Chron

THE PRESIDENT HAS SEEN
1-12-98

need of this population for affordable insurance, some (including the <u>New York Times</u>) praised the self-financing feature of the program, while others expressed concern that the proposal would create the demand for further, less fiscally responsible subsidization.

3. Drugs -- Substance Abuse and Prisoners: The National Center on Addiction and Substance Abuse released a study on Thursday finding that drug or alcohol use helped lead to the incarceration of 80 percent of all inmates in the nation's prisons and jails. According to the report, 1.4 million prisoners (out of a total 1.7 million) were high on drugs or alcohol when they committed their crimes, stole property to buy drugs, and/or had a history of drug and alcohol abuse.

As you know, the 1994 Crime Law mandates that 100 percent of all <u>federal</u> prisoners defined as eligible receive substance abuse treatment by 1997. According to the Bureau of Prisons, the federal prison system has met this requirement. Since 1994, we have made some form of substance abuse treatment available in every federal prison facility, tripled the total number of inmates treated in the federal system, and increased the number of residential treatment centers in federal prisons by 30 percent (from 32 to 42). In addition, legislation you offered requires <u>states</u> to submit comprehensive plans of testing, sanctions, and treatment by March 1998 as a condition of receiving prison construction funding.

But access to treatment - all results [illegible]

To build on these efforts, we are preparing a directive from you to the Attorney General to: (1) require states, as part of their testing and treatment plans, to estimate current drug use in prisons and measure progress yearly; (2) draft legislation to allow states to use prison construction funds to implement their testing and treatment plans; and 3) draft legislation to require states to enact increased penalties for smuggling drugs into prisons as a condition of receiving prison construction monies. An event focusing on this directive is tentatively scheduled for Monday.

4. Drugs -- Anti-Drug Media Campaign: The anti-drug media campaign began on Thursday in Washington, D.C. -- the first city in the 12-city pilot. Anti-drug advertisements have started to air in the District during prime-time network television shows, with radio and Internet ads to commence next week. ONDCP will roll out the media campaign in the remaining pilot cities throughout the month of January. The other 11 pilot cities and rollout dates are as follows: Atlanta (1/20), Baltimore (1/13), Boise (1/13), Denver (1/16), Hartford (1/23), Houston (1/15), Milwaukee (1/21), Portland (1/22), San Diego (1/9), Sioux City (1/20), and Tucson (1/15).

5. Crime -- Brady Checks: As you know, Arkansas remains the only state that is not conducting background checks prior to handgun sales. Although Attorney General Winston Bryant issued an opinion saying that state police have the legal authority to conduct checks, Governor Huckabee has ordered the police not to do so. In response, Bryant has asked the Treasury and Justice Departments to make him (rather than the state police) the designated chief law enforcement officer for the entire state; under this scheme, federally licensed dealers would refer the names of potential handgun purchasers to the AG's office, and employees of that office

cc: Bo - I'd like to make a big deal of this [illegible] to [illegible]

THE PRESIDENT HAS SEEN 1/12/98

1-13-98

Police profiling goes on trial

Fellow cop pulled him over because of race, officer says

copied
Emanuel
Winston
Reiff
COS
Mathews

AP

Maj. Aaron Campbell of the Metro-Dade Police Department is set to go on trial today on charges of assault and resisting arrest last spring.

ORLANDO, Fla. (AP) — It's a common complaint from black motorists. Police officers, they say, pull them off the road more often than whites.

Last April, Aaron Campbell was pulled over by white Orange County sheriff's deputies on the Florida Turnpike. The traffic stop ended with him getting hit by pepper spray and being wrestled to the ground and arrested.

Maj. Campbell, it turned out, was a fellow policeman, a major with 25 years in the Metro-Dade Police Department. And the encounter was recorded on police videotape, which has been shown on nationwide television.

Maj. Campbell is scheduled to go to trial today on charges of felony assault and resisting arrest with violence.

His attorney said the stop was illegal, and the only thing Maj. Campbell was guilty of was DWB — driving while black — and fitting a profile that Orange County deputies use to identify motorists to be stopped and searched for contraband.

"I think race is a part of it," said his attorney, James Cheney Mason. "It's not exclusively. They stop people with Miami tags heading north, but minority status is obviously a part of the profile."

Profiling is a technique that uses race, age, dress, vehicle type and other factors identifying people police believe more likely to be involved in crimes.

The U.S. Supreme Court has ruled that the Constitution protects motorists against selective law enforcement based on such factors as race.

But the high court also has ruled that police generally can stop motorists for traffic violations even when the officers are really looking for evidence of other illegal activity such as drug use.

The Orange County Sheriff's Office wouldn't comment on the case before trial, and a gag order was imposed for jury selection, but the office's spokesmen have said the department doesn't use race-based profiles.

"It's not a race issue," said Tracy Sutherland, a spokeswoman for the State Attorney's Office.

However, an Orlando Sentinel analysis last summer showed that the Orange County drug squad that patrols the Florida Turnpike carries out 6½ times as many searches on black motorists pulled over in traffic as on whites.

In Maj. Campbell's case, he was stopped for an improper lane change and having an obscured license tag. Maj. Campbell disputes that he made an improper lane change.

A 1996 Orange County court decision, State vs. St. Jean, holds that obscured tags are not grounds for a police stop. An appellate court upheld that decision last year.

The State Attorney's Office, however, said that the lower court ruling wasn't binding until the appellate court ruling, which occurred after Maj. Campbell's stop.

After he was pulled over, Maj. Campbell got out of his car and handed his license to Cpl. Richard Mankewich, who is white. Maj. Campbell identified himself as a police officer.

Maj. Campbell also said, according to the police report: "I know you Orange County guys, you're not going to [expletive] with me."

Cpl. Mankewich informed Maj. Campbell that he was going to write him a ticket, and Maj. Campbell blew his cool, according to the report, snatching his license back and referring to the deputy with a vulgar name.

"I ain't taking no [expletive] ticket from you, boy," Mr. Campbell said.

In an interview last summer, Maj. Campbell explained: "I was angry. I truly resented the reason I was stopped."

Cpl. Mankewich had called for backup, bringing two more deputies to the scene.

Deputy Vincent Van Ness approached Maj. Campbell, who was sitting on a guard rail and tried to grab him. Maj. Campbell stood up and pulled away. Deputy Van Ness and Cpl. Mankewich then blasted Maj. Campbell with pepper spray, and as Maj. Campbell tried to run away, Deputy Van Ness jumped on his back. Maj. Campbell was handcuffed and arrested.

Maj. Campbell's attorney has lined up at least seven potential witnesses who say they also were unfairly stopped and searched on the turnpike. They include two black ministers from Panama City, the Revs. Carey Brooks and Rufus Lee Wood, who also were pulled over by Cpl. Mankewich.

Tab I - Mathews / COS
w/ page 2 of cover
memo

For chron file only
xerox Caplan / Maloney
memo w/ this Post-It.

Tab B
page 1 of cover & Tab B to:
Raines / COS

Tab C - Daley / COS
Tab D - Winston / COS
Tab E - Wofford / COS
w/ page 2
of cover memo

Tab F - Brophy / Sperling /
COS w/ page 2 of
cover memo

Tab H - Mathews / COS w/ page
2 of cover memo

THE WHITE HOUSE

WASHINGTON

January 10, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN
SEAN MALONEY

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **NY Disaster Relief Declaration** -- this morning we executed on your behalf the necessary instruments declaring parts of New York a major disaster area, following recent ice storms; Cabinet Affairs advises that it anticipates additional declarations being necessary today or tomorrow; Vermont and Maine are likely; FEMA is a keeping a close eye on Tennessee and North Carolina.

OK. [illegible] benefits.

(B) **Raines Memo on VA Benefits for Filipino Veterans** -- responding to your inquiry, OMB concludes that Filipino WWII veterans do have a valid claim to benefits, because during the war the Philippines was a U.S. territory and its troops fought under U.S. command -- the only such arrangement in recent U.S. history; accordingly, your FY99 budget proposes granting some 17,000 U.S.-resident Filipino vets equivalent disability benefits (but not pensions or changes in health care) at a cost of about $5M/year; Filipino groups and Rep. Filner will be supportive but would prefer the full range of pensions and other benefits, but the cost is prohibitive ($5B/5years); Veterans groups will not be supportive of this move but their concerns will be muted by the relatively small amount of money; they would oppose a larger effort; Sylvia and the VA support this approach.

(C) **Sec. Daley Memo on India Trip** -- reports on his recent week-long business development mission to India; Commerce delegation, the largest ever, included Sen. Sarbanes and reps from 32 U.S. companies; visited New Delhi, Calcutta, Chennai, and Mumbai; met with PM Gujral and key government and opposition leaders; "dominant impression" was that the Indian people and their government have a "palpable desire" for closer U.S. relations; tired of "missed opportunities;" Daley conveyed hope for an era of "seized opportunities;" Indian press coverage was very positive; found Indians sensitive to comparisons with China and concerned that U.S. pays more attention to China, even though India is a democracy.

(D) **Speech, Raspberry Op-Ed Article and Nabrit Tribute forwarded by Winston** -- Judith thought you "may find interesting" Raspberry's Jan. 2 prescription for tackling U.S. racial problems and her recent speech to the Chattanooga Urban League, which echoed a similar theme (*i.e.,* though egregious racial discrimination is fading, race is still

THE PRESIDENT HAS SEEN
1-12-98

a critical "marker" for disparities in employment, education, health care, housing, and the administration of justice); also forwards her husband's tribute to James Nabrit; notes the Nabrit family deeply appreciated your condolence letter, which was read at the memorial service.

(E) **Wofford Memo on Youth Service Awards and Gen. Powell/*Time* Article** -- updates you on efforts to recognize youth service; *e.g.,* after your Penn State commencement speech, the Corporation launched the National Service Scholars Program, which will award $1000 scholarships to some 10,000 high school students/year who have outstanding records of community service; also, re-launched the President's Youth Service Awards with a focus on the Summit's year-2000 goal of recruiting 2 million young people/year to perform 100 hours of community service; modeled after the President's Physical Fitness Awards, the Service Awards will be bestowed on high school students who perform 100 hours of service as certified by their school, tutor, or participating non-profit organization; Gen Powell is strongly supportive of this approach, as evidenced by his recent *Time Magazine* article, which Harris attaches.

(F) **Sen. Kennedy Note forwarded by Brophy** -- says, "Very well done on Medicare . . . . I'm enclosing some brief points on raising the minimum wage, the 100,000 teachers proposal, and the tobacco settlement . . . . I'm very grateful for your thoughtful consideration and leadership;" *FYI -- the NEC Weekly Report mentions that we are beginning to explore some of Sen. Kennedy's ideas.*

See memo to Gene's memo

(G) **Prof. Sunstein Letter forwarded by Sid** -- Sunstein thanks you for a "wonderful, extraordinary" dinner and offers, in Sid's words, "a remarkably succinct summary of a number of the main points of the discussion;" *please see letter for details.*

(H) **Sec. Cuomo Memo on Race Initiative forwarded by Sylvia** -- offers his defense of the Race Initiative: "Dialogue in and of itself is an important effort -- we must articulate the problem if we're ever going to solve it. But we are doing much more than talking. We are aggressively attacking discrimination by enforcing the laws that are already on the books;" details HUD's efforts to combat discrimination and support the PIR; *please see memo for details.*

CA > very good

(I) **Prof. Etzioni Letter forwarded by Sylvia** -- offers advice on the Race Initiative; namely, creating a national consensus that discrimination is current and ongoing; this formulation, though possibly too narrow, "may allow us to focus on both the obstacles and the opportunities as we move forward with your Initiative," by educating people who do not believe discrimination exists and encouraging positive actions from those who claim it does.

We have also received the following items:

- **Note From Sylvia on Islamic Star Vandalism** -- says, "You issued a statement condemning the vandalism of the Islam star. I will check on why the statement was not reflected in the *Post* article. Maria circulated the statement to the Muslim community."

- **Berger/McGinty Memo and DoD Report on Chemical Weapons Destruction** -- Sandy and Katie forward a DoD report on chemical weapons destruction that describes an "unprecedented" effort to involve various stakeholders (*e.g.,* environmental organizations, state agencies, localities, tribal representatives) in a DoD pilot program, required under its FY97 Appropriations Act, to find alternatives to the Army's incineration program for destroying assembled chemical weapons; collaborative approach has garnered praise from the participants and is considered a model for approaching other complex DoD issues. *The report is in our office if you would like to see it.*

- **Note from Gen. Kerrick** -- he and Thayne "wanted you and the First Lady to know how much [they] enjoyed the trip last week to Hilton Head and St. Thomas . . . . [They] will always be grateful for your thoughtfulness;" also thanks you for your holiday gift.

- **Note and *60 Minutes* videotape from Kenneth Bacon (DoD)** -- thought as you prepare for the State of the Union speech you might like to see an "inspiring" *60 Minutes* piece on how one person, Rosanne Haggerty, led "a campaign to renovate a decrepit, single-room occupancy hotel and turn it into a facility that provides decent housing, job counseling, medical and psychological care to formerly homeless people;" *we forwarded the tape to Michael Waldman for his review; it is available upon your request.*

My Niece's 6th grade

class.

1-12-18

Send to Burkhardt

Yes ______

no ______

Mrs. Snowden's Sixth Grade
Lafayette Elem. School
5701 Broad Branch Rd. NW.
Wash., DC 20015

President William Clinton
The White House
1600 Penn. Ave., NW
Washington, DC

Staff Secy -

Potus has gift -

Form sent to Gift Unit.

B

1-12-98

Send to Burkhardt?

Yes ✓

No

(Gift Unit)

Can you have someone track down the donated sax issue -- ask Betty.

VH1
MUSIC FIRST

1515 BROADWAY NEW YORK NY 10036-5797 TELEPHONE (212) 258-7880 JOHN SYKES PRESIDENT

12 199
9:30 Am

January 7, 1998

President William J. Clinton
The White House, West Wing
1600 Pennsylvania Avenue NW
Washington, DC 20500-2000

Dear Mr. President,

I understand from Kathie Berlin and Ann Lewis that we are close to tracking down one of your saxophones to donate to VH1's "Save the Music" initiative. I know from our conversation in Martha's Vineyard that you personally want to make the donation and I can't tell you how grateful I am. Needless to say, it would send a wonderful message to all Americans about the importance music education plays in the lives of our children.

Our 1998 "VH1 Save the Music" campaign is off to a great start. Paul McCartney recently wrote us a check for $75,000 and will be donating one of his bass guitars to a public school. We're also launching ten local instrument drives in major cities across America. Included are New York, Los Angeles, New Orleans, and Las Vegas (in conjunction with the cable system owned by our mutual friend, Brian Greenspun).

I thought you would enjoy your very own "VH1 Save the Music" kit that we've put together for our cable affiliates. You get an idea of what the initiative is about before you even open the package!

Again, thank you for your support.

Best regards,

JS/krf
Enclosure

relations w/ Cuba catalist for further expression

Cuna Topic

M. SHANKEN COMMUNICATIONS, INC.

387 Park Avenue South, New York, New York 10016 Tel: (212) 684-4224
Fax: (212) 684-5374 Telex: 422687 MSHANK UI

Marvin R. Shanken
Chairman

New York
London
San Francisco

December 18, 1997

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton:

I would like to formally request to interview you for the cover of an upcoming issue of **Cigar Aficionado** magazine. The interview would talk about how your life has changed since you have become President of the United States, how your political views have changed, and what you believe our country must do to realize its true potential in the years ahead. I would personally do the interview.

Cigar Aficionado enjoys a readership of over 2 million men including doctors, judges, corporate executives and young men.

I would obviously make myself available at your convenience and would consider this the highlight of my career.

Only you can make it happen, I will keep my fingers crossed.

Very truly yours,

1-12-98

Send to Scheduling?
Yes ✓
No

Marvin R. Shanken

/jm

cc: McCurry?
Yes ✓
No

Rahm/Bruce

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JAN.11.1998 7:58AM WHSR 01 NO.134 P.31

The New York Times
Sunday, January 11, 1998

There's No Justice in the War on Drugs

By Milton Friedman

STANFORD, Calif.

Twenty-five years ago, President Richard M. Nixon announced a "War on Drugs." I criticized the action on both moral and expediential grounds in my Newsweek column of May 1, 1972, "*Prohibition and Drugs*":

"On ethical grounds, do we have the right to use the machinery of government to prevent an individual from becoming an alcoholic or a drug addict? For children, almost everyone would answer at least a qualified yes. But for responsible adults, I, for one, would answer no. Reason with the potential addict, yes. Tell him the consequences, yes. Pray for and with him, yes. But I believe that we have no right to use force, directly or indirectly, to prevent a fellow man from committing suicide, let alone from drinking alcohol or taking drugs."

That basic ethical flaw has inevitably generated specific evils during the past quarter century, just as it did during our earlier attempt at alcohol prohibition.

1. **The use of informers.** Informers are not needed in crimes like robbery and murder because the victims of those crimes have a strong incentive to report the crime. In the drug trade, the crime consists of a transaction between a willing buyer and willing seller. Neither has any incentive to report a violation of law. On the contrary, it is in the self-interest of both that the crime not be reported. That is why informers are needed. The use of informers and the immense sums of money at stake inevitably generate corruption — as they did during Prohibition. They also lead to violations of the civil rights of innocent people, to the shameful practices of forcible entry and forfeiture of property without due process.

As I wrote in 1972: "... addicts and pushers are not the only ones corrupted. Immense sums are at stake. It is inevitable that some relatively low-paid police and other government officials — and some high-paid ones as well — will succumb to the temptation to pick up easy money."

2. **Filling the prisons.** In 1970, 200,000 people were in prison. Today, 1.6 million people are. Eight times as many in absolute number, six times as many relative to the increased population. In addition, 2.3 million are on probation and parole. The attempt to prohibit drugs is by far the major source of the horrendous growth in the prison population.

There is no light at the end of that tunnel. How many of our citizens do we want to turn into criminals before we yell "enough"?

3. **Disproportionate imprisonment of blacks.** Sher Hosonko, at the time Connecticut's director of addiction services, stressed this effect of drug prohibition in a talk given in June 1995:

"Today in this country, we incarcerate 3,109 black men for every 100,000 of them in the population. Just to give you an idea of the drama in this number, our closest competitor for incarcerating black men is South Africa. South Africa — and this is pre-Nelson Mandela and under an overt public policy of apartheid — incarcerated 729 black men for every 100,000. Figure this out: In the land of the Bill of Rights, we jail over four times as many black men as the only country in the world that advertised a political policy of apartheid."

4. **Destruction of inner cities.** Drug prohibition is one of the most important factors that have combined to reduce our inner cities to their present state. The crowded inner cities have a comparative advantage for selling drugs. Though most customers do not live in the inner cities, most sellers do. Young boys and girls view the swaggering, affluent drug dealers as role models. Compared with the returns from a traditional career of study and hard work, returns from dealing drugs are tempting to young and old alike. And many, especially the young, are not dissuaded by the bullets that fly so freely in disputes between competing drug dealers — bullets that fly only because dealing drugs is illegal. Al Capone epitomizes our earlier attempt at Prohibition; the Crips and Bloods epitomize this one.

> Can our laws be moral if they have so racist an effect?

5. **Compounding the harm to users.** Prohibition makes drugs exorbitantly expensive and highly uncertain in quality. A user must associate with criminals to get the drugs, and many are driven to become criminals themselves to finance the habit. Needles, which are hard to get, are often shared, with the predictable effect of spreading disease. Finally, an addict who seeks treatment must confess to being a criminal in order to qualify for a treatment program. Alternatively, professionals who treat addicts must become informers or criminals themselves.

6. **Undertreatment of chronic pain.** The Federal Department of Health and Human Services has issued reports showing that two-thirds of all terminal cancer patients do not receive adequate pain medication, and the numbers are surely higher in nonterminally ill patients. Such serious undertreatment of chronic pain is a direct result of the Drug Enforcement Agency's pressures on physicians who prescribe narcotics.

7. **Harming foreign countries.** Our drug policy has led to thousands of deaths and enormous loss of wealth in countries like Colombia, Peru and Mexico, and has undermined the stability of their governments. All because we cannot enforce our laws at home. If we did, there would be no market for imported drugs. There would be no Cali cartel. The foreign countries would not have to suffer the loss of sovereignty involved in letting our "advisers" and troops operate on their soil, search their vessels and encourage local militaries to shoot down their planes. They could run their own affairs, and we, in turn, could avoid the diversion of military forces from their proper function.

Can any policy, however high-minded, be moral if it leads to widespread corruption, imprisons so many, has so racist an effect, destroys our inner cities, wreaks havoc on misguided and vulnerable individuals and brings death and destruction to foreign countries? □

Milton Friedman, the Nobelist in economics, is a senior research fellow at the Hoover Institution.

THE PRESIDENT HAS SEEN
1-12-98

Sandy
RS

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Berger
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Iraq, Libya deny collaborating on bacterial weapons

British press reports called 'slander'

By Michael Georgy
REUTERS NEWS AGENCY

BAGHDAD — Iraq and Libya yesterday denied British newspaper reports that Iraqi scientists were helping Libya develop biological weapons, saying the reports were part of a hostile American campaign.

"This is part of the American campaign of slander against Iraq and an attempt to justify the continuation of sanctions," said an Iraqi official, who requested anonymity.

"The Americans just want to keep their military force in the Gulf. They need an excuse to keep the threat of using military force against Iraq," added the official.

The Libyan news agency JANA, monitored by the BBC, said: "A number of English papers . . . have alleged that the great Jamahiriyah [Libya] was receiving help from Iraqi scientists and experts to develop what they termed as a program to produce bacteriological weapons.

"The international affairs editor at the Jamahiriyah news agency [JANA] has rejected these claims and allegations, describing them as ridiculous and totally baseless," the report said.

The Times and Guardian newspapers this week quoted Western intelligence sources as saying Libya was receiving help from Iraqi scientists in a covert program, believed to be code-named Ibn Hayan, to develop weapons of mass destruction.

"The papers were not referring to Western intelligence sources from Finland or Austria. Surely they were referring to American intelligence sources," said another Iraqi official.

"The latest intelligence reports indicate that up to a dozen Iraqi scientists, who had been involved in Baghdad's biological research, have transferred to the Libyan program and are now living in Tripoli under a special arrangement agreed between Libya and Iraq about seven months ago," the Times said on Tuesday.

It said scientists joined other Iraqi researchers who have been in Libya since the 1991 Gulf war that followed Iraq's invasion of Kuwait.

JANA's editor said the allegations were part of a "hostile campaign led by America" against Libya, and that any Iraqi experts in Libya were working in schools or universities, the BBC reported.

Asked if any Iraqi scientists were currently living in Libya for purposes not linked to a biological weapons program, the Iraqi official said: "This is part of an American slander campaign against Iraq. This is rubbish."

He did not elaborate.

Weapons of mass destruction are a sensitive subject in Iraq, which is locked in a showdown with the United Nations over Baghdad's refusal to allow weapons inspectors into controversial "presidential sites."

Iraq on Friday described U.S. plans to keep a major military force poised near the country as long as Baghdad refused to fully comply with arms sanctions as a threat to its security.

The United States has maintained a hard line on both Iraq and Libya.

Libya has been the target of U.N. sanctions since 1992 for failing to extradite to Britain or the United States two men accused in the 1988 midair bombing of Pan Am flight 103 over Lockerbie, Scotland, which killed 270 persons.

Iraq has been subjected to stringent U.N. sanctions since its 1990 invasion of Kuwait, and they will be lifted only after Baghdad gets a clean bill of health from U.N. inspectors charged with tracking and destroying its weapons of mass destruction.

The Washington Times
SUNDAY, JANUARY 11, 1998

JAN.11.1998 8:05AM WHSR 01 NO.134 P.43

THE PRESIDENT HAS SEEN
1-12-98

Gene/Rahm
What would this
cost — what about
this — BC

GOP offers alternative to Clinton day care plan

ASSOCIATED PRESS

A GOP lawmaker yesterday outlined child care proposals by congressional Republicans that he called a more effective and much cheaper alternative than President Clinton's $21.7 billion package.

"Congressional Republicans believe the best way to help American families care for their children is to provide as many options as possible and leave more money in their pockets, not launder it through countless federal programs that shrink every dollar they earn," Sen. Larry Craig, Idaho Republican, said in the weekly GOP radio address.

Mr. Clinton unveiled his child care package last week, including a plan to provide subsidies to low-income parents through state block grants. Other proposals would offer certain families expanded tax credits for child care expenses and businesses tax breaks for providing child care services to their employees.

Mr. Craig said he was disappointed by the hefty price tag attached to Mr. Clinton's proposal.

"Parents don't want the federal government telling them what they need or how to spend their money. They already know what's best for them and their children," he said.

Republican lawmakers have been working on child care plans of their own for the upcoming congressional session, Mr. Craig said. Among them, he said, are a measure to increase tax exemptions.

Mr. Craig also said Republicans are working on ways to encourage retiring baby boomers to become child care workers and are pushing an "income-splitting" plan.

"Income splitting would allow a spouse to claim half of his or her spouse's income as their own. Each income would then be taxed separately," he said. "This would give value to the spouse's work at home, and lower the tax burden of the family, of that couple."

Gene/Rahm
What would
this cost —
What about
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Coalition urges GOP to enforce abortion stance

ASSOCIATED PRESS


Tate


Nicholson

Upping the ante in a battle dividing Republicans, the Christian Coalition is challenging the national party to reverse course and back a measure that would punish GOP candidates who don't oppose certain late-term abortions.

In a letter to Republican National Committee Chairman Jim Nicholson, Christian Coalition Executive Director Randy Tate called it "a matter of principle over politics."

The issue of "partial-birth abortions" threatens to overshadow the committee's winter meeting in Indian Wells, Calif., this week.

Tim Lambert, a GOP national committeeman from Texas, has proposed passage of a requirement that the committee withhold support from "any candidate or nominee of this party who opposes measures to end so-called partial-birth abortions."

Abortion is a dicey subject for the committee, pitting its most die-hard activists against some GOP candidates who support abortion rights. Many GOP strategists fear adoption of the restriction would alienate centrist Republicans and mainstream American voters.

"We understand the need for inclusion, but there are some issues of transcendant moral significance, such as partial-birth abortions, which should be strongly condemned by both word and deed. The resolution before the RNC is just such a deed," Mr. Tate said in his letter, sent Friday night.

"We see no reason why Clinton-style advocates of extremist positions on abortion should be included in even the biggest of Republican tents," Mr. Tate said.

Breaking a lengthy silence that bothered some party regulars, Mr. Nicholson said last week the Lambert measure should be defeated because it would "lead to litmus tests on other controversial issues."

Religious conservatives didn't accept Mr. Nicholson's position.

"It is a matter of principle over politics," Mr. Tate wrote. "We believe that supporters of the right to life need to be assured that hard-earned dollars they contribute are not used to support the candidates who hold positions on abortion which they abhor."

Mike Collins, a Nicholson spokesman, said yesterday the debate is not about abortion but rather Mr. Nicholson's opposition to any measure that places litmus tests on GOP candidates.

Christian Coalition leaders debated for several days whether to enter the fray over Mr. Lambert's proposal. There was some concern within the organization about putting the coalition's political prestige behind a resolution that has a better chance of failing than succeeding.

In the end, coalition leaders felt compelled to join Mr. Lambert on a measure widely supported by its membership.

Two key supporters of the measure, speaking on the condition of anonymity, said yesterday it still appeared that no more than 40 percent of the national committee's members are behind the measure, but the lobbying will intensify.

The Washington Times
SUNDAY, JANUARY 11, 1998

THE PRESIDENT HAS SEEN
1-12-98

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Today's debate: TEENS AND DRUGS

A drug-testing blunder

OUR VIEW When Miami schools decided to crack down on drug abuse, they instead found a way to squander money.

School districts around the country are watching Miami this week as the nation's fourth-largest school system puts the finishing touches on an ill-conceived program to randomly drug test its high school students.

Miami school officials are pushing the $200,000 plan as a bold new way to fight teen-age drug abuse.

Too bold, in fact. The drug testing plan presents a flagrant threat to the personal liberties of 82,000 mostly law-abiding Miami high school students. So to head off predictable legal challenges, school officials are watering down their testing procedures to the point of uselessness.

They're asking parents to okay drug testing for all high school students, not just those suspected of abusing drugs. And to prevent charges that the program discriminates, children will be selected for the urine tests randomly using a lottery.

The absurdity of the program doesn't stop there. To ensure that students provide their own urine samples, parents must accompany their kids to drug testing sites.

And in the cruelest irony, students who test positive for drug abuse won't be offered follow-up treatment. Officials say the school district can't afford to get into the drug rehab business. In fact, only parents will know if the student failed. School officials will be given cumulative results.

In 1995, the Supreme Court ruled it's legal for high schools to require student athletes to undergo random drug testing. Until now, though, school districts have wisely avoided testing overall student populations because the programs are ineffective and hugely expensive.

Instead, most school districts are fighting the drug problem using established anti-drug educational programs. Districts administering drug tests, have found programs most cost-effective when offered voluntarily to students suspected of abusing drugs who can be helped through school-based programs.

Like other urban districts, Miami schools have plenty of problems. An *Education Week* study released last week found 10% of Miami high schoolers drop out every year, students score below the national average on standardized tests, and the area's inadequate schools are the major reason businesses refuse to locate in Miami.

None of these flaws will be corrected by the school system's expensive entry into the drug testing field.

And until the school system can come up with a cost-effective way to help students with drug problems, there are better ways it can spend its money.

Rahm — Where are we on this?
BC

Why not test students?

OPPOSING VIEW Our program will give parents, schools information while helping students help themselves.

By Renier Diaz de la Portilla

In sports, business, industry and government, drug testing is an increasingly common weapon in America's fight against drugs. That is why it is perplexing and disturbing that our children, who are the most vulnerable to drug use and its attendant evils, are largely left out.

The pilot drug and alcohol-testing program I proposed to the Miami-Dade County School Board targets abuse among high school students. No student will be tested without parental consent. None will be punished for opting out. Only parents will get results of the random tests, along with information on where to get help.

Research shows testing will deter students from using, as well as leading those who test positive to help. The program will cost less than current anti-drug programs.

Last year, for example, Miami-Dade — America's fourth-largest school district — spent $4.5 million in anti-drug education and peer counseling programs whose effectiveness is hard to evaluate.

The numbers gathered confidentially through the drug-testing program will be invaluable in guiding future anti-substance abuse programs. Although parents can test their children without school involvement, it is erroneous to assume that parents have the time or the resources to do so.

Critics may challenge this flexible policy with privacy or constitutional arguments. But what about a parent's right to information? I seriously doubt there are court rulings which deny a parent's right to know if his or her child's life is in danger.

Consider the 15-year-old Miami girl, pregnant and already a long-time drug abuser, who drowned in her bathtub after smelling glue. And a Miami boy, age 17, who shot himself in the head after years of alcohol, marijuana and LSD abuse. Both since 1995. Both could have been saved if their families had detected drug use earlier.

"Just Say No" and other "rah-rah" campaigns no will longer cut it. More aggressive and pro-active measures are needed if we are to save more of our children.

Renier Diaz de la Portilla is a 36-year-old Miami-Dade County School Board member.

USA TODAY · MONDAY, JANUARY 12, 1998

THE PRESIDENT HAS SEEN
1-12-98

Sandy
What about [illegible] interview back to them? —
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WASHINGTON

Clinton considering speaking to Iranians

President Clinton might address the Iranian people as one step toward improving U.S. relations with the Islamic state, national security adviser Sandy Berger said Sunday. "We would like to have a new relationship a better relationship," Berger told CNN News. But he cited such impediments as Iran's "support for terrorism, violent opposition to the Middle East peace process, development of weapons of mass destruction." Berger was asked about an Iranian newspaper suggestion that Clinton speak to Iranians much as Iran's president, Mohammad Khatami spoke to Americans in a CNN interview last week. Berger said he hadn't seen the proposal but "we'd certainly take a look at it."

CHILD CARE: [illegible] Republicans outlined child-care proposals that they say are more effective and cost much less than the $21.7 billion package President Clinton unveiled last week. "The best way to help American families care for their children is to provide as many options as possible and leave more money in their pockets, not launder it through countless federal programs that shrink every dollar they earn," Sen. Larry Craig of Idaho said in the weekly Republican radio address. Among the GOP proposals: increase tax exemptions for couples with children, give families greater flexibility in their work schedules and make it easier for small businesses to provide child care to their employees.

Gannett News Service

Craig: GOP has child-care plan

President Clinton used his Saturday radio address to push for a five-year ban on human cloning. (Worldwide ban proposed, 1A)

ROSTENKOWSKI'S VIEWS: Former House Ways and Means Chairman Dan Rostenkowski told NBC News that any budget surplus should go to pay down the national debt. He also denounced proposals for a national flat, consumption tax or sales tax, which some want to replace or scale back the income tax. Any changes should make the tax code simpler and more equitable, he said. The Illinois Democrat, defeated in 1994 after 36 years in Congress, served 13 months in prison for fraud, including cashing in his office postage stamps. "I don't like being out of the mainstream," he said. — Jill Lawrence

PAULA JONES LAWSUIT: Lawyers handling Paula Jones' sexual harassment lawsuit against President Clinton have put forth a new settlement offer of more than $2 million and an apology from Clinton, CBS News said. Jones previously wanted $700,000 and an apology. She says Clinton exposed himself and asked for oral sex in a hotel room in 1991 when he was Arkansas governor and she was a state employee. He denies it. His lawyer, Robert Bennett, wants a review of the tax-exempt status of the Rutherford Institute, which is funding Jones' lawsuit, and subpoenaed its financial records, *Time* says in its issue today.

MAGAZINER FLAP: House Ways and Means Chairman Bill Archer, R-Texas, wants Congress to bar the government from paying $286,000 that a federal judge assessed after finding that White House aide Ira Magaziner misled the court about the involvement of the private sector in the development of health care proposals in 1993. "It's wrong to punish the taxpayers for the White House's dishonesty," Archer said. The White House has defended Magaziner.

CORRECTION: An item Friday about Senate committee costs for the past three years should have said the total $190 million is for all committee activities, not just for investigations.

Written by Paul Leavitt with staff and wire reports

U.S. delegation focuses on Asia

IMF chief also headed for Jakarta

By James Kim
USA TODAY

SINGAPORE — The drive to ensure that Asian economic recovery efforts stay on track intensifies today, as delegates led by Deputy Treasury Secretary Lawrence Summers arrive in Jakarta, Indonesia.

Summers plans to meet with President Suharto to discuss the economic situation. The International Monetary Fund's top official, Jean-Michel Camdessus, also will arrive this week.

Summers will visit later in the trip with economic officials in Malaysia and Thailand, and perhaps China, Japan and South Korea. The mission: "To urge sound policies that can promote confidence and stability," he says.

On Sunday and early today, Summers kicked off the tour by meeting with Singapore's Senior Minister Lee Kuan Yew and Prime Minister Goh Chok Tong. Main topic: nearby Indonesia's woes.

Fear that the 76-year-old Suharto was wavering in his commitment to the IMF program caused the Indonesian rupiah to fall 18% against the dollar last Thursday and dragged down other Asian currencies and then stock markets around the world. It also prompted President Clinton to quickly dispatch Summers.

In Jakarta, Summers will likely press Suharto to push through the financial and regulatory reform required by the IMF's $43 billion Indonesian economic aid package. U.S. officials would not discuss specific issues. But the talks are expected to include the need to let ailing banks fail, and the need to scale back massive public works projects, including those controlled by members of Suharto's family.

Last week, the crisis led to panic in Indonesia. Citizens emptied store shelves of rice and other staples. But the panic buying has apparently stopped. Emboldened opposition leaders have called for Suharto, who has been in office for 32 years, to step down. The potential for heightened social unrest — as the economy stalls and unemployment spikes — has risen dramatically, experts say.

► More on Asia, 1A, 7A

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USA TODAY · MONDAY JANUARY 12, 1998

THE PRESIDENT HAS SEEN

1-12-98

The IRS — still going for the jugular

By Lawrence D. Garr

Did you ever wonder what happens to those poor, unfortunate people who owe the IRS more money than they can pay? They are not incarcerated, but rarely escape the agency's gunsights.

In recent years, many have sought protection in the IRS's Offer in Compromise Program, which allows them to strike a deal with the taxman and start over. Offers are submitted to the IRS on a form that instructs taxpayers how to calculate a dollar amount that will be processed by the agency. Simple enough, except the Service

Many will conclude that they could never pay the amount demanded, and will simply give up without submitting an offer. Their assets will then be seized, their salaries garnished and their lives ruined.

modified the form, and the modification threatens to deny the benefit of the program to thousands of deserving taxpayers. It now requires large dollar offers far in excess of the agency's internal guidelines and most taxpayers' ability to pay.

One might think IRS would be anxious to fix this before the program is ruined. To date, however, it has refused to do so. There can be no better example of why calls for IRS restructuring and oversight now occupy center stage.

In 1992, Commissioner Fred Goldberg restructured what was at best an unevenly administered program. His concept was to cut deals that reflected economic reality with honest but broke taxpayers. Mr. Goldberg's experiment was dramatically successful. Offers submitted rocketed from 8,711 in fiscal 1991 to 52,127 in fiscal 1994, and the dollars paid by these otherwise "deadbeat" taxpayers jumped from $37,000,000 to $281,000,000. Funds previously immune from the Service's broad seizure powers (such as loan proceeds and gifts from family, friends and employers), were routinely secured and given to the IRS to fund compromises.

Taxpayers submitting offers may have been broke, but their spirits were not broken. Pursuant to the Internal Revenue Manual, which was rewritten in 1992, offers were acceptable if taxpayers promised to pay an amount equal to the forced sale value of a their assets (about a quarter less than fair market value), plus the present value of 5 years (sometimes less) of their monthly take home pay, less necessary living expenses (the present value of the amount the IRS could collect from a wage garnishment). Under the revamped program, revenues were enhanced, collection costs were reduced and previously demoralized taxpayers rejoined the work force.

Notwithstanding this success, the IRS issued a 1997 revision of the offer form to require the payment of amounts well beyond those envisioned by its manual. Offer amounts are no longer pegged to economic reality. The form requires a minimum offer consisting of the fair market value of the taxpayer's property (as opposed to the significantly lower forced sale value), plus five years of net income (no exceptions) with no present value discount.

Five years of income with no present value discount! Those taxpayers who can afford to retain tax attorneys and accountants need not worry. In individual cases, competent experts will force the IRS to adhere to its manual, regardless of what the form may "require." Unfortunately, most taxpayers submitting offers are neither wealthy nor represented, and will rely solely on the IRS form without realizing they are being treated improperly. Many will conclude that they could never pay the amount demanded, and will simply give up without submitting an offer. Their assets will then be seized, their salaries garnished and their lives ruined.

These taxpayers, of course, are precisely the ones the IRS has an obligation to assist and treat fairly. According to Harry T. Manaka, IRS national office director for collection field services, the revised form was necessary to "curtail the number of non-processable offers that waste everybody's time." That is simply not true. The form does not require taxpayers to tender economically reasonable minimums, but requires pledges that are unrealistically large.

The second line of "defense" is that taxpayers offering too much money need not worry because revenue officers are told the amounts of the offers are negotiable. It is obvious to anyone who knows anything about the Service that revenue officers negotiate for more money, not less. To date, Mr. Manaka has conceded only that the IRS has received "a lot of feedback" from tax professionals about "what is perceived to be some conflicting instructions and procedures."

In truth, the IRS had to know its revised form, replete with revised instructions and worksheets, was inconsistent with its manual when the form was revised. It would appear the IRS's problem is not with what it has done, but that it has been caught. IRS officials have now scheduled a two-week meeting starting Jan. 20 to review the offer program.

Mismanagement of offers is not the agency's only problem. For three days in September, the best show in Washington was not on a Kennedy Center stage, but on Capital Hill. One after another, abused taxpayers, IRS employee whistleblowers and independent tax experts pointed out practices, procedures and policies that were unquestionably out of line. The testimony described revenue officers pursuing tax collection with a callous disregard for the circumstances of individual taxpayers and their families. At least some district supervisors turned a blind eye to these practices and evaluated personnel based on tax dollars collected, thereby encouraging the abuses and rewarding the abusers.

Deputy Commissioner Michael Dolan apologized for these abuses and promised to take action to ensure that disciplinary sanctions are imposed where warranted. Given the television coverage and notoriety, the IRS rank and file really has no choice but to back Mr. Dolan, even if some may believe he overreacted. Whether oversight of the IRS is necessary to monitor Mr. Dolan's progress is debatable: the whole country is watching.

There is no question, however, that something is needed to temper and control the Service's self-righteous "we know best how to administer the tax laws and don't need any help" attitude. Although in most instances the IRS does know how to administer the tax laws, at times it has lost touch. Its defense of the indefensible offer in compromise form is a prime example. The IRS has to recognize what the rest of the country and Congress already know: that it is far from perfect, and its paternalistic, defensive attitude is neither appreciated nor appropriate. If an oversight committee is necessary to persuade IRS top brass to change course and rectify mistakes before new horror stories are generated, it is time to form the committee.

Lawrence D. Garr, a partner in the law firm of Dickstein Shapiro Morin and Oshinsky, L.L.P., was a trial attorney for the IRS for 14 years.

The Washington Times
MONDAY, JANUARY 12, 1998

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THE PRESID[illegible]
1-12-98

<u>Sandy</u>
can we do more
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Ms. Shved hung up and called officials at Ukraine's Interior Ministry and the Foreign Ministry. Her conversations were short, direct and obviously a routine part of her job.

That is because Ukraine — and to a lesser degree its Slavic neighbors Russia and Belarus — has replaced Thailand and the Philippines as the epicenter of the global business in trafficking women. The Ukrainian problem has been worsened by a ravaged economy, an atrophied system of law enforcement, and criminal gangs that grow more brazen each year. Young European women are in demand, and Ukraine, a country of 51 million people, has a seemingly endless supply. It is not that hard to see why.

Neither Russia nor Ukraine reports accurate unemployment statistics. But even partial numbers present a clear story of chaos and economic dislocation. Federal employment statistics in Ukraine indicate that more than two-thirds of the unemployed are women. The Government also keeps another statistic: employed but not working. Those are people who technically have jobs, and can use company amenities like day-care centers and hospitals. But they do not work or get paid. Three-quarters are women. And of those who have lost their jobs since the Soviet Union dissolved in 1991, more than 80 percent are women.

The average salary in Ukraine today is slightly less than $30 a month, but it is half that in the small towns that criminal gangs favor for recruiting women to work abroad. On average, there are 30 applicants for every job in most Ukrainian cities. There is no real hope; but there is freedom.

In that climate, looking for work in foreign countries has increasingly become a matter of survival.

"It's no secret that the highest prices now go for the white women," said Marco Buffo, executive director of On the Road, an anti-trafficking organization in northern Italy. "They are the novelty item now. It used to be Nigerians and Asians at the top of the market. Now it's the Ukrainians."

Economics is not the only factor causing women to flee their homelands. There is also social reality. For the first time, young women in Ukraine and Russia have the right, the ability and the willpower to walk away from their parents and their hometowns. Village life is disintegrating throughout much of the former Soviet world, and youngsters are grabbing any chance they can find to save themselves.

"After the wall fell down, the Ukrainian people tried to live in the new circumstances," said Ms. Shved. "It was very hard, and it gets no easier. Girls now have few opportunities yet great freedom. They see 'Pretty Woman,' or a thousand movies and ads with the same point, that somebody who is rich can save them. The glory and ease of wealth is almost the basic point of the Western advertising that we see. Here the towns are dying. What jobs there are go to men. So they leave."

First, however, they answer ads from employment agencies promising to find them work in a foreign country. Here again, Russian crime gangs play a central role. They often recruit people through seemingly innocuous "mail order bride" meetings. Even when they do not, few such organizations can operate without paying off one gang or another. Sometimes want ads are almost honest, suggesting that the women can earn up to $1,000 a month as "escorts" abroad. Often they are vague or blatantly untrue.

Recruiting Methods

Ads Make Offers Too Good to Be True

One typical ad used by traffickers in Kiev last year read: "Girls: Must be single and very pretty. Young and tall. We invite you for work as models, secretaries, dancers, choreographers, gymnasts. Housing is supplied. Foreign posts available. Must apply in person."

One young woman who did, and made it back alive, described a harrowing journey. "I met with these guys and they asked if I would work at a strip bar," she said. "Why not, I thought. They said we would have to leave at once. We went by car to the Slovak Republic where they grabbed my passport. I think they got me new papers there, but threatened me if I spoke out. We made it to Vienna, then to Turkey. I was kept in a bar and I was told I owed $5,000 for my travel. I worked for three days, and on the fourth I was arrested."

Lately, the ads have started to disappear from the main cities — where the realities of such offers are known now. These days the appeals are made in the provinces, where their success is undiminished.

Most of the thousands of Ukrainian women who go abroad each year are illegal immigrants who do not work in the sex business. Often they apply for a legal visa — to dance, or work in a bar — and then stay after it expires.

Many go to Turkey and Germany, where Russian crime groups are particularly powerful. Israeli leaders say that Russian women — they tend to refer to all women from the former Soviet Union as Russian — disappear off tour boats every day. Officials in Italy estimate that at least 30,000 Ukrainian women are employed illegally there now.

Most are domestic workers, but a growing number are prostitutes, some of them having been promised work as domestics only to find out their jobs were a lie. Part of the problem became clear in a two-year study recently concluded by the Washington-based nonprofit group Global Survival Network: police officials in many countries just don't care.

The network, after undercover interviews with gangsters, pimps and corrupt officials, found that local police forces — often those best able to prevent trafficking — are least interested in helping.

The New York Times
Sunday, January 11, 1998

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1-12-98

Traffickers' New Cargo: Naïve Slavic Women

A1 By MICHAEL SPECTER

RAMLE, Israel — Irina always assumed that her beauty would somehow rescue her from the poverty and hopelessness of village life. A few months ago, after answering a vague ad in a small Ukrainian newspaper, she slipped off a tour boat when it put in at Haifa, hoping to make a bundle dancing naked on the tops of tables.

She was 21, self-assured and glad to be out of Ukraine. Israel offered a new world, and for a week or two everything seemed possible. Then, one morning, she was driven to a brothel, where her boss burned her

CONTRABAND WOMEN

A special report.

passport before her eyes.

"I own you," she recalled his saying. "You are my property and you will work until you earn your way out. Don't try to leave. You have no papers and you don't speak Hebrew. You will be arrested and deported. Then we will get you and bring you back."

It happens every single day. Not just in Israel, which has deported nearly 1,500 Russian and Ukrainian women like Irina in the past three years. But throughout the world, where selling naïve and desperate young women into sexual bondage has become one of the fastest-growing criminal enterprises in the robust global economy.

The international bazaar for women is hardly new, of course. Asians have been its basic commodity for decades. But economic hopelessness in the Slavic world has opened what experts call the most lucrative market of all to criminal gangs that have flourished since the fall of Communism: white women with little to sustain them but their dreams. Pimps, law enforcement officials and relief groups all agree that

Continued on Page 6

Continued From Page 1

Ukrainian and Russian women are now the most valuable in the trade.

Because their immigration is often illegal — and because some percentage of the women choose to work as prostitutes — statistics are difficult to assess. But the United Nations estimates that four million people throughout the world are trafficked each year — forced through lies and coercion to work against their will in many types of servitude. The International Organization for Migration has said that as many as 500,000 women are annually trafficked into Western Europe alone.

Many end up like Irina. Stunned and outraged by the sudden order to prostitute herself, she simply refused. She was beaten and raped before she succumbed. Finally she got a break. The brothel was raided and she was brought here to Neve Tirtsa in Ramle, the only women's prison in Israel. Now, like hundreds of Ukrainian and Russian women with no documents or obvious forgeries, she is waiting to be sent home.

"I don't think the man who ruined my life will even be fined," she said softly, slow tears filling her enormous green eyes. "You can call me a fool for coming here. That's my crime. I am stupid. A stupid girl from a little village. But can people really buy and sell women and get away with it? Sometimes I sit here and ask myself if that really happened to me, if it can really happen at all."

Then, waving her arm toward the muddy prison yard, where Russian is spoken more commonly than Hebrew, she whispered one last thought: "I'm not the only one, you know. They have ruined us all."

Traffic Patterns

Russia and Ukraine Supply the Flesh

Centered in Moscow and the Ukrainian capital, Kiev, the networks trafficking women run east to Japan and Thailand, where thousands of young Slavic women now work against their will as prostitutes, and west to the Adriatic Coast and beyond. The routes are controlled by Russian crime gangs based in Moscow. Even when they do not specifically move the women overseas, they provide security, logistical support, liaison with brothel owners in many countries and, usually, false documents.

Women often start their hellish journey by choice. Seeking a better life, they are lured by local advertisements for good jobs in foreign countries at wages they could never imagine at home.

In Ukraine alone, the number of women who leave is staggering. As many as 400,000 women under 30 have gone in the past decade, according to their country's Interior Ministry. The Thai Embassy in Moscow, which processes visa applications from Russia and Ukraine, says it receives nearly 1,000 visa applications a day, most of these from women.

Israel is a fairly typical destination. Prostitution is not illegal here, although brothels are, and with 250,000 foreign male workers — most of whom are single or here without their wives — the demand is great. Police officials estimate that there are 25,000 paid sexual transactions every day. Brothels are ubiquitous.

None of the women seem to realize the risks they run until it is too late. Once they cross the border their passports will be confiscated, their freedoms curtailed and what little money they have taken from them at once.

"You want to tell these kids that if something seems too good to be true it usually is," said Lyudmilla Biryuk, a Ukrainian psychologist who has counseled women who have escaped or been released from bondage. "But you can't imagine what fear and real ignorance can do to a person."

The women are smuggled by car, bus, boat and plane. Handed off in the dead of night, many are told they will pick oranges, work as dancers or as waitresses. Others have decided to try their luck at prostitution, usually for what they assume will be a few lucrative months. They have no idea of the violence that awaits them.

The efficient, economically brutal routine — whether here in Israel, or in one of a dozen other countries — rarely varies. Women are held in apartments, bars and makeshift brothels; there they service, by their own count, as many as 15 clients a day. Often they sleep in shifts, four to a bed. The best that most hope for is to be deported after the police finally catch up with their captors.

Few ever testify. Those who do risk death. Last year in Istanbul, Turkey, according to Ukrainian police investigators, two women were thrown to their deaths from a balcony while six of their Russian friends watched.

In Serbia, also last year, said a young Ukrainian woman who escaped in October, a woman who refused to work as a prostitute was beheaded in public.

In Milan a week before Christmas, the police broke up a ring that was holding auctions in which women abducted from the countries of the former Soviet Union were put on blocks, partially naked, and sold at an average price of just under $1,000.

"This is happening wherever you look now," said Michael Platzer, the Vienna-based head of operations for the United Nations' Center for International Crime Prevention. "The mafia is not stupid. There is less law enforcement since the Soviet Union fell apart and more freedom of movement. The earnings are incredible. The overhead is low — you don't have to buy cars and guns. Drugs you sell once and they are gone. Women can earn money for a long time."

"Also," he added, "the laws help the gangsters. Prostitution is semilegal in many places and that makes enforcement tricky. In most cases punishment is very light."

In some countries, Israel among them, there is not even a specific law against the sale of human beings.

Mr. Platzer said that although certainly "tens of thousands" of women were sold into prostitution each year, he was uncomfortable with statistics since nobody involved has any reason to tell the truth.

"But if you want to use numbers," he said, "think about this. Two hundred million people are victims of contemporary forms of slavery. Most aren't prostitutes, of course, but children in sweatshops, domestic workers, migrants. During four centuries, 12 million people were believed to be involved in the slave trade between Africa and the New World. The 200 million — and many of course are women who are trafficked for sex — is a current figure. It's happening now. Today."

Distress Calls

Far-Flung Victims Provide Few Clues

The distress call came from Donetsk, the bleak center of coal production in southern Ukraine. A woman was screaming on the telephone line. Her sister and a friend were prisoners in a bar somewhere near Rome. They spoke no Italian and had no way out, but had managed, briefly, to get hold of a man's cell phone.

"Do you have any idea where they are, exactly?" asked Olga Shved, who runs La Strada in Kiev, Ukraine's new center dedicated to fighting the trafficking of women in Eastern Europe and the countries of the former Soviet Union.

The woman's answer was no. Ms. Shved began searching for files and telephone numbers of the local consul, the police, anybody who could help.

"Do they know how far from Rome they are?" she asked, her voice tightening with each word. "What about the name of the street or the bar? Anything will help," she said, jotting notes furiously as she spoke. "We can get the police on this, but we need something. If they call back, tell them to give us a clue. The street number. The number of a bus that runs past. One thing is all we need."

The New York Times
Sunday, January 11, 1998

1/3

Gillian Caldwell of Global Survival Network has been deeply involved in the study. "In Tokyo," she said, "a sympathetic senator arranged a meeting for us with senior police officials to discuss the growing prevalence of trafficking from Russia into Japan. The police insisted it wasn't a problem, and they didn't even want the concrete information we could have provided. That didn't surprise local relief agencies, who cited instances in which police had actually sold trafficked women back to the criminal networks which had enslaved them."

Official Reactions

Best-Placed to Help, But Least Inclined

Complacency among police agencies is not uncommon.

"Women's groups want to blow this all out of proportion," said Gennadi V. Lepenko, chief of Kiev's branch of Interpol, the international police agency. "Perhaps this was a problem a few years ago. But it's under control now."

That is not the view at Ukraine's Parliament — which is trying to pass new laws to protect young women — or at the Interior Ministry.

"We have a very serious problem here and we are simply not equipped to solve it by ourselves," said Mikhail Lebed, chief of criminal investigations for the Ukrainian Interior Ministry. "It is a human tragedy, but also, frankly, a national crisis. Gangsters make more from these women in a week than we have in our law enforcement budget for the whole year. To be honest, unless we get some help we are not going to stop it."

But solutions will not be simple. Criminal gangs risk little by ferrying women out of the country; indeed, many of the women go voluntarily. Laws are vague, cooperation between countries rare and punishment of traffickers almost nonexistent. Without work or much hope of a future at home, an eager teen-ager will find it hard to believe that the promise of a job in Italy, Turkey or Israel is almost certain to be worthless.

"I answered an ad to be a waitress," said Tamara, 19, a Ukrainian prostitute in a massage parlor near Tel Aviv's old Central Bus Station, a Russian-language ghetto for the cheapest brothels. "I'm not sure I would go back now if I could. What would I do there, stand on a bread line or work in a factory for no wages?"

Tamara, like all other such women interviewed for this article, asked that her full name not be published. She has classic Slavic features, with long blond hair and deep green eyes. She turned several potential customers away so she could speak at length with a reporter. She was willing to talk as long as her boss was out. She said she was not watched closely while she remained within the garish confines of the "health club."

"I didn't plan to do this," she said, looking sourly at the rich red walls and leopard prints around her. "They took my passport, so I don't have much choice. But they do give me money. And believe me, it's better than anything I could ever get at home."

Yitzhak Tyler, the chief of undercover activities for the Haifa police, is a big, open-faced man who doesn't mince words.

"We got a hell of a problem on our hands," he said. The port city of 200,000 has become the easiest entryway for women brought to Israel to work as prostitutes — though by no means the only one. Sometimes they walk off tour boats, but increasingly they come with forged documents that enable them to live and work in Israel. These have often been bought or stolen from elderly Jewish women in Russia or Ukraine.

"This is a sophisticated, global operation," Mr. Tyler said. "It's evil, and it's successful because the money is so good. These men pay $500 to $1,000 for a Ukrainian or Russian woman. Do you understand what I am telling you? They will buy these women and make a fortune out of them."

To illustrate his point, Mr. Tyler grabbed a black calculator and started calling out the sums as he punched them in.

"Take a small place," he said, "with 10 girls. Each has 15 to 20 clients a day. Multiply that by say 200 shekels. So say 30,000 shekels a day comes in to each place. Each girl works 25 days a month. Minimum."

Mr. Tyler was busy doing math as he spoke. "So we are talking about 750,000 shekels a month, or about $215,000. A man often owns five of these places. That's a million dollars. No taxes, no real overhead. It's a factory with slave labor. And we've got them all over Israel."

The Tropicana, in Tel Aviv's bustling business district, is one of the busiest bordellos. The women who work there, like nearly all prostitutes in Israel today, are Russian. Their boss, however, is not.

"Israelis love Russian girls," said Jacob Golan, who owns this and two other clubs, and spoke willingly about the business he finds so "successful." "They are blonde and good-looking and different from us," he said, chuckling as he drew his hand over his black hair. "And they are desperate. They are ready to do anything for money."

Always filled with half-naked Russian women, the club is open around the clock. There is a schedule on the wall next to the receptionist — with each woman's hours listed in a different color, and the days and shifts rotating, as at a restaurant or a bar. Next to the schedule a sign reads, "We don't accept checks." Next to that there is a poster for a missing Israeli woman.

There are 12 cubicles at the Tropicana where 20 women work in shifts, 8 during the daytime, 12 at night. Business is always booming, and not just with foreign workers. Israeli soldiers, with rifles on their shoulders, frequent the place, as do business executives and tourists.

Mr. Golan was asked if most women who work at the club do so voluntarily. He laughed heartily.

"I don't get into that," he said, staring vacantly across his club at four Russian women sitting on a low couch. "They are brought here and told to work. I don't force them. I pay them. What goes on between them and the men they are with, how could that be my problem?"

Deterrent Strategies

A System That Fails Those Who Testify

Every once in a while, usually with great fanfare and plenty of advance notice, Mr. Golan gets raided. He pays a fine, and the women without good false documents are taken to prison.

If they are deported, the charges against them are dropped. But if a woman wants to file a complaint, then she must remain in prison until a trial is held. "In the past four years," Betty Lahan, prison director of Neve Tirtsa here, said, "I don't know of a single case where a woman chose to testify."

Such punitive treatment of victims is the rule rather than the exception. In Italy, where the police say killings of women forced into prostitution average one a month, Parliament tried to create a sort of witness protection program. But it only allowed women to stay in the country for one year and did nothing to hide their identities.

"The deck is just so completely stacked against the women in all this," said Daniella Pompei, an immigration specialist with the community of Sant'Egidio, the Catholic relief agency in Rome. "The police is the last place these women want to go." She said that only 20 women had ever used the protection program.

It is not clear who will stop the mob. On a trip to Ukraine late last year, Hillary Rodham Clinton spoke out about the new white slave trade that has developed so rapidly there. The United States and the European Union have plans to work together to educate young women about the dangers of working abroad. Other initiatives, like stays of deportation for prisoners, victims' shelters and counseling, have also been discussed.

"I don't care about any of that," said Lena, a young Latvian, one of the inmates waiting to be deported here. "I just want to know one thing. How will I ever walk down the street like a human being again?"

The New York Times
Sunday, January 11, 1998

2/3

THE PRESIDENT HAS SEEN
1-12-98

CRuff
I thought we were going to stop this? —
BC

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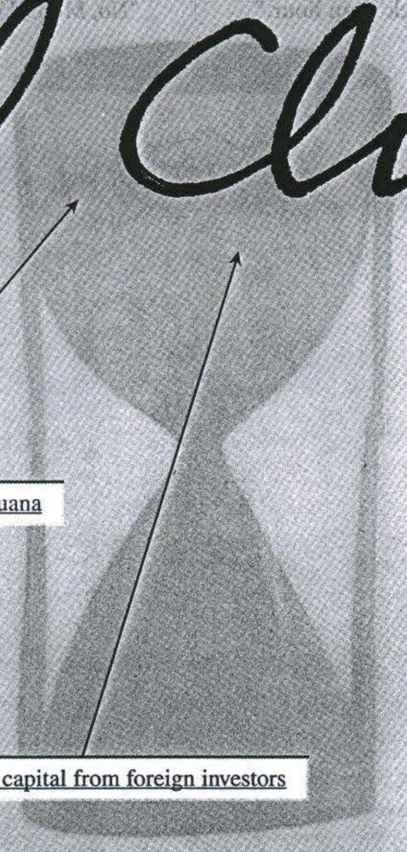
Ruff
COS

Fat Al's serves a mean triple cheeseburger

Book a whitewater rafting trip

Bill Clinton



Some states approve medicinal marijuana

Buy lingerie for that special someone

How to raise capital from foreign investors

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1-12-98

Gene S
What about this?
Rob

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Sperling
COS

"They just gave the money away," he said. "It's a travesty. When you add up all the loans they've handled this way, it's billions of dollars. If HUD can't collect bad debts, why are they in business? Anyone can make a loan by using the resources of the U.S. government. Instead of holding an auction, why didn't HUD hire Ocwen to collect the money?"

Mr. Hillman's fury mounted when he realized that HUD transferred to Ocwen rights to his unpaid interest, paid off with government insurance. It was pure profit for Ocwen that would reduce the firm's actual purchase price for the loans to $26.9 million — or $1.8 million less than Mr. Hillman's bid in the HUD auction.

In preparing his lawsuit, Mr. Hillman's lawyers discovered another lawsuit by Bethesda-based Ervin & Associates, a HUD property management contractor, accusing HUD and its financial advisory contractor of giving inside information to bidders and bid-rigging in the HUD note sales.

An Ocwen partner, Wall Street investment firm BlackRock Capital Finance, was implicated in the bid-rigging scheme by witnesses in the criminal probe following up on charges in the Ervin lawsuit.

BlackRock's successful bids had picked up more than a third of all auctioned loans in HUD's $9 billion note sales. BlackRock's partner in most of the bidding was Berkeley Federal, the New Jersey thrift that belonged to Ocwen and is now called Ocwen Federal Bank.

Mr. Hillman's lawyers and criminal investigators wondered how BlackRock was able to win so much of HUD's auctioned loan portfolio. BlackRock's role as a HUD financial advisory contractor for one major auction in mid-1996 also is under review.

According to witnesses in the criminal probe, investigators are probing charges that BlackRock had access to computer records listing the loan payment history of HUD-insured single-family loans.

Wesley R. Edens, BlackRock's managing partner in charge of the firm's HUD note sales business, said he could not say whether his on-site HUD representative, Chris Haspel, took advantage of the HUD records — a computer tape — to help map BlackRock-Ocwen's bidding strategy.

Access to the tape?

"I have no idea if he had access" to the tape, Mr. Edens said. "On Aug. 22 last year, we specifically

see LOSSES, *page A7*

The Washington Times

SUNDAY, JANUARY 11, 1998

LOSSES

From page A6

requested a servicing tape of loans we bought."

As BlackRock's on-site representative, Mr. Haspel attended weekly strategy meetings at HUD throughout 1995 and 1996 to help organize the loan auctions, Mr. Edens said. "We had regular contact over the phone." Mr. Haspel could not be reached for comment.

In the lawsuit, Mr. Hillman charged that Ocwen developed its own special computer system to analyze loan histories and other information, giving the firm an unfair advantage in the auctions. HUD required bidders to make their offers based on a particular percentage or cents-on-the-dollar discount for the unpaid principal balance of all loans included in their bids.

Ocwen's computer system told the firm how it could make large profits by bidding the same discounted percentage for large numbers of diverse loans in different geographic regions. The computer analysis determined how Ocwen could earn lucrative interest income by servicing some productive loans while offering the same percentage on other troubled properties that would have to be foreclosed and possibly redeveloped.

The Hillman lawsuit charged that a "computer optimization model" used by HUD's financial advisory contractor, Hamilton Securities Advisory Services, favored Ocwen and other large bidders.

"Ocwen was the successful bidder because its pooled bids on 47 of the 151 secured notes auctioned by HUD were favored by the computer optimization model," according to the suit. The process "locks many potential bidders out and favors a select handful of large dominating investors whose bids are repeatedly successful" — a violation of the National Housing Act, the lawsuit charged.

In the court battle, Ocwen blocked Mr. Hillman's lawyers from getting sworn testimony about the firm's computer system. But Mr. Hillman's apartment companies sought to reorganize under bankruptcy laws and forced the issue into U.S. Bankruptcy Court.

In a court filing there, Ocwen fought disclosure of its "trade secrets."

"Approximately 84 percent of Ocwen's net income is generated from the purchase, management, servicing and sale of non-performing or sub-performing loans which have been purchased by Ocwen from the federal government or from other financial institutions," the firm told the court.

"The difference between winning and losing can be as little as a thousandth of a percentage point. Thus, if a competitor were able to predict Ocwen's bid, it could simply bid one dollar more, thereby securing the asset. The cost to Ocwen would be tens of millions of dollars a year."

Last March, the bankruptcy court rejected Ocwen's arguments and ordered the firm to submit to questioning by Mr. Hillman's lawyers. Just days later, apparently to avoid the examination and disclosure of its auction strategy for HUD loans, Ocwen quickly agreed to sell the Woodbridge apartment properties back to Mr. Hillman for $40 million.

"HUD lost 25 percent of the face value [in the note sale to Ocwen]," Mr. Hillman said. "I owed $40 million, they sold for [$30 million]. I don't understand that."

THE PRESIDENT HAS SEEN
1-12-98

HUD's role in loans and how it can lose

Q&A

By George Archibald
THE WASHINGTON TIMES

The U.S. Department of Housing and Urban Development's mortgage insurance programs cover $407 billion worth of outstanding housing loans for about 2.1 million single-family homes, apartment projects and retirement and nursing homes. HUD's efforts since 1994 to sell off its portfolio of defaulted loans without government insurance to private investors, after HUD paid them off, has led to charges of favoritism and bid-rigging to benefit a select group of winning bidders in the financial community. A criminal probe of possible HUD corruption has been under way for almost two years. Here's a look at some of the factual background.

Q: How did the federal government get into the housing mortgage business?

A: The major federal role started in 1934 with Congress' creation of the Federal Housing Administration to insure home mortgages.

Q: Who is eligible for federal mortgage insurance and how does the program work?

A: The program's stated aim is to enhance credit opportunity primarily for families with children, the elderly, and the handicapped — whether they want to own their own single-family home or live in multifamily facilities such as condominiums or rental apartments owned by landlords. The federal insurance guarantees repayment of housing loans in case property owners default, thus eliminating risk for FHA-approved lenders.

Q: What happens if a borrower — either a single-family homeowner or apartment landlord — falls behind on FHA-insured loan payments?

A: If a single-family home borrower defaults on the mortgage, normally the bank will foreclose and make a claim to HUD for the insurance payment. HUD then owns the house and resells it. This happens in about 60,000 cases a year. If an apartment owner's mortgage payments are delinquent 30 to 60 days, the lender can assign the note to HUD. HUD pays the lender and owns the note. HUD officials then have the responsibility to try to collect the outstanding indebtedness from the borrower. HUD had accumulated about 2,400 multifamily notes by 1985.

Q: Why did HUD decide to auction its portfolio of defaulted housing mortgages to private investors, starting in 1994?

A: HUD's official explanation was that the department had accumulated too many notes for its staff to handle and obtain repayment. Also, HUD officials said the additional burden was preventing them from managing the department's insured portfolio, raising the prospect of further defaults. In addition to the 2,400 defaulted multifamily notes assigned to HUD by the mid-1980s, the department also had accumulated about 90,000 defaulted single-family loans. The single-family loans were from a special program that allowed homeowners who became delinquent for reasons beyond their control to have the notes assigned to HUD and enter a three-year reduced payment program to try to work out the delinquency. The 90,000 defaulted single-family loans not successfully worked out were sold in the auctions.

Q: What problems occurred in the auctions?

A: When big investment firms such as Goldman Sachs, BlackRock Capital Finance, Ocwen Financial Corp. and GE Capital kept winning huge blocks of auctioned notes in sale after sale, some losing bidders complained of unfairness and favoritism. Several lawsuits were filed accusing HUD officials in charge of the sales and the department's financial advisory contractor, Hamilton Securities Group, with corrupt practices and giving insider information to auction winners. BlackRock Capital, a major winning bidder, was at the same time a financial advisory subcontractor to Hamilton in organizing a major HUD sale in 1996. These issues are before federal courts in several lawsuits around the country.

Q: What has HUD done about the allegations of corruption and unfairness?

A: Last October, HUD Secretary Andrew M. Cuomo suspended further note auctions and ordered Hamilton to be fired after his senior aides found covered-up evidence at the Federal Housing Administration of errors in Hamilton's bid selection process for the sales. The secretary's aides also discovered that Hamilton had altered bids, changing winners and losers in some sales, to compensate for its faulty bid selection process. HUD is cooperating with an ongoing criminal investigation by the department's inspector general and the Justice Department. Simultaneously, the department's lawyers, with help from the Justice Department, are defending HUD against civil lawsuits charging corruption and favoritism.

Q: What is likely to happen?

A: The complex nature of the hundreds of thousands of financial transactions involved has caused the criminal investigation to drag on for nearly two years. On Thursday, Hamilton filed a lawsuit against HUD and the inspector general, challenging the firm's termination, meaning the issue will drag on in the courts for some time to come.

400 Arab stone-throwers battle Israeli troops in Hebron

Only a handful are hurt in the several-hour clash in busy downtown

By Nasser Shiyoukhi
ASSOCIATED PRESS

HEBRON, West Bank — Hundreds of Palestinians hurled stones and bottles yesterday at Israeli troops, who fired back with rubber bullets in an hours-long clash that was interrupted occasionally to let people pass. Seven protesters and one Israeli border policeman were injured.

The deafening boom of percussion grenades echoed through busy shopping streets in the center of Hebron as the two sides fought off and on for several hours before the crowd of 400 protesters dispersed.

Even at the height of the clash, the two sides would call an occasional truce to let pedestrians pass. "Cease fire!" the stone-throwers and soldiers would shout, and Palestinian shoppers would scurry through.

One Palestinian was arrested. Witnesses said soldiers kicked him before taking him away in a jeep. Army radio said a border policeman was slightly injured after being hit by a rock.

The close-quarters clash in Hebron came as Palestinians denounced Israel's latest stance on Jewish settlements and troop deployments, and accused U.S. envoy Dennis Ross of siding with Israel.

The clash occurred near an Israeli settlement and was apparently spontaneous, reflecting anger over the stalled peace process.

Mr. Ross' mission ended Friday with Israel dismissing earlier pledges to Palestinians on West Bank troop withdrawals and announcing new settlement-building plans.

The Palestinian Cabinet accused Israel on Friday of "pushing the already volatile situation of the region to the brink of disaster" by expanding Jewish settlements and refusing to implement three promised troop redeployments.

Palestinian Higher Education Minister Hanan Ashrawi accused the United States of not doing enough to force Israel to honor its agreements.

"It is clear that the U.S. administration did not act in the way that is needed to implement" earlier accords, she said, and that Mr. Ross tried to "justify holding the peace process hostage to domestic concerns in Israel."

Prime Minister Benjamin Netanyahu's government has been under heavy pressure from right-wingers in his coalition to not hand back more land to the Palestinians, and his dovish foreign minister, David Levy, departed after accusing the government of dragging its feet in the peace process.

Mr. Netanyahu said troop withdrawals depended on the Palestinian Authority meeting Israeli conditions, especially cracking down on militant groups.

The Palestinian Cabinet accused Israel of stalling in order to build more settlements before talks move ahead.

During Mr. Ross' four-day visit, the Netanyahu government revealed tentative plans to double the number of homes in Jewish settlements over the next two decades.

"Obviously, he has been unable to effect any change in the Israeli attitude," Mrs. Ashrawi said of Mr. Ross.

Israel, meanwhile, was on high alert against possible terrorist attacks by Islamic militants to coincide with the Muslim holy month of Ramadan.

Israeli media reported that police would step up their presence in and around all major cities as of today. A heavy security presence was expected at public areas such as bus stations, train stations and major shopping areas throughout the country.

HUD's losses are loan buyer's profit

Foreclosures cost taxpayers $1.9 billion

The Washington Times
SUNDAY, JANUARY 11, 1998

By George Archibald
THE WASHINGTON TIMES

A1

It was a bad deal for the taxpayers and a tidy profit for an obscure Florida lender.

When the U.S. Department of Housing and Urban Development held a forced sale of troubled mortgages held by Virginia apartment landlord David H. Hillman in August 1996, the U.S. Treasury lost $13 million, but Ocwen Financial Corp. of West Palm Beach, Fla. made a quick $8 million killing.

The defaulted loans for Mr. Hillman's three apartment complexes, located in Woodbridge, Va., were among 50 notes acquired by Ocwen Financial Corp. at the auction.

Since 1994, the U.S. Department of Housing and Urban Development has paid off and auctioned more than $8.6 billion worth of defaulted government-insured housing mortgages — at a loss of more than $1.9 billion to taxpayers — as a way to remove the bad loans from the federal books.

And Ocwen, whose business is aimed primarily at profiting from the purchase of the defaulted federally insured mortgages after HUD has paid them off, finds itself at the center of a federal criminal probe into charges that the sales were rigged.

Investigators are pursuing charges that a select group of banks and investment firms, including Ocwen, may have benefited from HUD corruption and inside information before the note sales.

The Justice Department and HUD's own inspector general have

see LOSSES, page A6

LOSSES

From page A1

spent almost two years trying to unravel a tangled web of computer-driven financial transactions involving HUD officials and companies that acquired the bulk of $9 billion worth of defaulted housing loans after original lenders were paid off with HUD insurance.

According to documents filed in U.S. District Court in Washington,

Ocwen's purchase of Mr. Hillman's notes for the Bayvue, Longview, and Woodbridge Forest apartment complexes in Prince William County is part of the financial puzzle that, so far, has stumped investigators and Justice Department prosecutors.

"The criminal investigation is ongoing and concerns an extremely complex set of facts," J. Ramsey Johnson, principal assistant U.S. attorney, wrote in a letter submitted last month to U.S. District Judge William B. Bryant. "This office and the HUD Inspector General's Office need additional time in which to complete that investigation."

Ocwen attempted to foreclose quickly on Mr. Hillman's properties soon after it acquired the notes from HUD. The story of Mr. Hillman's successful court fight to regain his properties has been pieced together mainly from court records, since the apartment owner refused to comment about the settlement and Ocwen officials rebuffed numerous requests for an interview.

Mr. Hillman said an out-of-court settlement he reached with Ocwen prohibits him from taking "any actions that will adversely affect their stock price."

$8 million gain

Ocwen ultimately sold back the three apartment complexes to Mr. Hillman in early 1997 for $40 million — $8 million more than Ocwen's $32 million bid at the HUD auction six months earlier, real estate records show.

HUD lost $13 million on that deal, having paid the original lender $45 million for unpaid principal and interest at the time Mr. Hillman defaulted. Ocwen's $32 million winning bid for the property — officially submitted as 80.8 cents on the dollar for the combined unpaid principal balance of all 50 properties in the bank's selected package — did not include Mr. Hillman's accrued unpaid interest paid off by HUD.

For the auction, Mr. Hillman had arranged for the New York investment firm Donaldson Lufkin & Jenrette to bid for the properties in his behalf. But HUD rejected the

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firm's $28.7 million bid.

The landlord had earlier agreed to pay HUD $4.1 million in accrued unpaid interest on the defaulted loans — enough to offset the difference from Ocwen's $32 million bid.

Mr. Hillman challenged HUD's approval of Ocwen as an auction bidder in a later lawsuit against HUD and Berkeley Federal Bank and Trust FSB, an Ocwen subsidiary, which submitted the winning bid. The lawsuit set in motion a chain of events that ultimately forced Ocwen to sell him back the properties.

Downturn brings trouble

According to undisputed facts in the lawsuit, Mr. Hillman's troubles started with the economic downturn of the late 1980s and early 1990s. His Vienna-based Southern Management Corp. operates 70 apartment complexes in Virginia and Maryland.

In the mid-1980s, he refinanced the Bayvue, Longview and Woodbridge Forest apartments with new 35-year loans for $40.9 million. The loans were funded by mortgage-backed bonds bought by investors and insured by HUD's Government National Mortgage Association, or Ginnie Mae.

Mr. Hillman's monthly loan payments came to $329,493. With an interest rate of 9.3 percent, daily interest costs alone were $10,240.

Rents averaged about $600 a month in the three buildings, which have 1,200 apartment units serving mostly middle-income people, Mr. Hillman said. When the apartments are full, his monthly rental income is $720,000.

The buildings "needed to be 90 percent occupied to break even," he said.

But when the economy went sour, people lost jobs and moved out. His occupancy rate fell to 70 percent and rental income from the three complexes dipped to around $500,000 a month.

In 1993, the buildings needed major improvements to retain residents. Faced with falling income and no money for capital improvements, Mr. Hillman asked Ginnie Mae to restructure the loans so he could avoid default.

But Ginnie Mae balked, and he missed a monthly loan payment. The lender assigned the loans back to HUD, under the government's insurance rules, and the agency imposed a mortgage maintenance plan requiring Mr. Hillman to pay HUD all monthly rental income not needed for operating costs.

In an effort to save more than 2 percent in interest costs and solve the loan delinquency problem, Mr. Hillman then asked Ginnie Mae's approval to buy from investors the bonds that backed his loans so he could restructure the financing on better terms.

"Ginnie Mae discouraged this procedure," the lawsuit stated. "Instead, Ginnie Mae encouraged and suggested [that Mr. Hillman] default so that the loans could be restructured through HUD."

So the landlord formally defaulted and HUD paid off the loans with government insurance funds. But instead of restructuring the loans, HUD decided to auction the defaulted mortgages in a new government note sale program started in 1995. The program was designed "to maximize the recovery of monies owed to HUD and reduce the number of HUD-held mortgages in its portfolio."

HUD listed the Hillman properties with loans for 153 other troubled apartment complexes for its 14th auction, the North-Central multifamily note sale in August 1996.

Double whammy

Already stung by HUD's rejection of his efforts to buy back his own properties and restructure the financing, Mr. Hillman was angered even more by Ocwen's move to demand immediate payment of $5.1 million in accrued unpaid interest owed to the prior lender when HUD paid off the loans. In his own offers, Mr. Hillman would have paid the delinquent interest and saved the government's insurance payoff.

RISKY BUSINESS

Florida-based Ocwen Federal Bank and Wall Street investment firm BlackRock Capital teamed up on five winning bids for defaulted HUD mortgages in 1995 and 1996. Auctions for these and other mortgages are the subject of a federal bid-rigging probe. Details on two major Ocwen-BlackRock winning bids in 1997 were not made available by HUD.

Date	Number of loans	Loan total	Purchase price
November 1995	3,111 single-family properties	$133,813,446	$100,223,690 (74.9%)
March 1996	16,196 single-family properties	$741,200,000	$616,000,000 (83.1%)
August 1996	50 multifamily projects	$225,100,000	$181,880,800 (80.8%)
September 1996	4,560 single-family properties	$257,116,895	$197,465,770 (76.8%)
September 1996	31 single-family properties	$1,714,082	$1,678,086 (97.9%)

Source: U.S. Department of Housing and Urban Development

The Washington Times

SELLING THE NOTES

Since 1994, HUD has paid off and auctioned more than $8.6 billion worth of defaulted government-insured housing mortgages — at a loss of more than $1.9 billion to taxpayers. More than 95 percent of the troubled single-family loans were acquired by limited partnerships formed by Ocwen Federal Bank and two Wall Street partners. A statistical overview of HUD's note sales:

Single-family homes:
- Number of national sales (through March 1997): **5**
- Number of loans sold: **83,557**
- Loan value (unpaid principal balance): **$4,244,300,862**
- Proceeds: **$3,708,974,724**
- Cents-on-the-dollar paid by winning bidders: **$0.87**

Multifamily properties:
- Number of national sales (through December 1996): **6**
- Number of loans sold: **891**
- Loan value: **$4,385,647,621**
- Proceeds: **$2,983,310,823**
- Cents-on-the-dollar paid by winning bidders: **$0.68**

Combined sales totals:
- Total loans sold: **84,448**
- Total loan value: **$8,629,948,483**
- Total proceeds: **$6,692,285,547**
- Cents-on-the-dollar paid by winning bidders: **$0.775**

Source: U.S. Department of Housing and Urban Development

The Washington Times

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THE PRESIDENT HAS SEEN

EB/Podesta—
We are still way behind
in nominations &
confirmation. We should work
out a specific strategy
BC

Orrin Hatch

Judicial Nominees: The Senate's Steady Progress

A week ago, Chief Justice Rehnquist issued his annual report on the federal judiciary. Since that report's release, the media have seized upon select comments to criticize the Senate's role in the judicial confirmation process. Unfortunately, news reports have failed to acknowledge that the chief justice's cautious comments regarding judicial vacancies were but a small part of a much larger report stating that Congress has generally been responsive to issues affecting the judiciary.

The media, so critical of the Senate's alleged failure to move judicial nominees, barely even raised an eyebrow in early 1990 when there were 58 vacancies, in 1991 when there were 108 vacancies or in 1992 when there were 114 vacancies. In those years, when a Republican occupied the White House and the Democrats controlled the Senate, the press did not seem nearly as interested in the number of judicial vacancies.

The claim of some that the Senate has engineered an "unprecedented slowdown" in the confirmation process and that the federal judiciary is laboring under a "vacancy crisis" is misleading. The facts show that major cause for the current vacancies lies with the White House. According to the Administrative Office of the Courts, as of Jan. 1, 1998, there were 86 judicial vacancies. To date, the Senate Judiciary Committee has received nominations for only 41 of these openings leaving 45 vacancies without a judicial nominee. In other words, some 52 percent of the existing vacancies have no nominee. I do not begrudge the president for taking time in selecting judicial nominees. These individuals, if confirmed, serve for life and should be of the highest caliber—personally and professionally. As hard as the committee works, however, it cannot confirm an individual who has not yet been nominated.

Moreover, the Senate should not be faulted for carefully scrutinizing those nominated. We are not a rubber stamp. The Constitution requires the Senate to advise and consent to the president's nominees. The Senate thus has an obligation to take its role seriously, and the Judiciary Committee has a mandate to review each and every nominee. After all, we are confirming individuals who will decide many important issues of the day. Judicial activism from the left or from the right has plagued this nation, and we should reject nominees who will not apply the Constitution and statutes as written and will instead substitute their own personal preferences. Judges must understand their role in our constitutional system as impartial magistrates, not Monday-morning legislators.

While it is true that the 9th Circuit has a somewhat larger number of vacancies than other circuits, this is largely the result of a continuing struggle whether to divide that circuit, which encompasses many states. Disagreement in Congress on this issue has delayed the confirmation of judges to that court, especially since it has more opinions reversed than any other court. Currently, the court has 10 vacancies, but we have only six nominees to fill those slots. And of those six, two are individuals who were renominated from the last Congress and have proven controversial. Now that Congress has created a commission to study the 9th Circuit split, we can review that court's needs.

Nor is it clear, as has been reported, that judges are grossly overworked. Although the report mentioned that the judges' workload has increased, there has been no mention that most judges who responded to a survey last Congress said they were handling their current caseloads just fine and did not need additional help. Moreover, most press accounts fail to note that the chief justice reported that Congress had enacted new legislation streamlining habeas corpus and prison litigation procedures, thereby saving valuable judicial resources. Of course, Congress has steadily increased federal courts' jurisdiction. This is something we need, perhaps, to reconsider. Nevertheless, I am sure the chief justice would agree, the Supreme Court shares some responsibility for increasing the federal bench's workload because it has dramatically expanded the federal courts' reach and ignored many important constitutional principles to force the courts into areas in which they should not be. Regardless, these are important issues that need to be addressed.

During President Clinton's first term, the Senate confirmed 202 judges—nearly one-quarter of the entire federal bench. By the close of the 104th Congress there were only 65 judicial vacancies, a level virtually identical to the 63 vacancies left by a Democrat-controlled Senate. At that time, the same Justice Department that is now complaining about vacancies, proclaimed virtual full employment in the federal courts. And during this past session, the Judiciary Committee held hearings on 47 nominees and the Senate confirmed 36. This is very close to the Senate's recent historical average: Since 1981, an average of only 43 judges have been confirmed during each of Congress's first sessions.

Of course, the Senate can improve its role in the confirmation process. So can the president. The facts, however, demonstrate that the Senate is on a steady course in discharging its constitutional duty. I look forward to working with the White House in identifying qualified nominees who will adhere to the rule of law and who can serve this nation faithfully.

The writer, a Republican senator from Utah, is chairman of the Judiciary Committee.

The Washington Post
SUNDAY, JANUARY 11, 1998

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THE PRESIDENT HAS SEEN
1-12-98

Russia's Nuclear Temptation

The end of the cold war has produced an alarming nuclear irony. Russia is now more dependent on its nuclear weapons than ever and at the same time those weapons are more vulnerable. That increases the chances that in a severe crisis Moscow might consider using them. It is imperative for Washington to help reverse that trend, and President Clinton has the tools to do so, if he is willing to use them.

When the cold war ended, the Soviet Union had one of the largest land armies in the world, an abundance of conventional weapons and a nuclear strike force nearly equal to that of the United States. Since then, domestic politics, economic problems and general neglect of the military have left Russia with a hollow conventional force. As that force has deteriorated, Russian military planners have placed increased emphasis on nuclear weapons, which are less expensive to maintain.

But steeply declining defense budgets have left even some of those weapons dangerously exposed. Most Russian ballistic-missile submarines are kept in port because it costs less to keep them idle than to put them to sea. That makes it easier for another country to knock out Russia's submarine fleet. NATO's ill-advised expansion, if approved, will bring Western forces closer to the Russian border. While a NATO strike against Russian nuclear weapons now seems unimaginable, the psychology of vulnerability on the Russian side is real.

The Clinton Administration should act to defuse this growing nuclear risk. Progress in negotiating and ratifying new arms reduction treaties has slowed, held back in part by the opposition of Communists and nationalists in the Russian parliament and Republicans in the United States Senate. But Mr. Clinton and President Boris Yeltsin of Russia can move on their own to take off high alert some of the 3,000 nuclear warheads each side now has ready to fire at the other on short notice. George Bush and Mikhail Gorbachev took a similar step with nuclear bombers and missiles in 1991.

Such a decision would provide additional time for communication and diplomacy in a crisis. About a third of American warheads could now be taken off alert without risking national security. Russia can be expected to reciprocate. Specifically, Mr. Clinton could order the launch keys for part of the MX missile force removed. MX guidance systems could be taken out of the missiles and stored in their silos. Silos could even be covered with heavy objects that would have to be removed before launching.

Several of these ideas have been proposed by former Senator Sam Nunn and Bruce Blair of the Brookings Institution and are viewed favorably by American military planners. All that is needed now is for Mr. Clinton to take political leadership on this issue. Reducing Russia's reliance on nuclear weapons ought to be a concern of the highest order for the Clinton Administration.

Sandy —
What about this?
BC

Litmus-Test Folly

It is hard to imagine a more destructive idea for the Republican Party than a litmus test on late-term abortion. Yet anti-abortion forces will be pushing a resolution at the Republican National Committee meeting this week that would bar the national party from supporting any candidate who opposed a ban on a procedure critics call "partial birth" abortion. The resolution, if passed, would essentially banish pro-choice Republicans and destroy any semblance of a "big tent" approach to party-building. Jim Nicholson, who is chairman of the R.N.C. and opposes the measure, will have to persuade conservative members that such a test would be folly.

The abortion procedure in question, medically known as intact dilation and extraction, is used only after the first trimester of pregnancy and accounts for just 3,000 to 5,000 of the 1 million abortions performed annually in this country. But anti-abortion groups have grabbed this issue because it is easier to fight a single procedure than to attack constitutionally protected abortion rights in general. The resolution, sponsored by Tim Lambert, a Republican national committeeman from Texas, takes a new twist on this strategy. It would punish Republican candidates who think that a medical decision about a specific procedure should be left to the patient and her doctor.

The Republican platform already includes language against the late-term procedure, but it is another thing altogether to withdraw financial and technical support from candidates who stray from the line. Had this resolution been in place, the principled decision of Gov. Christine Todd Whitman of New Jersey to oppose a law banning the procedure could have prevented the party from spending much or all of the $1.1 million it poured into New Jersey last fall, and could well have cost her the election. Other pro-choice Republicans, like Senators Olympia Snowe, Susan Collins, James Jeffords and John Chafee, would also fail the test and presumably be denied funds in the future. Abandoning these incumbents would be an absurd move for Republicans who want to retain control of Congress and statehouses.

Even those who favor the abortion ban should oppose the Lambert resolution because it threatens the very idea of inclusiveness. Political-action committees can and do promote single issues and finance only those candidates who adopt particular positions. But a political party has to embrace broader views. If a litmus test is allowed on abortion, similar tests could be constructed for any number of issues on which Republicans might differ, such as tax cuts, immigration reform and trade. If the Republicans want to be the majority party, they have to resist enforcing an ideological purity that shuts moderates out.

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The New York Times

MONDAY, JANUARY 12, 1998

Northeast Still Suffers Power Outages

Utilities Expect Delays as Melting, Falling Ice Slows Cleanup Efforts

Associated Press

Hundreds of thousands of homes and businesses sat cold and dark across the Northeast yesterday as utility crews backed by National Guard troops hacked through the wreckage of trees brought down by a vast ice storm.

Utilities cautioned that it could be days before all power is restored, or even weeks in some places.

"The first day it was cool; now it's old already," said Pat Belina of Watertown, N.Y., who said she and her entire family were sleeping in one bed to keep warm at night.

President Clinton declared a federal state of emergency for a five-county area of northern New York state, where Gov. George E. Pataki (R) asked the federal government to send blankets, food, drinking water and a truckload of diapers.

Local states of emergency were in effect in parts of Vermont, New Hampshire and Maine, where three people died from apparent carbon monoxide poisoning while trying to heat their homes with generators.

Last week's huge storm system caused floods across the South and spread thick ice across the Northeast and the eastern third of Canada, where 11 deaths have been blamed on the storm. Seven deaths were counted in Tennessee flooding and two in North Carolina.

In Maine, Central Maine Power Co. said an estimated 229,000 homes and businesses were still without power yesterday. "We've stopped trying to count," said Bangor Hydro Electric Co. spokesman Bill Cohen.

New Hampshire utilities still had about 34,500 homes and businesses without electricity and Vermont had some 9,000 blacked out. New York utilities did not have figures for homes and businesses but estimated the blackouts affected half a million people.

Sunshine and climbing temperatures yesterday both helped and hurt. Ice coating trees in layers up to two inches thick began to melt and fell off in glittering chunks, endangering utility crews.

In Gilford, N.H., resident Carolyn Beckdorff said she was grateful for the protection of a ski helmet as she cleared fallen limbs from her yard.

The melting caused flooding in parts of Upstate New York, and hundreds of families had been evacuated along the Hudson and Mohawk rivers.

The weight of the ice also took down a 300-foot radio station tower yesterday at Laconia, N.H. No one was injured. "It was completely coated with an inch or inch and a half of ice," said Jim Kenton of WLNH radio.

A force of 120 National Guard Humvees rolled across the Upstate New York countryside around Plattsburgh to clear paths for ambulances and food trucks. The New York National Guard also sent 1,500 soldiers to help.

Plattsburgh was strained by the demands of people fleeing outlying areas in search of warmth and shelter.

"At least this place is warm, and we don't have to worry about getting sick now," Grace Fader said at a Plattsburgh school where she and 149 others spent the night.

Residents of Wolfeboro, N.H., were told that some homes might stay dark for seven to 10 days. Police Chief Stanley Stevens appealed for volunteers to help clear debris.

In Canada, Quebec struggled to restore power to more than 3 million people, Reuters reported. Montreal residents awoke to find much of the city's downtown without power, the latest sector to be hit by outages affecting 1.2 million households and businesses.

Dozens of hospitals were running on emergency power, and people in Montreal were told to boil their drinking water after two water treatment plants lost partial power.

A concert by the Rolling Stones scheduled for last night was canceled after falling ice tore holes in the fabric roof of Montreal's Olympic Stadium.

Deadly Quake Strikes Rural Area in N. China

By Steven Mufson
Washington Post Foreign Service

BEIJING, Jan. 10—A powerful earthquake devastated two rural communities in northern China today, killing 47 people, injuring more than 2,000 and leaving more than 20,000 homeless in subfreezing temperatures, government officials said.

Mud and brick houses in the quake area were flattened, and high-rise buildings swayed here in the capital, about 200 miles southeast of the epicenter of the quake, which measured 6.2 on the open-ended Richter scale.

The quake rattled nerves as well, as buildings, many of which were built quickly and haphazardly and are considered vulnerable to earthquakes. State television ran an interview on the evening news with a government seismologist who said that Beijing will not be affected by strong earthquakes in the near future.

China suffered its worst earthquake in modern history in 1976, when a quake measuring 7.8 on the Richter scale leveled the northern city of Tangshan, killing at least 240,000 people. Many Chinese believe that earthquakes mark the end of political eras and that the Tangshan earthquake was a sign linked to the death of Communist Party Chairman Mao Zedong two months later.

Today's earthquake struck between Zhangbei and Shangyi on Hebei Province's border with Inner Mongolia. Shangyi lies north of one of the patchwork of fortifications that form the Great Wall of China.

The New China News Agency said 20,000 families were homeless in Zhangbei, which has a population of 360,000. Cracks had appeared in 90 percent of the houses there, and about 800 houses in Shangyi had been destroyed or damaged, the state-run news agency quoted officials of the State Seismological Bureau as saying.

By evening, temporary shelters had been erected for the homeless, the government added.

The earthquake struck in late morning, and in the two hours following the quake, 57 aftershocks shook the area, the strongest of which measured 4.6 in magnitude, the news agency said.

President Jiang Zemin and Premier Li Peng called Hebei authorities to make sure all necessary efforts are being made at rescue work, state television reported.

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The Washington Post
SUNDAY, JANUARY 11, 1998

23

Europe, Not Asia, Is Corporate America's Key Market

How will Asia's economic crisis affect the profits of American multinationals and the returns their investors enjoy? Of America's top 10 export markets, five are in Asia. The region accounts for nearly one-third of total U.S. exports. These numbers suggest that there is ample cause for alarm. But alarm is unwarranted, for these are the wrong numbers. The vast bulk of U.S. corporations' overseas business is in Europe, not Asia.

To understand why, consider how U.S. multinationals operate within the world

Manager's Journal

By Joseph P. Quinlan

economy. Exports are a flimsy and shallow measure of America's exposure to a particular region or country. Because multinationals produce, sell and compete locally in most global markets, a better and deeper measure of exposure is the in-country sales of U.S. overseas affiliates. In 1995, the last year for which data are available, overseas affiliates of U.S. multinationals had $1.5 trillion in in-country sales; *total* exports of all kinds from the U.S. were just $576 billion.

Establishing an in-country presence re[illegible]es a capital investment, known as for[illegible] direct investment. This can take the [illegible] of a joint-venture agreement or a [illegible]enfield operation," in which a com[illegible]y, such as Toyota, builds a new plant [illegible] foreign location like Indiana. But [illegible]ergers and acquisitions are the most [illegible]ular form of foreign direct investment; [illegible]al M&A activity reached a record $275 [illegible]on in 1996, accounting for roughly 80% [illegible] world-wide foreign direct investment.

For the past half-century, and espe[illegible]y the past decade, no one has been [illegible] aggressive in establishing overseas [illegible]rations than U.S. companies. From [illegible] to 1996 alone, corporate America sank [illegible] than $360 billion into overseas ven[illegible]s. At the end of 1996, the nation's over[illegible] stock of foreign direct investment was [illegible]ed at $794 billion, more than double [illegible] of Britain or Japan, the second- and [illegible]-ranked foreign investors.

According to Commerce Department [illegible]es, U.S. foreign affiliates produced [illegible] billion worth of goods for in-country [illegible] in 1995. And U.S. foreign affiliates [illegible]ined export more than most na[illegible]—including the U.S. In 1995 exports of [illegible] affiliates abroad totaled $590 billion, [illegible]g out the $576 billion worth exported from the U.S. in the same year.

Such exports can help offset the adverse consequences of exchange-rate realignments. While investors habitually fret about the effects of the strong dollar on U.S. multinationals, rarely do they realize that a weak German mark, for example, is advantageous not only to Volkswagen but also to General Motors, which builds cars in Germany for export to Japan. By establishing overseas affiliates, U.S. companies may gain the ability to export the same component or finished product from a plant in, say, the U.S., Britain, Brazil or Singapore. This production flexibility acts as a buffer against sudden shifts in exchange rates and allows companies to adjust production according to global demand.

Foreign direct investment and in-country sales, not trade, are the chief means by which U.S. companies compete in the global market. And although developing countries like Mexico, Brazil and China are often singled out for allegedly taking jobs from American workers, U.S. multinationals are not predisposed towards low-wage countries. They are focused instead on the wealthy and mature markets of the developed nations, notably those of the European Union. As of the end of 1996, U.S. multinationals had more than 70% of their foreign [illegible]rect investment in developed nations, [illegible]h Europe accounting for over 50% of the [illegible]al. Canada took an 11.5% share, while [illegible]pan, Australia and New Zealand, collec[illegible]y, represented 9.3% of the total. Latin [illegible]erica's share was 18.1%, while the re[illegible] Asia accounted for less than 9% of the [illegible].

W[illegible] much U.S. capital in Europe, nearl[illegible] of what American foreign affiliates [illegible]ce abroad and 61% of their total expo[illegible] [illegible]me from that continent. Similarly, [illegible] of total U.S. overseas assets are in E[illegible]. The region accounts for two-thirds [illegible] foreign research-and-development [illegible]ing by U.S. affiliates. Based on these [illegible]es, the bedrock of America's globa[illegible] [illegible]mercial engagement—and the regio[illegible] [illegible]ere U.S. firms are most exposed—[illegible] Europe, not Asia.

Th[illegible] [illegible]opean Union, accounting for 51.[illegible] [illegible]al sales of U.S. foreign affiliates [illegible], is unequivocally the most importa[illegible] [illegible]gion of the world for U.S. companies. [illegible]hin the EU, the key market is Britai[illegible] [illegible]ere U.S. affiliates sold $345 billion [illegible] of merchandise in 1995—more than [illegible] [illegible]mbined in-country sales all of Asia, [illegible]ding Japan ($337 billion).

Ex[illegible]ng Japan, Asia accounts for just 7.9% [illegible] sales of U.S. foreign affiliates. U.S. a[illegible]es sell more in Italy than they sell in [illegible]nesia, Thailand, Malaysia, the Philip[illegible] and China combined. By a wide m[illegible]n, Japan and Australia are the most [illegible]tant markets in the Asia-Pacific re[illegible] for U.S. companies.

Ma[illegible] [illegible]S. firms will *feel* Asia's pain in 1998. B[illegible] [illegible]S. multinationals' global exposure [illegible]inly in Europe, where growth prospe[illegible] are improving, albeit modestly. Most U[illegible] multinationals have more reason to [illegible] about the smooth introduction of the [illegible] than about another round of compe[illegible] devaluations in Asia.

Mr. [illegible], an international economist with [illegible] Stanley, Dean Witter in New York. [illegible]es on global investing at New York [illegible]sity.

THE WALL STREET JOURNAL
MONDAY, JANUARY 12, 1998

Gene [illegible]

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THE PRESIDENT HAS SEEN
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Addressing her followers, Megawati cited a "crisis of confidence" for the financial debacle and urged the international community to make sure the bailout funds will not be used to rescue what she called "greedy and speculative businesses, investors and international bankers" but will help the people of Indonesia."

Educator's case could be springboard for Supreme Court to rule on affirmative action By Aaron Epstein Knight Ridder Newspapers (KRT)

WASHINGTON Yvette Farmer remembers feeling peculiar whenever she discussed equality in the sociology classes she taught at the University of Nevada.

"I was talking about how education should get you on an even playing field," Farmer recalled, "and here I was, standing in front of all those students, telling them about how it was supposed to happen and it wasn't happening for me."

Farmer, a 37-year-old white teacher with a doctorate, has just petitioned the Supreme Court to hear what might be the next major legal test of affirmative action, a subject of renewed and impassioned debate throughout the nation.

She says she was twice a victim of the university's quest for racial diversity on its predominantly white faculty. First, the university hired a black male teacher instead of her. After she was hired, a year later, she discovered she was being paid substantially less than the black teacher for comparable work.

"They were treating me unfairly," she said in a telephone interview. "It made me feel undervalued and the university didn't seem to care."

University officials strongly disputed the unfairness charge. The black teacher was at least as qualified as she was and received higher pay because of a shortage of blacks with doctorates, they said.

Farmer's case against affirmative action, if accepted for review by the Supreme Court, could become the springboard for a long-awaited ruling on whether employers might favor minorities to promote racial diversity in the workplace.

That question was set to be argued Wednesday in a case from Piscataway, N.J., where a white school teacher sued after being laid off instead of a black teacher of the same qualifications and seniority. But the Piscataway case was dismissed after a coalition of civil rights groups, fearing how the justices would rule, raised most of the $433,500 the school board agreed to pay to the white teacher as a settlement.

The issue is highly significant because thousands of public and private employers across the nation have long cited diversity as their justification for considering race and gender in making hiring, promotion, layoff and other job-related decisions.

There is no question that an affirmative-action plan is lawful when used to remedy an employer's documented history of racial or gender bias. But judges in state and federal courts are divided over whether federal civil rights law permits an employer with a predominantly white work force but no record of past discrimination to give preferences to minorities.

It will be two or three months before the justices announce whether they will hear Farmer's appeal. She is represented by the conservative Pacific Legal Foundation in Sacramento, Calif.

Farmer's complaint goes back to 1990, when she was one of three finalists for a position in the sociology department at the University of Nevada's campus in Reno. But the department interviewed only the top-ranked finalist, Johnson Makoba, a black African who had recently emigrated from Uganda. He was hired.

An amendment to the university's affirmative-action plan encouraged the hiring of minorities by allowing departments to obtain an additional faculty position for each minority candidate hired.

In fact, Farmer later got the sociology department job created when Makoba was hired. But Makoba got more money than she did.

His starting salary $35,000 a year with an increase to $40,000 after he completed his doctoral dissertation exceeded the advertised ceiling. Farmer was hired a year later for $31,000, with a $2,000 raise upon completing her dissertation. She said she was unaware of any discrimination until she looked up faculty salaries in a public record one day.

She said three university officials told her that the pay disparity was because "he's black and you're not." They talked about the market and said they had to pay minorities more ... I didn't believe it then and I still don't believe it. He had no other offers."

University officials described the situation in terms of supply and demand. "I would say we identified the top candidate and met the

Farmer, who filed a racial- and gender-discrimination suit in 1993, said there never was any animosity between her and Makoba. "We were two assistant professors, the newest people in the department, and I've always felt he was my friend," she said.

Makoba, who is in Africa during a school break, could not be reached for comment.

Farmer's suit accused the university of violating two federal laws: Title VII of the Civil Rights Act, which bars employers from discriminating against anyone because of race, and the Equal Pay Act, which generally requires employers to pay the same wages to men and women doing equivalent work.

A state jury awarded her $40,000 in damages and a pay raise. But the Nevada Supreme Court, finding no violation of law, dismissed Farmer's suit on a 3-2 vote.

The legal dispute over diversity in the Supreme Court goes back to the court's first affirmative-action case, Regents of the University of California vs. Allan Bakke. The court voted 5-4 against quotas in student admissions but permitted state universities to consider race as one of many factors.

In 1996, however, a federal appeals panel barred affirmative action in public university admissions in Texas, Louisiana and Mississippi. The Supreme Court refused to review that ruling. In November, the court also refused to hear a legal challenge to California's groundbreaking ban on affirmative-action programs, known as Proposition 209. The court's action cleared the way for the state to end preferences for women and racial minorities. But enforcement of Proposition 209 is certain to generate more cases.

Despite her lawsuit, Farmer said "diversity is important" in education. But, she said, "organizations get so tied to the notion that they have to get somebody of a certain race or whatever, in order to meet a certain goal, that they lose sight of qualifications."

She left the University of Nevada in 1995 and moved to a Seattle suburb with her husband and young daughter. She has a part-time teaching job. Her subject is social change.

CRuff

What about this?

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1-12-98

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1-12-98

EB/Gene S
We need an answer to this
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Taxing Tobacco

THE TOBACCO issue is one of the most important remaining before this Congress. On moral grounds as well as in the conventional terms of public health, regulation, liability, cost and all the rest, it towers over most others. If a good bill can be passed, it should be. The odds already seem to us to be against. The subject is enormously complex, there probably isn't enough time and there probably hasn't been sufficient preparation. But if there is a chance, extraneous issues should not be put in the way—nor should Congress end up adopting a bill that's weak on tobacco because there are other goodies hooked to it.

The outlines of a possible bill were set in last summer's negotiations between the tobacco companies and the state attorneys general who had sued them. In return for limits on future liability—in itself a debatable idea—the companies would agree to pay a sum of money and accept, in the sense of agreeing not to fight in either Congress or the courts, new regulations both of nicotine as a drug and of their marketing techniques. The deal would require congressional enactment. The president had his staff review it and rightly concluded, among other things, that the payments agreed to were too small. To be an effective deterrent, he said, they need to be large enough to drive up the price of cigarettes by about $1.50 a pack, twice what the deal would do.

Meanwhile, there is the question of what to do with the money—how much to set aside for future plaintiffs, how much for anti-smoking efforts, how much for the states, which say they are entitled to the lion's share at least of the amount negotiated last summer for having brought the suits that brought the companies to the table, etc. The states describe their share in part as compensation for Medicaid costs incurred in treating smoking-related illnesses. Some people note that the federal government through Medicare and its share of Medicaid has incurred even greater costs, and local officials have begun to point out that they pay a share of the national health care bill too—all reminders of the way the proposed arrangement has turned into a honey pot for many, fighting in advance over how much goes to them and their particular interests.

The president now proposes that some tobacco money also go to child care. As part of his forthcoming budget, he is said to have decided on either a sizable tobacco tax increase or some other exaction of funds from the tobacco industry. Some of the money would help finance the increased child-care subsidies he proposes. We think the idea of such an announced earmarking is flawed in major ways. It puts the U.S. government, currently negotiating with the tobacco industry, into potentially the same weakened bargaining position as some of the other parties to a proposed deal, who have tended increasingly to view it mainly as a source of needed funds. It announces a kind of dependency on the outcome, which can hardly fail to be noticed by the government's negotiating partner, the tobacco industry. Will child-care advocates become more inclined to accept a weak tobacco bill that they might otherwise reject? Do the states begin to object, as at least one attorney general already has, that the federal government is siphoning off their share? If the spoils begin to dictate the outcome of this bill, the cigarette companies win. The logic becomes bizarre. Should smoking be encouraged for the sake of subsidizing an essentially unrelated social program? "Buy another carton of cigarettes to show your support for child care."

This is a president who has an impressive record on the smoking issue. His administration has tackled the companies as no other. The White House needs to make clear, perhaps in advance of the budget, how whatever else the president is proposing meshes with that strong record and will not stand in the way of its continuation.

The Washington Post
Monday, January 12, 1998

K McGinty

good piece - BC

THE PRESIDENT HAS SEEN
1-12-98

Desert Water Market

ONE OF THE Clinton administration's more enduring environmental accomplishments may turn out to be one that for the most part has been quietly achieved. It involves the Colorado River, the largest single source of water in the arid Southwest. About 10 percent of the U.S. population depends on the river for water in whole or in part.

There are seven states in the Colorado River basin. The invaluable water was allocated among them years ago by Congress and the courts. But the allocations were too generous, or optimistic. The total that the states together are entitled to draw from the river is greater than the average annual flow. Because some states have also drawn less than their full entitlements in the past, southern California has become accustomed to taking more. Now, however, California's neighbors in the so-called Lower Basin, Arizona and Nevada, both are approaching their full shares. Like California, each is growing rapidly. The Central Arizona Project, a giant transportation system enabling that state to bring its water south, has also been built. On the river as a whole, there is still not an actual water shortage, because the upstream states are not using their full amounts. But the trend is clear, and among the three downstream states consumption is now in excess of legal supply.

The needs are (1) to get California to live within its allotment, (2) to increase storage capacity along the river, and (3) to create a transfer mechanism—a market—whereby water can be moved from those who need and/or want it less to those who want it more. That is to say, a system whereby eventually the Lower Basin can buy some from the Upper Basin, and within southern California particularly, the cities can buy some from irrigators who are using it to grow relatively low-yield crops of marginal importance.

Interior Secretary Bruce Babbitt, who by virtue of his office is the river master, has begun to take steps in the last couple of years to achieve all of these results. The former Arizona governor built his reputation in part by brokering solutions to mega-problems such as this within his state. He's good at it. The department is about to propose regulations whereby in wet years Nevada and Arizona alike will be able to store water underground in Arizona. In dry years Nevada will then be able to draw extra water from the river and Arizona draw from the underground reserves. In the long run there could be more such interstate exchange, an important step toward rational annual use of available supply.

The secretary has also told the agricultural users in southern California to work out exactly how much water each of them is entitled to each year—in the past they have claimed essentially open-ended amounts—and the urban users, basically the Los Angeles metropolitan water district and San Diego, to work out differences of their own. These steps will make it possible for the agricultural users to begin selling water to San Diego in an orderly way. That, too, will help rationalize consumption. To some extent, it may also help reduce southern California demand for northern California water, thereby easing environmental problems in the north, which the administration has also tried to help resolve.

The western water problem is never going to be entirely resolved. Some of the world's largest metropolitan areas and agricultural operations are competing for water in the midst of what is basically a desert. There will never be enough to go completely around. Mr. Babbitt has quietly laid a foundation for resolving the inevitable differences.

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The Washington Post
SUNDAY, JANUARY 11, 1998

THE PRESIDENT HAS SEEN
1-12-98

Broad Battle to End HMOs' Limited Liability For Treatment-Coverage Denials Gains Steam

By LAURIE MCGINLEY
Staff Reporter of THE WALL STREET JOURNAL

SCOTTSDALE, Ariz. – It's a brilliant winter day, but state lawmakers gathered here from around the country aren't taking in the local sights like the Western home of the late Frank Lloyd Wright.

Instead, they're crowded into a hotel conference room to talk about one of the hottest topics in health care: how to make it easier for patients to sue their managed-care plans.

The star attraction is Winnfield Atkins, a legislative aide to Texas state Sen. David Sibley. Last year, Sen. Sibley engineered passage of the first law in the nation that permits injured patients to sue health plans for malpractice over decisions to deny coverage for treatment. "Health plans were making decisions but not being held accountable in court," Mr. Atkins says.

Several lawmakers at the session, sponsored by the National Conference of State Legislatures, nod in agreement: dozens of legislatures this year will debate similar liability proposals. And, because state laws can only go so far, some members of Congress are already pushing for a federal law as part of a proposed crackdown on managed care. The issue, emotionally charged and legally murky, has emerged as the most contentious in the debate over how far the government should go in regulating managed care, and is the subject of a fierce lobbying war.

Erisa Limitations on Liability

Most consumers are severely limited in suing health plans over coverage decisions, even though those decisions often dictate what treatment patients receive and when they see specialists or are hospitalized, says Patricia Butler, a consultant in Boulder, Colo. That constraint is imposed by a 1974 federal law that regulates employer-sponsored health plans.

In an often-cited Louisiana case, for example, an employer-sponsored health plan decided it was unnecessary for a woman named Florence Corcoran, who was having a problem pregnancy, to be hospitalized, as a doctor recommended. The plan authorized a visiting nurse instead. But while the nurse was off duty, the fetus went into distress and died.

A federal appeals court ruled that Mrs. Corcoran and her husband couldn't sue the plan for damages under state law because of the federal Employee Retirement Income Security Act, or Erisa. Under the law, as traditionally interpreted, patients injured as a result of coverage denials can't sue employer-sponsored plans in state court for lost wages, pain and suffering, or punitive damages. They can only sue in federal court for the cost of the benefit that was denied. The law has a wide reach because most Americans receive their health insurance through employer-sponsored plans.

Malpractice Maelstrom

Pros and cons of making it easier to sue health plans for coverage decisions.

Arguments For:

- Makes plans accountable for bad decisions.
- Reflects plans' increased impact on patient care.
- The threat of litigation may improve care.

Arguments Against:

- Increases costs of litigation and liability insurance.
- Courts are already allowing some malpractice suits.
- Let consumers "vote with their feet" to solve quality problems.

Source: "Managed Care Plan Liability" by Patricia Butler

"Why is it that doctors and nurses are accountable for their health-care treatment decisions and managed-care companies are not?" asks Sen. Sibley, a Waco, Texas, Republican. Robert Berenson, a vice president at consulting firm Lewin Group, agrees. "Health plans can't have it both ways," he says. "They can't take the position that they save money through effective utilization review, and then, when something goes wrong, say, 'It has nothing to do with us.' "

Such talk terrifies managed-care plans and employers, who say health costs will soar if plans become embroiled in litigation. In vetoing a bill in 1996 that would have allowed patients to sue their HMOs, Democratic Gov. Lawton Chiles of Florida warned that such legislation would destroy the benefits of managed care by gutting the concept of cost control.

Employers also worry that they may end up liable for decisions made by their health plans.

Others argue that it won't help the health-care system to clog up the courts with more litigation. "Do you take a broken system and extend it across the board in hopes of improving quality?" asks Karen Ignagni, president of the American Association of Health Plans, which represents more than 1,000 HMOs and managed-care systems. She says lawyers, not patients, benefit from lawsuits, and a better course would be to beef up appeal procedures for consumers so that disputes with health plans can be resolved more quickly. Even Mr. Berenson of the consulting firm says there should be limits imposed on potential damage awards to keep plaintiffs' attorneys from viewing health plans as "deep-pockets" targets for lawsuits.

The idea of holding health plans liable for coverage decisions is being pushed by a powerful combination of interests: consumer groups dissatisfied with managed care, disgruntled physicians seeking to redress the balance of power with health plans, and trial attorneys who see the potential for big fees. To avoid becoming political targets, the lawyers are generally keeping a low profile; they're happy to let doctors, usually their political enemies, take the lead.

Even if more states act to allow consumers to sue plans for coverage denials under state malpractice laws, the impact may be limited because of the Erisa exemption for employer-sponsored plans. So some members of Congress want to change Erisa so that it can't be used as a defense in cases involving the denial of benefits.

The charge is coming from wings of both political parties: Two conservative Republicans, Rep. Charlie Norwood of Georgia and Sen. Alfonse D'Amato of New York, are pushing one proposal, while liberal Democratic Rep. Fortney H. "Pete" Stark of California champions another.

Fighting Changes in Erisa

But employers will try to derail any congressional effort to tamper with the Erisa-mandated liability exemptions. Over the past few years, courts have gotten increasingly skeptical of the Erisa defense, and industry officials say the courts should be left to sort out the issue. Mark Ugoretz, president of the Erisa Industry Committee, which represents major employers, says the best way to improve the consumer's lot would be to change federal regulations to give patients the right to seek an immediate court ruling when a managed-care plan denies treatment. That way, he says, "you don't have to wait until you're dead or injured to get some relief."

In Texas, the medical malpractice battle originated with Gov. George Bush's 1995 veto of a wide-ranging managed-care reform bill that didn't include the malpractice provision concerning decisions on coverage. His action fueled a consumer backlash against managed care that led to passage last year of Sen. Sibley's bill, which was strongly supported by the Texas Medical Association, a powerful physicians group. (Mr. Sibley's bill specifically excludes employers from liability, as does the Norwood-D'Amato bill.) Gov. Bush, torn between opposition by health plans and support for the bill from physicians, decided to allow the Sibley bill to become law without his signature.

Aetna Inc., one of the largest managed-care companies operating in Texas, has sued the state in federal court in Houston to block the law. A court decision may come soon, and the dispute eventually may have to be decided by the U.S. Supreme Court. Meanwhile, the law went into effect in September, but no patient has yet invoked it to sue a health plan.

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THE WALL STREET JOURNAL
MONDAY, JANUARY 12, 1998

THE PRESIDENT HAS SEEN
1-12-98

Richard Harwood

Debating Without Facts

The White House-sponsored dialogue on race has been a flop up to now in large part because too many people, black and white, don't know what they're talking about.

That includes the media, especially in our treatment of affirmative action. We have created the impression that without "preferences" blacks would be shut out of the higher education system. And we have created the corollary impression that "minority preferences" are rampant, imperiling the educational future of far too many whites.

But in all of the uproar and despite countless words written and broadcast on the issue, the information offered the public on affirmative action is limited. How many people are affected? Who benefits? Who is hurt?

The truth is that with or without affirmative action almost any high school graduate who can read, write and do the multiplication tables—and a lot who can do none of those things well—can go to college today. It's a buyer's market. Schools bid against one another for students, using financial incentives and other inducements. Many institutions admit almost everyone who applies. Others, including such well-regarded schools as Michigan, Tulane, Wisconsin, Auburn, Ohio State, Purdue and American University in Washington, admit 70 percent to 90 percent of applicants.

Of course, it's a lot easier to get into college than to stay there. Only 45 percent of the students who graduated from high school in 1982 and earned at least 10 college credits had received a bachelor's degree by the time they were 30 years old. Dropout rates at many institutions are 70 percent to 90 percent. At Fisk University in Nashville, for years one of the most prestigious of the historically black colleges, the graduation rate is 2 percent, according to U.S. News and World Report. These dropout rates tell us that tens of thousands of students not cut out for college work are being drawn into the higher education system.

Such statistics are rarely or inadequately reported. The press instead focuses on affirmative action "problems" at "highly selective" schools such as Harvard and Yale. And even in our obsessive scrutiny of matters involving those celebrated citadels of learning, the reporting is often murky and misleading. In part that is because of the failure of the U.S. Department of Education and other government agencies to publish the kind of information that would clarify the issues. Some colleges and universities involved in "affirmative action" controversies also complicate the problem by withholding information, for example, on the nature of "preferential" admissions.

The Journal of Blacks in Higher Education, however, has been able to assemble much of the relevant information. So have some academicians. We learn from the journal that 292,855 students applied to the 24 most prestigious universities in America for admission to the freshman class of 1996. About 5 percent of these applicants—13,801—were black. The schools offered admission to 96,369 students (33 percent of all the students who applied). They offered admission to 35 percent of the black applicants—5,563 students—but only 2,305 accepted (41 percent). They represented a small percentage of the new freshmen that year—from fewer than one percent at CalTech to 12 percent at the University of Virginia.

> *"With or without affirmative action almost any high school graduate who can read, write and do the multiplication tables . . . can go to college today."*

How many of these black students were academically "unqualified" for the schools that admitted them? The journal obtained SAT scores from a number of those leading schools. The midpoint score for white students in all the schools was higher than the midpoint scores of black students. The gap ranged from 288 points at the Berkeley campus of the University of California to 150 points at Princeton, Johns Hopkins and other schools. Those numbers quantify the "racial preference" involved in some of these admissions. But in every case, the black students in these elite schools had higher average SAT scores—in some cases as much as 200 points higher—than the national average (946) for whites. The explanation is simple. SAT scores at these "elite" schools are astronomical in terms of what the average high school graduate achieves on the test. At Harvard, for example, the midpoint SAT score for blacks in the freshman class in 1993 (I have not found more recent numbers) was 1,305, a score that would get these students into any university in the world, a score so close to the white midpoint score that it was described by an affirmative action critic as not "statistically meaningful."

This doesn't resolve the larger issues raised by affirmative action and racial preference in college admissions: Some high-scoring whites and probably Asians too are being passed over for black applicants with lower test scores. But the numbers are small, and the evidence refutes the common argument that blacks admitted to these highly selective schools are necessarily "unqualified" to be there. But this gets lost in the debate.

Affirmative action has other problems. It began as a way to get women, blacks and other specified minorities into jobs and schools formerly unavailable to them. Women may no longer qualify, and if they do get preferences in college admissions, they shouldn't, now being in the majority (more than 55 percent nationally) on campuses all over the country. Asian Americans also may no longer qualify—and shouldn't—in many jurisdictions because they have the highest level of educational attainment in the country and the highest incomes as well.

Hispanics are often shortchanged under affirmative action. They outnumber blacks in California by more than 3 to 1 but, according to Stephan Thernstrom of Harvard, they have been receiving no more places than blacks in the state's college set-asides for "underrepresented" minorities.

Another question is whether the beneficiaries of affirmative action are not disproportionately drawn from the middle and upper class. Few black kids from the inner cities are lining up outside Ivy League institutions. We would know more about that subject if the government and the universities released more information about who gets what.

That's a job for the president's advisory board for the initiative on race. Until the issues are better understood, we can stage dialogues and talk till we're blue in the face without achieving anything.

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The Washington Post
MONDAY, JANUARY 12, 1998

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Former Chinese Official Advocates Democracy

Businessman Stands Alone Behind Proposed Reforms But Says He Has High-Level Support

By Steven Mufson
Washington Post Foreign Service

BEIJING, Jan. 11—Just two months after China's leading dissident, Wei Jingsheng, agreed to go into exile, another voice has joined China's small chorus in favor of democracy.

This time, however, it's a businessman and former mid-level government official who claims that his views have a substantial, though still anonymous, following in the Communist Party itself.

Fang Jue, 44, a former vice director of the planning commission in the coastal city of Fuzhou, has co-authored and distributed an essay advocating a number of proposals.

They include elections for all levels of government, including the presidency; freedom of the press and religion, relaxed oversight of social associations; an end to party control of the military; a reversal of the negative verdict on the 1989 Tiananmen Square democracy demonstrations; negotiations with the Dalai Lama; a further opening of the economy to foreign companies and market competition, and a pro-American foreign policy.

Fang says the essay—labeled "the democratic faction's program proposals"—is the culmination of a series of discussions with pro-democracy members of the Chinese Communist Party, including central committee members, who were disappointed with the absence of political reform initiatives during last September's 15th party congress.

He said it represents a synthesis of views, not just his own.

But in an indication of just how remote the proposed freedoms are from the current China, not a single person, other than Fang, has been willing to add his or her name to the proposals because of the danger it would pose to a career in the party and the government.

"On the surface, Chinese society is calm, and within the party and government everyone conforms," Fang said in an interview here.

"That's just on the surface.... The deeper reality is that many of the young and middle-age officials are deeply dissatisfied with the situation and flaws of policies in China."

Fang is the latest of a series of intellectuals over the past six months to call publicly for radical political reform. They include an economics professor at Beijing University, a former government economist and a longtime dissident physicist.

Though the Chinese government is believed to have more than 2,000 political prisoners in jails and labor camps, it has taken no action against this recent group of reform advocates.

Fang is the only one who claims to have taken part in wider discussions with government officials and Communist Party members. He says that a couple of hundred of them, most at "upper middle" levels, have participated in informal discussions over a period of time.

"Most of us have worked within government for a long time, and our background is within the system," he said.

Fang said he has turned down all invitations to join the party. The Beijing native spent four years in the countryside of Shaanxi Province planting crops during the Cultural Revolution before returning to Beijing and graduating from Beijing University with a degree in economics. He has worked for the Chinese Academy of Social Sciences, the Research Institute of Political Science and the Fuzhou municipal government.

In 1995, he went into business with the support of former government colleagues. He said he left government in part because he sought a more independent status from which to express his views and the views of what he called a "democratic group."

Fang's decision to talk openly about the essay, written Nov. 20, comes less than two months before the start of the National People's Congress. Some analysts expect a struggle there between relatively liberal delegates, protected by outgoing congress Chairman Qiao Shi, and Premier Li Peng, who will step down from his post and replace Qiao as head of the congress.

Fang, however, says that nothing unusual will emerge from the congress and that the first opportunity for significant reforms could still be two years or more away. There have been some indications that the Chinese government intends to expand the current "experiment" with rural elections to county level governments, but thousands of senior government posts still are controlled by top communist officials.

Fang, who now runs a trading company that deals mostly in office supplies sold in the region between Beijing and southern China, said the alternative platform grew out of disappointment with the Communist Party's continued dominance by people over age 70, as well as their failure to undertake political or democratic reforms.

The party, which holds a congress every five years, has failed to adapt to changes since the end of the Cold War and the collapse of communist rule in the former Soviet Union and Eastern Europe.

"The third generation of leadership in China," said Fang, borrowing the party's phrase for President Jiang Zemin and his fellow leaders, "is lagging behind the world and history."

The nine-page platform of proposals is called "China Needs a New Transformation." It starts: "China is approaching the century threshold where, if it does not bring about a major transformation of itself, it won't be able to move forward in modernization, won't gain the consent and support of people of different ages and different walks of life, and won't be truly accepted by the civilized world."

It adds, "The key to China becoming a modern country is to take first steps toward democracy."

The group advocated the separation of the Communist Party from township and county governments and then to "gradually, but not slowly, push the separation of party of government to higher levels of government and eventually to the entire system of government."

This proposal resembles one put forward at the 1987 party congress, although the idea was dropped soon afterward and was not raised at the 1992 or '97 meetings.

On the economy, the document calls for ending subsidies to state-owned enterprises, as well as ending monopolies for state-owned enterprises in certain areas. It suggests equal treatment for foreign and domestic investors alike, and allowing foreign capital access to service sectors.

It also proposes an end to protectionist rules, to conditions that force foreign firms to transfer technology, and to the "unfair practice of selecting foreign cooperation partners on the basis of political standards or other noneconomic factors."

The essay advocates freedom of expression and the recognition that "all viable theories must accept equal intellectual competition." While the government recently moved to put new restrictions on Internet communication, trying to control ideas critical of China, Fang's document says, "To promote the importation, discussion, instruction and popularization of all kinds of progressive thinking is the cultural mission and moral responsibility of intellectuals, who should not be suppressed for doing so."

The platform also endorses flexibility in dealing with Hong Kong, Tibet and Taiwan. It suggests wide autonomy, though not full independence, for Tibet. It says that diplomatic and military affairs should remain in Beijing's hands.

It also says China should improve its relations with Japan and the United States and exert greater control of weapons technology and goods. "In revising its foreign policy, China should make a fundamental choice:

"Should China stand on the side of the ranks of world freedom and democracy, which represent the direction and mainstream of our time, or should it stand on the opposite side?"

FOR MORE INFORMATION

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Gene
Are we answers to this? -BC

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Robert D. Reischauer

Medicare for the Almost-Old

More than 800,000 Americans between the ages of 62 and 64 have no health insurance and are, therefore, one serious medical problem away from financial ruin. About the same number purchase individual coverage, which can be quite expensive, both because they are less healthy than younger adults and because the costs of marketing and administering individual policies are high. Within these two groups, a few more than half receive reduced Social Security benefits available to early retirees age 62 to 64. Just more than one-quarter are working and not collecting Social Security. The balance, most spouses of workers whose employers do not provide group health insurance coverage, neither work nor receive Social Security. Of the total, close to 40 percent have low incomes, that is, incomes below twice the poverty level.

To address the financial risk facing the uninsured and the burden high premiums impose on purchasers of individual policies, the president has proposed that 62- to 63-year-olds be allowed to enroll in Medicare, which is now available only to the permanently disabled and those 65 and older. To keep this expansion from bankrupting a program projected to become insolvent at about the end of the first decade of the next century, the proposal would require that these enrollees buy into Medicare by paying a monthly premium of about $300 until their 65th birthday. After that, they would pay a small surcharge on the Part B premiums all Medicare participants pay.

While the president's initiative is a positive step toward reducing both the risk of serious illnesses wiping out the retirement savings of uncovered 62- to 64-year-olds and the excessive financial burden that many older purchasers of individual policies now bear, these advances would come at a price. The Medicare buy-in would create incentives that could exacerbate undesirable trends in the nation's labor markets. Furthermore, once enacted, it would unleash political pressures for liberalization that could cause the costs of this initiative to soar.

If 62- to 64-year-olds could enroll in Medicare, those employers who now provide health insurance coverage for their retirees would feel less need to do so. Many employers already have dropped or scaled back this fringe benefit not only because it is costly but because new accounting rules require businesses to reveal now the benefit expenses they will incur in the future. These policies provide protection for millions who retire before they are eligible for Medicare. For more than one-third of retirees who are covered by Medicare, these employer-sponsored policies also provide supplementary insurance that picks up costs that Medicare does not cover. If more employers drop these policies, more of the elderly will have to turn to individual Medigap insurance for their supplemental coverage. Medigap premiums are generally higher than the premiums employers charge their retirees, and most Medigap plans don't cover some important services, such as prescription drugs, which are generally covered by employer-sponsored retiree policies.

Availability of Medicare for those age 62 to 64 also will entice more to retire early on reduced Social Security benefits. For those with chronic health problems who have continued to work just to obtain health benefits, this opportunity could be a blessing. But for those who are healthy and have saved little, early retirement could prove to be a mistake. The consequences might not become apparent for a decade or two, perhaps not until their widows try to subsist on the reduced Social Security benefits available to them. As a consequence, more of the very old may have to rely on food stamps and SSI, the welfare program for low-income elderly and disabled. In a nation in which the work force is projected to grow at a slower and slower pace, public policy should encourage increased labor-force participation by the elderly rather than promote early retirement.

A Medicare buy-in option also might encourage employers to shift their older workers from full- to part-time status or from being regular employees to being contract employees. An older worker with a chronic health condition could cost a business that offers health benefits far more than the Medicare buy-in premium. In such a case, a business would come out ahead if it offered workers a pay raise larger than the premium they would be charged for buying into Medicare if they became contract employees.

While the president's proposal is intended to be budget-neutral to begin with—that is, the premiums charged 62- to 64-year-old participants would cover the added Medicare costs—it would prove difficult to maintain such fiscal rectitude. Most of those who take advantage of the buy-in option would be living in quite comfortable circumstances. Few of those with low and modest incomes would participate because they would feel that they can't afford to pay $3,600 annually for Medicare coverage. Thus, those who need help the most would get the least, and many would remain uninsured. Over time, pressure would inevitably build to provide some sort of income-related subsidy to allow those with limited resources a real option to participate in the Medicare buy-in.

> *"The Medicare buy-in would create incentives that could exacerbate undesirable trends in the nation's labor markets."*

If, as in the past, Medicare costs rise at a much faster pace than the incomes of those eligible for the buy-in, the burden of the premium will increase. Pressure will mount for a subsidy. That is what happened to Medicare's Part B premium, which was set to cover half of the program's costs. But when costs rose faster than participants' incomes, increases in the premium were limited so that premiums now cover only one-quarter of costs.

While the president's Medicare initiative raises complex issues, it responds to a significant problem. Rather than trashing the plan, as some in the opposition have done, policymakers should work to mitigate undesirable secondary effects that inevitably accompany efforts to expand access to affordable care. Policymakers also should consider the political pressure they will be under in the long run to liberalize the program and realistically account for the budgetary consequences of that pressure.

The writer is a senior fellow at the Brookings Institution.

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THE PRESIDENT HAS SEEN
1-12-98

Sandy
What are we doing about this? Should Pentagon request be granted?
BC

The Washington Post
MONDAY, JANUARY 12, 1998

Patrick B. Pexton

A Promise to Do Better Is Not Enough

In a recent letter to the Food and Drug Administration, the Pentagon asked for broad authority to distribute to U.S. civilians—during or after a domestic terrorism incident—some of the same experimental drugs and vaccines used on troops to unknown effect in the gulf war. In most cases these are drugs, or uses of drugs and vaccines, that have never been tested in a clinical trial for effectiveness or side effects and that are not at present for sale commercially.

The Pentagon is seeking not only broad authority to give out these drugs during terrorist emergencies but also to waive FDA rules meant to ensure the safest use of experimental drugs: requirements such as keeping track of who gets what drugs, proper labeling, monitoring of side effects and fully informing patients of possible complications before they give their consent.

The FDA is concerned, because as it and the Presidential Advisory Committee on Gulf War Illnesses recently documented, the Pentagon has a terrible record in using such drugs and vaccines both in Desert Storm and more recently in Bosnia.

Just before Desert Storm, the FDA allowed the Pentagon to give troops several experimental drugs and vaccines not approved for commercial sale. Among them were pyridostigmine bromide (PB), a drug believed to be effective in fending off the effects of chemical and nerve agents; botulinum vaccine and antitoxin medicine to combat biological weapons other than anthrax; and anthrax post-exposure treatments. The FDA also allowed the Pentagon to waive informed consent, in some cases making it mandatory that the troops take the pills or vaccines without full knowledge of possible risks.

Early research suggests that the interaction of PB with wartime stress, pesticides and other hazardous materials present in Desert Storm may be a trigger for "gulf war illness." PB may have been taken by as many as 500,000 troops and botulinum vaccine by about 8,000, although some information still is classified.

After the war, the FDA, in reviewing the Pentagon's compliance with the minimal wartime conditions the agency had laid down, found that "deviations" from the rules "pointed out an underlying inability for the Defense Department to carry out its obligations" under the rules for handling experimental substances. For example, only about half of the troops surveyed by the Pentagon received required information about PB; no records were kept of troops who had adverse reactions to the PB pills; and no notation in permanent medical records was made of those who took botulinum vaccine, making it impossible to study its long-term effects.

The Pentagon, chastised, promised the FDA it would do better next time. Bosnia was that next time.

In Bosnia, the Army was authorized to dispense an experimental vaccine for tick-borne encephalitis, a disease common in the Balkans. In its recent review of that program, the FDA criticized the Pentagon for failing again to document immunizations in soldiers' permanent medical records and for touting the vaccine in handouts given to troops as "very safe and extremely effective" when the FDA never authorized such glowing language.

The FDA at last is considering rescinding its permission for the Pentagon to use some experimental drugs on troops in wartime without their consent.

The President's Committee on Gulf War Illnesses was even more critical of the Pentagon's performance with unapproved drugs in the gulf war and Bosnia, saying the Pentagon "currently is incapable" of handling such drugs, and that its poor performance has hampered research into the causes of gulf war illness.

Against this background, the head of defense health affairs boldly is requesting from the FDA more authority to use some of these same substances not only on troops but on civilians in case of domestic terrorism involving chemical and biological weapons, with the same protocol waivers that the FDA already has noted the Pentagon is incapable of honoring.

The Department of Defense, understandably and correctly, wants as much flexibility as it can have during times of national emergency to protect troops and civilians at home from these weapons of mass murder.

But if Americans are in imminent danger of dying by the thousands from biological and chemical weapons at home, then the Pentagon and the White House should do a better job leveling with the people and Congress about the precise nature of the threat and how imminent it may be, and then begin a debate on how far the Pentagon should go in injecting itself into civilian emergency care.

The writer is a managing editor at Army Times Publishing Co.

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THE WHITE HOUSE

WASHINGTON

cc:
Chuck Ruff
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January 12, 1998

Scott M. Matheson, Jr.
1846 East Michigan Avenue
Salt Lake City, Utah 84108

Dear Scott:

Thank you for your letter advising of your interest in serving as Federal District Judge for the District of Utah. You have had an impressive legal career, and both your personal and your professional qualifications are outstanding. Be assured that your request is being given serious consideration.

All the best to you for happiness, fulfillment and good health in the new year.

Sincerely,

Bill Clinton

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1-12-98

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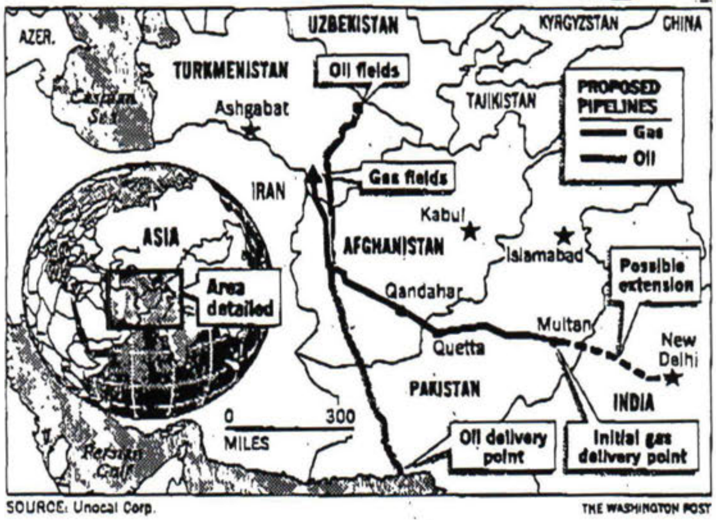

SOURCE: Unocal Corp. THE WASHINGTON POST

Hillary Rodham Clinton have condemned the Taliban's policies toward women. In November, Albright deplored "their despicable treatment of women and children and their lack of respect for human dignity, in a way more reminiscent of the past than the future."

But administration officials have left the door open to working with the Taliban if certain conditions are met, including reconciliation with opposition factions still controlling the northern third of Afghanistan. "The Taliban will not change their spots, but we do believe they can modify their behavior and take into account certain international standards with respect to women's rights to education and employment," Karl F. Inderfurth, assistant secretary of state for South Asian affairs, said in an interview.

Officials said a settlement does not appear near but added that the United States, Iran, Russia and Pakistan have been working together in recent months to end the stalemate, with some signs of progress.

Against this uncertainty, Unocal, a company with worldwide operations, has pressed ahead on several fronts. In late October it announced the formation of an international consortium to build a 790-mile gas line from Turkmenistan to Pakistan, which would cross Taliban-controlled territory in Afghanistan. Turkmenistan has approved Unocal's plan, and Pakistan wants to buy the gas.

In November, Unocal began training Afghans to build the line.

The Taliban stands to collect $50 million to $100 million a year in transit fees if the pipeline is built, according to Marty F. Miller, a Unocal vice president. The project also would provide thousands of jobs.

Unocal and its main partner, the private Saudi-owned oil company Delta, also have been involved in behind-the-scenes diplomatic efforts to make peace between the Taliban and its remaining opponents in northern Afghanistan, according to congressional and other sources. The goal, these sources say, is to create conditions for a broad-based government that could win formal recognition from the United States.

Saudi Arabia is one of only three countries to recognize the Taliban government, giving Delta some political access to the Taliban. Delta's American vice president, Charles Santos, who until recently was a U.N. peace negotiator in Afghanistan, has promoted reconciliation among the Afghan factions. Santos recently hired Paul Behrends, a former House legislative assistant, to lobby for Delta in Washington on the pipeline issue.

The Taliban's military takeover of the Afghan capital of Kabul in September 1996 initially was welcomed cautiously by the administration.

A senior Unocal executive pronounced the takeover a "very positive" development that would provide the fractured country with "a single government." The company subsequently stressed its intent to remain neutral in Afghan internal affairs.

Washington failed to follow Pakistan, Saudi Arabia and the United Arab Emirates in extending recognition because warfare continued, the Taliban failed to unify the country and mistreatment of Afghan women quickly became an international issue. Both the House and Senate passed resolutions last year denouncing Taliban gender policies.

The chief Taliban representative in this country, Abdul Hakim Mujahid, dismissed the furor in a recent interview. "Ninety-nine percent of Afghan women are supporting the Taliban policy toward women," he said, with resistance to that policy stemming from "only one percent of Afghan women tied to a communist style of liberation."

Unocal officials initially resisted requests last year from women's and human rights groups to discuss Afghan issues. "They were less than enthusiastic at first about meeting with us. It took them a little while to understand the constituency we represent," said Lea Browning, an official with The Working Group on the Human Rights of Women.

At a subsequent meeting in Washington with Unocal officials, delegates from the Working Group advocated including Afghan women in the company's training program. A Unocal official declined to comment on the meeting.

In mid-November, Unocal launched a $900,000 training program run by the University of Nebraska at Omaha to train 137 Afghan men in pipeline-building skills. The program managers hope to begin training women for clerical jobs and support services this year, according to Thomas E. Gouttierre, head of the university's Afghan studies center. Unocal also is financing several projects to train women as teachers in Taliban-controlled areas; the company said it intends to provide jobs to Afghan women as well as men.

While Unocal maneuvers through the domestic political and foreign policy shoals, the company faces competition in Afghanistan from another consortium led by the Argentine oil company Bridas, sources said.

Bridas, which had signed a deal to build a trans-Afghan pipeline with the previous government in Kabul, has indicated readiness to finance the project and start construction without formal Western or U.N. recognition of the Taliban government, according to oil industry analysts.

Bridas's main partner is a Saudi company associated with Prince Turki Faisal Saud, head of the Saudi intelligence service, a connection that reportedly gives Bridas impressive access to financing.

The Argentine company has filed a lawsuit in Houston charging that Unocal, in pursuing its proposed pipeline, disrupted agreements that Bridas had reached with the Turkmen and Afghan governments. Unocal has denied the charges.

"We will do the project with the company that starts the work earliest," Mawlawi Ahmad Jan, the Taliban's acting minister of mines and energy, said in an interview.

2/11

Women's Fury Toward Taliban Stalls Pipeline

Afghan Plan Snagged In U.S. Political Issues

1-12-98

A1

By Dan Morgan and David B. Ottaway
Washington Post Staff Writers

In early December, four bearded and turbaned Afghan clerics dressed in traditional baggy pants stepped from a helicopter onto an oil rig in the Gulf of Mexico operated by Unocal Corp., a huge, California-based global energy company.

Representing the ultra-conservative Taliban Islamic militia that controls most of Afghanistan, the mullahs inspected the latest deep-water drilling technology, ate a meal prepared according to Islamic rules—a gesture arranged by their corporate hosts—and headed back to the mainland for further meetings with their new business associates from Unocal.

This improbable partnership between a modern American corporation and a militant religious group with social views often described as medieval has become entangled in U.S. strategic policy and domestic politics.

The Taliban and Unocal want to build a $4.5 billion pipeline network carrying Caspian Sea oil and gas across Afghanistan to the Indian subcontinent. The Clinton administration supports the route, which would help free the new nations of Central Asia from dependence on Russia, avoid alternate routes across Iran and bring needed energy to Pakistan and India.

Yet in a vivid illustration of the new political complexities of the global economy, that foreign policy vision has butted up against a domestic obstacle: the outrage of women's organizations over what they call "gender apartheid," the Taliban's barring of women and girls from schools, hospitals and public places.

Such groups as the Feminist Majority and the National Organization for Women have mobilized to prevent the Clinton administration from recognizing the Taliban government unless it radically changes its treatment of women. Without that recognition,

See PIPELINE, A24, Col. 1

PIPELINE, From A1

international lending institutions are unlikely to finance the project and Unocal's plans will be stymied, according to State Department and company officials.

The impasse also reflects an emerging pattern in which U.S. policy toward Central Asia, site of the world's largest untapped oil and gas reserves outside the Middle East, must heed powerful grass-roots constituencies at home.

Armenian American organizations, for example, oppose U.S. assistance to Armenia's oil-rich enemy, Azerbaijan. Pro-Israeli groups lobby in Washington to prevent Central Asian oil and gas from passing through Iran, viewed by Israel as its most dangerous enemy. And human rights advocates in the United States have begun questioning U.S. support for autocratic regimes around the Caspian Sea.

But in the case of the lucrative trans-Afghan pipeline, it is activist American women repelled by the Taliban who may hold the key.

"I don't remember us organizing on an international issue like this before," said Eleanor Smeal, who heads the Feminist Majority, a nonprofit political action group with 30,000 members.

The efforts include organizing protests outside the embassies of Afghanistan and Pakistan, mobilizing women's groups across the United States to pass resolutions condemning the Taliban, lobbying Congress and the United Nations and meeting with State Department and White House officials.

U.S., Afghan and European women's groups also are working to make the Taliban treatment of Afghan females the focus of International Women's Day on March 8. And Unocal has been pressed to make room for Afghan women in pipeline construction training programs.

The passions aroused have created a political dilemma for the Clinton administration as it balances foreign policy interests against political considerations. Clinton and Vice President Gore campaigned aggressively on the issue of violence against women in 1996, and women have voted far more heavily than men for Democratic candidates in recent national and local elections.

Some conservative Republicans also have begun criticizing the Taliban in what some political analysts believe is an effort to polish the GOP's image with women alienated by the party's antiabortion position.

Both Secretary of State Madeleine K. Albright and first lady

The Washington Post
Sunday, January 11, 1998

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THE WHITE HOUSE

WASHINGTON

cc:
Chuck Ruff
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Ruff

January 12, 1998

Scott M. Matheson, Jr.
1846 East Michigan Avenue
Salt Lake City, Utah 84108

Dear Scott:

Thank you for your letter advising of your interest in serving as Federal District Judge for the District of Utah. You have had an impressive legal career, and both your personal and your professional qualifications are outstanding. Be assured that your request is being given serious consideration.

All the best to you for happiness, fulfillment and good health in the new year.

Sincerely,

Bill Clinton

Scott M. Matheson, Jr. would appreciate your consideration of him for Federal District Judge for District of Utah. It has been an honor to serve as U.S. Attorney. (cc sent to Bob Nash)

1846 East Michigan Avenue
Salt Lake City, Utah 84108

December 10, 1997

Honorable Bill Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500-2000

Dear President Clinton:

I would appreciate your consideration of me for the nomination as Federal District Judge for the District of Utah to replace Judge J. Thomas Greene, who took senior status last month.

It has been an honor to serve in your administration as United States Attorney for the District of Utah. Next month I will return to my position of Professor of Law at the University of Utah, from which I have been on leave for the last four and one half years.

My professional experience has included litigation at a major Washington, D.C. law firm, teaching at a leading state law school, service in local and federal prosecution offices, and a variety of activities in the legal community.

I served as state director of your 1992 campaign in Utah, co-chair of Karen Shepherd for Congress in 1992, and campaign manager for Matheson for Governor in 1976 and 1980.

I enclose some biographical material and would welcome the opportunity to discuss this matter with you or your staff. Thank you for your consideration.

Sincerely,

Scott M. Matheson, Jr.

Enclosures

c: Bruce Lindsay
Charles Ruff
Jonathan Yarowsky

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MUSCOGEE (CREEK) NATION

Division of Community Services

Office of Child Care
P.O. Box 580
Okmulgee, OK 74447
(918) 758-1463
1-800-205-3705
Fax No.: 758-1498

1-12-98
To Scheduling for response?
Yes ✓ No —

January 5, 1998

B.

President William Clinton
White House
Washington, D.C.

Dear President and Ms. Clinton:

I would like to thank you on behalf of the National Indian Child Care Association for your dedication and support of child care issues for America's children. As you are aware, due to the changes in the Child Care and Development Fund, Indian tribes are being allowed to construct needed child care facilities.

The Muscogee (Creek) Nation is currently constructing the nation's first tribal child development center that has been constructed utilizing CCDF monies and is scheduled for completion in March 1998. We would be honored by your presence at the opening of the center on May 4,1998 at 2:00 p.m. at the tribal complex in Okmulgee, Oklahoma.

Please feel free to contact me at (918)758-1463 for further information.

Sincerely,

Janet Wise

Janet Wise
Manager, Muscogee (Creek) Nation, Office of Child Care
Chairperson, National Indian Child Care Association

1-12-98

NOACH DEAR
COUNCILMAN, 44TH DISTRICT

☑ District Office:
4424 16th Avenue
Brooklyn, NY 11204
718-633-9400
Fax: 718-633-9403

☐ City Hall Office:
250 Broadway, 22nd Floor
New York, NY 10007
(212) 788-7022
Fax: (212) 788-8964

THE COUNCIL OF THE CITY OF NEW YORK

CHAIRMAN
Transportation

COMMITTEES
Finance
Land Use
Consumer Affairs
State & Federal Legislation
Sub Committee on
Zoning and Franchises

To Sandy/VP
Fyi Re

January 12, 1998

copied
Berger
VP
COS

PERSONAL AND ~~CONFIDENTIAL~~

President William Jefferson Clinton
The White House
Washington, DC 20501

Dear Mr. President:

It was great talking to you this morning. I want to reiterate the importance of your arranging a meeting with prominent Jewish business and community leaders during Prime Minister Netanyahu's upcoming visit to the U.S.

I'm enclosing a copy of the letter signed and circulated by Congressman J.C. Watts and others which has been sent to the Prime Minister. There is a groundswell of Republicans who want to undermine the Administration before the next election by playing on widespread fears of continued pressure on Prime Minister Netanyahu.

It is critically important that you meet with this group of business and community leaders. I will help make the necessary arrangements. I look forward to hearing from you.

Sincerely,

Warmest Regards
Hope to see you soon

Noach Dear

Congress of the United States

Washington, DC 20515

December 15, 1997

The Honorable Benjamin Netanyahu
Prime Minister of Israel
Office of the Prime Minister
Jerusalem, Israel

Dear Prime Minister Netanyahu:

We wish to convey our support for your government and its efforts to resist pressures to cede ever larger portions of Judea, Samaria and Gaza to the Palestinian Authority. We believe that such pressures from the international community are misguided, dangerous, and harm the national security interests of both Israel and the United States.

In addition, we would like you to know that while it may appear that there are many in the Clinton Administration and elsewhere clamoring for an Israeli withdrawal from such strategic assets as the Jordan River Valley, the mountains overlooking this piece of territory, and other parts of Israel, the United States Congress is firmly on your side. We know the Congress to be fed up with the Palestinian Authority's gross violations of the Oslo Accords, corruption, human rights abuses and misappropriation of donations from the international community. For this reason alone, Congress is loathe to see the PA in control of more Israeli land. For reasons of American national security, we cannot fathom how the United States could continue to rely on the Israel Defense Forces alone to keep Iraq and Syria at bay with Israel's underbelly exposed to massive ground threats. It is Israel's military strength, bolstered by the control of these territories, that is the source of stability in the eastern Mediterranean region. We fear that any diminution in Israel's strength might imperil our interests in the region and force American troops to assume a job best done by the IDF.

Finally, we ask you not to be swayed by the empty threats of those who cannot understand the danger that Israel would face by expanding its concessions to the Palestinian Authority. We recognize this danger and ask you to know that the Congress will support you on this critical issue.

THE WHITE HOUSE
WASHINGTON

1/12

Alan - (Sullivan)

Thanks for getting the bottom of this flag request.

If you can get a flag to Mr. Moore, I think that is best way to handle it. I don't think we need to bother the President with it. I assume you can get the flag to Mr. Moore. I've let Chris Walker know in Leg Affairs, and Gary Walters is OK with this arrangement.

Phil Caplan

247866

THE WHITE HOUSE

WASHINGTON

'98 JAN 7 PM12:03

January 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: **JOHN HILLEY** John Hilley

SUBJECT: **CONGRESSIONAL REQUEST**

The attached letter that I received from Senator John Glenn (D-OH) requests that we replace a White House ceremonial flag presented to Mr. Bert Moore by President Ronald Reagan upon his arrival in the United States after release from 444 days of captivity within the United States Embassy in Tehran, Iran. Apparently, Mr. Moore has misplaced the said flag.

Presentation of White House flags is very rare and Presidential dispensation is required to authorize such a gift. Under ordinary circumstances, I would recommend against replacement; however, I believe that the extraordinary events that precipitated this presentation merit that Mr. Moore receive a new flag. The Department of State concurs. The White House Usher, Gary Walters, is opposed to replacement due to the rare nature of such a gift. Mr. Walters also believes that the White House should not set such a precedent.

RECOMMENDATION:

That you approve provision of a White House ceremonial flag to Mr. Bert Moore

Approve ______ Disapprove _______

(1)

JOHN GLENN
OHIO

COMMITTEES:
- GOVERNMENTAL AFFAIRS
- ARMED SERVICES
- SELECT COMMITTEE ON INTELLIGENCE
- SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510-3501

November 13, 1997

Mr. John Hilley
Senior Advisor to the President
and Director for Legislative Affairs
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20502

NOV 14 5:48

Dear Mr. Hilley:

Enclosed please find correspondence that I have received from Mr. Bert C. Moore of Mount Vernon, Ohio concerning the replacement of the United States flag which was flown at the White House and given to him upon his return to the United States from 444 days of captivity as a hostage at the United States Embassy in Tehran, Iran. I would appreciate your expeditious attention to this matter.

I have received additional information from Mr. Moore indicating that the flag which was flown for him was not flown above the White House, as may have been construed from his initial correspondence. Rather, it was a pole-mounted flag, of the type typically used during official welcoming ceremonies at the White House. Mr. Moore has provided specific measurements of the pole and base in his correspondence.

My staff has made previous attempts to secure a replacement flag for Mr. Moore through the Office of Legislative Affairs, but has met with very little success. I believe Mr. Moore makes a reasonable request. I would appreciate your review of this request and giving it full consideration to making a determination of what might be done to accommodate Mr. Moore.

Please respond directly to Mr. Moore at either his Mount Vernon, Ohio address, or, at his address in New Port Ritchy, Florida, which is enclosed in his correspondence. However, for my office records please send a copy of your response to Kevin Cooper of my staff, at 503 Hart Senate Office Building, Washington, D.C. 20510.

Best regards.

Sincerely,

John Glenn

John Glenn
United States Senator

JG:kco
Enclosure

This flag was flown
at
The White House

in honor of
Bert C. Moore
when you were welcomed home
by
President Ronald Reagan

on
January 27, 1981

1-12-98

'98 JAN 12 PM8:09

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

copied
Sec. Rubin
COS

January 12, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin RER

SUBJECT: Update on Financial Market Developments as of 4:00 pm, Monday, January 12, 1998

U.S. equities rose today in volatile trading despite sell-offs in Asia and Europe. The Dow Jones Industrial Average rose 0.9 percent. Long-term interest rates fell 2 to 4 basis points on continued safe-haven buying. The dollar rose against the yen (0.5 percent) to ¥132.77 on concern over the amount of bad loans in the Japanese banking system. The dollar changed insignificantly versus the mark. Most Asian equities markets fell, while currencies were mixed.

- Hong Kong stocks fell 8.7 percent, extending a 3.7 percent decline in the previous session, on higher interest rates, carry-over from the drop in U.S. stocks on Friday, and uncertainty regarding the solvency of a large regional investment bank. After the close of Hong Kong trading, Peregrine Investment Holdings, Asia's largest independent investment bank, announced that it had issued an application to liquidate the company.

- Japanese stocks fell 2.2 percent on disappointment that the Government did not announce new economic stimulus measures. Stocks also fell sharply in Singapore (-8.8 percent), Taiwan (-4.7 percent), and Thailand (-3.0 percent). The Thai baht fell 5.3 percent on continued local demand for dollars and poor regional sentiment.

- Equity markets in Korea, Indonesia, and the Philippines posted the only gains in Asia. Korean stocks rose 3.5 percent as the won gained 4.1 percent. Indonesian equities climbed 2.1 percent as the Government announced cuts in infrastructure spending.

- European equities fell in sympathy with Asian stock market declines. German stocks dropped 3.5 percent, London stocks declined 1.4 percent, and French stocks fell 2.0 percent. Russian stocks plunged 12.0 percent.

- Latin American equities rose, generally following U.S. stocks, after sharply falling earlier in the day. Brazilian stocks rose 1.2 percent, Mexican stocks gained 1.9 percent, and Argentine stocks fell 1.5 percent.

THE WHITE HOUSE

WASHINGTON

DATE: 1-12-98

NOTE FOR: The Honorable William M. Daley

The President has reviewed the attached, and it is forwarded to you for your:

Information	☒
Action	☐

Thank you.

Staff Secretary
(x6-2702)

cc:

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

THE PRESIDENT HAS SEEN
1-12-98

December 23, 1997

'97 DEC 29 PM5:1

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM M. DALEY

SUBJECT: My Business Development Mission to India

As you know, I recently returned from a week-long business development mission to India. In light of your plans to visit India next year, I would like to share with you some impressions from my visit.

I visited India during December 6-13, leading a delegation that included Senator Paul Sarbanes and representatives of 32 American companies -- the largest Commerce Department trade mission ever. Our stops included New Delhi, Calcutta, Chennai, and Mumbai.

The dominant impression I brought home with me from India is the almost palpable desire of the Indian people and their government for closer relations with the United States. Everywhere I traveled, Indians told me of their pride that our two countries are the two largest democracies in the world, occasionally mixed with their frustration that relations between our nations have often been characterized by missed opportunities. As I said at the conclusion of our mission, I believe we are entering a period that can be known as an era of "seized opportunities."

We received an excellent reception from our Indian hosts. As you are aware, we left for India shortly after the central government in New Delhi had collapsed. Many had doubted that the mission should proceed in these circumstances, and I admit to sharing those doubts to some degree. However, having decided to go forward in spite of the political uncertainties in the capital, we registered high marks with Indian central and state government officials and with both the Indian and in-country American business communities. In fact, going to India in the current political environment may have earned us more goodwill than if we had done so in more normal times. Indian press coverage was very positive about our visit.

Regarding your own plans to visit India, both government and business officials there anxiously await your arrival. Many of those with whom we spoke did caution that it would be best not to visit the country too close before elections (which may take place in February or March).

In New Delhi, I met with ten central government ministers, including Prime Minister Gujral (who is his own Foreign Minister) and the Ministers of Finance and Commerce. The caretaker United Front coalition government is trying to be as active as it can be under law -- it publicly rejects the "caretaker" label. While major new initiatives cannot be undertaken, the Gujral government is planning to move forward with current projects. For example, Finance Minister Chidambaram expressed his hope to extend financial counterguarantees to three U.S.-led "fast-track" power projects.

We also met with representatives of the opposition Bhratiya Janata Party (BJP), though we were unable to secure meetings with representatives of the Congress Party. Everyone we met, from every party, insisted that economic reform would continue regardless of the result of the upcoming election. It is the pace of reform, as well as the treatment of multinational corporations, that might vary based on the electoral outcome.

Visiting Calcutta, Chennai, and Mumbai were very valuable elements of my mission. Politics in India are changing. In the absence of unifying national political figures, regional parties are playing a larger role, and power is devolving to India's states. It is therefore important to see more of the country than just New Delhi. During my visit I met with 10 state chief ministers, all of whom demonstrated how interested they are in economic development in their states. As is true of states in America, Indian states keenly and creatively compete for foreign investment. (The United States is India's largest foreign investor.)

In Chennai (formerly Madras) I had the opportunity to experience the dynamic "New South." Mumbai (formerly Bombay), India's commercial and financial center, provided me with an opportunity to interact with the Indian private sector. On a personal level, my visit to Mother House in Calcutta to pay respects and see Mother Teresa's legacy was particularly special. I encourage you to seek similar experiences when you go to India. Your engagement in Indian culture will resonate very positively with the Indian people.

In my meetings with central and state government officials, I was accompanied by members of the business delegation. Their presence and participation were very effective, making tangible the U.S. commercial interest in India and its states. Senator Sarbanes was a valuable asset to the mission, providing key insight and demonstrating Congress' interest in India to all whom we met. He will be a strong spokesperson for closer ties with India.

Although you obviously will highlight a variety of issues during your visit, I urge you to focus in part on our commercial relationship with India. Interest on both sides is great and I believe that -- if the elections produce a coalition similar to the present government -- there is a reasonable prospect of progress on some of the significant matters raised during my mission. As we continue to press the Indians for economic liberalization, they are likely to continue to raise their concerns about certain U.S. policies affecting India -- such as our challenge in the World Trade Organization to their quantitative restrictions (import quotas) and aspects of our export control regulations.

One additional issue of note is the Indians' sensitivity to comparisons with China. India has a rich history and a vibrant society and culture. Consequently, it seems to me, Indians are sensitive to being treated with the respect that is due a great nation. Both India and China are large developing nations that are frequently compared (*e.g.*, standard of living, infrastructure development, GDP), with India usually faring less well -- which is a source of anxiety and insecurity for Indians. Indians believe the United States pays too much attention to China, which is particularly vexing given that India is a democracy and China is not. As I was advised by American companies resident in India, we should demonstrate that our interest in India is strong and stands on its own merit.

I would be very happy to discuss my mission and your upcoming visit to India at your convenience. Best wishes to Hillary, Chelsea, and you for the holiday season.

THE WHITE HOUSE

WASHINGTON

DATE: 1-12-98

NOTE FOR: Harris Wofford

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

'98 JAN 2 PM4:5

PRESIDENT HAS SEEN
1-12-98

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM TO THE PRESIDENT

FROM: Harris Wofford

DATE: December 31, 1997

SUBJECT: President's Youth Service Awards

Your commitment to citizen service, and especially youth service, is, of course, a hallmark of your administration. The creation of AmeriCorps, the growth and development of many other service programs, especially those related to service-learning, are in many ways the direct result of your dedication to the idea that young people in America should be asked and inspired to serve. The Presidents' Summit for America's Future helped to amplify that message with its call for universal youth service in Goal Five.

One of our challenges has been to find effective ways to encourage and recognize those young people who do serve. The education award approach has been very successful with AmeriCorps. After your announcement at the Penn State commencement, we have also developed the National Service Scholars Program, which awards $1,000 scholarships to high school students who have a record of outstanding service to the community. This will be available for 10,000 high schools this year (with a local match of $500). Also, you'll be happy to know that one of the first two of the new daily Points of Light, to be announced by you and President Bush, will go to one of the high school leaders with whom we have been working since the Summit, Amy Achor of Waco, Texas (who we hope will soon be a youth member of the Corporation's board).

The President's Youth Service Awards provide another excellent opportunity to recognize millions of young people who make a significant commitment to service. In early 1998, we intend to re-launch these awards under new terms.

In 1993-1994, the Corporation for National Service, through an agreement with the American Institute for Public Service, implemented the President's Youth Service Awards program, which provided recognition awards to young people engaged in voluntary community service. The program's structure was similar to the President's Physical Fitness Award, with awards going to young people who had demonstrated excellence in service. The award was initiated by the Congress with the special sponsorship of Senator John Heinz, and was provided for in the National

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

and Community Service Act of 1990, as amended in 1993. The idea continues to have strong bi-partisan support.

We intend to re-launch the program with a clearer, sharper focus tied to the fifth goal set forth at the Presidents' Summit. The Summit target is that by the year 2000, 2 million additional young people will complete 100 hours or more of service each year. With General Powell's strong support, as evidenced in his recent *Time* Magazine article, the Corporation is leading the effort to achieve this goal. Young people who complete the 100 hours will be eligible to receive the award, if their school, tutor or participating non-profit organization certifies their service. Like the President's Physical Fitness Awards, the program will be self-financing, administered by the nonprofit organization selected through a competitive process to be announced soon in the Federal Register.

We believe that the American Association of School Administrators and the National Association of Secondary School Principals will be supportive. The head of the national YMCA (with whom I had a very successful meeting in Chicago) says that local YMCAs will be prepared to use the new President's Youth Service Awards as an incentive for a larger number of their several million youth members to serve at least 100 hours. We expect other large youth-serving organizations such as the Boys and Girls Clubs will do the same.

We know that recognition is a key factor in encouraging young people to serve their communities, and we think that these President's Youth Service Awards will provide an effective, locally-driven way to provide that recognition. Under your leadership, the program will enable us to spread the ethic of service to millions of young people nationwide.

VIEWPOINT

General Colin L. Powell, U.S.A. (Ret.)

Everybody's Children

Giving helps young people grow

ILLUSTRATION FOR TIME BY ANITA KUNZ

ONE OF THE MOST FRIGHTENING SCENES IN Charles Dickens' *A Christmas Carol* occurs when the Ghost of Christmas Present reveals to the yet unredeemed Ebenezer Scrooge two ragged and wolfish children—a boy and a girl, cowering in the folds of his robe. Even flint-hearted Scrooge is intimidated by the sight of them: "Where angels might have sat enthroned, devils lurked, and glared out menacing."

"Spirit," he asks, "are they yours?"

"They are Man's," the ghost replies. "And they cling to me, appealing from their fathers. This boy is Ignorance. This girl is Want. Beware them both, and all of their degree, but most of all beware this boy, for on his brow I see that written which is Doom unless the writing be erased."

Children can be angels or devils, depending on the kind of nurturing they receive from others. They can grow into responsible and contributing members of society, or they can become its dependents, predators and outcasts. And because they are "Man's" children, they are everybody's children. The whole society has a stake in their destiny and a duty to help them grow up strong and confident.

As chairman of America's Promise—The Alliance for Youth, I see angels enthroned and devils lurking every day that I deal with this country's young people. I never cease to be amazed at how little it takes to turn one into the other. In a land as richly blessed as ours, it is indeed tragic to reflect that for want of a little guidance and encouragement, a child may drop out of school, turn to drugs or crime, or create new life before he or she is mature enough to assume the responsibilities of parenthood. Yet as many as 15 million American youngsters are at risk of falling prey to these or other social scourges of our time.

America's Promise was created to give these kids a better chance at life. By the end of the year 2000, we aim to provide at least 2 million of them with five basic resources we believe they need to make it in today's America. These are: an ongoing relationship with a caring adult; safe places and structured activities from which to learn and grow during nonschool hours; a healthy start and a healthy future; a marketable skill through effective education; and an opportunity to give back through community service.

The logic of the first four resources is immediately obvious; the logic of the fifth is less so. If youngsters lack basic needs, does it make sense to ask them to give?

Paradoxically, the answer is yes. Young people—like adults—usually find that when they make a real effort on behalf of others, they get back more than they contribute. Many youngsters report that volunteering in their communities has helped them understand people who are different from themselves, has opened up new career possibilities to them and has enlarged their horizons. According to one poll, more than half of teenage respondents said that their grades improved as a result of volunteering. In Maryland, which has a "service-learning" requirement that students must fulfill to graduate from high school, one initially reluctant volunteer later wrote a first-person account for the Washington *Post*, in which she confessed that her experience in community service was generally positive and actually added value to her résumé.

Even youngsters from disadvantaged backgrounds find that they are enriched by giving of themselves. The Corporation for National Service (AmeriCorps) has some very uplifting stories to tell of young people whose lives have been transformed by serving others. A 20-year-old victim of a drive-by shooting in Los Angeles went on to counsel other youths on how to settle conflicts peacefully. Another AmeriCorps volunteer, a former gang member and drug dealer in Milwaukee, Wis., later founded an organization that helps teenagers break away from gangs.

Recently, I attended a rally for America's Promise in San Antonio, Texas. One of the speakers was a young man who had dropped out of high school at age 15. But his experience as a volunteer inspired him to earn his graduate-equivalency diploma, which set him on the road to college. "Because of community service," he told a hushed crowd of several thousand people, "my life has changed like night and day, and in the process I have made a difference in other people's lives."

Time and again I have been heartened by the willingness of so many young people to embrace an ethic of citizenship that includes service to community and nation. In response to the call issued by America's Promise, the Boy Scouts and Girl Scouts of America have pledged millions of additional hours in service projects, as have the youth affiliates of the Kiwanis and Rotary clubs. Not long ago, the Boys & Girls Clubs of America presented me with a "promise book" of commitments made by Boys & Girls Clubs all across the nation. That book is two inches thick!

Giving to our youth, and helping them learn the joys of giving back, could literally transform America, if we were all willing to involve ourselves in this effort. At this time of year, more than any other, it behooves us to ask ourselves honestly if we are doing enough for "Man's" children. If not, Ignorance and Want will dog our steps and dampen our holiday cheer until we do. ■

The author is chairman of America's Promise—The Alliance for Youth. Those interested in volunteering should call 888-55-YOUTH.