 2000 processes

5 = Major issue

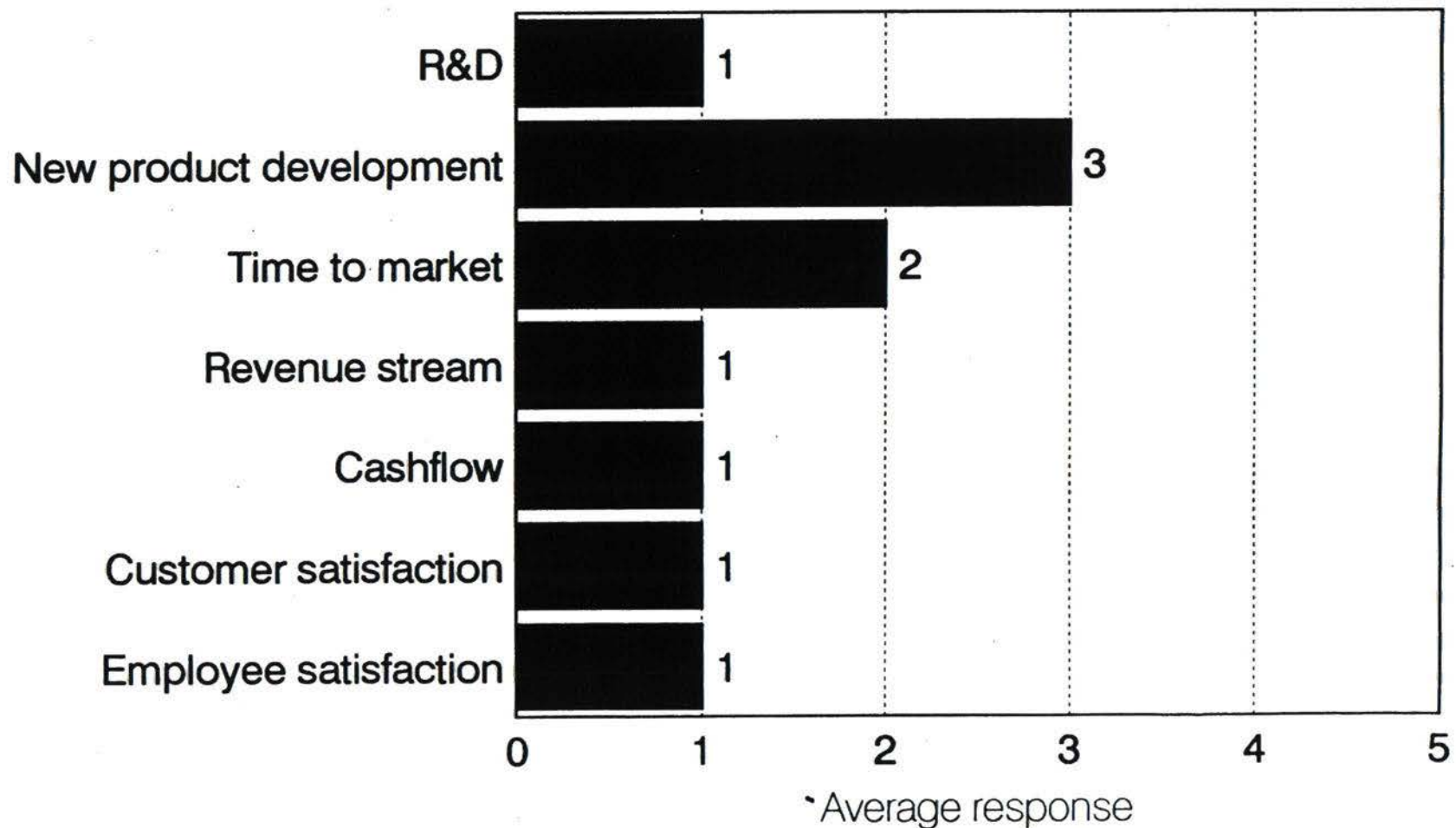


Business Impact

December, 1997 Response Summary

Perceived ratings:

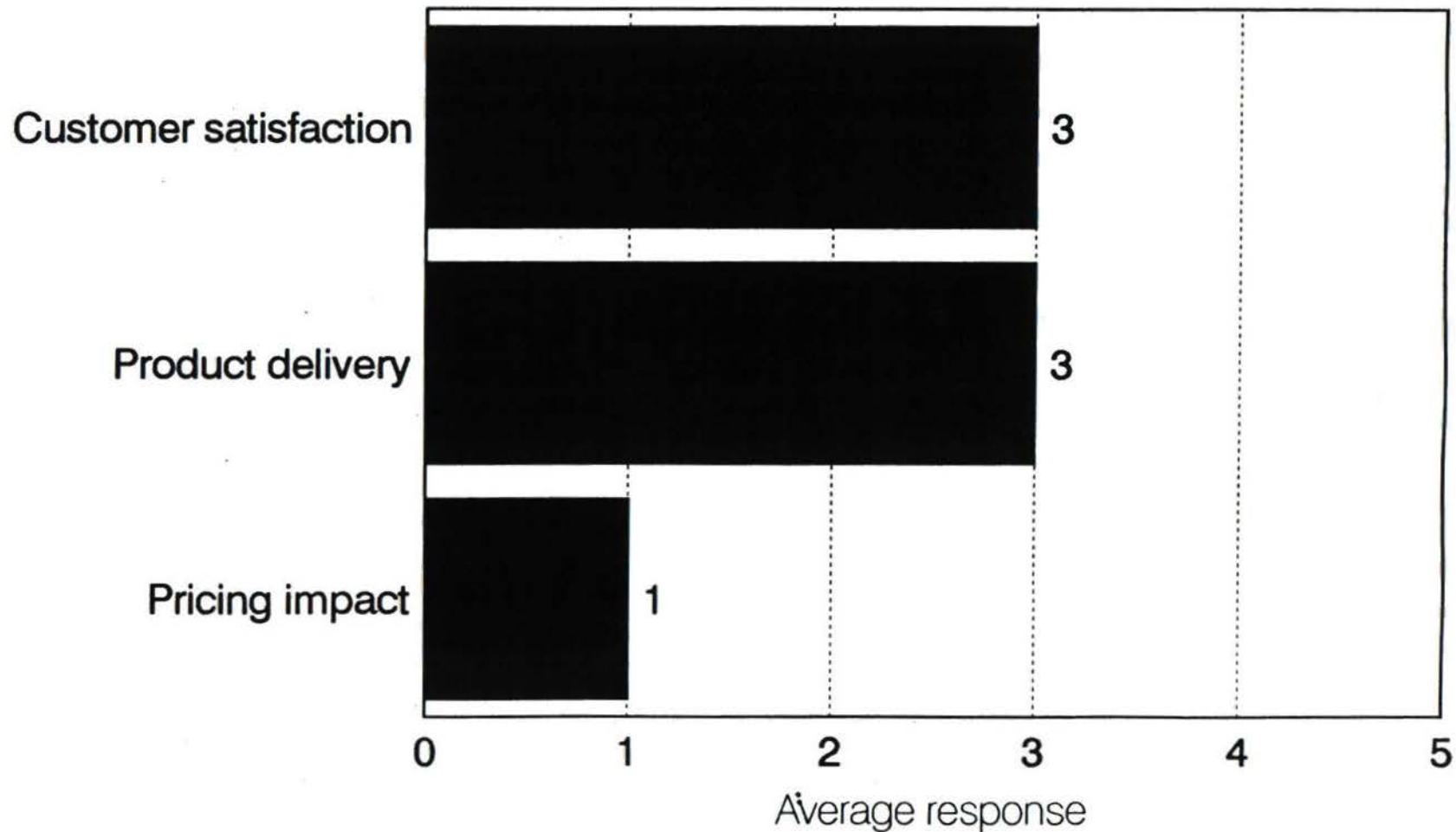
Business impact areas (1 = low, 5 = high)



December, 1997 Response Summary

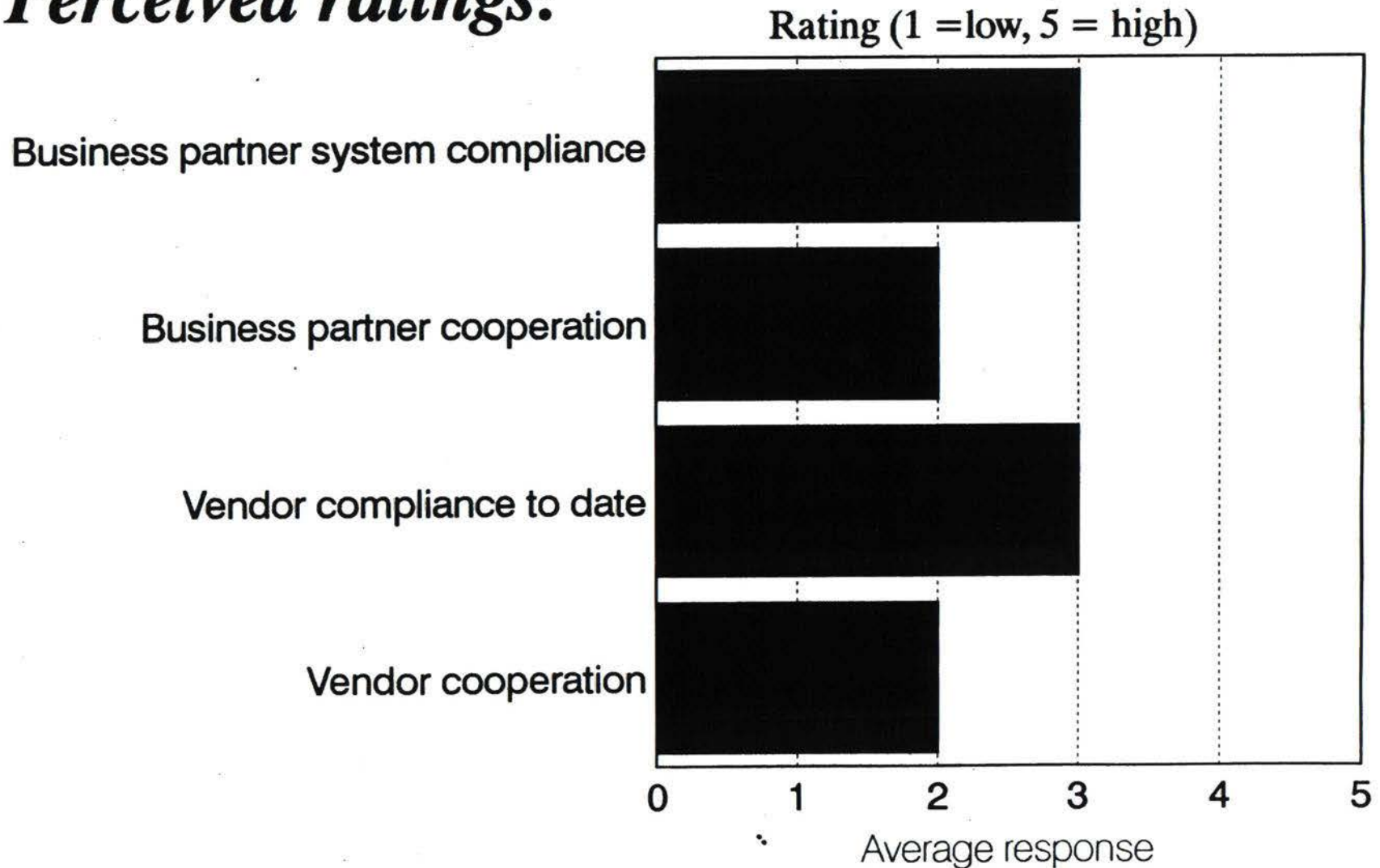
Perceived ratings:

Business impact areas (1 = low, 5 = high)



December, 1997 Response Summary

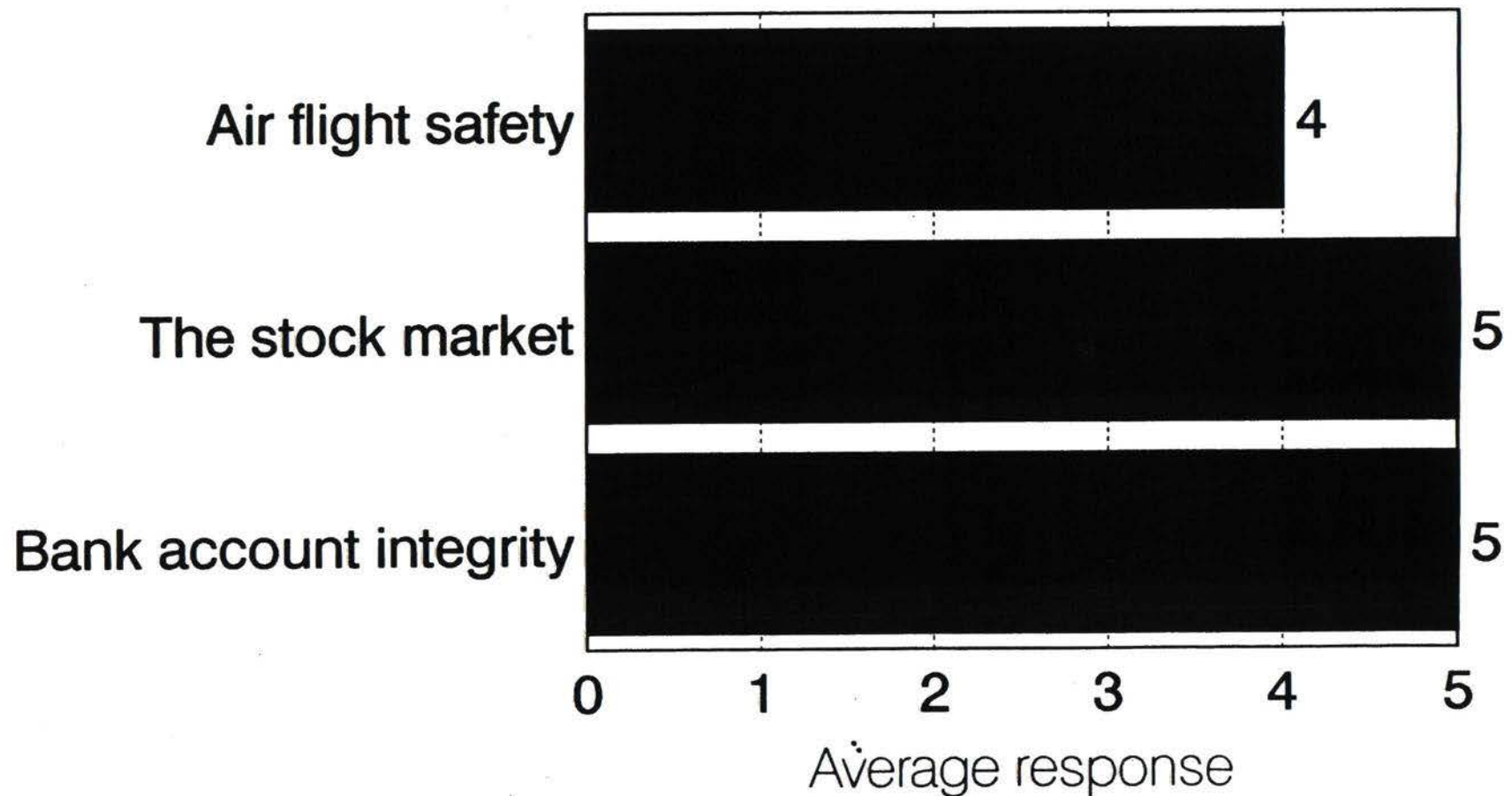
Perceived ratings:



December, 1997 Response Summary

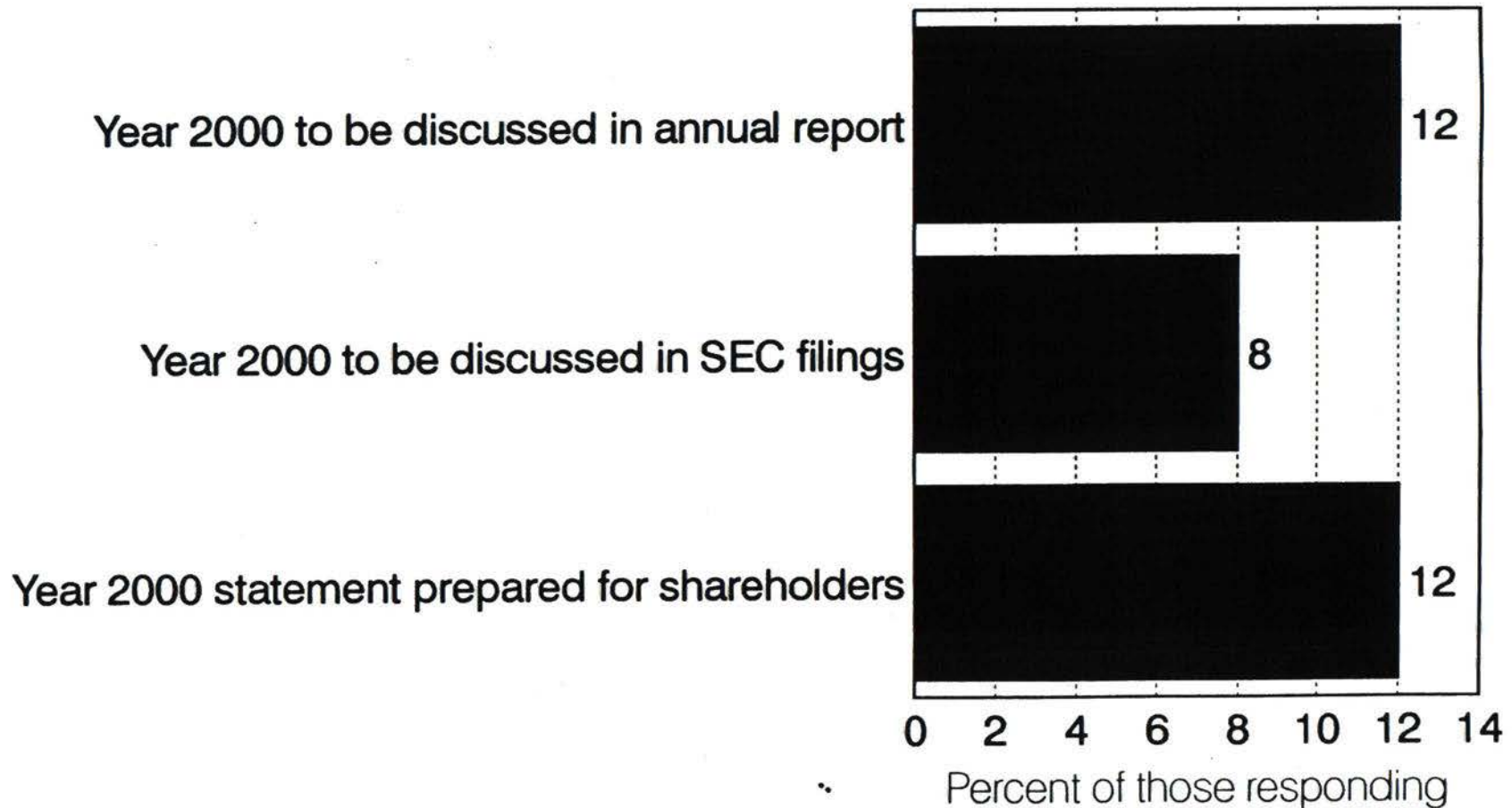
Your perception of Year 2000 impact

Rating (1 = low, 5 = high)



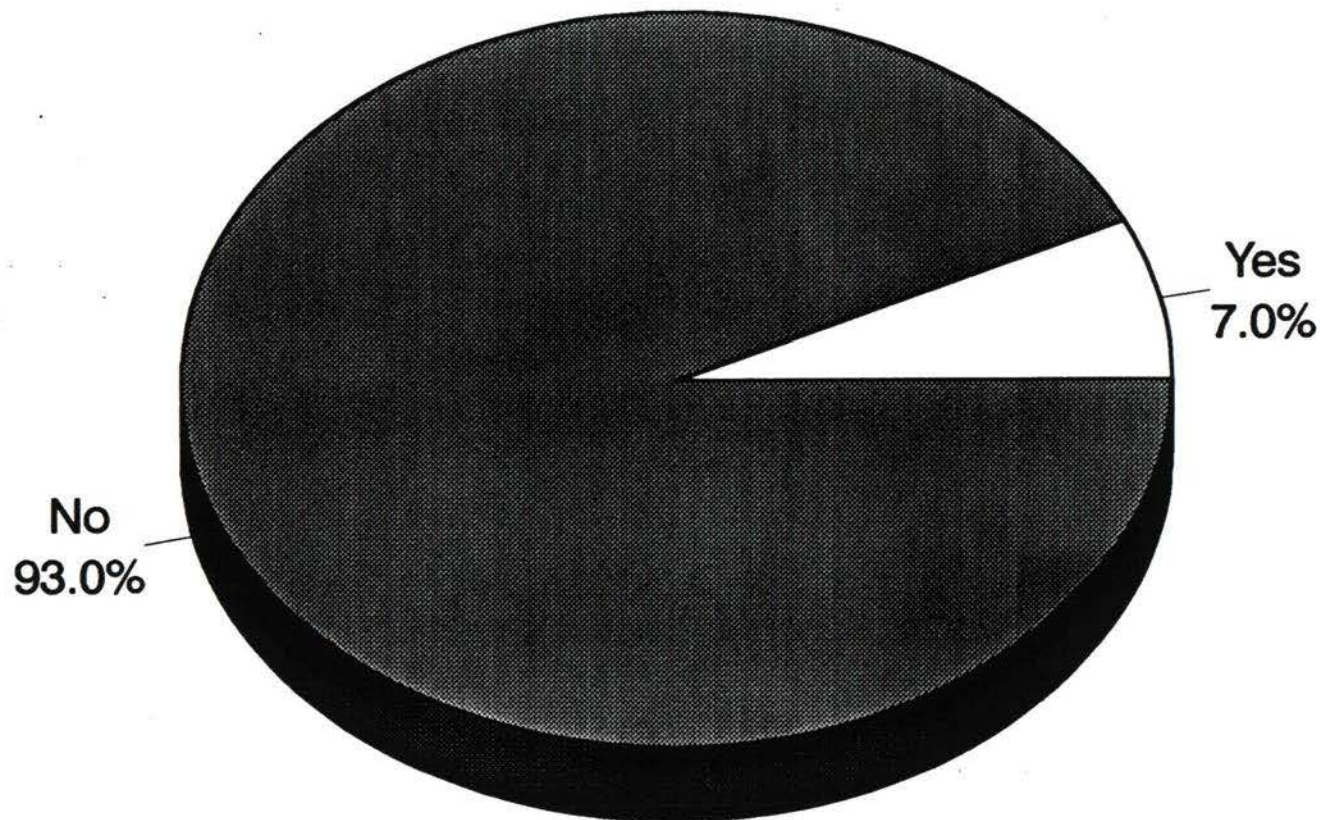
December, 1997 Response Summary

*Are you preparing to make public statements
about the Year 2000?*



December, 1997 Response Summary

Has your company experienced a Year 2000 related failure?





Melissa M. Murray

12/05/97 02:35:38 PM

Record Type: Record

To: Rebecca A. Cameron/WHO/EOP

cc:

Subject: Tom Redder

Bruce got a letter from Tom Redder to POTUS regarding his decision to resign from the SBA. Bruce is wondering if the President was sent a copy of the letter as well or if we need to send the one we got down. Bruce also thinks that a response accepting Tom's resignation and thanking him for his service should be drafted. Do you know who I should talk to about that? Thanks

Per Nancy Henneich,
I'm sending this to you
to handle. Thanks.

To Don
Burkhardt for
reply - BC Sig

Paul
12/9

Rebecca A. Cameron

12/05/97 05:57:04 PM

Record Type: Record

To: Melissa M. Murray/WHO/EOP

cc:

Subject: Re: Tom Redder

see Nancy's remarks:

----- Forwarded by Rebecca A. Cameron/WHO/EOP on 12/05/97 05:57 PM -----

Nancy V. Hernreich

12/05/97 04:39:11 PM

Record Type: Record

To: Rebecca A. Cameron/WHO/EOP

cc:

Subject: Re: Tom Redder 

send to staff secretary to handle.



Thomas J. Redder
Regional Administrator

U.S. SMALL BUSINESS ADMINISTRATION

Region VIII Office
721 19th Street, Suite 400
Denver, Colorado 80202-2599

(303) 844-0500/FAX 844-0506

Region VIII
Colorado
Montana
North Dakota
South Dakota
Utah
Wyoming

URGENT

FAX COVER SHEET

ASAP

CONFIDENTIALITY NOTE: The information contained in this facsimile transmittal sheet and the document(s) that follow are for the exclusive use of the addressee and may contain information protected by the Privacy Act, 5 U.S.C. 552a, or which may otherwise be confidential, privileged, or non-disclosable information. If the recipient of this facsimile is not the addressee or is not the person responsible for delivering this facsimile to the addressee, the recipient may be in violation of the law by reading, photocopying, distributing, or otherwise using this facsimile transmission, or its contents, in any way. If the recipient has received this facsimile transmission in error, please call the sending office immediately.

DATE/Time: 12-3-97 Total Pages Including This Cover Sheet: 2

TO: BRUCE LINDSEY
Name/Title/Organization/Attention Of

Fax Phone: 66279 Voice Phone: _____

FROM: TOM REDDER
Name/Title/Organization/By or Through

Fax Phone: _____ Voice Phone: _____

SUBJECT: See attached, Egi

Comments: _____

Please call the sender and confirm for him/her that the addressee received this facsimile transmission in its entirety. ☐ yes ☐ no



U.S. SMALL BUSINESS ADMINISTRATION

Region VIII Office
721 19th Street, Suite 400
Denver, Colorado 80202-2599

(303) 844-0500/FAX 844-0506

Region VIII
Colorado
Montana
North Dakota
South Dakota
Utah
Wyoming

December 1, 1997

Dear Mr. President:

Four years ago, I was honored to be informed by The White House that you had appointed me as your first Regional Administrator for the U.S. Small Business Administration. And, as you know, I have been serving in that capacity since December 21, 1993, representing your immensely successful small-business-friendly policies in the Rocky Mountain Northern Plains states of Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming. I said then that I would commit four years to the job, a commitment I will have shortly fulfilled.

I cannot possibly overstate the pleasure I have taken in faithfully serving you and Vice-President Gore in effecting this Administration's successful economic development agenda in the growing small business sector. Of course, with or without my efforts, your leadership in job creation, access to capital in under-served markets, small business expansion in the women-owned and minority-owned sectors, increased export and procurement opportunities, family friendly employment practices, and now the critical welfare-to-work agenda, as well as the landmark dialogue you have initiated on race, is unmatched in this country's history. Millions upon millions of Americans can credit your Administration with having fostered the phenomenal growth in sustainable quality employment and business ownership experienced in just the last four years. Your clarion call for positive economic growth will inure to the benefit of many, many generations of Americans for years to come.

On a personal note, in the four years I have served you in this capacity, I have commuted an average of 700 miles per week, often on icy roads (while inevitably suffering the serious car wrecks that go with volume driving in the Rockies' bad weather), taken an untold number of commuter flights on small planes (fortunately without incident) into every corner of this vast region, delivered hundreds of speeches and interviews, and written scores of op-eds on behalf of your policies. I have watched a forty year majority pass the torch in Congress, managed the massive downsizing of federal government (shrinking the SBA from 5,000 employees to less than 3,000 in two years), helped to manage the effects of a natural disaster a mile or so from my house that killed five people, and have worked an average of 60 hours a week, each that was just as exciting as the first. It would be a gross understatement to say merely that I have thoroughly enjoyed every single minute of my four-year service, despite the tremendous cost we appointed public servants have paid in time lost to our families and our responsibilities to them.

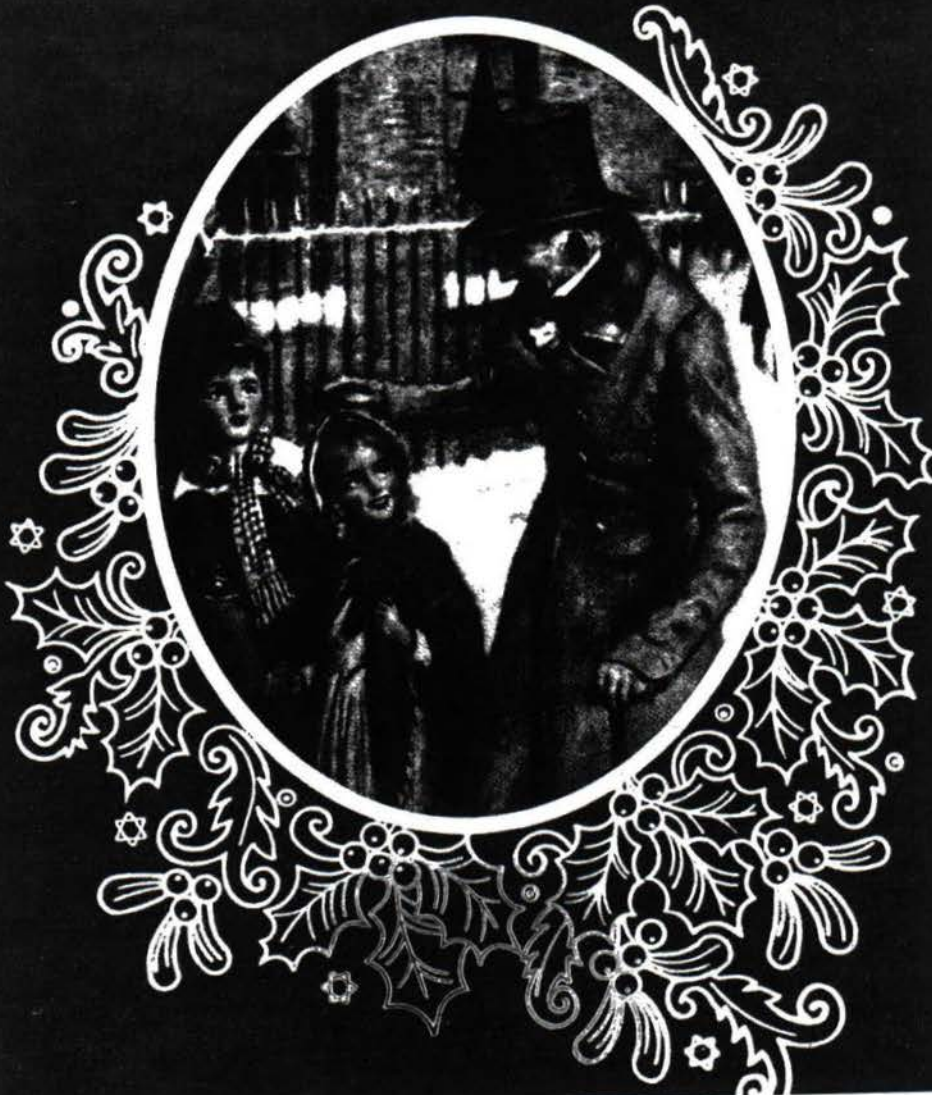
Just two years ago, on December 12th, I witnessed the glorious birth of my wife DeAnne's and my first child, Christopher Thomas Redder (whom you took time to meet and hold in Denver last year -- an event that his mom and I will remind him to cherish forever!). Christopher's rapid growth, much of it unwitnessed by his constantly traveling father, combined with time away from his lovely mother, bring me to the point, which is that I want to spend more time serving my family's needs than this appointment presently allows. In short, my four years are up, and I wish to move on, spend more time with my growing family, and explore the many new challenges and opportunities this bold new economy has presented all of us who have come to public service only temporarily from the private sector. Therefore, having fulfilled my initial four-year commitment to public service, my family and I have decided that I will do what I have always said I likely would do, which is to self-impose a four-year term limitation.

Thank you for the opportunity to serve you in this capacity and to allow me to play a part, however small, in helping to stand and deliver on your Administration's commitment to our diverse national community of America's entrepreneurs. I remain

Faithfully Yours,

Thomas J. Redder
SBA Region VIII Administrator

CHRISTMAS GREETINGS
from
BELFAST



12-9-97

Send to Burkhardt
Yes ☒
No ☐

Coordinate w/WSC?
Yes ☒
No ☐

T

C.

1) The President's Prize and myself would encourage you to sustain your interest in and support of the Peace Process in N. Ireland, for we would all recognise you have a great deal to offer at this difficult time in our province.

I was proud to be invited to your lovely wife Hillary speak at a gathering of young people on October 31st and I can report she was inspirational. She did me the honour of presenting a trophy in your honour - The President Clinton Cross Community Award to two of our great students - Claire Smyth of Ardnaveigh and Naomh McKee from St. Malachys, for their outstanding contribution to bridge building and cross community work in Antrim.

Little did I know, as I related to you at the Oval Office, that, as I listened to you speak at the City Hall in Belfast 2 years ago when you inaugurated 'The President's Prize', that I would be the joint winner. Now, it's been 2 years since you've last been and I reckon we are due another visit soon. Can I take this opportunity to invite you to our school, Ardnaveigh High School. ←

Wishing you
a Merry Christmas
and a

Happy New Year

Best wishes to you all
From Gary Trew (PRESIDENT'S PRIZE
WINNER)

Winning the President's Prize and getting the opportunity to spend 3 weeks in the states this summer was wonderful. Being invited to the White House and getting the opportunity to meet with you in the Oval Office was the highlight of my life. It encouraged me further in our cross community contact scheme and boosted all of us involved in education for Mutual Understanding.

Both Seamus McNeill, co-reipient of

3) and see for yourself the cross
community work that goes on between
ourselves and St Malachy's and
walk on our unique Peace Path
that unites our schools, which
represent N Ireland's 2 traditions.

Wishing you God's richest
blessing this Christmas time

Gary Trew

16 Birch Green,
GLENGORMLEY,
Co. ANTRIM
N IRELAND
BT36 5GT

TEL

01232 - 844614

work

01849 - 464034

P.S. I have enclosed a photograph
of the two girls in our local
newspaper holding The President Clinton
Cross Community Award and you can see
how beautiful and symbolic the trophy is.
There are 2 separate awards which when
combined form a bridge (195) symbolising the bridge
building work they have been involved in.

Printed in U.K.

D525170

SX082438



THE WHITE HOUSE

WASHINGTON

December 9, 1997

Mr. President:

Sylvia and Judy Winston wanted
you to see the attached letter.
We have sent copies to Erskine,
Gene, Frank Raines and Chuck Ruff.

Phil Caplan

245165



ONE AMERICA IN THE 21ST CENTURY

The President's Initiative on Race

'97 DEC 8 PM3:5

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

November 30, 1997

President William J. Clinton
The White House
Washington, DC 20503

Dear Mr. President:

Since our appointments, your Advisory Board members have received many reports containing information about discrimination and racial disparities in several key areas including education, housing, employment, health and in the administration of justice. You may recall that on September 30, 1997, the Advisory Board discussed and reviewed research about the nature, extent and manifestation of contemporary racism. On November 10th, a number of Advisory Board members participated in the White House Hate Crimes Conference and discussed major shortcomings in hate crimes data collection and enforcement of civil rights laws related to hate crimes prosecution.

More recently, the Initiative staff provided, at my request, a summary of key racial discrimination and civil rights enforcement research material. This material formed part of the Advisory Board meeting held on November 19, 1997 at the University of Maryland. While there is much more that we need to know and discuss about race and national origin discrimination, there are several areas upon which the Board would like to provide recommendations to you.

The data we have received and reviewed indicate that actionable illegal discrimination on the basis of race and national origin is still active and the source of harmful consequences to men, women, and children who are the targets of this discrimination. Such discrimination in education, housing, and employment contribute to growing isolation and feelings of alienation. They further impede our ability to live, work, and grow together as One America, free from prejudicial, stereotypical thinking and discriminatory behavior.

Information we have received also make clear that for the last two decades, civil rights enforcement agencies have had their budgets and staffing reduced while many of their responsibilities have been increased. While there have been some increases in funding in recent years, often the funding level has not kept pace with the increasing volume of cases or the need for careful compliance investigations.

The increasing demands on civil rights enforcement agencies make it particularly difficult, in the view of the Advisory Board, for these agencies to devote sufficient time and attention to training staff and providing technical assistance to recipients of Federal funds to recognize and act to prevent discrimination. This is especially true for the increasingly subtle and complex forms of contemporary discrimination which have largely supplanted more blatant forms of discrimination typically found in earlier decades.

November 30, 1997

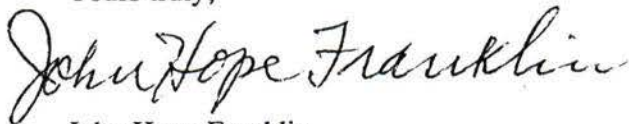
On behalf of the entire Board, I recommend the following actions to you for further attention:

- Strengthening civil rights enforcement throughout the United States: in the FY 1999 budgets, help create partnerships with States and localities that enforce comparable laws to those that operate at the Federal level, with the goal of strengthening all of the agencies' capacity to effectively enforce the civil rights laws they administer;
- Expanding and strengthening the Federal government's ability to collect, analyze, and disseminate reliable data on the nature and extent of discrimination based upon race and national origin, not of course to the exclusion of data collection on other protected classes. A well-designed and coordinated process of generating relevant indicators would then become part of an annual report covering such areas as education, health, employment, housing, and the administration of justice. Such a report would not only assist policy makers but help to increase cooperation among the various Federal agencies involved in civil rights enforcement and education. The information will also aid the public by identifying trends, and these reports and indicators can be replicated with data for local areas. Central to our concerns is the need to significantly improve the level of information about *all* minority groups.
- Implementing fully the series of bold new initiatives announced at the White House Hate Crimes Conference aimed at better data collection, enforcement, and prevention. Improved hate crimes prosecutions along with HUD's initiative to assist victims of hate crimes obtain money damages from their attackers are necessary complements to an improved capacity at the FBI to identify and track trends in hate violence.

I expect that the Board will address these issues again in subsequent meetings, and I look forward to reporting back to you on our findings and further recommendations. I would, of course, be pleased to discuss these recommendations with you.

My best wishes.

Yours truly,

A handwritten signature in cursive script that reads "John Hope Franklin". The signature is written in dark ink and is positioned above the printed name.

John Hope Franklin

Rahm / Reed / McCurry / Alvin

These really good. I was wrong, you were right about Odey, the m...
Thank Be.

A Presidency Largely Defined By the Many Parts of Its Sum

Continued From Page A1

AI By JAMES BENNET
and ROBERT PEAR

WASHINGTON, Dec. 7 — By legislation, regulation and exhortation, President Clinton has generated a remarkable number of seemingly modest initiatives.

Though often derided as political gestures, some of the little ideas, from advocating school uniforms to insuring overnight hospital stays for new mothers, have had significant influence around the country. Taken together, Mr. Clinton's initiatives have produced coherent and substantial changes in health care, and to a lesser extent in education and social services.

His ideas are screened by pollsters and picked in part to enhance his popularity. But brick by brick, Bill Clinton is proving himself to be the incremental President, accomplishing piecemeal some of what he cannot do all at once.

Having defeated him in some head-on fights, the President's political opponents now worry that he is achieving his goals by other means.

"President Clinton is still trying to get his health care plan into law, piece by piece," said Representative Dick Armey, the Texas Republican who is House majority leader. "President Clinton would like nothing more than a triumph of incrementalism whereby he enacts his entire Health Security Act before he leaves office."

In an interview last Thursday, the President became most animated when it was suggested that many of his policy initiatives seemed small-bore. Leaning forward in his yellow armchair, he began scooping the air with his

ON THE RECORD

Second of two articles.

hands as he repeatedly stretched out the word "bi-i-ig" to describe his supposedly little notions.

"A lot of these so-called small ideas make a big difference," Mr. Clinton said. He and his aides maintain that, while many of their initiatives are ridiculed as piddling by politicians in Washington, they loom large in classrooms and at dinner tables everywhere else.

Dealt a series of legislative defeats at the end of Congress's last session, belittled as a lame duck and beset by allegations of campaign finance abuses, Bill Clinton is trying to retain the political initiative in Washington and his grip on the public's attention. To do so, he is relying on an approach he developed from hard experience in his first term.

In September 1993, President Clinton brandished a red, white and blue "health security card" before Congress and proposed to reshape one-seventh of the nation's economy. But after the crushing defeat of his health care proposal, Mr. Clinton found himself the first Democratic President since Harry S. Truman facing Republican majorities in both houses of Congress. His commitment to reducing the Federal budget deficit — which his aides are coming to view as one of his foremost accomplishments — further restricted his freedom to propose costly programs.

But Mr. Clinton remained absorbed by domestic policy and

Continued on Page A21

eager to prove his political relevance by making it, his associates say. As a result, since 1995 the President has continuously experimented with the powers of his office to generate initiatives, relying more on executive orders and the bully pulpit.

"We developed a process by necessity in the wake of the '94 elections where we had to spend a lot more time focusing on executive action," said Bruce Reed, the director of Mr. Clinton's Domestic Policy Council. "And I think, you know, we have the drill down now."

Many outside the Administration mock the slender ideas, and they have become fat political targets. In a speech last Tuesday, Richard A. Gephardt of Missouri, the House minority leader, who has been positioning himself as a Democratic alternative to Vice President Al Gore in the next Presidential race, declared, "Too often, our leaders seem enamored with small ideas that nibble around the edges of big problems."

Prof. Charles O. Jones, a political scientist at the University of Wisconsin, offered a more nuanced view. He said that the "trivialization of Presidential power" under Mr. Clinton had enabled the President to define a role for himself when, by his own admission, the era of big government is over.

"Here is a guy on a lifetime search for issues, a policy-ambitious President who would like to see himself in the tradition of great Democratic Presidents," said Mr. Jones, a former president of the American Political Science Association. "But he is hemmed in politically. Clinton has found a way to be an activist President in political conditions that would suggest inactivity by the Government."

"Why should the President be interested in these common, ordinary household issues?" Mr. Jones asked. "They show his empathetic quality, his understanding of the little problems that people truly face. And they show there is still a critical role for national political leaders to play when we don't have great big thundering economic or international crises."

The New York Times

MONDAY, DECEMBER 8, 1997

COPIED
EMANUEL
REED
McCURRY
LEWIS
COS

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4

ing and heading off the Asian crisis. In the end, the fund may frequently find itself putting out financial fires rather than preventing them.

Indeed, many experts feel that the very nature of the fund will limit its ability to monitor the inner financial dealings of countries at risk and force them to take painful steps to shape up before their problems worsen.

The experts said the fund's only real leverage is over countries that are already under I.M.F. programs, which Thailand, Indonesia and South Korea were not. Even when the fund has a good handle on emerging problems, as it had with Thailand's deteriorating condition earlier this year, it feels constrained in warning the markets, fearing that disclosure would create the very panic and crisis it is seeking to avert. Mr. Fischer says the fear of making a mistake also acts as a deterrent.

"The problem is that the I.M.F., even when it suspects major problems in a country, has no way of making that country do the right thing until there is a crisis," said John G. Heimann, chairman of global financial institutions for Merrill Lynch. "Pre-crisis, the I.M.F. has a lot of carrots but not sticks. Once the crisis happens, then the I.M.F. can tie conditionality — the stick — with money — the carrot."

The Thailand case illustrates Mr. Heimann's point. The fund's staff became nervous about Thailand's economy last year, but the Thai Government largely ignored repeated I.M.F. warnings, say fund officials.

In the case of Thailand, the fund's mistake was underestimating the seriousness of Thailand's condition because the Government over-reported its foreign currency reserves, a crucial indicator of financial health.

The I.M.F. missed the shrinkage of South Korea's foreign currency reserves, too, say fund officials. The South Korean central bank had been

lending some of those reserves at below-market rates to private Korean banks, who needed the money to repay short-term loans from international banks in the so-called interbank market.

How to Defend Plunging Currency?

As foreign banks grew increasingly nervous about extending credit to South Korea, the interbank market tightened in November. Therefore, the central bank could not collect its loans. To the outside world, including the I.M.F., South Korea had \$30 billion in foreign currency reserves, but the Government actually had no more than half that amount available to defend its plunging currency.

The depth and speed of South Korea's deterioration may have surprised the I.M.F., but fund officials say their swift reaction prevented a real catastrophe.

"The drama of this negotiation resulted from the realization when the mission arrived in Seoul on Wednesday, Nov. 26, of the alarming state of the foreign reserves," Mr. Fischer said. "When we were invited in, Korea was possibly 10 days away from a financial catastrophe, and the urgency to compress negotiations into one week required a ruthless concentration on priorities."

The lesson the fund has learned from the Asian crisis is to improve its surveillance of the financial markets and require better and more timely data.

The Asian situation "shows the importance of having much more transparent information," said one fund official, who said the fund was examining how to get better data on a country's foreign reserves.

This is not a new lesson.

After the Mexican crisis of 1995 caught the fund by surprise, the fund commissioned a secret study that

recommended improved data collection and more focus on financial flows, as opposed to trade patterns.

The fund beefed up its ability to analyze financial data and created a new international data standard. Forty-three countries now follow that standard, but Thailand, Indonesia and South Korea are not yet fully in compliance, says a fund official.

The I.M.F. studies every country once a year and issues a report. Countries have resisted efforts by the United States to make the reports public, but starting this year parts of the report can be released, though only with the permission of the individual country.

Study of Fund Finds Quandary

This illustrates a quandary highlighted by the 1995 study of the fund: its reliance on member countries. This difficulty is already being played out in Indonesia.

The agreement with Jakarta is not as specific as the agreement with Seoul, and fund officials privately fear that President Suharto may be using the vagueness to backslide on pledges to dismantle inefficient and costly government projects.

The notion of meddling in a country's regulations for private corporations is a long way from the I.M.F.'s creation in 1944 at Bretton Woods, N.H., as the guardian of the world's currencies.

Some critics question whether international organizations, financed by tax dollars from member nations, should have any role in bailing out nations undone by their own failed policies and by investors and lenders who made a bet on them. They favor letting market forces determine winners and losers.

"Absent an I.M.F. bailout, the amount of market reform that would occur and the amount of market opening would be greater," said Lawrence Lindsey, a former Federal Reserve governor now a fellow at the American Enterprise Institute.

The New York Times

MONDAY, DECEMBER 8, 1997

2/2

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Mr. Clinton's approach to policymaking is proudly derivative. He and his aides say that almost every idea they propose has been developed and tested elsewhere, usually at the state and local level. The ideas are culled from newspapers, television, letters from the President's high school classmates, bills pending in Congress and memorandums submitted weekly to Mr. Clinton by Cabinet secretaries and White House officials.

His final campaign is behind them, but the President's aides still seize ideas for political purposes, to advance his chosen themes: community, opportunity and responsibility. They still commission polls to test the popularity of new ideas. But the aides argue that the ideas also make good policy, furthering his efforts to improve education and training, cut crime and protect children.

Consider a sample of the initiatives Mr. Clinton has generated: providing cellular telephones to citizen patrols, keeping liquor advertising off the airwaves, establishing a television rating system, restricting tobacco sales, blocking importation of modified automatic weapons, suspending the driver's licenses of deadbeat dads, encouraging college students to tutor third graders, creating a national registry for sex offenders, holding a White House conference on the brain development of babies, holding another one on child care, subsidizing tuition for people who agree to teach in poor communities, putting safety locks on guns, fighting truancy. And so on.

After Mr. Clinton, in his 1996 State of the Union Message, endorsed school uniforms as a way to promote discipline, cartoonists nationwide mocked the idea as insubstantial. But since then, prodded by the Department of Education, hundreds of schools in big cities and small towns have adopted uniforms and praised them for encouraging school unity and civility.

Mr. Clinton returned to a related theme in his radio address on Saturday. In response to the fatal shoot-

ings of three teen-age girls at a Kentucky school, he ordered his Attorney General and Education Secretary to produce "an annual report card on school violence."

Mr. Clinton argues that the little things mean a lot. "For all those kids that aren't going to jail, and for all those people that are safer now, the expansion of curfews or the expansion of school uniforms is not a small thing," he said in the interview. "It is a big thing."

Birth of a Tactic

Health Care Tests Policy-by-Increment

No field of domestic policy illustrates President Clinton's revised approach better than health care. Having utterly failed in his efforts to guarantee insurance coverage for all Americans, he has made substantial progress in subsequent efforts to secure coverage step by step, for children and for many adults who switch or lose jobs.

And in the coming year, he appears likely to achieve another goal: Federal regulation of health insurance to protect the rights of patients. "President Clinton has never changed goals, only strategies," Mr. Arney said.

The stepwise strategy has certain advantages for the President. Mark W. Isakowitz, director of Federal relations at the National Federation of Independent Business, said: "These incremental proposals can fly in under the radar on Capitol Hill. They do not present a big fat target as the Clinton health plan did."

Mr. Clinton showed no desire to return to the health care issue in 1995 and fought Republican proposals to make sweeping changes in Medicare and Medicaid, the Federal programs for 70 million people who are elderly or poor, calling them Draconian.

On Dec. 6, 1995, he vetoed the Republicans' bill to balance the Federal budget, citing "extreme cuts" in Medicare and Medicaid as the main reason.

But Mr. Clinton altered the political dynamic when, in his State of the Union Message in January 1996, he endorsed a low-key effort to make health insurance more readily available to millions of people who change or lose their jobs. The proposal, advanced by Senator Edward M. Kennedy, Democrat of Massachusetts, and Nancy Kassebaum Baker, then a Republican Senator from Kansas, had stalled in Congress, although it was extremely modest by comparison to Mr. Clinton's scheme to redesign the entire health care system.

The endorsement illustrates one of Mr. Clinton's favorite tactics. By embracing a bill, even an obscure one, he can raise its visibility and increase its chances of becoming law.

The Kassebaum-Kennedy bill followed a tortuous path through Con-

gress, but ultimately proved irresistible in an election year. The measure, signed in August 1996, set a significant precedent for Federal regulation of health insurance, an industry long regulated by the states.

Congress followed that precedent a few weeks later by passing a bill that requires health plans to cover at least 48 hours of hospital care after a baby is born. Mr. Clinton had used a Saturday radio address in May 1996 to endorse such legislation, condemning what he called "drive-through deliveries."

The bill became law in September 1996, over the objections of insurance companies and employers, who said it would open the door to Federal mandates for coverage of specific services. Mr. Clinton is now pushing a bill to guarantee overnight hospital stays for mastectomy patients.

The Administration's efforts to expand health insurance for children provide an even more revealing example of its incremental strategy. In February, the President offered a grab bag of proposals — Federal grants to the states and changes in Medicaid — costing \$5 billion over five years. With encouragement from the White House, Congress transformed that medium-size proposal into a big new health program for children, costing \$24 billion over five years.

As part of the budget agreement, Congress also made vast changes in Medicare, broadening coverage of preventive services and creating a supermarket of insurance options for older Americans. The Medicare changes included many of the Republican proposals from 1995, but Mr. Clinton forced the Republicans to add protections for beneficiaries.

The next step in Mr. Clinton's incremental strategy is a "bill of rights" for health care consumers, guaranteeing access to data on the quality of health plans and the right to appeal a denial of care or reimbursement. "I'm going to fight very hard for it," he said in the interview.

Mr. Clinton used a Presidential commission to forge a consensus. Bypassing Congress, he immediately ordered Federal agencies to comply with the standards, putting pressure on health plans and private employers to do the same.

The Follow-Through

For Many Initiatives, It's Show, Tell, Do

Mr. Clinton's small initiatives inevitably reach the public through photo opportunities, contributing to a sense that they are strictly for show. Further, Mr. Clinton has sometimes abandoned them. A \$5 billion school repair program, announced with fanfare in the 1996 campaign, vanished during budget negotiations after the election. Mr. Clinton has said he plans to revive it.

The New York Times

MONDAY, DECEMBER 8, 1997

2/4

But the President's aides have regularly followed through on his small ideas to see that they are put into practice.

For example, in his re-election campaign, Mr. Clinton appeared at a women's crisis center in Sacramento, Calif., to propose that law-enforcement leaders and the telecommunications industry establish a nationwide telephone number for non-emergency calls. That, he said, would free overburdened 911 operators to handle more serious calls.

Mr. Clinton directed the Attorney General, Janet Reno, to see the proposal through, and in February, the Federal Communications Commission set aside a number — 311 — for non-emergency calls nationwide.

The Justice Department, to test the number, has been helping pay for a pilot project in Baltimore, where calls to 911 have dropped 25 percent. Dallas and San Jose, Calif., have adopted the 311 system, and other cities and states are considering it.

Questioned about the 311 number, Rahm I. Emanuel, Mr. Clinton's senior adviser, began reeling off the names of cities that were considering using it. Asked why he was up to date on the subject, Mr. Emanuel said that a weekly memorandum to the President summarizing agencies' programs had recently described the system. Mr. Clinton, Mr. Emanuel said, had written on it, "Where is the F.C.C. on expanding this to other communities?"

Mr. Clinton often melds politics and policy by appearing with children to announce new initiatives. In August 1996, the President's campaign train stopped in Wyandotte, Mich., where he read "The Little Engine that Could" with two tow-headed children. He also announced that he would seek \$2.75 billion from Congress over five years to teach third graders to read.

Mr. Clinton's aides immediately tried to give the program heft. Education Secretary Richard W. Riley waived a requirement that colleges pay a quarter of a student's work-study wages, provided the student agreed to tutor elementary school students. Other White House officials began calling on college presidents to line up commitments to the program.

On Oct. 21, Mr. Clinton appeared in the White House East Room to read "The Carrot Seed" with a child — and to announce that 790 colleges had pledged tutors to America Reads.

"It's a broader way of thinking about the Presidency," said Gene Sperling, the director of the National Economic Council, "not just what you can do legislatively, but the full panoply of what you can do with the office."

During budget negotiations over the summer, Mr. Clinton secured about 70 percent of the money he wanted for the program's first year.

Similar follow-through, on a larger scale, has characterized Mr. Clinton's approach to changing the welfare system. Over the fierce objections of most of his Cabinet, Mr. Clinton in 1996 signed a Republican bill radically reducing the Federal role in providing welfare. Since then he has taken several steps to soften its effects.

This year, Mr. Clinton ordered Federal agencies to set an example for private employers by hiring welfare recipients. At a more substantive level, he persuaded Congress to reinstate benefits for some legal immigrants. Congress also agreed to

provide money for work programs and to establish a new tax credit for employers hiring welfare recipients. All told, the changes restored more than a quarter of the cuts in welfare spending made by the 1996 law.

Ideas for Tomorrow

A Dry Well? Never, Clinton Insists

In the 1996 campaign, Dick Morris, Mr. Clinton's political strategist, grilled Cabinet members and other officials for ideas, consulted outside experts and scoured the news — and then slashed through layers of bureaucracy to take suggestions directly to the President.

Now, Mr. Morris, who resigned in a sex scandal a year ago, said Mr. Clinton seems to have run out of ideas. "As far as the bite-size ideas," he said, "that pipeline's dry and there's no one to generate them, and on the major ideas, he just doesn't have them anymore."

The President says he has no such problem. "We all read everything that's in print all the time, trying to come up with new ideas," Mr. Clinton said. He said that "probably three times a week I read a story in the paper or I see an article in a magazine or something" that prompts him to tell Mr. Emanuel, "We need to have somebody start working on this idea."

President Clinton likes to develop national policy from local success stories. Last Wednesday, at a town meeting on race in Akron, Ohio, Mr. Clinton announced that he would seek money from Congress to create 15 to 25 "educational opportunity zones" in poor urban and rural areas. Through such zones, the Federal Government would assist school districts that agree to make radical changes, like allowing students to choose among schools and making it easier to get rid of bad teachers.

The initiative was prompted by some press clippings about Chicago's success in changing its schools. Mr. Clinton forwarded the clippings to Mr. Reed, the director of the Domestic Policy Council, who began looking for ways to encourage other

cities to adopt the same practices.

With his proposal to create a national dialogue on race under fire as insubstantial, Mr. Clinton made the idea an immediate priority for his aides planning next year's budget.

"The President wanted to show that he had a serious school improvement proposal as part of the race initiative," Mr. Reed said.

Mr. Clinton's aides are preparing a series of other small initiatives, together with some larger proposals, for the President's State of the Union Message early next year. Mr. Clinton dropped some hints about those ideas, including one to help provide health insurance to people 55 to 64 years old.

"I got a letter just the other day from a woman who was in my high school class," he said. "Her husband got sick and took early retirement. He's got a pretty decent retirement but they can't afford health insurance."

"And this is a bigger and bigger problem for Americans."

A CLOSER LOOK

Footprints Left by a Lot of Baby Steps

Some of the ideas and projects pushed by President Clinton:

POLICE The President promised to put 100,000 more officers on the street under the 1994 crime law. Local police departments have received money for 63,500, of whom 30,000 to 40,000 have been hired and trained.

SCHOOL UNIFORMS Uniforms have become common at public schools in Miami, Cleveland, Chicago, Boston and New York.

AMERICA READS Almost 800 colleges have made commitments to find reading tutors for hundreds of thousands of children.

CHILD SUPPORT The 1996 welfare law requires states to have procedures to suspend driver's licenses, occupational licenses and recreational licenses of those violating child-support orders.

WELFARE Federal agencies have achieved 20 percent of the President's goal of hiring 10,000 welfare recipients by 2000. The Administration has commitments from 2,500 employers to hire and retain welfare recipients.

TV RATINGS Most networks have adopted a new, more informative ratings system that uses letters like V for violence and S for sex.

SEX OFFENDERS Mr. Clinton ordered the Federal Bureau of Investigation to develop a national registry to track sex offenders and child molesters, just three months before Congress in 1996 passed a bill requiring such a data base.

HEALTH CARE Among many proposals, the President pushed for a children's health insurance program, enacted this year, that provides money to states to buy private insurance or expand Medicaid for children.

THE PRESIDENT HAS SEEN
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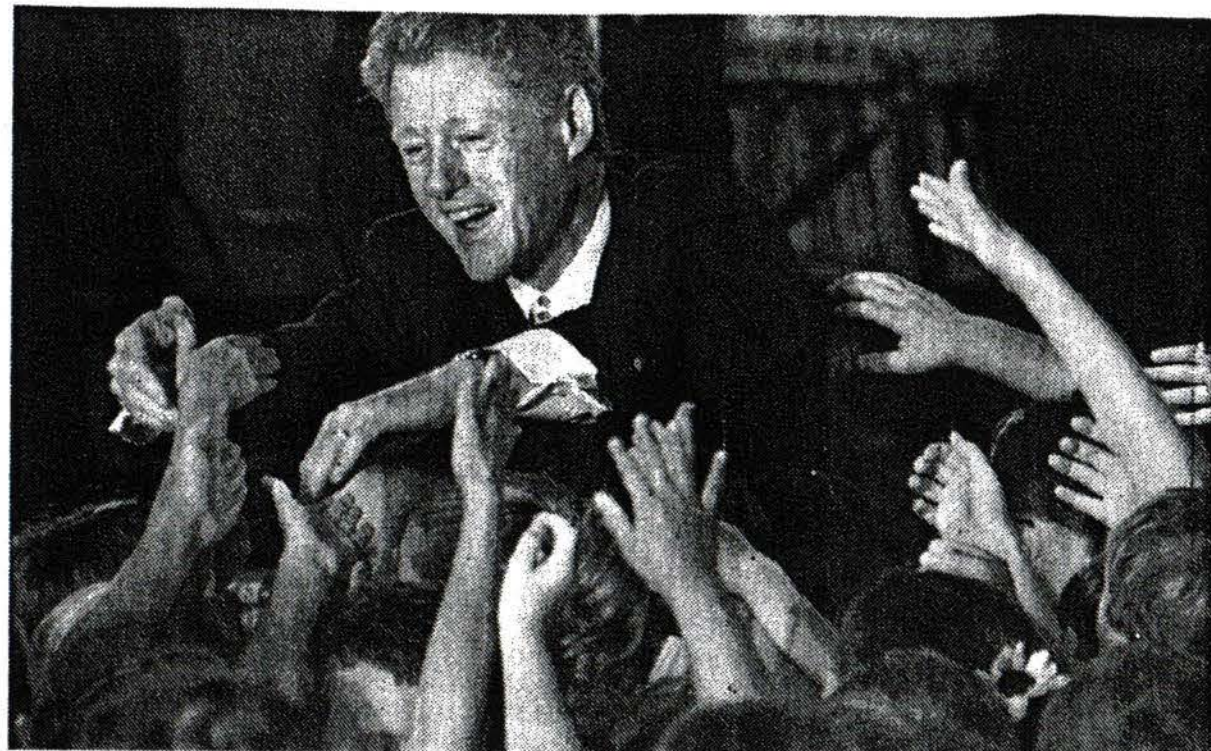
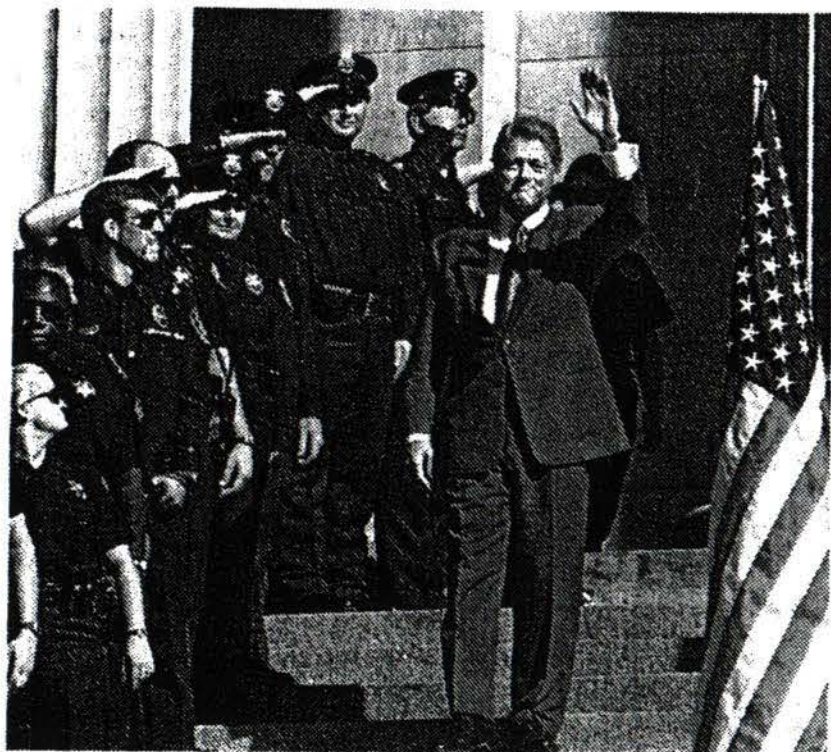
The New York Times

MONDAY, DECEMBER 8, 1997

I spend 1/2 day there!
Then wait 1/2 day!

Reeds: 509 4111

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Photographs by Associated Press

After the crushing defeat of his health care plan early in his first term, President Clinton began to try to accomplish piecemeal some of what he could not do all at once. He has applied the tactic to an array of initiatives.

The New York Times

MONDAY, DECEMBER 8, 1997

7/7

Coming to Pay Phones Soon: Blocking of Some '800' Calls

A1

By SETH SCHIESEL

Continued From Page A1

For decades Americans have assumed, correctly, that they could call "800" telephone numbers free, any time and from any phone. But as a result of the deregulation of the telecommunications industry, consumers may soon find they are unable to call some toll-free numbers from the nation's roughly two million public pay telephones.

In a little-noticed move that could cost American consumers and businesses almost \$1 billion a year, the Federal Communications Commission ruled in October that owners of toll-free numbers must pay a fee of 28.4 cents a call to owners of pay phones when customers dial a toll-free line from a public phone.

What is more, the ruling adds the same charge to each calling-card call and collect call made from a pay phone.

In the wake of that decision, two paging companies with more than three million customers between them have decided to block all calls to their toll-free numbers from public phones rather than pay the fee. And most of the nation's other large paging operators have decided to levy new charges against customers whose pagers use a toll-free number.

Companies that depend on calls from pay phones to their toll-free lines, from airlines to trucking companies to hotel operators, say that the ruling could mean hundreds of millions of dollars in new costs.

Since this summer, the major long-distance operators, including the AT&T Corporation and the MCI Communications Corporation, have passed the fee along to their customers each time they make a calling-card call from a pay phone or accept a collect call made from a pay phone.

The ruling highlights the difficulty of deregulating the nation's \$200 billion telecommunications industry. The intent of the Telecommunications Act of 1996 was to open all quarters of the communications business to new competition. But breaking old monopolies has also entailed shifting the complex structure of costs that have allowed services like "800" and "888" calls to remain free for consumers.

One result of the new policy is about \$940 million in new annual revenue for companies that operate public telephones: the regional Bell telephone companies and about 2,000 independent pay-phone companies.

About 71 percent of that will come from owners of toll-free numbers, with most of the rest coming from users of calling cards, according to the American Public Communica-

tions Council, which represents the independent pay-phone operators. Independents control about a quarter of the nation's public telephones.

"This is one example of private pay-phone operators looking for every opportunity to maximize income, frequently at the expense of consumers," said Stephen Brobeck, executive director of the Consumer Federation of America, which has petitioned the commission to end or cut the fee. "All consumers currently understand that the use of '800' services is free. This practice threatens to undermine that concept."

But William E. Kennard, the chairman of the F.C.C., said that owners of public phones deserve to be paid for their use. "The fundamental issue here is insuring that pay-phone providers receive fair compensation for each and every call," he said. "No one looks forward to paying for something they are used to getting for free, but fair is fair."

The fee is not being collected from callers at pay phones because the toll-free calling system is set up to collect charges only from the recipient of a call.

An ad hoc coalition including the Consumer Federation and groups ranging from the National Network to End Domestic Violence to the International Taxicab and Livery Association has petitioned the F.C.C. to reverse or modify the rules. MCI has sued the commission in Federal court to change the rules, which will remain in effect unless the court issues a stay.

Americans make about 91 billion toll-free calls each year, and only about 2.7 billion of those, or roughly 3 percent, are made from pay phones, according to data from the commission and from Bellcore, which developed the toll-free system as the research arm of the regional Bells. But the long-distance companies, which sell toll-free services and which still make most of the profits generated by toll-free calls, are concerned that the ruling will erode their business.

"It's a massive impact for the toll-free industry and it tarnishes the image of toll-free service as a whole," said John Cushman, AT&T's director for toll-free services. "We're very upset about the way the F.C.C. has acted."

Since the court-supervised breakup of AT&T in 1984, the long-distance carriers have paid pay-phone operators about \$6 a month for each pay phone. That fee was meant to compensate the public telephone companies for allowing customers to have access to the long-distance network of their choice by dialing a special code — for example, 10288 for AT&T or 10321 for MCI.

But the pay-phone operators received no compensation for allowing customers to call toll-free numbers. While regional Bells could recoup those costs from their residential customers, independent pay-phone operators had to absorb those costs.

The Telecommunications Act directed the F.C.C. to remove the subsidies that supported pay-phone service for the regional Bells. The commission did that by replacing the standard monthly payments with the 28.4 cent fee for each "coinless" call.

"For many years, '800' providers have been able to use pay phones for no charge while everyone else had to

pay 25 cents or 35 cents," said Eric W. Rabe, a spokesman for the Bell Atlantic Corporation, which owns about 400,000 pay phones. "This is just leveling the playing field."

But some companies that use toll-free lines say they are the ones being leveled by the fee.

Gene Duprè, controller for Duprè Transport Inc., a trucking company based in Lafayette, La., said that his company fielded about 89,000 calls a month to its toll-free number from the company's 600 drivers. "Most of those calls are coming from pay phones in truck stops and rest areas," he said.

Mr. Duprè estimated that the new policy would cost his company about \$140,000 next year, an expense that he said would cut its overall profit by 15 percent to 20 percent.

Monty Stern, chief executive of the Virtual Voice Corporation, a small voice-mail company based in Woodland Hills, Calif., said that his company had shut down its toll-free lines because he could not determine which clients were calling from pay phones. The company has opened new toll-free numbers, he said, after investing \$25,000 in software that tracks calls from pay phones.

John Hotard, a spokesman for American Airlines, a unit of the AMR Corporation, said that while only about 4 percent of the 125 million calls the company received over its toll-free lines each year came from pay phones, the company had joined the group fighting the policy because the change would cost American more than \$1 million a year.

"A million dollars is still a lot of money to us because we are a very low-margin industry," he said.

Perhaps the most drastic response to the policy has come from paging companies. Access to many pagers is through toll-free numbers, and many people call pagers from pay phones.

The Mobile Telecommunication Technologies Corporation, which serves about a million clients from its headquarters in Jackson, Miss., has shut off access from pay phones to pagers using its 1-800-SKYPAGE, SKYWORD or SKYGRAM numbers.

"This seemed to be the simplest, least complicated way of dealing with the ruling," said Mark McElroy, a spokesman for the company.

John D. Beletic, chief executive of Pagemart Wireless Inc., based in Dallas, which has about 2.4 million paging customers, said his company had also decided to shut off pay-phone access to its toll-free pagers, though the company had not settled on a timetable for the change.

Other large paging companies, including Paging Network Inc., which has about 10.4 million customers, said they would impose new monthly charges ranging from \$2.49 to \$5 on customers who maintain toll-free pagers or would bill those customers, based on how many calls they received from pay phones.

Vince Sandusky, president of the independent pay-phone companies' association, had little sympathy for the toll-free clients.

"These complaints are like home-steaders squatting in a landlord's building when he's not there and then complaining when he shows up and they have to pay," he said. "Without having those costs covered adequately, there is no incentive for pay phone operators to expand and put in more pay phones."

Mr. Sandusky added that his group had asked the F.C.C. to consider raising the rate to around 40 cents a call.

The New York Times

MONDAY, DECEMBER 8, 1997

Continued on Page A17

By IVER PETERSON

PITTSBURGH — Richard Mellon Scaife believes that the people of Pittsburgh and western Pennsylvania need to hear a more conservative voice, and he is spending freely to insure that the one they hear is his.

Mr. Scaife, a very wealthy philanthropist, benefactor of conservative Republican causes and dogged ankle-biter of the Clinton Administration, has spent tens of millions of dollars to turn The Tribune-Review of Greensburg, Pa., a small suburban daily he has owned since 1970, into a full-fledged metropolitan newspaper. His aim: to create a conservative challenger to the dominant and more middle-of-the-road Pittsburgh Post-Gazette.

Outside of its home base in Westmoreland County, Mr. Scaife's newspaper is marketed as The Pittsburgh Tribune-Review, and over the last five years its circulation has risen substantially, with much of gains coming in the city's immediate suburbs. So far, The Tribune-Review has had little success inside Pittsburgh itself, but its executives say they are committed to reaching readers in that overwhelmingly Democratic city, too.

"I believe the key to this newspaper is Dick's heartfelt belief that every community needs two editorial voices, and that is what we are giving them," Lee B. Templeton, general manager of The Pittsburgh Tribune-Review, said. "He can't do much about most communities, but he could do something about this one, and so he decided to take a run at it."

Indeed, Mr. Scaife, The Tribune-Review's publisher, is demonstrating that he is willing to spend heavily to achieve his business and political agendas. Over the last two years, he has installed news bureaus in and around Pittsburgh, nearly doubled the size of his staff to 560 and spent \$43 million to build a second printing and distribution plant north of the city, called Newsworks, which opened in late October.

"I think they're pretty serious," said Clark Edwards, a professor of journalism at Duquesne University who has followed the emerging newspaper war here. "The Post-Gazette owns the city of Pittsburgh and Allegheny County, but it's still not reaching the suburban areas as well as The Tribune-Review, and the Trib people see this as a weakness. They're covering the city, but they're going after suburban coverage by sending reporters to every little town meeting in the area — stuff you don't see in The Post-Gazette as much."

Business strategy, however, has never seemed as important to Mr. Scaife as an opportunity to win over readers to his highly conservative political views, including his contention that the death of Vincent W. Foster Jr., President Clinton's deputy counsel, may have been a murder instead of a suicide — a contention that has been rejected by every investigation of the case.

Continued on Page 8

Continued From First Business Page

Although circulation of all editions of The Tribune-Review now stands at 84,000 weekday and 144,300 Sunday, the press at Newsworks alone has a capacity of 240,000, and there is room for a second press of equal capacity.

Mr. Scaife has hired 200 full-time and 100 part-time editorial, business, circulation and production workers for the Pittsburgh edition. His executives will not disclose the total investment in the city edition, but it is enough to insure that it will be "10 or 11 years, minimum," before the venture breaks even, said Edward Harrell, president of the Tribune-Review Publishing Company.

Still, Mr. Scaife, the heir to manufacturing and banking fortunes, appears to have the resources to absorb losses for a long time. Forbes magazine estimates his wealth at \$1 billion, making him one of the 400 richest people in the United States. Over the last two decades Mr. Scaife has used that money to underwrite institutions that promote his brand of conservative thought.

The July issue of the Washington Monthly magazine reported that, aside from direct spending on his newspaper, Mr. Scaife disburses money through three foundations — the Carthage Foundation, the Allegheny Foundation and the Sarah Scaife Foundation — to conservative research organizations like the Heritage Foundation, the American Enterprise Institute, the Cato Institute and the Manhattan Institute.

As a testament to his willingness to spend on his own newspaper, Mr. Scaife in May bought three small weekday papers in the outer suburbs of Pittsburgh, with a combined circulation of nearly 40,000, from Thomson Newspapers Inc. The deal should significantly increase circulation of The Sunday Tribune-Review, which initially will be delivered free to subscribers of the smaller papers.

Mr. Harrell said that with The Tribune-Review based in Westmoreland County, more than 25 miles southeast of the city, the realities of newspaper distribution dictated that the paper would at first grow faster in the suburbs than in the city.

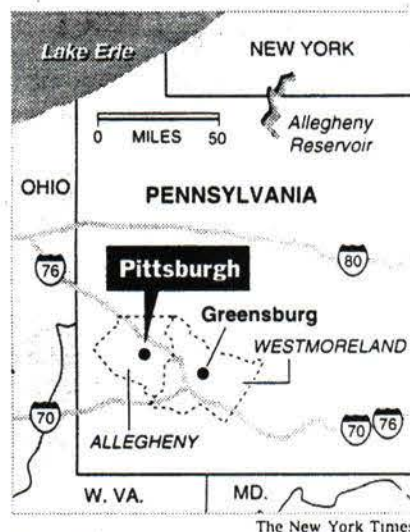
"It is easier to sell papers and home-deliver papers on the periphery than in the center," Mr. Harrell said, "but there is nothing in that reality to indicate a lack of interest in incorporated Pittsburgh — far from it. We are doing everything we can to sell papers there, too." The paper already offers home delivery anywhere in the metropolitan area, the city included.

THE PRESIDENT HAS BEEN
12-9-97

The Pittsburgh Tribune-Review was started as a zoned edition of the Greensburg paper, with a staff of four, during a Pittsburgh newspaper strike in 1992. That strike led to the closing of The Pittsburgh Press, The Post-Gazette's main rival.

The circulation of The Tribune-Review has grown from 52,000 before the strike to 84,000 now, with 27,000 of those papers being sold in Allegheny County, The Post-Gazette's base.

To people at The Post-Gazette, Mr. Scaife's foray into metropolitan journalism is a cloud no larger than an editor's hand. The suburban challenger is nowhere near The Post-Gazette's 243,000 weekday and



The Tribune-Review of Greensburg tries the Pittsburgh market.

424,000 Sunday circulation, and its sales are still concentrated in suburban Westmoreland County.

This difference in size allows John C. Craig Jr., the editor of The Post-Gazette, to treat Mr. Scaife's ambitions with polite disdain. The Tribune-Review got a big boost during the newspaper strike, Mr. Craig acknowledged, but he doubts Mr. Scaife can maintain that pace of growth.

"He built his new plant because he made a straight-line projection and decided he was going to have capacity problems," Mr. Craig said. "Well, you can't make straight-line projections in this business."

And while The Post-Gazette had been slowly losing circulation in recent years, the paper reported some growth in sales over the summer.

The Tribune-Review's emphasis

The New York Times

MONDAY, DECEMBER 8, 1997

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on local suburban news, along with color presses that are more modern than The Post-Gazette's, have clearly begun to be noticed, however.

"The Trib has more color and more news about people here in the North Hills than The Post, even though it's from outside this area," said Bob Soeder, who operates Metro Motors, an auto dealership, in the suburban town of Millvale north of Pittsburgh.

His wife, Linda, liked The Tribune-Review's tone. "It's a more 'up' paper," Mrs. Soeder said. "They don't dwell on everything that's happening, basically, downtown. You don't read all about how this drug addict killed that person — stories like that."

But, Mr. Soeder said, when it comes to advertising, The Post-Gazette is the only place to be. "I tried advertising in The Trib, but it didn't seem to do much," he said. "You're almost afraid not to advertise in The P-G, but I think the other one's a better paper."

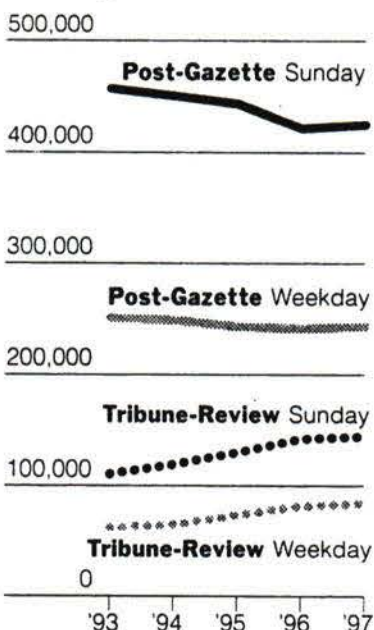
On the other hand, Kevin Sheeran, a medical management specialist who lives in the western suburb of Monroeville, let his Tribune-Review subscription lapse after a trial period, but kept The Post-Gazette.

"I thought it was poorly written and small-townish," Mr. Sheeran said. "It just didn't feel like I was reading a metropolitan paper. And if I'm going to live in a big city, I want to read a big-city paper."

Mr. Scaife seldom speaks to reporters and declined to be interviewed for this article, but he nevertheless has been a prominent figure for years. Mr. Scaife's mother was a

Battleground

The circulation of The Tribune-Review, a small suburban daily paper in Greensburg, Pa., is growing at the expense of The Post-Gazette, in nearby Pittsburgh.



Figures are for the six months ending September of each year.

Source: Audit Bureau of Circulations

The New York Times

Mellon, a descendant of the Pittsburgh banking family, while his father's family, the Scaifes, were steel-makers and factory owners going back 200 years in western Pennsylvania.

Mr. Scaife and the family founda-

tions he controls have spent generously on local civic projects to preserve buildings and artifacts of Pittsburgh's gritty industrial past. But he is best known beyond this city for his support for conservative causes, as well as for his abiding animosity toward the Clinton Administration.

This is not the first time Mr. Scaife has ventured into influence journalism. Katharine Graham, the former publisher of The Washington Post, wrote in her memoirs that in 1972 the Nixon White House weighed a plan to have Mr. Scaife buy The Post, which was breaking the Watergate story at the time. In 1977, Mr. Scaife did buy The Sacramento Union in an effort, Mr. Harrell said, to influence California's liberal legislative climate, but sold the paper after a few years. It later closed in the face of competition from The Sacramento Bee.

Mr. Scaife's conservative message can be found most clearly on The Tribune-Review's editorial pages. In contrast to The Post-Gazette, which offers columnists with a range of political viewpoints on its Op-Ed page, The Tribune-Review's syndicated columnists are strongly to the right.

These were the headlines on the three signed columns appearing on Oct. 22: "Disgusted public seeks to impeach a judge with compassion for killers," "Courts cooperate with gay goose-steppers in war of litigation against free expression," and "Salute to 'Ellen' won't help Gore."

Mr. Craig, the editor of The Post-Gazette, said a strongly conservative editorial voice would have some appeal for many readers, but not necessarily because The Post-Gazette is perceived as liberal. In any case, Mr. Craig said, the task of taking on a big metropolitan daily from a suburban base has proved harder for others than it may have seemed.

After all, he said, Newsday, with a dominant presence in Long Island, was unable to succeed with its zoned New York City edition. New York Newsday closed in 1995.

But the publisher in that case was primarily interested in profits, not political persuasion. If the last 30 years is any guide, Mr. Scaife does not seek quick bottom-line returns on his investments.

The New York Times

MONDAY, DECEMBER 8, 1997

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THE PROSECUTOR

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Cold War View Gives Way to Globalphobia in U.S.

By Steven Pearlstein
Washington Post Staff Writer

A1

GLOBAL, From A1

Last month, as economic turmoil in Asia threatened to spread to South Korea and Japan, Federal Reserve Chairman Alan Greenspan and Deputy Treasury Secretary Lawrence H. Summers rushed to Capitol Hill to explain why it was happening and what could be done to stop it.

Around the world, financial markets waited nervously for their testimony. But for an hour,

the two men sat silently as members of the House Banking Committee lectured them about human rights violations in Indonesia, the declining wages of

NEWS
ANALYSIS

blue-collar workers and the folly of using money from U.S.

taxpayers to bail out foreign countries that were stealing American jobs.

When they finally got a chance to speak, Greenspan and Summers pleaded with committee members to increase the U.S.

contribution to the International Monetary Fund as the best way to contain the Asian contagion. But their pleas fell on deaf ears: Congress adjourned for a two-month holiday after stripping the new IMF money from the annual appropriations bill over an unrelated dispute over abortion.

This episode is the latest illustration of what many observers view as a retreat from the internationalist consensus that has governed U.S. economic policy for 50 years. No longer, it

seems, is there an unchallenged belief that Americans are better off when their economy is open and their government assumes the burdens of leadership in world affairs.

The recent defeat of "fast track" trade authority in Congress was the most dramatic evidence that this consensus may be unwinding, but there are other indications as well.

The public remains largely opposed to U.S.-funded financial res-

See GLOBAL, A14, Col. 1

cues for foreign economies. Opposition to the Mexican bailout two years ago was so intense that the Clinton administration was reluctant to participate in the first of this year's Asian rescues in Thailand. In the wake of Congress's recent refusal to approve IMF funding led a top Fund official to warn Friday that the agency could find itself strapped for resources if it was called upon to deal with other looming crises.

There also is widespread concern that the United States has handed over too much authority to international organizations like the World Trade Organization, which last week ruled against Eastman Kodak Co. in its effort to open Japanese markets to American products.

Impatience with the old internationalism also is reflected in recent attempts by Congress to impose economic sanctions on allies that refuse to follow the U.S. lead on foreign policy issues.

Globalphobia

To Washington veterans, these are signs that the United States has become increasingly isolationist, protectionist and nationalistic in its economic affairs. They even have a name for it: globalphobia.

"This is a period of unparalleled lack of understanding and interest in international economic matters," complains Arden Judd, who for 28 years has been a lobbyist for Dresser Industries Inc. "You don't seem to have the appreciation of the importance of U.S. actions on the world scene."

James A. Baker, a former Republican secretary of state and treasury, said the past six months have evidenced "a regrettable retreat from the country's internationalist tradition."

One reason the old internationalist consensus lasted as long as it did is that policymaking was left to an elite group of Americans—public officials, economists, corporate executives and editorial writers—who cared deeply about multilateral institutions, embraced free trade and never doubted that the world was better off when the United States took the lead.

But as the globalization of finance and the dramatic increase in trade touched nearly every American as a worker, consumer and investor, the public has become less willing to defer to policy elites.

A large number of Americans blame that globalization for slow economic growth or a decline in their standard of living, even as they flock to imported goods and shift their retirement money to overseas investments.

At the same time, a wide range of special interest groups—from labor unions, environmentalists and human rights activists on the political left to Christian fundamentalists, anti-abortion activists and isolationists on the right—have become unlikely bedfellows in an emerging coalition that rejects the old consensus.

In addressing Summers and Greenspan last month, Rep. Barney Frank (D-Mass.) complained that, in the past, concerns about human rights or growing inequality were treated as mere distractions by policymakers.

"When adults sit down to serious business, other concerns get

brushed off," Frank said. "All that counts in the end is the mobility of capital. Well, let me tell you, that's about to end."

A similar warning was issued last week at Harvard University by House Minority Leader Richard A. Gephardt (D-Mo.), who called for a "new internationalism" that adheres as much to American values as it does to the dictates of the marketplace.

"In a new era of globalization, the forces of commerce and technology are weaving the world closer together but ... pulling our own people further apart," Gephardt said. "Our challenge is once again to link capitalism with values and standards."

Cold War Casualties

Such populist rhetoric on international economic issues has now become commonplace, used with equal effect by liberals such as Frank and Gephardt and conservatives such as commentator Patrick Buchanan, Senate Banking Committee Chairman Alfonse M. D'Amato (R-N.Y.) and Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.).

In the past, presidents and congressional leaders could justify internationalist policies as a necessary step to shore up the anticommunist fire wall during the Cold War, said Pietro Nivola, a scholar at the Brookings Institution. "Now, however, that large strategic architecture is gone, and things like free trade and support for the IMF are casualties of that," he said.

On Capitol Hill, perhaps no member of Congress carried the internationalist standard more proudly than Rep. Lee H. Hamilton (D-Ind.), a ranking member of the International Affairs and Joint Economic committees who will retire next year after 17 terms in the House.

Hamilton attributes the change in attitude to the passing of the World War II generation of politicians who "believed things were better when the U.S. led and we were willing to be the 911 for the rest of the world."

"But that premise is not shared by many people up here today," Hamilton said. "They are just much more skeptical of international involvement."

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Erik Peterson, director of the project on the new global economy at the Center for Strategic and International Studies, notes that because of retirements and elections, Congress has lost most of the centrist Democrats and Republicans, such as Hamilton, who formed the nucleus of the internationalist elite.

The House Democratic Caucus, he said, now is firmly controlled by liberal members from industrial states who are closely tied to organized labor, which casts a skeptical eye on free trade.

On the Republican side, he added, members attuned to the needs of Corporate America have given way to Main Street Republicans who are more focused on economic issues such as regulatory reform, tax cuts and balancing the federal budget. For them, international economic issues become vehicles by which they can gain leverage for domestic concerns.

These changes were evident in the recent defeat of the bill that would have given the president "fast track" authority to negotiate trade agreements that could be approved or vetoed, but not amended, by Congress. When such authority was first proposed back in 1974, the vote in favor was 323 to 36. But by 1991, President George Bush was able to win renewal by a margin of

only 40 votes. President Clinton, facing the prospect of certain defeat last month, pulled the bill before a vote could be counted.

Polling experts say this shift against free trade in Congress is not because of a change in public opinion back home. Karlyn Bowman of the American Enterprise Institute, a Washington think tank, said public opinion has long been evenly divided on trade and related issues and remains so today.

"I don't see this as a measure of new protectionism or turning inward," said Democratic pollster Stanley Greenberg. "There used to be a broad elite consensus that was strong enough to carry the day on trade, even in times of economic uncertainty. That's gone now."

Other analysts blame weak leadership in the White House and the Congress for the retreat from internationalism.

Paul Wolfowitz, dean of the School of Advanced International Studies at Johns Hopkins University, said that Presidents Reagan and Bush faced similar skepticism toward international involvement from the public and Congress but managed to prevail in the end. And as recently as four years ago, Wolfowitz said, Clinton overcame even stronger opposition when he won approval of the North American Free Trade Agreement.

"I suspect these recent policy defeats are more a sign of weakened presidential leadership than a rise in protectionist or isolationist sentiment," said Wolfowitz, an official in both the Reagan and Bush administrations.

International vs. Inequity

Others argue that the internationalists have undermined their position by overselling the importance of international trade issues and the value of globalism.

Robert Lawrence and Robert Litan, two Brookings economists, recently chastised fellow internationalists peddling the idea that trade increases the number of jobs in the economy through increased exports. In fact, they wrote, trade has no impact on the number of jobs but does improve the quality of jobs.

Some economists, such as William C. Cline of the Institute for International Finance, have begun to acknowledge that they were probably wrong when they argued for years that trade and immigration have very little to do with depressing blue-collar wages and widening the gap between rich and poor. Now, Cline and others say that if the internationalists are to win the upper hand, they have to deal with the inequality that results from globalization—coming up with realistic policies that transfer income from winners to losers.

"With our fairly rapid movement to free markets, we have accumulated a significant inventory of resentment by the losers in this process," said Robert Solow, a Nobel Prize-winning economist at the Massachusetts Institute of Technology. "And it's perfectly reasonable that we might decide not to go any further along that path until we find a way to be more vigilant in taking care of the losers."

Staff writer Clay Chandler contributed to this report.

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Monday, December 8, 1997

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THE PRESIDENT'S OFFICE
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Denied Food Stamps, Many Legal Immigrants Scrape for Meals

12-9-97

By RACHEL L. SWARNS

In Manhattan, a 53-year-old welfare participant from the Dominican Republic sweeps the city streets, searching for a glimmer of silver amid the trash. And he pockets the dirty nickels and dimes for food with a desperation that leaves his cheeks burning with shame.

In Brooklyn, a 42-year-old mother of four from Trinidad spends her rent money on food, buying grape Kool-Aid instead of orange juice and canned tuna instead of fresh beef, and edging ever closer to eviction.

And in the Bronx, a 40-year-old woman from Peru rides the subway from food pantry to food pantry, pleading for groceries to fill her refrigerator. One turns her away because she lacks a referral. Another runs out of rice, spaghetti and green apples while she waits in line.

"I'll keep looking," the woman, Rosa Doloné, said wearily as she walked out of the crowded church into the cold winter morning. "My children have to eat."

In the first wave of welfare cuts to hit New York City under the Federal welfare law, more than 50,000 able-bodied legal immigrants between the ages of 18 and 59 have been denied food stamps since September. The law, which was intended to move foreigners off public assistance and into jobs, has pushed an estimated 770,000 immigrants off the food stamp rolls across the nation, Federal officials say.

And as the months pass and kitchen cupboards grow barer, immigrants who earn on average about \$10,000 a year find themselves giving up fresh meat, spending rent money on groceries, lining up at food pantries and hunting for work in a city where the unemployment rate stands at 9.1 percent, nearly double the national average.

Calling the situation a crisis, Peter F. Vallone, the Speaker of the City Council, proposed on Nov. 26 spend-

ing an extra \$2 million to restock food pantries running short of supplies. Mayor Rudolph W. Giuliani agreed, and promised to have his aides survey the city's food programs to determine their needs.

But while advocates for the poor worry that hunger is on the rise in New York City, few of the more than a dozen immigrants interviewed recently said they were actually going hungry. Instead, they appeared to be sliding deeper into poverty.

State officials have agreed to finance food stamps for the elderly, the disabled and children, with the city contributing \$26 million, but able-bodied adults no longer receive those benefits. And Houth Leng of Cambodia now gets \$127 a month in food stamps instead of \$354 for himself and his six children.

In a shabby brick tenement in the Fordham section of the Bronx, Mr. Leng can still afford to make chicken soup for his children, but he has eliminated snacks and has fallen a month behind in the rent.

In Flatbush, Brooklyn, Nicole Joseph of Trinidad crawls into bed some nights with a cup of Maxwell House coffee and a growling stomach while her two boys dine on left-over chicken stew. "It makes the food last a couple more days," she said.

And in Washington Heights, Elisa Osorio of the Dominican Republic waited an hour last Wednesday in a line that began in a church basement on Broadway and spilled into the street, hoping for a bag of groceries, including powdered milk, a can of no-name tomato juice, an 18-ounce box of Kellogg's cornflakes, white rice and some sweet potatoes.

But while the jostling crowd peered anxiously at the white plastic bags filled with groceries, the Washington Heights Ecumenical Food Pantry ran out of tomato juice and cornflakes.

"We'll just have to give them more rice," sighed Oswaldina Carrillo, the



Suzanne DeChillo/The New York Times

Bags of groceries being distributed at the Washington Heights Ecumenical Food Pantry. On a day last week, the pantry ran short of items.

pantry's coordinator.

Some local merchants say they also feel the sting of food stamp cuts, which has resulted in fewer customers. Ramon Hernandez, manager of Los Prados Meat Market in Inwood, often stands in an empty shop these days, his white apron bloodied by the meat his customers can no longer afford. He used to take in \$600 a week in food stamps. Now, it is only \$200.

"It's hard on them and it's hard on us," said Mr. Hernandez, who was forced to lay off one of three employees, but still gives his customers orange juice and sweet sausages on credit. "Everyone is suffering."

But the impact of the cuts seems to vary neighborhood by neighborhood. In a random survey of 42 food pantries conducted by the city several weeks ago, none reported having to

turn away anyone, said Anthony P. Coles, a senior adviser to Mayor Rudolph W. Giuliani. The city is currently conducting a broader survey of hundreds of emergency food providers to better assess the need.

In March, the city filed a lawsuit against the Federal Government to prevent the cuts in food stamps and other benefits to immigrants, saying the loss of Federal food dollars would cause "extreme hardship, hunger and malnutrition."

The city lost that legal battle, but advocates for immigrants and city officials say the situation is less dire now that state officials have agreed to cover the most vulnerable immigrants, about 67,000 people across the state. "That has not solved the problem, but it has certainly ameliorated it," Mr. Coles said.

But advocates for the poor say it is not enough. The New York City Coalition Against Hunger, an association of food programs, has reported a growing crisis, with 73,000 families and individuals turned away from emergency providers when food runs out each month.

But Mr. Coles, who noted that city spending on food programs has increased steadily over the last four years, said the city's preliminary surveys did not yet support that.

But no one denies that thousands of immigrant families are now struggling. Janice Arrieta, the 42-year-old Trinidadian mother of four who buys Kool-Aid instead of juice, lies sleepless most nights as she frantically calculates her shrinking budget.

She used to receive \$248 each month in food stamps. Now she receives \$179. She has fallen behind on her rent and her electric bill. A widow and a welfare recipient for several years, she is now looking for work.

That is exactly what the Republican Congressional authors of the Federal welfare law hoped would happen: that the new law would force immigrants on public assistance to move into the work force. And Ms. Arrieta, who used to be a cook in a restaurant, says she would welcome the opportunity to work.

But she has yet to find a permanent job. So she continues to scrimp and scrape, baking her own bread, going without meat and telling her children she can no longer afford fancy cereals like Froot Loops.

"Sometimes you feel like giving up," Ms. Arrieta said wearily. "The kids want this, the kids want that, and you just get depressed thinking about how life is."

But with four children to feed, she has little time for depression. So she whispers a prayer and gets back to the business of getting by. "I cook rice," she said. "Rice will always fill you up."

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A Tiny Stretch of Border, a Big Test for a Wall

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By SAM HOWE VERHOVEK

NOGALES, Ariz., Dec. 4 — When the United States Government decided to build a new barrier against the flow of illegal immigrants and drugs across the border between Mexico and this Arizona desert town, it drew up a list of official specifications. The barrier, it said, must be resistant to "repeated physical assault by means such as welding torches, chisels, hammers, firearms, climbing over or penetration with vehicles."

And one other thing, the Government said: make the barrier absolutely as friendly looking as possible, something that will evoke the friendship between the two nations.

As the specifications put it, "Means shall be provided to allow light and a feeling of openness to be present along the perimeter of the barrier."

The 14-foot-high result, to which workers here are just now putting the final touches, is a most unusual piece of architecture, intended to be forbidding yet friendly, intimate but somehow inviting all at the same time. Federal officials hope the structure will serve as a prototype as the United States, which already has 62 miles of steel walls and chain-link and barbed-wire fences along its border with Mexico, replaces those barriers and adds more along other parts of the border.

Here at the Dennis DeConcini Port of Entry in Nogales, the new quarter-mile concrete structure, which officials prefer to call a fence rather than a wall, runs along the thin line that separates the downtowns of the Nogales in Arizona and its sister city of Nogales in the Mexican state of Sonora. The structure, which took six months to erect under the supervision of the United States Customs Service, replaces an ugly, rusting fence built from steel landing mats used by American forces in Vietnam

Continued on Page A18

Continued From Page A1

30 years ago, a fence with edges so sharp that several Mexican citizens who have tried to scale it have lost their fingers.

The concrete is steel-reinforced, but it is also salmon-colored, inlaid with multicolored stone chips and and with tiles that eventually may be decorated with children's art. The structure has large blue-trimmed openings built into it, covered with steel grating that has small holes, through which people may look across the border and even talk to each other. At either end, the landing-mat sections remain.

"When we started, the design problem seemed to us an almost impossible contradiction in terms," Peter A. Dubin, a principal in the

Chicago-based architectural design firm that got the contract for the \$750,000 barrier project, said.

The project is being paid for by the United States; the Mexican Government is no fan of the barriers.

"The idea was, on the one hand, make it an impenetrable barrier," Mr. Dubin said. "On the other hand, it was, make it some grand piece of architecture that opens up the borders between North and South. Make it light and open and airy and friendly."

Delighted Government officials say the new barrier achieves their aims.

"It works," Joe Lafata, the deputy port director with the Customs Service here, said. "And it really did come out very pleasing, as far as the color and texture are concerned."

Whether the structure will be judged to be a success by architecture critics and by the residents on both sides remains to be seen.

On the Mexican side, especially, many people wish there were no barriers of any kind between the two countries. With the Berlin Wall having crashed down in Europe and with the United States promoting free trade with its Latin neighbors, they ask why walls and fences are going up at all.

"I would prefer no wall," Fabio Monroy, 36, who runs a popular hangout on the Mexican side, said. A half-block from the border, it is called La Tavernita by local residents and The Fish Bar by its American patrons, after the ubiquitous sea motif on its walls and ceiling.

"It all seems very inconsistent" Mr. Monroy said. "We have Nafta, we're supposed to be friends, but we have this big wall dividing us."

But there seems to be almost universal agreement that the new structure is infinitely more appealing than the military landing mats.

"It is more aesthetic," Wenceslao Cota Montoya, the Mayor of the Mexican city of Nogales, said.

He described the new structure with the Spanish word "digno," which loosely translates to "worthy" or "meritorious."

On the American side, Paul Bracker, the owner of a department store a block from the border, helped lobby for the new fence. He called its predecessor "an affront to the people, our neighbors to the south, as well as ourselves."

Mr. Bracker said that being able to see through the fence "imparts a much better feeling."

While the structure is freshly painted and the tiles shine today, there are concerns about whether it will stay that way. Graffiti has already begun to appear on the Mexican side.

A visitor to Nogales, surveying the thick concrete structure, might be tempted to call it a wall, an observation that would quickly be corrected.

"We call it a fence," Roger Maier, a public-affairs officer for the Customs Service, said. "'Wall' has kind of a negative connotation."

Semantics aside, Federal officials insist the barrier is necessary to deter illegal immigration and drug smuggling and, most important, to protect Federal agents and customs inspectors who have been shot at in several episodes along the border in recent years.

There is also wide political support for the barriers. Congress has authorized money for more of them, including a second and third ring north of the existing steel border fence, just south of San Diego, which stretches from 340 feet out into the Pacific Ocean to more than 14 miles inland.

The idea of building a fence along the entire border was repeatedly suggested last year by Patrick J. Buchanan, the Republican Presidential candidate. Others have called, at the least, for broadening existing man-made barriers, most of which are here in Arizona and in California. House Speaker Newt Gingrich of Georgia said in a speech in his home district earlier this year, "I personally think we ought to build a fence everywhere we have illegal immigrants and drug dealers crossing into the United States."

Such crossings occur all along the border but are most prevalent in urban areas, which is where the barriers are concentrated.

But for those with proper documentation there is unimpeded access through ports of entry like this one, and the wall will not stop that.

While the structure here in Nogales is by far the most ambitious effort yet, it is only part of a wider effort by Federal agencies to make the barriers more pleasant to look at. In the San Diego area, the secondary barrier consists of concrete columns spaced a few inches apart. Light can pass through, but not people.

"It's a little more expensive," Bill Strassberger, a public-affairs officer for the Immigration and Naturalization Service in Washington, said, "but it's something that is just as functional and probably a little more appealing to the eye."

Mr. Dubin, the architect, credits the Government with going out of its way to make the structure look nice on both sides.

"What the Government said to us right away was, whatever decoration we've got on the north, we want it on the south," Mr. Dubin said. "It didn't matter that the U.S. was paying for it. They wanted it to look friendly from both sides."

The New York Times

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