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001. memo	[Personally Identifiable Information] [partial] (1 page)	01/20/1998	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 11246

FOLDER TITLE:

Chron Files: Monday, February 9, 1998 [1]

2019-0774-S

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RESTRICTION CODES

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

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

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- b(1) National security classified information [(b)(1) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE PRESIDENT HAS SEEN
2-9-98

THE WHITE HOUSE
WASHINGTON
February 7, 1998

Copied
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McGinty
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Spelling
Klein
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MR. PRESIDENT:

The attached memo from your climate change team concerns when to sign the Kyoto Protocol. They seek your decision by Monday in advance of Congressional testimony on Tuesday and Wednesday. Three options are presented, with Option 3 being the recommended approach:

Option 1 - Sign in March when the Protocol opens for signature. *Pros:* strong signal of support for Protocol; avoid risk of isolation if other countries sign early and we don't; avoid an anti-signing campaign revving up. *Cons:* antagonize Sen. Byrd and prompt premature Senate fight when Sen. Hagel demands immediate submission of Protocol to Senate; would stir up Labor and displease even moderate business.

Option 2 - Sign after Buenos Aires meeting next November. *Pros:* minimize Hill conflict this year; popular with business who prefer no signing until details are done on trading and "Joint Implementation." *Cons:* raise bar on Buenos Aires meeting and imply that if we aren't satisfied we might not sign; could isolate us internationally and lead to criticism from environmental community.

Option 3 - State that we intend to sign, but remain flexible on timing. *Pros:* avoid provoking fight on Hill as long as possible, but leave flexibility to sign at such time as we felt that non-signature was counterproductive on international or domestic front; won't antagonize enviros, at least initially. *Cons:* raises question of why we're not signing right away and what will prompt us to sign. *Your advisors favor this option.*

Option 1 ☒ Option 2 ☐ Option 3 ☐ Discuss ☒

Phil Caplan

What
do the US
say?
RC

Chron

THE WHITE HOUSE
WASHINGTON

February 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM:

TODD STERN
KATHLEEN McGINTY
JIM STEINBERG
GENE SPERLING



SUBJECT: Signing Kyoto Protocol -- Timing

This memo addresses the question of when to sign the Kyoto Protocol, which will be open for signature for one year, beginning March 16. Though we have already indicated that we expect to sign, we have not said *when* we plan to do so. The Secretary of State is scheduled to testify before Congress February 10 and Stu Eizenstat is testifying February 11. They are likely to be asked about our signing plans so **we need a decision on this by Monday, February 9.**

Conceptually, there are three options: (1) sign in March when the Protocol opens for signature; (2) announce that we will not sign until after the Buenos Aires meeting in November, at which time we hope to have made progress on open points concerning certain key issues, such as emissions trading; or (3) make clear that we are going to sign, but defer signature for the time being, retaining the flexibility to sign at any time that developments suggest this would be the best course. For reasons set forth below, your advisors favor Option 3.

Background

The Kyoto Protocol was an historic step and a substantial achievement for the United States. In key respects -- including targets and timetables for industrialized nations, the market mechanisms of emissions trading and joint implementation (JI now goes under the new rubric of the "Clean Development Mechanism"), the coverage of all six gases, the inclusion of carbon absorbing "sinks", such as forests, and the treatment of military emissions -- the Protocol reflects proposals advanced by the United States. (We have attached a fact sheet should you wish to review the specifics in more detail.) At the same time, critical details of emissions trading and the new Clean Development Mechanism (CDM) remain to be worked out. And a great deal of work needs to be done to secure the meaningful participation of key developing countries.

The Protocol is generally regarded by its domestic supporters as an important step forward, but still a work in progress. The critics -- there are a sizable number both on the Hill and among business, labor and farm groups -- see it as a fatally flawed accord in which the United States

accepted too stringent a target and got too little in return, especially with regard to developing countries. They believe the U.S. should have made good on its claim that it would walk away from a bad agreement.

Analysis

As noted, the Protocol will be open for signature from March 1998 to March 1999, so, from a purely substantive viewpoint, a signature at any time within that period would be fine. In deciding when to sign, four key variables need to be considered: (1) diplomatic leverage; (2) international signing politics; (3) the Hill; (4) the reaction of environmental groups and business.

Diplomatic leverage. Some on the Hill and in the business community argue that we should withhold our signature until after the Buenos Aires meeting in order to gain more leverage in the difficult upcoming negotiations over the rules for emissions trading and the CDM. Their argument is that countries ought to be worried that if they undermine those market measures through unhelpful rules, they could lose U.S. support for the whole Protocol. They contend that if the United States signs before it knows the critical details of these measures, it will lose its leverage.

The counter argument is that appearing to make our signature conditional on Buenos Aires will anger our negotiating partners and be counterproductive; that we may undercut our leverage with developing countries if they can hold over us the fact that we haven't even signed the Protocol; and that we retain all the leverage we need by making clear that, unless requisite progress is made on the rules and on developing countries, we won't submit the Protocol for ratification.

International signing politics. Given the strong U.S. leadership role in getting Kyoto done, we do not want to find ourselves as an outlier on signing. As things stand, it does not appear that there is going to be a U.N. signing ceremony, though that hasn't yet been ruled out. There is also some discussion of a possible EU signing in New York in late April. Russia, Australia and New Zealand reportedly may wait until rules for international emissions trading are better defined, in November at Buenos Aires.

In general, State does not believe that other countries expect us to sign early or that we will face international pressure if we hold off until after Buenos Aires -- provided that we don't make our signing explicitly conditional on achieving certain results there. *However, decisions about signing are still fluid, and we could end up more isolated than we think by the spring or summer.*

The Hill. Congressional views vary on when we should sign. Two key Democratic Senators, Byrd and Daschle, are urging us to wait. In a floor statement last week, Byrd endorsed many of the Kyoto accomplishments, but noted that the Kyoto Protocol fails to include the "specific,

scheduled commitments" for developing countries identified as a condition to signing in last year's 95-0 Byrd-Hagel Resolution. He urged you to "wait and see what the next November meeting will produce and what can be accomplished in the meantime" and said that signing early "will compromise [the President's] flexibility in dealing with the developing countries over the next year." Byrd also urged you not to sign in an otherwise quite positive letter he sent shortly after Kyoto. Byrd's view is important, because as long as he is relatively satisfied with the way we are proceeding, he will probably refuse to join any hostile resolution that Sen. Hagel might wish to offer, and, without Byrd, Hagel is unlikely to act. As things stand now, Hagel and Byrd have agreed not to do any new resolution, and that approach might hold even if we were to sign early; still, an early signing would rock the boat and might well prompt more aggressive steps by Hagel and his allies. At the least, signing will lead Hagel to demand that we submit the Protocol right away for the Senate's advice and consent, and our failure to do so may provoke a premature Senate debate on Kyoto.

One more point on Sen. Byrd. Although there is a good argument for trying not to antagonize him now by an early signing, we should also understand that waiting postpones but probably does not avoid conflict with him. Even if we wait until after Buenos Aires, we will still end up signing before a critical mass of key developing countries is on board (since it is very unlikely that they will be on board before the signing period ends) and Senator Byrd won't like that.

Senator Chafee, one of our few Republican supporters, agrees with Byrd's view that we should not sign right away. Senator Daschle believes that signing now would be divisive within the Democratic caucus. Other Democratic Senators -- including Lieberman, Baucus and Bob Kerrey -- believe we should sign soon (although Kerrey's views may be affected by local Nebraska politics) to underscore our success at Kyoto.

Environmental community/business/labor. At this time, the environmental community is inclined to leave the signing issue to our discretion rather than making it a major cause. A number of them believe that keeping Sen. Byrd in a moderate stance is quite important, and see the virtue of not taking a step that could antagonize him. Should signing become a high-profile issue however, the community would surely press for an early signing. On the business side, the most significant constructive coalition, the International Climate Change Partnership (including, BP, Enron, DuPont, GE and a number of other Fortune 500 companies), favors waiting until after Buenos Aires because they believe that would strengthen our leverage in negotiating the rules of trading and the CDM. Labor doesn't think we should sign at all until we get developing countries on board, so waiting to sign would at least defer a negative reaction from them.

Options

1. Sign in March, when Protocol opens for signature. Signing immediately would send a strong signal that you consider the Kyoto Protocol to be an important success; would avoid any

risk of international isolation; and would prevent an anti-signing campaign from revving up -- particularly if we signed without a great deal of advance notice. The risks are that we would make Sen. Byrd unhappy and could provoke a premature fight in the Senate, once Senator Hagel demands that we immediately submit the Protocol for ratification. Protracted division in the Senate over Kyoto could complicate efforts to advance our domestic climate change agenda. And sharp debate on this issue during 1998 would likely be unwelcome among some number of House and Senate Democrats. Labor is also likely to react badly.

2. Announce that we expect to sign the Protocol after Buenos Aires. This approach would be generally popular on the Hill and would minimize the chance of divisive congressional resolutions. It would also be popular among business. But there are substantial downsides. First, this announcement would inevitably put intensified focus on the issue of signing and raise the bar for Buenos Aires, suggesting that unless we got what we wanted in certain key respects, we might not sign. Second, we could find ourselves isolated internationally if the other major players sign the Protocol relatively early. Third, we could find ourselves criticized by the environmental community, if signing becomes an issue and they decide to press for early action.

3. State clearly that we intend to sign, but remain flexible on the timing. The object of this approach would be to defer signing initially, while recognizing that circumstances might lead us to want to sign well in advance of Buenos Aires. The reason for deferring signature at the outset would be to avoid crossing swords with Senator Byrd and provoking an unwelcome debate on the Hill or an early attack from business or labor. At the same time, we might conclude over time that our failure to sign was threatening to become counterproductive -- by diminishing our leverage with the EU or developing countries, or by provoking unwelcome international or domestic pressure. For example, if the other G-8 countries end up signing early and it appears that our failure to sign would be problematic in the context of the G-8 in Birmingham, you might decide that we should sign promptly, notwithstanding difficulties that might cause on the Hill. *At the least, this approach would give us a few more months to try to build support for our policy before a debate is launched. At most, this approach could lead us to sign after the Buenos Aires meeting, at a point when Congress would have adjourned.*

Senator Daschle would see the approach as reasonable. Senator Byrd, while preferring no signature until we get developing countries on board, would definitely prefer this approach to an immediate signing and would not criticize us -- at least until we signed. Nor would this approach be likely to provoke hostile action from Sen. Hagel.

Our talking point for Administration officials would be:

Like other countries, we will be signing the Kyoto Protocol within the one-year signing period provided for in the agreement. We haven't made any determination yet as to the precise time of signing.

This approach would carry some risk, though not as great as Option 2. Holding off on signing, even in an unspecified way that retains flexibility, would, again, raise the question of what progress is enough (either at Buenos Aires or before) to warrant signing. But the premise of this option is that if the downsides of not signing came to appear significant, we could always decide to pull the trigger and sign. Jim Steinberg, Katie McGinty, Gene Sperling and Todd Stern favor this approach, as does State.

Option 1 ____

Option 2 ____

Option 3 ____

Discuss ____

The Kyoto Protocol on Climate Change
State Department Fact Sheet
January 15, 1998

BACKGROUND

- At a conference held December 1 - 11 1997, in Kyoto, Japan, the Parties to the UN Framework Convention on Climate Change agreed to an historic Protocol to reduce greenhouse gas emissions by harnessing the forces of the global marketplace to protect the environment.
- The Kyoto Protocol in key respects – including emissions targets and timetables for industrialized nations and market-based measures for meeting those targets – reflects proposals advanced by the United States. The Protocol makes a down payment on the meaningful participation of developing countries, but more needs to be done in this area. Securing meaningful developing country participation remains a core U.S. goal.

EMISSIONS TARGETS

- A central feature of the Kyoto Protocol is a set of binding emissions targets for developed nations. The specific limits vary from country to country, though those for the key industrial powers of the European Union, Japan, and the United States are similar – 8% below 1990 emissions levels for the EU, 7% for the U.S., 6% for Japan.
- The framework for these emissions targets is based largely on U.S. proposals:
 - **Emissions targets are to be reached over a five-year budget period as proposed by the U.S., rather than by a single year.** Allowing emissions to be averaged across a budget period increases flexibility by helping to smooth out short-term fluctuations in economic performance or weather, either of which could spike emissions in a particular year.
 - **The first budget period will be the U.S. proposal of 2008-2012.** The Parties rejected proposals favored by others, including budget periods beginning as early as 2003, that were neither realistic nor achievable. Having a full decade before the start of the binding period will allow more time for U. S. companies to make the transition to greater energy efficiency and/or lower carbon technologies.
 - **The emissions targets include all six major greenhouse gases.** The EU and Japan initially favored counting only three gases – carbon dioxide, methane, and nitrous oxide. Ensuring the inclusion of the additional gases (synthetic substitutes for ozone-depleting CFCs) that are highly potent and long-lasting in the atmosphere provides more comprehensive environmental protection and lends more certainty concerning the treatment of the additional gases.

- **Activities that absorb carbon, such as planting trees, will be offset against emissions targets.** The treatment of these so-called “sinks” was another controversial issue at Kyoto. Many countries wanted sinks to be excluded. The United States insisted that they be included in the interest of encouraging activities like afforestation and reforestation. Accounting for the role of forests is critical to a comprehensive and environmentally responsible approach to climate change. It also provides the private sector with low-cost opportunities to reduce emissions.

Is the target the United States agreed to actually 7% lower than what the President proposed in October?

No. The 7% target represents at most a 3% real reduction below the President’s initial proposal of reducing greenhouse gases to 1990 levels by 2008-2012. The remaining 4 percentage points result from certain changes in the way gases and sinks are calculated and do not reflect any increase in effort as compared to the President’s original proposal.

- **Changing the baseline for the three synthetic greenhouse gases from 1990 to 1995 accounts for about 1% of the 7% reduction.** Use of these three gases has grown since 1990, so that permitting a 1995 baseline allows for a higher overall baseline than the Administration assumed last October when the President announced his goal of reaching 1990 levels by 2008-2012. Making reductions to meet a higher baseline is of course easier than making reductions to meet a lower baseline. Had the United States maintained the same level of effort assumed by the President in October, and no other factors had changed, the shift to a 1995 baseline for the three synthetic gases would, alone, have transformed the President’s goal of 1990 levels into a goal equivalent to 1% below 1990 levels.
- **Altering the accounting method for carbon-absorbing activities, such as planting trees, accounts for about 3% of the 7% reduction.** The President’s original goal assumed that the 1990 baseline would be lowered by carbon-absorbing activities, but under the method agreed in Kyoto, such activities do not lower the 1990 baseline. Because the 1990 level baseline is thus higher under the Kyoto agreement, the U.S. target becomes somewhat less stringent. Specifically, had the U.S. maintained the same level of effort assumed by the President in October, and no other factors had changed, the shift in the accounting method for carbon-absorbing activities would, alone, have transformed the President’s goal of 1990 levels into a goal equivalent to at least 3% below 1990 levels. (As noted above, certain carbon-absorbing activities will count against emission reduction commitments in the budget period.)

INTERNATIONAL EMISSIONS TRADING

- The United States prevailed in securing acceptance of emissions trading among nations with emissions targets. This free market approach, pioneered in the U.S., will allow countries to seek out the cheapest emissions reductions, substantially lowering costs for the U.S. and others.

- Under an emissions trading regime, countries or companies can purchase less expensive emissions permits from countries that have more permits than they need (because they have met their targets with room to spare). Structured effectively, emissions trading can provide a powerful economic incentive to cut emissions while also allowing important flexibility for taking cost-effective actions.
- The Kyoto Protocol enshrines emissions trading. Rules and guidelines – in particular for verification, reporting, and accountability – are to be discussed at the next meeting of the Parties at Buenos Aires in November 1998.
- The inclusion of emissions trading in the Kyoto Protocol reflects an important decision to address climate change through the flexibility of market mechanisms. Led by the United States, the Conference rejected proposals to require all Parties with targets to impose specific mandatory measures, such as energy taxes.
- The United States also reached a conceptual agreement with a number of countries, including Australia, Canada, Japan, New Zealand, Russia and Ukraine, to pursue an umbrella group to trade emissions permits. Such a trading group could further contribute to cost-effective solutions to this problem.

JOINT IMPLEMENTATION AMONG DEVELOPED COUNTRIES

- Countries with emissions targets may get credit towards their targets through project-based emission reductions in other such countries. The private sector may participate in these activities.
- Additional details may be agreed upon by the Parties at future meetings.

CLEAN DEVELOPMENT MECHANISM

- Another important free market component of the Kyoto Protocol is the so-called “Clean Development Mechanism” (CDM). The CDM embraces the U.S. proposal for “joint implementation for credit” in *developing* countries.
- With the Clean Development Mechanism, developed countries will be able to use certified emissions reductions from project activities in developing countries to contribute to their compliance with greenhouse gas reduction targets.
- This Clean Development Mechanism will allow companies in the developed world to enter into cooperative projects to reduce emissions in the developing world – such as the construction of high-tech, environmentally sound power plants – for the benefit of both parties. The companies will be able to reduce emissions at lower costs than they could at home, while developing countries will be able to receive the kind of technology that can allow them to grow more sustainably. The CDM will certify and score projects. The CDM can also allow developing countries to bring projects forward in circumstances where there is no immediate developed country partner.

- Under the Clean Development Mechanism, companies can choose to make investments in projects or to buy emissions reductions. In addition, Parties will ensure that a small portion of proceeds be used to help particularly vulnerable developing countries, such as island states, adapt to the environmental consequences of climate change.
- Importantly, certified emissions reductions achieved starting in the year 2000 can count toward compliance with the first budget period. This means that private companies in the developed world will be able to benefit from taking early action.

DEVELOPING COUNTRIES

- Various Protocol provisions, taken together, represent a down payment on developing country participation in efforts to reduce greenhouse gas emissions:
 - Developing countries will be engaged through the Clean Development Mechanism, noted above.
 - The Protocol advances the implementation by *all* Parties of their commitments under the 1992 Framework Convention on Climate Change. For example, the Protocol identifies various sectors (including the energy, transport, and industry sectors as well as agriculture, forestry, and waste management) in which actions should be considered in developing national programs to combat climate change and provides for more specific reporting on actions taken.
- Developing countries may, as a prerequisite for engaging in emissions trading, voluntarily assume binding emissions targets through amendment to the annex of the Protocol that lists countries with targets. The Kyoto Protocol does not include a separate article for nations to voluntarily assume binding emissions targets.
- Securing meaningful participation from key developing countries remains a priority for the United States. The Administration has stated that without such participation, it will not submit the Kyoto Protocol to the Senate for advice and consent to ratification.

MILITARY EMISSIONS

- The Kyoto Protocol achieves the objectives identified by the Department of Defense where international agreement was necessary to protect U.S. military operations.
 - Emissions from “bunker” fuels (for international maritime or aviation use) are exempted from emissions limits.
 - Emissions from multilateral operations pursuant to the United Nations Charter are exempted from emissions limits. This includes not only multilateral operations expressly authorized by the UN Security Council (such as Desert Storm, Bosnia, Somalia) but also multilateral operations not expressly authorized that are nonetheless pursuant to the UN Charter, such as Grenada.

- Countries may decide, among themselves, how to account for emissions relating to multilateral operations (for example, U.S. training in another NATO country). This provision avoids the need to use emissions trading to allocate such emissions.

COMPLIANCE AND ENFORCEMENT

- The Protocol contains several provisions intended to promote compliance. These include requirements related to measurement of greenhouse gases, reporting, and review of implementation.
- The Protocol also contains certain consequences for failure to meet obligations. For example, as a result of a U.S.-proposed provision, a Party not in compliance with its measurement and reporting requirements cannot receive credit for joint implementation projects.
- Effective procedures and a mechanism to determine and address non-compliance are to be decided at a later meeting. For both environmental and competitiveness reasons, the United States will be working on proposals to strengthen the compliance and enforcement regime under the Protocol.

ENTRY INTO FORCE

- The Kyoto Protocol will be open for signature in March 1998. To enter into force, it must be ratified by at least 55 countries, accounting for at least 55 percent of the total 1990 carbon dioxide emissions of developed countries. U.S. ratification will require the advice and consent of the Senate.



JIMMY CARTER

98 FEB 9 PM 3:35

January 27, 1998

To the Stamp Advisory Committee

In the year 2000 the United States Submarine Service celebrates its centennial anniversary. America's submariners have made immeasurable contributions to the defense of our country in peace and in war. Since 1900 our submarines have evolved from small submersibles with limited capability to incredibly stealthy ships of almost unlimited submerged endurance. In World War II the U.S. Submarine Force was extremely effective in causing 55 percent of Japan's maritime losses.

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*Jimmy Carter - Writes BC recommend
U.S. Postal Stamps for year 2000
to commemorate the Centennial Anniversary
of U.S. Submarine Service*

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Jimmy Carter

Stamp Advisory Committee
c/o Mr. Azeezaly Jaffer
U.S. Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260-2435

cc: President William J. Clinton
Postmaster General Marvin Runyon
Senator Strom Thurmond
Representative Floyd Spence

2/9/98

Send to ~~OSC~~? *Bukht*

Yes _____
no _____

*Please
advise
if necessary?*



JIMMY CARTER

98 FEB 9 PM 3:36

January 27, 1998

To the Stamp Advisory Committee

In the year 2000 the United States Submarine Service celebrates its centennial anniversary. America's submariners have made immeasurable contributions to the defense of our country in peace and in war. Since 1900 our submarines have evolved from small submersibles with limited capability to incredibly stealthy ships of almost unlimited submerged endurance. In World War II the U.S. Submarine Force was extremely effective in causing 55 percent of Japan's maritime losses. During the Cold War our submarines were a major contributor to strategic deterrence while attack submarines conducted a variety of demanding and sensitive national missions of great importance.

Throughout the century American submarines have been world leaders in competent implementation of sophisticated technology, including nuclear propulsion under the guidance of Admiral Hyman Rickover. This is an incredible success story of ordinary Americans performing extraordinary service to our nation.

Accordingly, I strongly recommend that stamps honoring those who served in the U.S. Submarine Service be issued in the year 2000.

Sincerely,

Jimmy Carter

Stamp Advisory Committee
c/o Mr. Azeezaly Jaffer
U.S. Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260-2435

cc: ✓ President William J. Clinton
Postmaster General Marvin Runyon
Senator Strom Thurmond
Representative Floyd Spence

2/9/98

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Yes _____

No _____

Please
advise.
more necessary?
C.

THE
CARTER CENTER



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

20500-2000



Jimmy Carter

POSTAGE AND FEES PAID

ATL GA 303 P/DC 23:11 01/28/98 #7

98 FEB 9 PM 3:31

2nd February 1998

William Jefferson Clinton,
President of the United States of America,
The White House,
Washington,
U.S.A.

Dear President Clinton,

Please accept my best wishes and sincere greetings from Dublin, Ireland.

As a close observer of American politics I am appalled at the vicious outburst of cheap point-scoring by those, particularly in the U.S. networks, from whom one expects fair and balanced reporting.

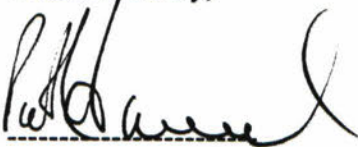
Your State of the Union Address was inspiring. Your brief visit to Illinois and Wisconsin was a triumph and the polls clearly show that the American people have absolute confidence in their President.

For what it is worth I sympathise with you and your family and indeed with your loyal friends and staff in the White House. Your wife was truly magnificent.

Remember one thing - do not get mad get even.

With kind regards,

Yours sincerely,



PAT HENEGHAN
Chairman

2/9/98
Send to Bush/Kard? ☒
Yes ☒
No ☐

Support
left

Handwritten notes and scribbles in the top right corner.

Herb O'Brien
336 County Road 6
Finland, MN 55603
Fax/Voice 218 353 7511
February 5, 1998

98 FEB 9 PM 3:3

The Hon. William J. Clinton
President
The White House
District of Columbia

Mr. President,

It is beyond belief that Congress would so abruptly foist a name change on National Airport. It's as good an argument against *fast track* as anyone might want.

The associated costs alone are absurd and unnecessary. Has anyone thought of the expense involved in reprogramming every local airport computer plus reprinting all the shipping and baggage tags?

To honor the most profligate spender in our history seems obscene.

The insult to organized labor—remember us?—is especially galling. The PATCO people struck over obsolete equipment and sweatshop working conditions.

Those conditions remain as bad or worse than they were at the time.

Indeed, if a change were necessary I'd propose Henry David Thoreau to celebrate the controller's observance of their Duty of Civil Disobedience.

For you to sign a bill honoring the man who violated the Boland Amendment and defied Congress so blatantly... will you dredge up Ed Meese to cut the ribbon?

That absurd new office building will bear Raygun's name. Isn't that enough?

Please reconsider your threat to sign such a silly bill. We are already becoming the world's laughing stock.

219/98

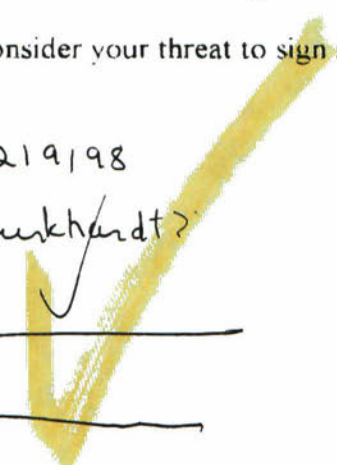
Cordially,

Send to Burkhardt?

Yes

No

Handwritten signature of Herb O'Brien



C.

State Union

MICHAEL DOUGLAS

GROSS

98 FEB 9 PM 3:37

January 22, 1998

President Bill Clinton
White House
Washington, DC

RE: State of the Union Address

Dear Mr. President:

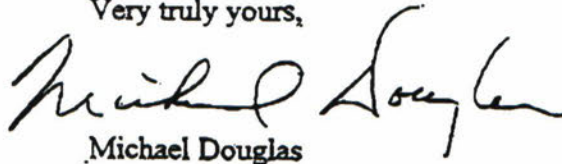
We are heartened by the administration's commitment to move closer to the ultimate goal of the elimination of nuclear weapons. You were the first of the 146 leaders to sign the comprehensive Test Ban Treaty which "will help to prevent the nuclear powers from developing more advanced and more dangerous weapons" and "limit the possibilities for other states to acquire such devices." We applaud your leadership in placing the Treaty before the Senate for ratification and look forward to inspirational words on this subject at the upcoming State of the Union Address.

We offer our firm support and will help in any way possible to achieve this step toward nuclear disarmament. The United States can and must lead in ending nuclear testing and any further development of weapons of mass destruction.

We are also pleased to applaud the Secretary of the State Madeleine Albright's recent forthright efforts to have our United Nations dues paid in full. For the United States to lead in creating the "web of institutions setting ground rules for the 21st Century" through the rule of law, for us to lead in opposing tyrants like Sadaam Hussein, it is imperative that our country adhere to its legal commitments. Without qualifications our UN dues must be paid and it must be done now. Your leadership on this issue, which so dramatically affects the prestige and security interests of the United States, the strength of the United Nations, and the stability of the world, is needed and again we offer our firm support and help as you might desire.

2/9/98

Very truly yours,


Michael Douglas

Send to Burkhardt?

Yes _____
no _____

C.

THE WHITE HOUSE
WASHINGTON

Date

2/9

To:

Ellen Lovell

From:

The Staff Secretary

Ellen -

Ann Lewis thought this wasn't
a bad idea. What do you
think? How would you like
to handle this?

Phil

Proposal for Lincoln's
190th birthday by the
Metropolitan Museum of Art

THE WHITE HOUSE
WASHINGTON

Date 2/3

To:

Ann Lewis

From:

The Staff Secretary

What do you make of this
suggestion?

Phil Coplen

The Metropolitan Museum of Art

VICE PRESIDENT FOR COMMUNICATIONS

MEMORANDUM

~~Confidential~~

DETERMINED TO BE AN ADMINISTRATIVE

To: The President and Mrs. Clinton

From: Harold Holzer

MARKING INITIALS: OB DATE: 8/2/19
2019-0774-5

Subj: Lincoln's 190th Birthday -- February 12, 1999

'98 FEB 2 PM 5:38

Date: January 20, 1998

At the suggestion of Tommy Kaplan, I am writing to suggest an idea for celebrating the 190th birthday of Abraham Lincoln at the White House in February 1999.

This milestone offers the President -- and the country -- the opportunity to take renewed inspiration from the example of the leader who ended American slavery, preserved the Union, and eloquently defended the ideals of liberty, democracy, and opportunity.

It has been nearly a decade since an official White House event was devoted to Lincoln and his legacy. Especially now, with the President's own task force on racial justice working to set a crucial new agenda for national harmony, the moment is right to celebrate a leader who made such enormous strides in ending inequality.

May I propose a White House lecture on Lincoln, to an audience to be drawn from among the nation's key historians, scholars, and writers on the Lincoln theme, as well as leaders of today's government. The lecture could be augmented by a display of the White House copy of the Gettysburg Address, as well as the wonderful paintings in the collection portraying Lincoln: Healy's East Room portrait and his *Peacemakers* group; the Rothermel depiction of *The Republican Court in the Days of Lincoln*; and Carpenter's portrait of Lincoln and his son, among others.

I would be delighted and honored to help the White House with such an event -- to identify speakers, themes, and audiences, and provide whatever additional assistance I could to draw public and professional attention to it. I have written or edited 11 books on Lincoln and the Civil War, several of which I think you know: *Lincoln on Democracy*, co-edited with Mario Cuomo; and *Dear Mr. Lincoln: Letters to the President*, which President Clinton was kind enough to autograph to me at the Metropolitan Museum a few years ago.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	[Personally Identifiable Information] [partial] (1 page)	01/20/1998	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 11246

FOLDER TITLE:

Chron Files: Monday, February 9, 1998 [1]

2019-0774-S

rs3377

RESTRICTION CODES

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

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

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

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RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

The Metropolitan Museum of Art

VICE PRESIDENT FOR COMMUNICATIONS

MEMORANDUM

To: Tommy Kaplan
From: Harold Holzer
Subj: The White House
Date: January 20, 1998

By fax: 410-243-5721

It was good to have the opportunity to speak with you last week, and I'm looking forward to talking again once you get back from Washington. The news you shared with me last week was very exciting, and I'm most grateful to you.

As you requested, I'm enclosing a c.v. -- or, more precisely, a biography that gives a good overview of my activities as an historian.

You also asked for a formal memorandum to President and Mrs. Clinton on Lincoln's 190th in February 1999, and I enclose that as well (and would, of course, be happy to send an original copy as you direct).

As for the vital stats you asked me to supply:

Birthdate
SS#

(b)(6)

I've no idea whether the invitation is extended to my wife, who was with me that evening in 1991 for the last White House Lincoln event, but in case it is:

Name: Edith Holzer
Birthdate
SS#

Again, many thanks, and I look forward to speaking to you soon.

3 pages follow

The Metropolitan Museum of Art

VICE PRESIDENT FOR COMMUNICATIONS

HAROLD HOLZER: BIOGRAPHY-IN-BRIEF

Harold Holzer, Vice President for Communications at The Metropolitan Museum of Art, is one of the country's leading authorities on the political culture of the Civil War era.

Holzer has authored, co-authored and edited eleven books: *The Lincoln Image* (1984), *Changing the Lincoln Image* (1985), and *The Confederate Image* (1987), all with Mark E. Neely, Jr., and Gabor S. Boritt; *The Lincoln Family Album* (1990), with Neely; and *Lincoln on Democracy* (1990), with Mario M. Cuomo; and *Mine Eyes Have Seen the Glory: the Civil War in Art* (1993), again with Neely. Alone, he has published *The Lincoln-Douglas Debates: The First Complete, Unexpurgated Text* (1993), *Washington and Lincoln Portrayed* (1993); *Dear Mr. Lincoln: Letters to the President* (1993); *Witness to War: The Civil War* (1996); and, for young readers, the two-volume collection, *The Civil War Era* (1996).

In addition, Holzer has written more than 270 articles for both popular magazines and scholarly journals, including *Life Magazine*, *American Heritage*, *Civil War Times*, *America's Civil War*, *Blue and Gray*, *American History*, *MHQ*, the *Illinois Historical Journal*, *The American Art Journal* and *The Winterthur Portfolio*. He regularly reviews Civil War books for the *Chicago Tribune*.

Holzer has also authored pamphlets and monographs on Lincoln, edited the "Books at Brown University" publication, *Lincoln and Lincolniana* (1987), and has contributed chapters to a number of books, most recently *Graphic Arts and The South* (1993), *The Encyclopedia of the Confederacy* (1993), and *We Cannot Escape History: Lincoln and the Last Best Hope on Earth* (1995). He delivered the Seventeenth Annual R. Gerald McMurtry Lecture at The Lincoln Museum, published in 1997 as "The Mirror Image of Civil War Memory: Abraham Lincoln and Jefferson Davis in Popular Prints."

Holzer served as consultant to the ABC-TV documentary mini-series, *Lincoln*, broadcast in 1992, and appeared on camera on the 1992 PBS-TV documentary *Abraham Lincoln: A New Birth of Freedom*, in several episodes of the 1994 A&E series *Civil War Journals*, on the 1995 History Channel documentary, *American Heritage Presents the Lincoln Assassination*, and in 1996, on the A&E series *Biography*, and the History Channel special, *Assassins: John Wilkes Booth*. Holzer's 1993 appearance on C-Span's *Booknotes* series inspired the recreation of all seven Lincoln-Douglas debates in Illinois in 1994, for which Holzer served as historical consultant and on-air commentator. He has since appeared regularly on the C-Span network.

Holzer has also served as an adjunct professor of history at Pace University in New York. He lectures widely before Civil War round tables, Lincoln groups, historical societies and colleges throughout the country, and has organized several Lincoln symposia at the New York State Museum in Albany. Earlier, he served as co-organizer of two national traveling exhibitions of original Civil War-era art. *The Lincoln Image* (1994) and *The Confederate Image* (1987). In 1990, to mark the publication of *Lincoln on Democracy*, Holzer hosted an exhibition of Lincolnia at the New-York Historical Society, and chaired a symposium featuring Governor Cuomo and seven leading Lincoln scholars at the New York State Museum.

Holzer has three times won the Barondess Award of the Civil War Round Table of New York (1984, 1990, and 1993); received the Diploma of Honor from Lincoln Memorial University (1998); twice won the Award of Achievement from the Lincoln Group of New York (1988 and 1993), won the 1990 Award of Achievement from The Abraham Lincoln Association; received a 1988 George Washington Medal from the Freedom Foundation; won a 1989 Writer of Distinction Award from the International Reading Association; and earned a 1993 Award of Superior Achievement from the Illinois State Historical Society, along with an honorary doctorate in humane letters from Lincoln College in 1992. In 1996 he won the first annual award from the Manuscript Society of America for his use of the original manuscripts in *Dear Mr. Lincoln*.

From 1991 through 1996, Holzer served as president of the Lincoln Group of New York. He also served on the board of directors of the Abraham Lincoln Association, and on the editorial advisory board of *The Lincoln Herald*. In 1996 he became founding vice-chairman of The Lincoln Forum, a national organization promoting the study of Lincoln and the Civil War. He also serves on the Board of Directors of the Ulysses S. Grant Association.

For 15 years, Holzer authored a monthly column for *The Antique Trader* called "A Picture's Worth." After serving from 1991 through 1993 on the New York State Council on the Humanities, Holzer was appointed by Gov. Mario Cuomo to the New York State Archives Preservation Trust Board in 1994, a post he still holds.

Holzer's next books include *The Union Image: Prints of the Civil War North* with Mark E. Neely, Jr.; and the *Lincoln Mailbag*, a sequel to *Dear Mr. Lincoln*.

Educated at the City University of New York, Holzer worked as a weekly newspaper editor, a political campaign press secretary, a government speechwriter, and as public affairs director for the PBS flagship station WNET before joining the Metropolitan Museum of Art as Chief Communications Officer in 1992. He was named vice president in 1996. From 1984 through 1992, he served as Special Counselor to the Director of Economic Development in the administration of Gov. Mario M. Cuomo.

Holzer lives in Rye, New York with his wife, Edith, director of public affairs for the Council of Child Caring Agencies. The Holzers have two daughters: Remy, a recent graduate of Harvard University now on the staff of *The New Yorker*, and Meg, a student at Yale University.

#####

October 1997

THE WHITE HOUSE
WASHINGTON

February 9, 1998

TO: Erskine Bowles
Larry Stein

FR: Phil Caplan *PC*

Attached is a "white paper" outlining several Administration initiatives relating to fast track. It's my understanding from Dan Tarullo and Bob Kyl that, in order to fulfill a commitment made to Sen. Daschle last fall, we committed to having the President send this paper to the Cabinet whether fast track passed or not.

I've edited the Presidential Memorandum and it is now ready to go (Tarullo/Kyle concur). But before I have it sent, I wanted to check one last time with you. Any reason this shouldn't be transmitted now?

I'll wait to hear from you. Thanks.

THE WHITE HOUSE

WASHINGTON

January 7, 1998

7 1000

5:55 PM

98 FEB 6 PM 5:53

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

SAMUEL BERGER *(E) For*
JOHN HILLEY *V*
GENE SPERLING *TH*
DANIEL K. TARULLO *OK*

SUBJECT:

Implementation of Initiatives Designed to Promote
Worker Rights and Protect the EnvironmentPurpose

To obtain your approval for transmittal of the attached memorandum to the Cabinet and list of Executive Initiatives.

Background

In connection with Administration efforts to obtain Congressional support for fast track legislation, we committed to undertake various initiatives suggested by Senator Daschle relating to worker rights and the environment. It was also understood that you would send a memorandum to relevant Cabinet members instructing them to implement these initiatives.

RECOMMENDATION

That you sign the memorandum to Cabinet Members at Tab A.

Attachments

Tab A Memorandum to Cabinet Members
Tab 1 Executive Initiatives

cc: Thurgood Marshall, Jr.

TAB A

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE SECRETARY OF STATE
SECRETARY OF THE TREASURY
ATTORNEY GENERAL
SECRETARY OF AGRICULTURE
SECRETARY OF COMMERCE
SECRETARY OF LABOR
UNITED STATES TRADE REPRESENTATIVE
ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY

SUBJECT: Initiatives Relating to Worker Rights and
the Environment

Attached is a list of various Administration initiatives
designed to promote worker rights and protect the environment.

Please review these initiatives and take all appropriate steps
to implement them.

TAB I

STATEMENT OF EXECUTIVE INITIATIVES

The renewal of traditional trade negotiating authority will enable the United States to continue to assume the leadership role in breaking down trade barriers and opening markets -- creating new opportunities for our workers and our companies. By fostering a close partnership between the President and the Congress, this authority also ensures that the United States speaks with a united, bipartisan voice in pursuing our international trade agenda.

Even as we use this authority to negotiate strong new trade agreements, we need to ensure that our trade agenda complements and reinforces other important policy objectives -- as it always has done. These goals include helping promote greater attention by other countries to the protection of the environment and worker rights. Because of American leadership, we already have witnessed significant progress in both areas. Maintaining and extending this progress depends on our continued economic leadership role, which in turn is dependent on the renewal of our traditional trade negotiating authority. Failing to do so not only will deny us the ability to attack foreign trade barriers and create new jobs at home, but also will ensure that we are not positioned to help advance environmental protection and promotion of worker rights in other countries.

Greater international attention to labor and environmental issues is integral to our efforts to see that all workers have the opportunity to compete and win in the global marketplace. It also helps serve as an important reminder that the ultimate rationale for freer, expanded trade is to create additional wealth and, by so doing, to improve the living conditions of workers both in the United States and abroad. U.S. leadership in this regard also affords a clear example to the rest of the world that protecting the environment and worker rights helps contribute to increased economic growth and prosperity.

The initiatives described below complement the provisions on labor and the environment in the "fast track" legislation now under consideration in the Senate and House of Representatives. They demonstrate that we should work to promote stronger protection of the environment and worker rights in a variety of ways in a variety of fora; indeed, they reveal that trade negotiations may not always afford the best venue for achieving these important objectives.

These initiatives are fully consistent with our goal of expanding international trade. By remaining active here, the United States can help ensure that protection of the environment and promotion of worker rights are in step with trade liberalization. Our leadership position grants us both an opportunity and a challenge: to ensure that trade expansion and improved protection of the environment and worker rights are mutually supportive, and together contribute to economic growth, higher standards of living, and a higher quality of life both in the United States and abroad.

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings, and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. Second, we will present our transparency objectives with respect to WTO activities and proceedings at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency in dispute settlement include:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade, the environment, and development, to examine issues and formulate options for the WTO to consider.

- We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles. Among the issues it should address are: the relationship of GATT Articles III and XX to environmental measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and ecolabeling.

C. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.
- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the existing law, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members to consider the link between the environment and economic policy choices.

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association, the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration is committed to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and practices, legal system, macroeconomic policies and conditions, trade laws and practices, and other relevant conditions. To advance this effort:

- We will submit to the Congress, and make available to the American public, a review evaluating these conditions in each prospective FTA partner country when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce.
- Among the matters this review will address are: (1) the FTA partner country's relevant labor and environmental laws, including the enforcement of those laws; (2) the integrity and effectiveness of the country's legal system; (3) the country's macroeconomic policies and practices, including the operation of its exchange rate system; and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Annual Report on Labor Conditions under the North American Agreement on Labor Cooperation

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness in addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing for each NAFTA partner the labor laws, practices, and conditions covered by the NAALC, as well as the relevant proceedings, actions and cases under the NAALC, and the steps being taken by our NAFTA partners to conform to the findings in any such cases.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. The following measures will help enhance attention to these issues within the U.S. Government, secure a greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the United States should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards in an effort to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of non-governmental organizations.
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- We will continue to implement the statutory requirement directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Child Labor

The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices, and have used these reports to aid the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. Innovative approaches in this area also include technical assistance to help developing countries eliminate exploitative child labor; pressing successfully for a greater ILO focus on exploitative child labor; using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices; and holding two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- The Labor Department will soon release a fourth report on actions being taken internationally to combat child labor and other exploitative working conditions. The Department also expects to begin a fifth report evaluating strategies that have been undertaken in other countries to reduce exploitative child labor.
- The Administration supported the recent enactment of a change in the Tariff Act of 1930 to clarify that products of forced or bonded child labor can be excluded from entry into the United States. The Department of the Treasury is establishing a task force to assure that the Administration can effectively respond to any allegations raised under the new law.

THE WHITE HOUSE

WASHINGTON

February 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN
SEAN MALONEY *SM*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Shalala Report on Welfare Reform with Bruce Reed Cover Note** -- Highlights: the stunning caseload drop continues (i.e., 2.4 million in 13 mos.); 21 states have had 25% declines; there has been no "race to the bottom;" states are spending more per recipient than in 1994; many more aid recipients are now working; state evaluations show a substantial increase in the numbers of people who leave welfare for work; there is little evidence of hardship among those sanctioned for not meeting program rules; only 9 states have adopted lifetime limits of less than 5 years; Bruce points out that 17 states have created state-only welfare programs to which TANF work requirements and time limits do not apply.

(B) **Ruff/Chirwa Status Report on African American Farmers** -- provides a detailed update of the legal issues you inquired about previously: the Eddie Ross lending discrimination case has been resolved; class action mediation was commenced last week; a USDA-DOJ high level working group is being convened; Office of Legal Counsel has completed its statute of limitations analysis under the Equal Credit Opportunity Act; concludes 2-year limitation applies to administrative and litigative settlements; USDA can not expend compensatory funds where relief would be unavailable in court; administrative claim filings do not toll the statute; doctrines of equitable tolling/estoppel are unlikely to be applied; practical result is that 40%-50% of farmers' claims will be time-barred; OLC's opinion will not be released until Sec. Glickman can prepare an explanation and explore possible solutions; *please see memo for details*.

(C) **Sec. Rubin's Daily Update for Friday's Financial Market Developments** -- Dow was up 72 points to 8189; long-term interest rates fell 1 to 2 basis points; dollar rose against the yen; Asian stock and currency markets generally rose amid positive sentiment that the Asian currency crisis may be easing.

(D) **CabAff Memo on Cabinet Amplification of SOTU** -- following your address, the members of your cabinet and subcabinet traveled around the country to highlight the themes and initiatives you set forth, conducting over 100 media interviews in 12 different cities with outlets from nearly all 50 states; memo includes detailed description of each

Tab A: page 1 of cover + memo: Reed/COS

Tab B: page 1 " " + memo: Ruff/Chirwa/COS

Tab E: page 2 " " + memo (original to Burkhardt)
COS

THE WHITE HOUSE

WASHINGTON

February 5, 1998

2-9-98

*Copied
Reed
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98 FEB 5 PM 12:31

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: SECRETARY SHALALA'S REPORT ON WELFARE REFORM

The attached memo from Secretary Shalala provides a good update on welfare reform.

Among the most interesting findings:

- The stunning caseload drop continues -- 2.4 million in the first 13 months of the new law. Twenty one states have dropped by 25 percent or more in that time.
- There has been no "race to the bottom" -- states are spending more per recipient than in 1994. All states are meeting the maintenance of effort requirement we fought for in the welfare law, and 20 states are exceeding it.
- Many more recipients are now working. State evaluations show a substantial increase in the share of people who leave welfare for work (from 45-50 percent under AFDC to up to 60 percent now), even as record numbers leave the rolls.
- There is little evidence of hardship among those who are sanctioned for not meeting program rules. Only nine states have adopted lifetime limits of less than five years.
- Forty states have enacted policies to make work pay, generally by increasing earnings disregards so families can keep their welfare subsidy while earning more.
- About a half dozen states (CA, NY, MD, OH, FL, CO, NC) are devolving key decisions to the counties.

Something not mentioned in the memo, but discovered from the new state financial data, is that seventeen states have created state-only welfare programs to which TANF work requirements and time limits don't apply.



JAN 27 1998

2-9-98

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MEMORANDUM FOR THE PRESIDENT

The purpose of this memo is to outline the information we have so far on the impacts of changes in welfare programs. The information is still quite preliminary, but some conclusions are emerging. These include:

- o The total number of welfare recipients has fallen below 10 million for the first time since 1971. Caseloads have fallen by more than 30 percent since their peak in 1994.
- o Many more recipients are now working, and the proportion of former recipients at work after leaving welfare appears to be somewhat higher than in the past.
- o States are making very serious efforts to move recipients into work, both by mandating work programs and sanctioning those who do not comply, and by increasing the benefits of working through simpler and higher earnings disregards and on-going supports such as child care.
- o As we found with AFDC waivers, States are adopting common approaches but with many variations in specifics. Several large States are devolving key policy decisions to the county level.
- o There has been no "race to the bottom" in State welfare benefits; States are spending more per recipient than in 1994 across TANF and related programs, and State maximum benefit levels are generally unchanged.
- o So far there is little evidence of extreme hardship among those who leave welfare as a result of sanctions, although many do experience fairly large declines in income. Overall, however, half or more of former recipients appear to increase their incomes after leaving welfare.
- o Even when recipients move to work and improve their incomes, they are still likely to have total incomes below the poverty line.

This memo looks first at what the States are doing, in terms of both spending choices and broader policy choices. It then turns to impacts on recipients, assessing both results from evaluations of State waivers similar to current State policies and the very early results from State surveys of recipients and former recipients. Finally, the implications of these findings for Federal and State policy choices are briefly discussed.

State Responses to Welfare Reform

Welfare caseloads have declined dramatically since their peak at 14.4 million recipients in March 1994. Overall, the number of people receiving aid had declined by more than 30 percent to 9.8 million recipients by September 1997 (the most recent monthly report available). This decline has continued at an even more rapid pace since the enactment of welfare reform in August 1996. In the first year of welfare reform alone, almost 2 million recipients left the rolls. As Chart 1 (attached) shows, these declines are spread across almost all of the States.

Changes in State Spending on Welfare Programs. There has been no “race to the bottom” in State welfare spending. Because there are now fewer recipients, total State spending on welfare programs has declined since 1994. On average, however, States are spending somewhat more per recipient than they did in 1994--reported State spending on welfare and related programs is about 18 percent below the level seen in 1994, while caseloads have declined by more than 30 percent. This increased spending has not affected direct payments to recipients, which remain very close to the levels seen in both 1994 and 1996 (about \$370 per family per month on average.) In all, four States have increased maximum benefit levels since the enactment of TANF, while five States have decreased maximum benefits for at least some categories of recipients.

States are reporting that they are meeting their Maintenance of Effort (MOE) requirements under welfare reform. They are required to spend 80 percent of previous (generally 1994) levels, or 75 percent if they meet the minimum participation requirements, and 20 States report exceeding that goal, some by considerable amounts (see Chart 2). Further, reported spending may understate actual amounts spent, since there are no incentives for States to report additional spending once their MOE requirements have been met. There is little in these data to suggest declines in spending levels--rather, States appear to be using at least some of their own money to provide services such as child care and job training and placement and to increase work incentives.

Changing State Policies. A focus on work is a major theme in State welfare policies, although there is considerable variation in plan specifics and in implementation across States. The following key points emerge from an overview of State policies:

1. States are focusing on encouraging and requiring work.
 - o 40 States have enacted policies to make work pay, generally by increasing the amount of earnings disregarded in calculating welfare benefits. (See Chart 3.) Connecticut, for example, now disregards all earnings up to the poverty level. Most States have also simplified the treatment of earnings compared to the AFDC treatment, with the result that recipients can see more clearly how even a low-wage job will make them better off.

- o 44 States have raised the level of resources and/or the maximum value of a vehicle allowed to welfare recipients. (See Chart 4.) This will make it easier for recipients to get to work and to accumulate savings that might lead to self-sufficiency.
 - o Almost all of the States have moved to "Work First" models in their welfare programs, requiring recipients to move quickly into available jobs. Virtually every State has instituted "social contracts" or other personal responsibility agreements in which recipients commit to specific steps toward self-sufficiency. States are enforcing these contracts, sanctioning people who fail to sign or live up to their agreements.
2. Family violence issues and choices about exemptions for parents of very young children are being addressed by the States.
- o 24 jurisdictions have elected to screen for, provide appropriate services, and waive requirements where needed to ensure the safety of victims of domestic violence through the Family Violence Option (See Chart 5.) Additional States, including California, are expected to implement this option in the coming months.
 - o As indicated in Chart 6, most States have chosen to exempt parents of infants under one year of age from work requirements. 16 States have chosen shorter exemptions (the law allows States to require parents with children over 12 weeks to work.)
3. State policies regarding time limits are varied and complex.
- o Chart 7 shows that eleven States have chosen "intermittent" time limits that limit the total months of reciprocity allowed within a longer time period (for example, Virginia limits TANF receipt to 24 months in any 60 month period). Nine States have chosen lifetime limits of less than five years. Both of these types of time limits often allow exceptions or exemptions. 27 States have chosen the Federal limit of 60 months. Four States have chosen other options involving supplements from State welfare programs for those reaching the Federal time limits.
 - o Evaluation and survey data find that recipients are often unclear about the specifics of time limits (and other reform policies) that apply to them, although they do know that the nature of welfare has changed.
 - o Few recipients have reached State time limits so far.

4. State plans vary considerably in their specifics and in their timing.

- o A few States are making choices that appear to have little to do with work, such as counting the SSI income of disabled children and adults in computing TANF benefits without taking into account the added costs of disability.
- o The amount of time that elapses between the determination of policy choices and their actual implementation varies greatly across States, usually based on whether, when and how extensively they undertook reforms through waivers. Many States have not completed the process of implementing proposed policy changes.

5. Finally, California, New York and several other states are devolving key decisions to counties.

- o Other States in the process of devolving include Maryland, Ohio, Florida, Colorado and North Carolina.
- o These States are devolving decisions about work activities, post-employment supports and, in some cases, sanctions; Colorado and North Carolina are also passing on decisions about other factors including eligibility. Benefit levels will still be determined at the State level, although in some cases the State will mandate only a floor which the counties can choose to exceed.

Impacts of Welfare Reform on Recipients

Moving recipients and potential recipients into work has been the focus of most State policies, and there is some preliminary evidence that employment levels are rising as caseloads decline. Evidence on the impacts of other aspects of the changes on recipients and would-be recipients is somewhat more mixed. Are they indeed better off in economic terms? What has happened to those who haven't gotten jobs? It is still very early to answer those questions, but we have some preliminary data that give a few indications.

Our preliminary data generally relate to the situations found in specific states. Thus, this report draws upon preliminary program evaluation reports of waiver-based policies from Michigan, Iowa, Minnesota, Delaware, and Florida, and on surveys of welfare recipients and people who have left welfare rolls in Massachusetts, Iowa, Wisconsin, Indiana, Maryland, South Carolina and Tennessee. The early stories emerging from these studies appear to be fairly consistent across those states. Although we are beginning to have some evaluation evidence on the impacts of policy changes as opposed to the strong economy, it is very difficult to sort out the relative importance of policy and economic factors at the National level.

Sanctions. States are generally working harder to enforce mandatory work requirements, and sanctions rose by about 30 percent nationally between 1994 and the end of 1996. Anecdotal evidence implies that these rates are still increasing. In the studies of specific States, sanction

rates of as high as 50 percent are seen, with rates in the 25 percent to 30 percent range not unusual. Sanctions may result in either a complete or partial loss of benefits. Across States we find that the majority of sanctions occur because recipients fail to show up for initial appointments. Far fewer families have been sanctioned for refusal to comply with work assignments. Sanctioned families may include many who are already working or who have good job opportunities; in Iowa, for example, families that did not comply with the State's Family Investment Plan tended to be more job-ready than the average.

Employment. Perhaps partly because of stricter work policies as well as the robust economy, more recipients and former recipients are now employed. Evaluations of specific State programs show policy-related increases in employment in the range of 8 percent to 15 percentage points. Surveys of people who have left welfare imply that 50 percent to 60 percent are working in the period following welfare reciprocity (with the remainder not employed). This is comparable to or slightly higher than the 45 percent to 50 percent of welfare exiters who worked after leaving AFDC. Some of this increase in work may result from the strong economy as well as from policy changes.

Incomes. While there do not appear to be dramatic changes so far in the average incomes of welfare recipients and those leaving the welfare rolls, these averages hide a great deal of variation. Among those leaving the program, incomes in the follow up period are very mixed. Generally, about half of former recipients saw increases in their incomes, while half experienced declines. There is some evidence that those who leave the program voluntarily are more likely to have increased incomes, although in both South Carolina and Iowa about 40 percent of those who left because of sanctions also experienced income increases.

There is little evidence at this point of extreme hardship even among families losing benefits altogether as a result of sanctions or time limits. However, events such as homelessness or entry of children into foster care are sometimes hard to observe in evaluations and follow up studies, which are usually unable to trace some proportion of former recipients. In the short run, many families experiencing large income losses appear to rely on help from friends and extended family. It should be noted also that even families whose incomes rise as a result of higher earnings and/or changes in State policies typically still do not have above-poverty level incomes while on TANF or in the period immediately after leaving the program.

Other Benefits. Families who leave TANF are often eligible to continue receiving benefits from other social support programs such as the Food Stamp Program, Medicaid, Supplemental Security Income (SSI) and housing programs. However, relatively low take-up rates for some of these benefits suggest that many former recipients may be unaware of their continued eligibility for other programs such as Medicaid, or that administrative barriers may be preventing some eligible families from participating in these programs. In both South Carolina and Indiana, for example, about half of the adults who were no longer receiving cash assistance reported that they did not have any health insurance.

Policy Implications and Next Steps: Supporting Low-Income Workers

These early results suggest that real progress is being made in focusing recipients on work and in moving them into employment. This is a significant and critical step on the path to reforming welfare. I believe that further steps need to be taken to consolidate and build on this accomplishment. In particular, we need to ensure that low-income working families, whether they are former welfare recipients or not, can continue to work and to earn enough to raise their families, weathering unemployment and other temporary setbacks without relying on long-term welfare receipt. In pursuing this goal, we would be building on the Administration's many achievements for working families, including expansion of the EITC, increasing the minimum wage, expanding health care coverage for children, enacting parental leave, and the introduction of this year's pathbreaking child care initiative. And we would also be building on the widespread and increasing interest of the States, which are starting to grapple with the question of what happens after welfare parents take their first jobs.

Both researchers and practitioners are telling us that when such parents move to work, most are likely to need continuing support in order to keep their jobs, support their families, improve their incomes over time, and avoid going back onto the welfare rolls. These supports can take many forms, from the EITC or increased earnings disregards to services such as child care, health care, transportation and mentoring. Currently, States have resources available to them through the TANF block grant and their Maintenance of Effort funds, as well as through other State resources that have been freed up as a result of declining caseloads. We can make progress on this agenda by challenging States to make key investments, showcasing effective practices and encouraging State innovation as well as by shaping a National agenda to help low-wage workers and their families.

A successful strategy to support low-income workers and their families would involve several components at both the State and National levels. These could include:

1. Raising the incomes of low-wage workers. Most welfare recipients moving into their first jobs continue to earn below-poverty level incomes. The major 1993 expansion of the EITC does a great deal for these families, and it must be protected. In addition, we could challenge States to expand State EITC's and to increase earnings disregards and other programs for low-wage workers. For example, Wisconsin has used TANF MOE funds to expand both its EITC and housing subsidies for low-income owners and renters. At the National level, policies such as a further increase in the minimum wage or tax incentives for employers to promote jobs and higher wages for low-skilled workers could be explored.
2. Providing other job supports. We must ensure that other critical job supports, such as health care, child care, transportation, and mentoring, are available for working families who need them. The Administration's new child care initiative is of course critical to this strategy, and the newly enacted Child Health Insurance Program should go a long way toward ensuring health care coverage for the children of low-wage workers. We need to

continue outreach efforts to make sure that low-income working families are aware of their potential eligibility for Medicaid. The Vice President's work on mentoring provides a valuable example, and States must be encouraged to continue to invest in these programs and other supports.

3. Ensuring that low-wage workers improve skills and earnings over time. Many States are beginning to grapple with the best way to promote growth in skills and earnings over time for former welfare recipients. Over the longer term, such growth will be necessary to meet both the needs of families and the needs of the economy as a whole. We should be challenging States to put together creative strategies and showcasing those that do. These strategies can involve linkages among workforce development, higher education, and welfare systems, as well as work with specific private employers. At the National level, strategies to increase educational opportunities for low-income families are a key to increasing skills and earnings over time.
4. Maintaining the safety net for workers. If a temporary setback is not to result in a return to welfare dependency, the safety net for low-wage workers must be maintained. At the National level, changes could be made in the Unemployment Insurance program to increase the probability that low-wage workers will earn coverage, as is now being discussed within the Administration. At the State level, we should showcase States that are implementing post-employment services and other strategies to address the fact that low-income workers are likely to experience considerable job turnover and some periods of unemployment. We should challenge States to invest in approaches that combine reliable short-term assistance with rapid re-employment help.

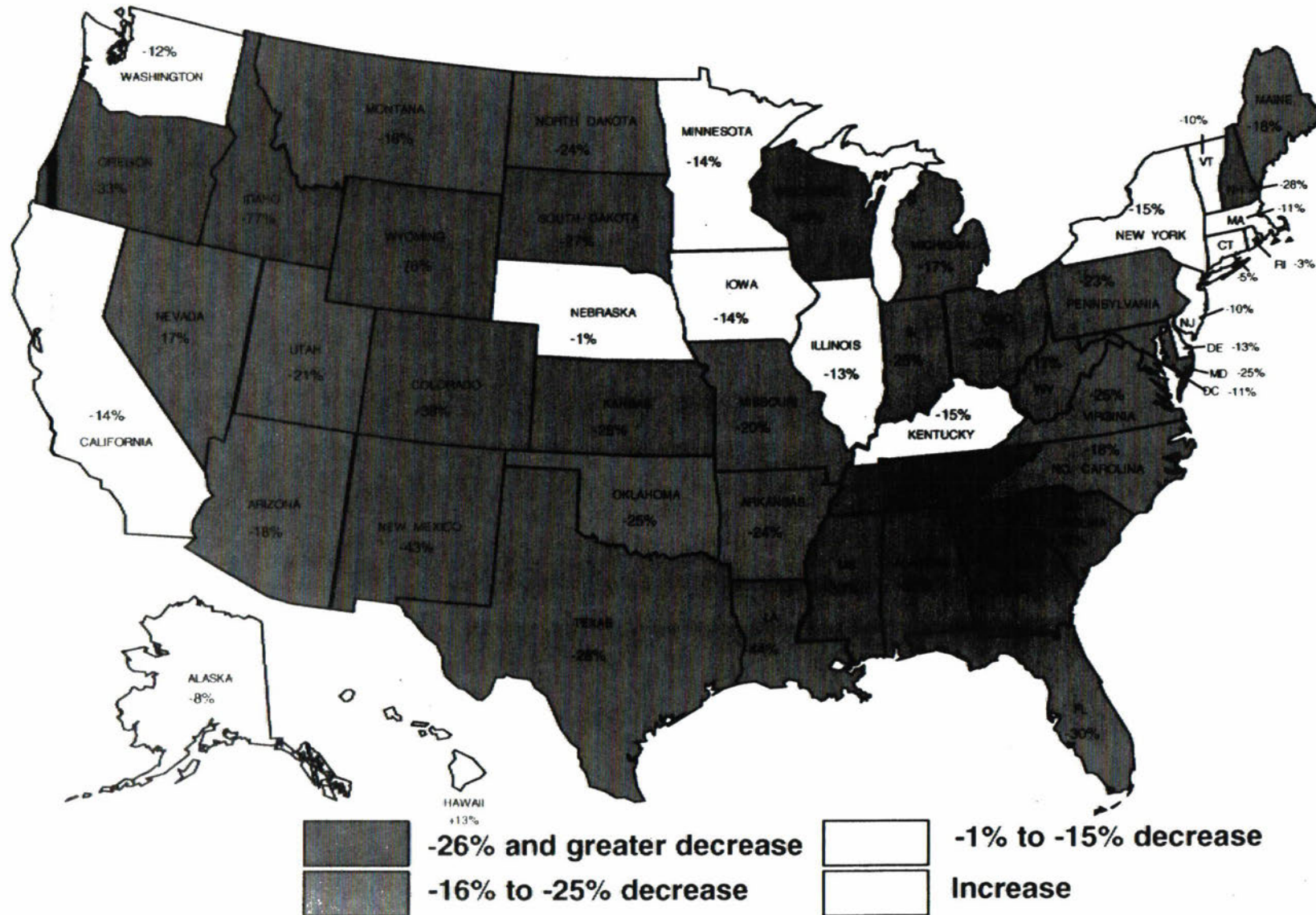
In summary, we must build upon and continue our efforts on behalf of low income workers. I look forward to further discussions with you regarding these important issues. Please let me know if you would like a briefing or further information.



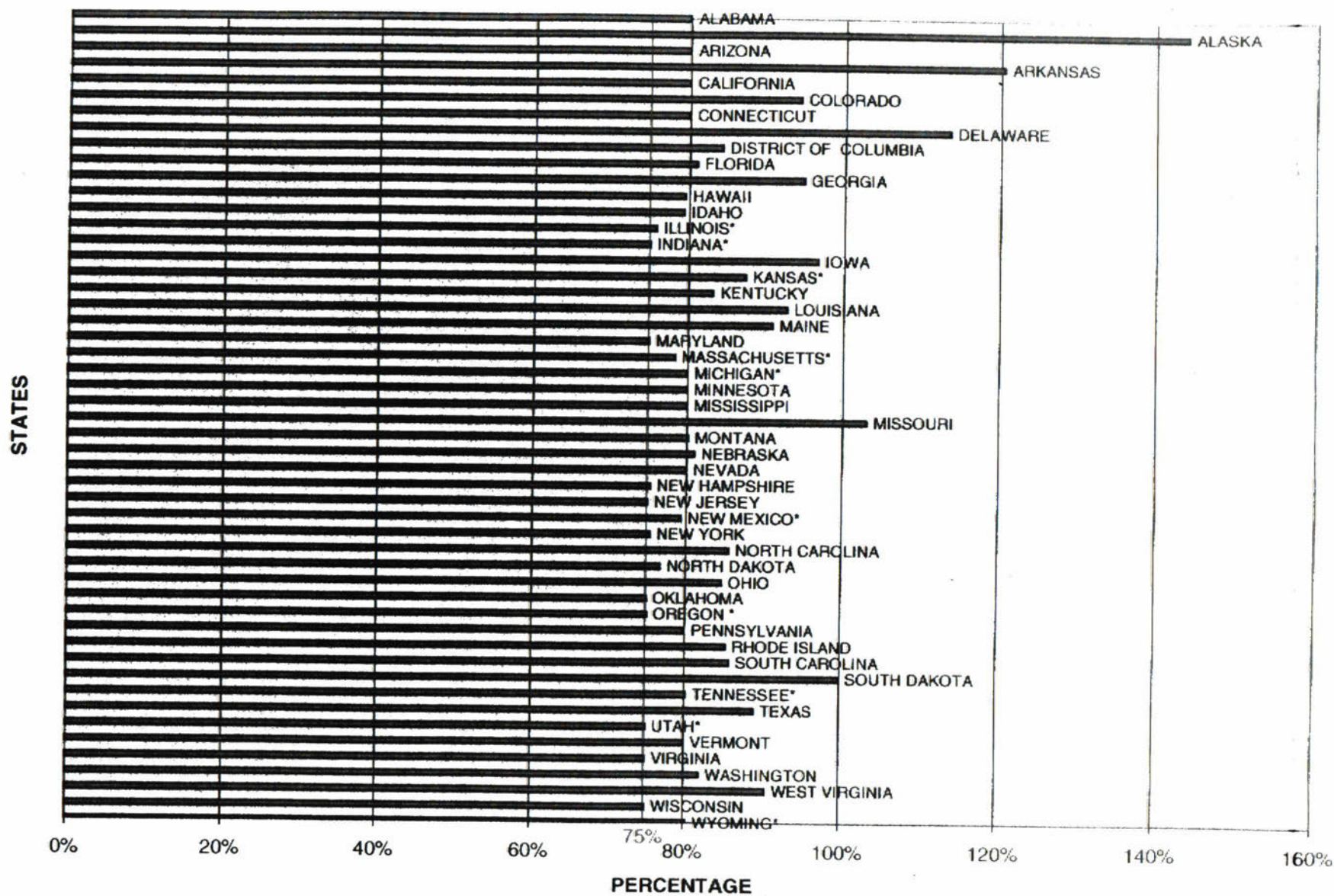
Donna E. Shalala

Attachments

**Chart 1: RECIPIENT COUNT DOWN 2.4 MILLION
SINCE ENACTMENT OF NEW WELFARE LAW
(August 1996-September 1997)**



TANF PROGRAM
Chart 2: EXPENDITURE OF STATE FUNDS IN FY 1997 AS % OF MOE



Data as of January 23, 1998

Chart prepared by U.S. Dept. of Health and Human Services
Administration for Children and Families

Chart 3: Earnings Disregards

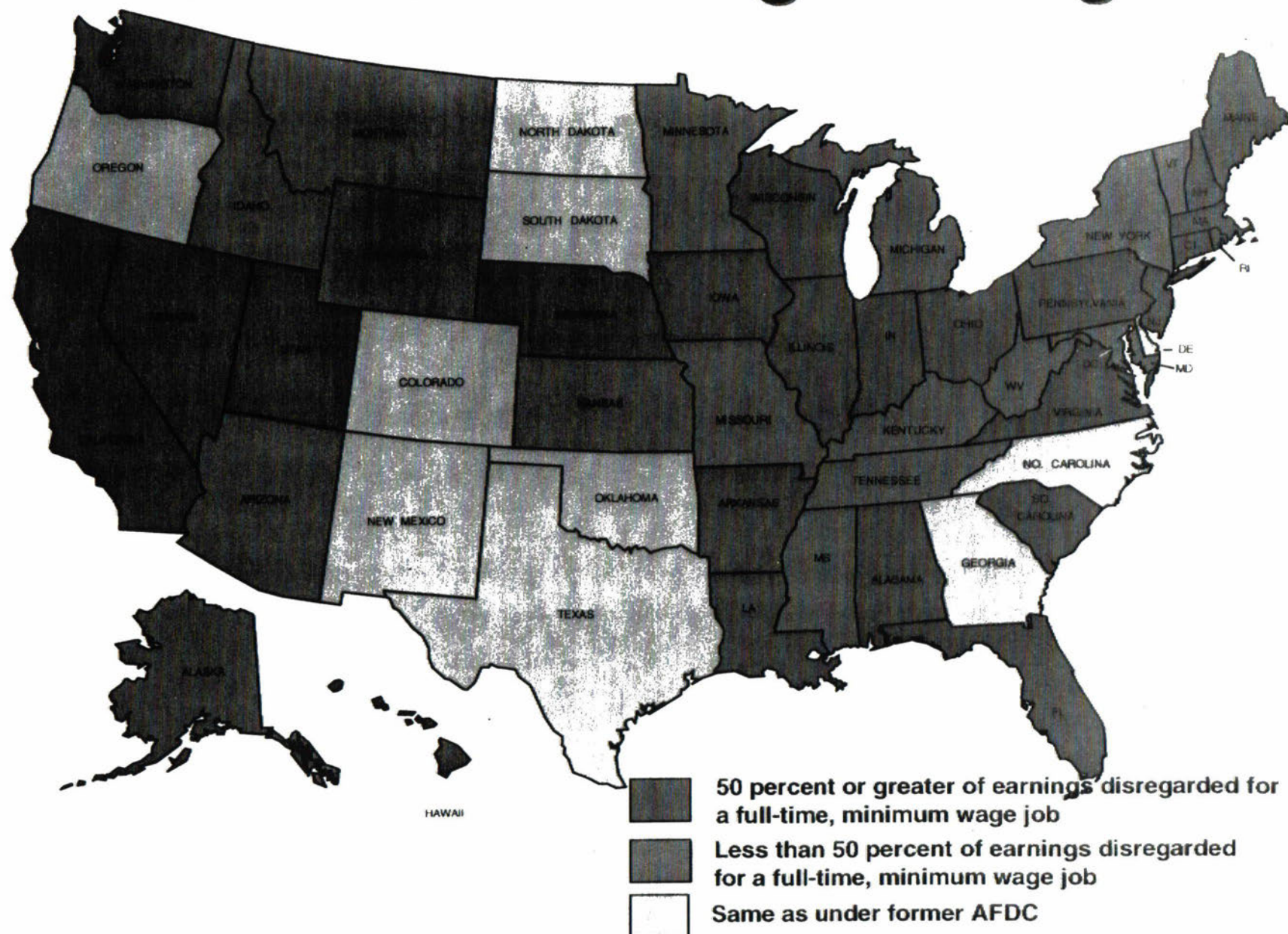


Chart 4: Increased Resource/Vehicle Limit

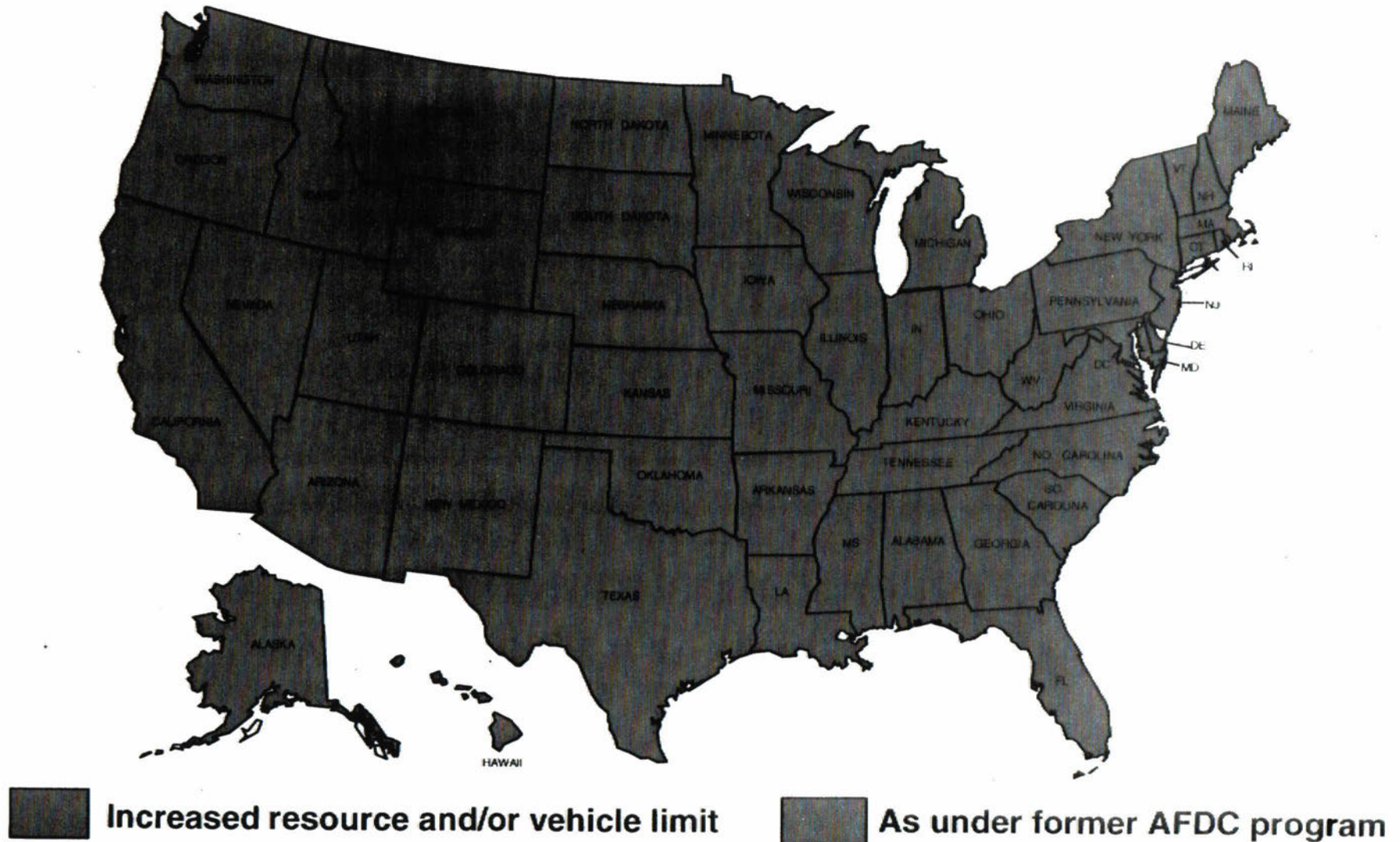
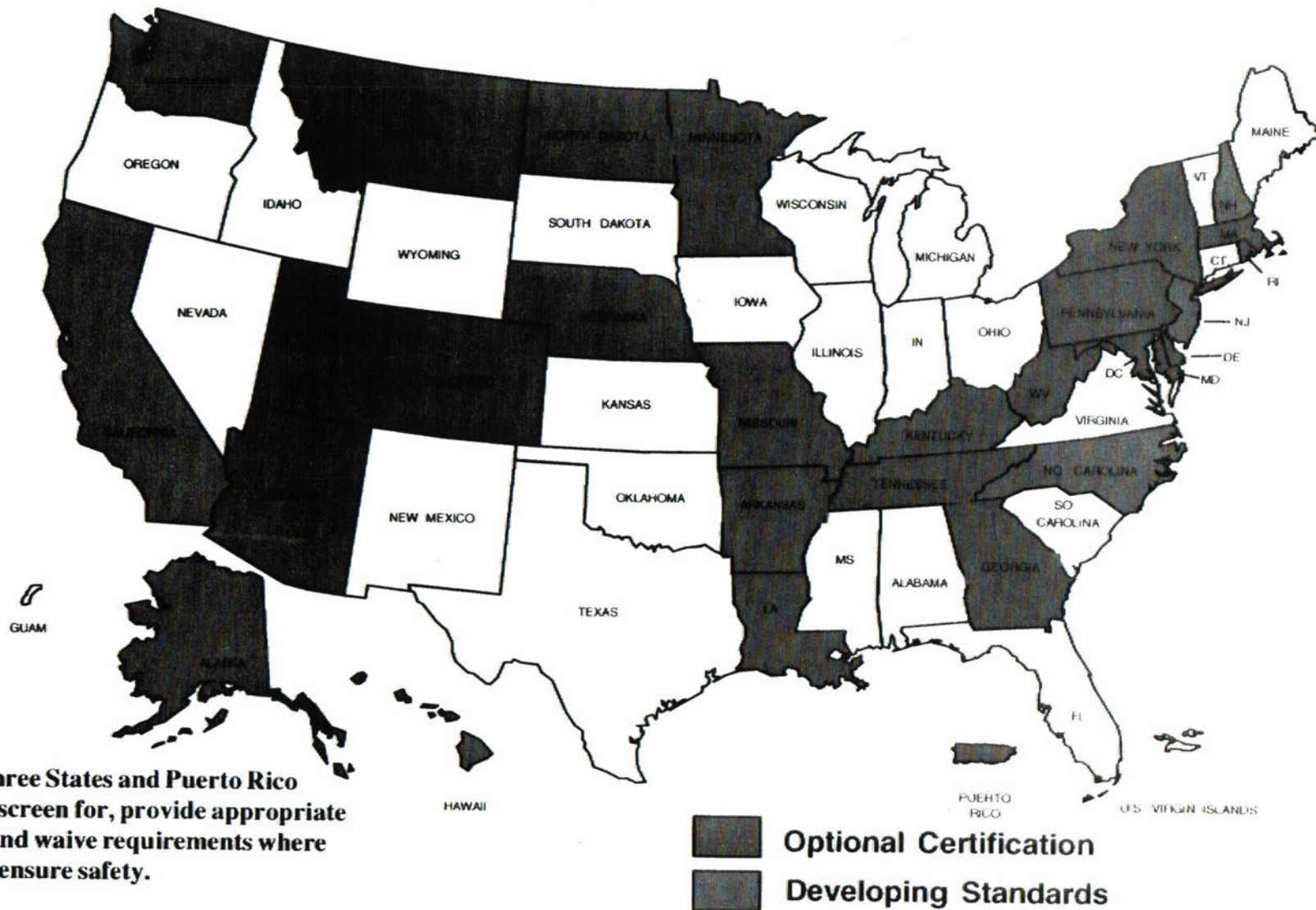


Chart 5: States Selecting Family Violence Option



Twenty-three States and Puerto Rico elected to screen for, provide appropriate services, and waive requirements where needed to ensure safety.

Chart 6: Age of Youngest Child Exemption from Work Requirement

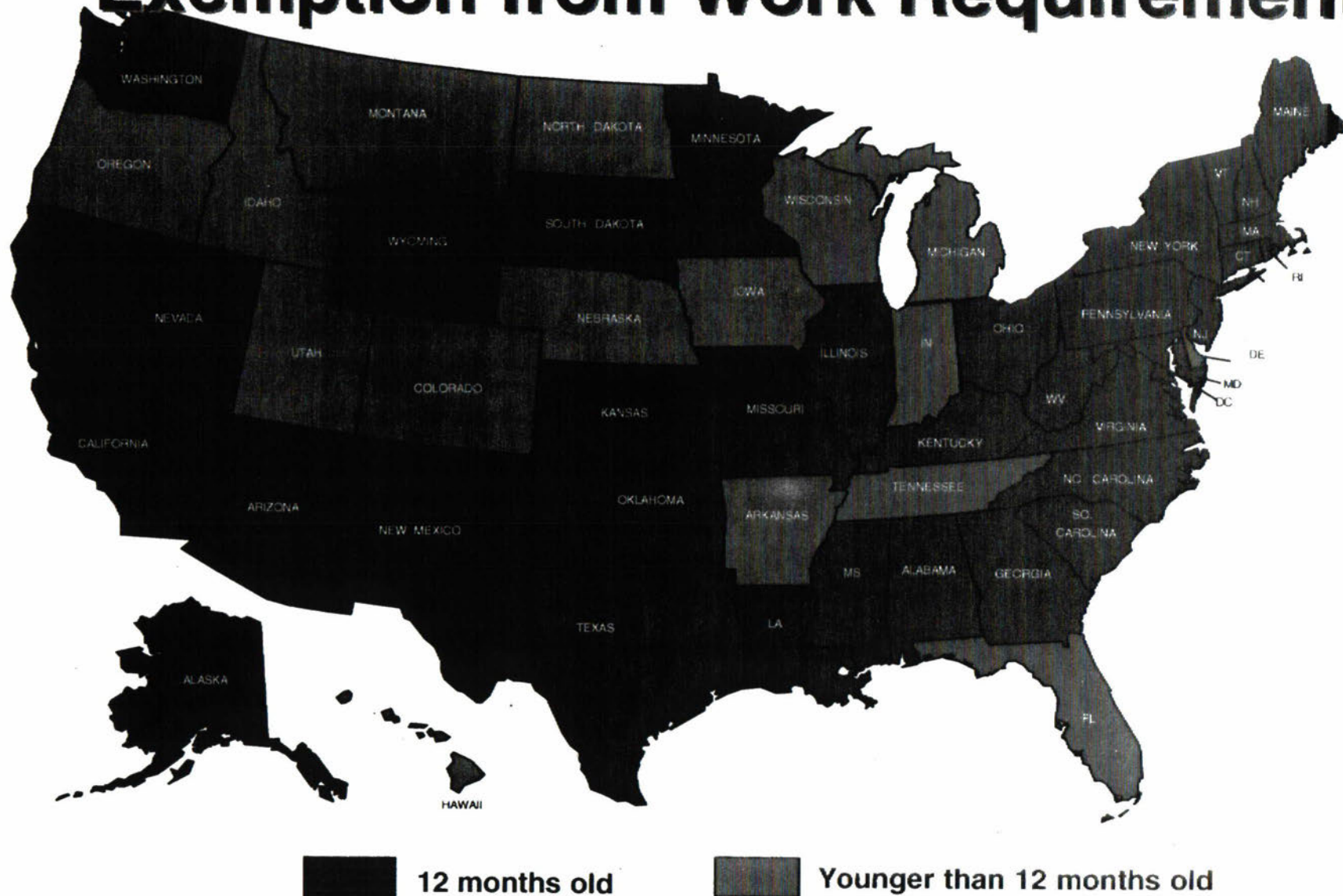
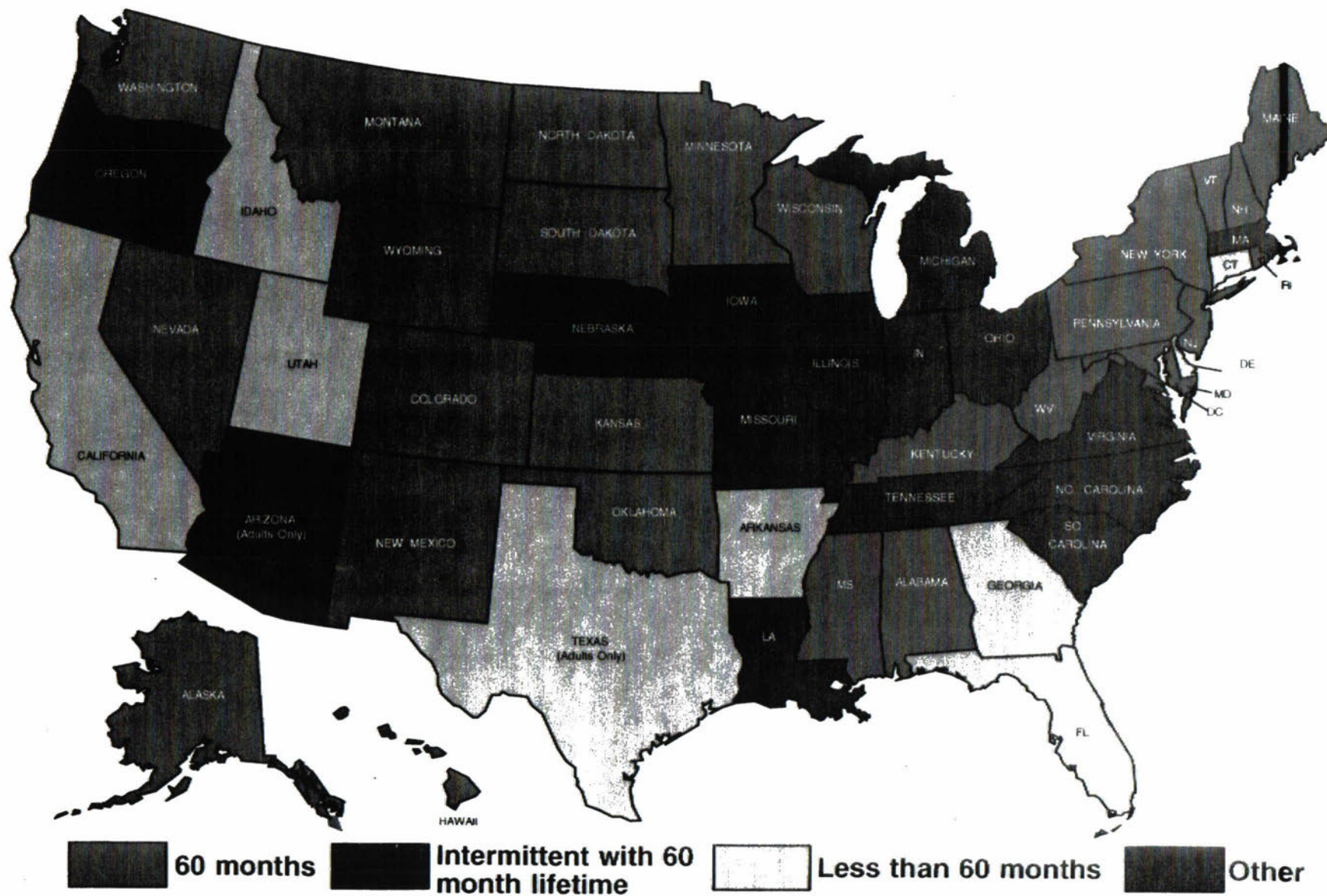


Chart 7: Time Limit Choices



THE WHITE HOUSE

WASHINGTON

February 7, 1998

2-9-98

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN
SEAN MALONEY *m* *in both*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Shalala Report on Welfare Reform with Bruce Reed Cover Note** -- Highlights: the stunning caseload drop continues (*i.e.*, 2.4 million in 13 mos.); 21 states have had 25% declines; there has been no "race to the bottom;" states are spending more per recipient than in 1994; many more aid recipients are now working; state evaluations show a substantial increase in the numbers of people who leave welfare for work; there is little evidence of hardship among those sanctioned for not meeting program rules; only 9 states have adopted lifetime limits of less than 5 years; Bruce points out that 17 states have created state-only welfare programs to which TANF work requirements and time limits do not apply.

(B) **Ruff/Chirwa Status Report on African American Farmers** -- provides a detailed update of the legal issues you inquired about previously: the Eddie Ross lending discrimination case has been resolved; class action mediation was commenced last week; a USDA-DOJ high level working group is being convened; Office of Legal Counsel has completed its statute of limitations analysis under the Equal Credit Opportunity Act; concludes 2-year limitation applies to administrative and litigative settlements; USDA can not expend compensatory funds where relief would be unavailable in court; administrative claim filings do not toll the statute; doctrines of equitable tolling/estoppel are unlikely to be applied; practical result is that 40%-50% of farmers' claims will be time-barred; OLC's opinion will not be released until Sec. Glickman can prepare an explanation and explore possible solutions; *please see memo for details.*

(C) **Sec. Rubin's Daily Update for Friday's Financial Market Developments** -- Dow was up 72 points to 8189; long-term interest rates fell 1 to 2 basis points; dollar rose against the yen; Asian stock and currency markets generally rose amid positive sentiment that the Asian currency crisis may be easing.

(D) **CabAff Memo on Cabinet Amplification of SOTU** -- following your address, the members of your cabinet and subcabinet traveled around the country to highlight the themes and initiatives you set forth, conducting over 100 media interviews in 12 different cities with outlets from nearly all 50 states; memo includes detailed description of each

Tab A: page 1 of cover + memo: Reed/COS

Tab B: page 1 " " + memo: Ruff/Chirwa/COS

Tab E: page 2 " " + memo (original to Burkhardt)
COS

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2-9-98

THE WHITE HOUSE

WASHINGTON

February 6, 1998

copied
Ruff
Chirwa
Cos
Matthews

98 FEB 6 PM 2:52

MEMORANDUM FOR THE PRESIDENT

FROM:

 **CHARLES E.C. RUFF**
DAWN CHIRWA

SUBJECT:

**Status Report on African-American Farmers
Discrimination Complaints**

We write to provide you with an update on the status of complaints by African-American small, family farmers of discrimination by the U.S. Department of Agriculture ("AG"). Both Agriculture and the Department of Justice have made considerable progress on the difficult issues involved in this matter, including taking the following steps:

Eddie Ross Case

As you may recall, Mr. Eddie Ross, a farmer in Mississippi, had filed a lending discrimination complaint against AG alleging a violation of the Equal Credit Opportunity Act ("ECOA"). His complaint had almost reached final settlement late last year when the Department of Justice determined that his case suffered from statute of limitations problems. (We have provided below an overview of Justice's legal opinion on the statute of limitations issue affecting some of the African-American farmers complaints of lending discrimination.) This week, after a rigorous review of Mr. Ross's case, Justice and AG arrived at a resolution which would both provide Mr. Ross a package of relief for the discrimination he suffered and also satisfy statutory constraints.

Under the resolution, AG will agree to provide Mr. Ross with all the programmatic relief they had offered originally, including forgiveness of a previous loan and provision of a new loan package. (The Office of Legal Counsel has determined that forgiveness of a loan in settlement of an ECOA complaint does not implicate the provisions of the 1996 Farm Bill which, by its terms, only applies to forgiveness of a loan pursuant to an AG program and does not apply to forgiveness of a loan in an ECOA settlement.)

Second, Mr. Ross's original settlement agreement concerned his claim that he was discriminated against by AG in 1993. In conjunction with this claim, Mr. Ross had also alleged that he had been discriminated against in 1994 by the same individual responsible for the 1993 discriminatory acts. Justice determined that his claim of discrimination in 1994 was free of

statute of limitations problems. AG investigated the 1994 claim and determined that discrimination did occur. They intend to negotiate a settlement with Mr. Ross on this claim, to include compensatory damages. These settlement negotiations will begin in the next few days. AG estimates that their settlement offer will be generous although it will not be as much as the damages provided to Mr. Ross in his original offer.

Finally, Justice will review the litigation risk to the United States if Mr. Ross litigated the statute of limitations issue raised by his 1993 claim and will agree to provide him some monetary relief based on this risk calculation. The amount will be greatly discounted from his original settlement -- which was in the range of \$400,000 -- given the 80-90% chance of success by the government on the statute of limitations issue; however, it can be added to the damages offered to Mr. Ross for the discrimination he suffered in 1994. Justice advises that Mr. Ross's attorney seemed amenable to this package.

Class Action Mediation

Yesterday, Justice began to mediate cases with plaintiffs in the class action suit in federal court. As Justice and the plaintiffs' attorneys agreed, they will mediate cases on an individual basis and begin first to mediate those cases which do not pose statute of limitations problems. We will update you on the progress of the mediation as it moves forward.

AG - Justice Working Group

At our request, the Attorney General and Secretary Glickman have convened a high-level working group to ensure that there is effective coordination between Justice and AG on the numerous issues raised by African-American farmers' complaints of discrimination by AG. This working group is headed at Justice by Associate Attorney General Ray Fisher and his principal deputy, Joe Onek, Bill Lee in Civil Rights and Gary Grindler in the Civil Division, and at AG by the Deputy Chief of Staff, the Director of the Office of Civil Rights, the Acting General Counsel and the Associate General Counsel for Civil Rights. In addition, at our suggestion, Secretary Glickman intends to bring John Sparks, formerly in the National Security Council Legal Advisor's Office, on to his staff to work directly for him and handle coordination within AG on processing discrimination complaints.

OLC Opinion on ECOA's Statute of Limitations

The Office of Legal Counsel has completed its opinion on the effect of the statute of limitations provision in ECOA, the statute under which all of the African-American farmers complaints of lending discrimination have been filed. This opinion has not yet been formally released to AG; however, we have reason to believe that certain congressional members, particularly Rep. Eva Clayton, are aware of its existence.

The ECOA provides that no private right of action may be brought under ECOA later than two years after the occurrence of the violation, unless the Attorney General or an agency with administrative enforcement responsibility commences an enforcement proceeding within two years. In that case, an applicant may bring a civil action within one year of commencement of the enforcement proceeding. 15 U.S.C. § 1691e(f).

After much consultation with other offices within Justice, including the Civil Rights Division, the Civil Division and the Associate's Office, OLC concluded that: (1) ECOA's statute of limitations provision applies to both administrative and litigative settlements of ECOA claims, and it may not be waived by the executive branch. (2) USDA has authority to expend appropriated funds as compensatory damages only to the extent that such relief would be available against the agency in a court proceeding on the claim. (3) the filing of an administrative claim does not toll the statute of limitations for filing a civil action. (4) the doctrines of equitable tolling or equitable estoppel do apply to ECOA claims in appropriate circumstances, but courts rarely apply either doctrine against the United States.

Second, both OLC and the Comptroller General have ruled previously that, in the absence of statutory language to the contrary, an agency's appropriations authority allows them to use funds to settle claims only if the agency could provide such relief in a court action. Thus, if a complainant would be barred from relief in court by ECOA's statute of limitations, AG cannot settle the complainant's claims without significantly discounting any relief provided in light of the low litigation risk to the United States.

Third, OLC concludes that the statute of limitations is are not tolled by the filing of an administrative claim unless a claimant is required by statute to exhaust his or her administrative remedies before seeking relief in court. Although AG has created an administrative process to resolve ECOA complaints and invited individuals to participate, the statute of limitations is not tolled for them by filing an administrative complaint with AG. OLC did conclude that equitable tolling may provide a remedy for certain cases brought under ECOA outside the time period, but only in very rare circumstances.

Issuance of the OLC opinion

Clearly, based on OLC's opinion there will be a significant number of farmers -- by AG's estimate from 40 - 50% of the total claims currently in AG's system and in the class action suit -- who have suffered lending discrimination but who will be precluded from obtaining relief because of time-barred claims. In light of this situation, AG has requested that OLC's opinion not be formally submitted to the Department until the Secretary can ensure that he can explain the impact of the opinion in a proper context and possibly propose a solution as well.

Since Mr. Ross's complaint will be resolved in a manner which vindicates his claims of discrimination and, more importantly, allows Mr. Ross to both keep his farm and resume

planting, the example of Mr. Ross's case can be used by AG to demonstrate good faith by the agency and that the statute of limitations obstacle will not be fatal to all African-American farmers claims. In addition, AG is working currently with Justice to draft legislative language that can be proposed to remedy this statutory bar.

visit and interview conducted.

(E)

Sam Beer Letter on SOTU forwarded by Sid -- Beer writes, "it was a superb performance and, as we are now seeing, a great success;" "the one nation theme did its job, conveying a sense of defining purpose throughout."

(F)

PCAST Report, "Teaming with Life," Executive Summary -- responds to your Jan. 1997 letter requesting recommendations to strengthen the understanding and management of biological resources; report recommends directions for research on management of natural capital; provides a road map to bring advances in information technology to the field of biodiversity in order to develop a next generation National Biological Information Infrastructure.

(G)

Thank You Note from Dep. Sec. of Defense and Mrs. John Hamre -- they thank you and the First Lady for the CINCS dinner; "it was a generous act of sharing and well illustrates why you have become their Commander-in-Chief and First Lady."

DAN BURKHARDT

please coordinate the
reply.

with Sid Hamre

2-9-98

98 FEB 4 AM 9:11

THE WHITE HOUSE
WASHINGTON

February 4, 1998

Original to
Burkhardt
cc: COS

MEMORANDUM FOR THE PRESIDENT

FROM: SID BLUMENTHAL 
SUBJECT: SAM BEER LETTER

Attached is Sam Beer's critique of your State of the Union address. I thought you should see it.

2912 - 32ND STREET N. W.
WASHINGTON, D.C. 20008

January 29, 1998

Sidney Blumenthal,
The White House,
Washington,

Dear Sid:

I don't have to tell you: it was a superb performance and, as we are now seeing, a great success.

The rhetoric and the delivery were powerful, reminding me of the poised, succinct, hammering style of Tony Blair. In some earlier speeches, I thought the President talked too fast, like some of my brilliant colleagues whose thoughts race ahead of their articulation. In this speech the timing was right, each thought being pulled together by voice and gesture and given time to sink in. And, although the enumeration did go on, the one nation theme did its job, conveying a sense of defining purpose throughout.

But, of course, the big thing was the spirit, the buoyancy, the self-confidence of the speaker. As I wrote to one of my grandsons the other day, after saying how intelligent and well-informed the President is, I emphasized how impressed I was by that jaw. This man cannot be pushed around by events or persons. He has courage, the virtue of virtues, areté. He will prevail.

All the best,

Samuel H. Beer



P.S. My wife reminded me of the enclosed lines from Kinling/which some of
are amazingly apt.

IF—

IF YOU CAN KEEP your head when all about you
Are losing theirs and blaming it on you;
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or, being lied about, don't deal in lies,
Or, being hated, don't give way to hating,
And yet don't look too good, nor talk too wise;

If you can dream—and not make dreams your master;
If you can think—and not make thoughts your aim;
If you can meet with triumph and disaster
And treat those two impostors just the same;
If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to broken,
And stoop and build 'em up with wornout tools;

If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;
If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so hold on when there is nothing in you
Except the Will which says to them: "Hold on";

If you can talk with crowds and keep your virtue,
Or walk with kings—nor lose the common touch;
If neither foes nor loving friends can hurt you;
If all men count with you, but none too much;

If you can fill the unforgiving minute
With sixty seconds' worth of distance run—
Yours is the Earth and everything that's in it,
And—which is more—you'll be a Man, my son!

RUDYARD KIPLING

SPECIAL ANALYSIS

Trends Show Progress in Economic Well-Being of Children

Analysis in this year's *Economic Report of the President* shows clearly that children have shared in the benefits of the recent economic expansion.

Indicators of progress. The official child poverty rate has fallen since 1993, but remains above its 1989 level. However, an alternative measure based on an extended definition of income that includes taxes as well as in-kind food and housing benefits, has not just decreased since 1993; it is now lower than it was in 1989. Other measures of children's material well-being also show clear signs of progress (see chart on next page).

- **Poverty rates and family income.** The trend in the child poverty rate since 1989 has roughly followed the macroeconomy, with increases from 1989 to 1993 and decreases from 1993 to 1996. These changes largely reflect changes in family earnings. Overall, child poverty rates (using the extended measure) have decreased by 1.7 percentage points since 1989, primarily due to an expansion in the Earned Income Tax Credit.

* **Material well-being.** Since the early 1990s, the percentage of children in households reporting that they did not have enough food to eat has decreased, as has the percentage of children living in inadequate housing. In addition, children's use of basic health services has increased, and measures of infant and young child mortality have continued to decline.

- **Educational outcomes.** Research has shown that the labor-market returns to skills have risen, including those measured by cognitive test scores. For this reason, it is important that students get a good grounding in basic educational skills in elementary and secondary school. Evidence from the long-term assessments from the National Assessment of Educational Progress (NAEP) suggests that the science and mathematics scores of 13-year-olds have exhibited small improvements since the late 1970s, with larger gains for black and Hispanic children than for white children. Improvements in reading scores have been more modest.

Further progress is needed. Despite these gains, many children remain economically vulnerable. One in five children was officially poor in 1996, and half of all children in female-headed households had incomes below the poverty line. The percentage of children without health insurance changed little between 1989 and 1996, despite substantial increases in Medicaid coverage. This lack of progress largely reflects a concurrent decline in children's coverage through private health insurance. Finally, a large share of elementary and secondary students are at risk because they are not attaining a basic level of competency in mathematics, science, and reading. These concerns point to the importance of policies that help to increase

run/Chris
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x making
growth/center

Copied
Spelling
Reed
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BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Black Migration to the South Reaches Record High. In the first half of the 1990s, and for the first time in any 5-year period, the South experienced net gains of black migrants from the rest of the country, according to a recent study. Drawn by an economic resurgence among the "New South" states of Texas and the Southeast, on net close to 370,000 blacks migrated to the region. About 50 percent came from the Northeast. Between 1990 and 1996, 7 of the 10 metropolitan areas that gained the most black residents were in the South. This represents a reversal of the black southern exodus that began in 1910 and was still evident in the late 1960s. The authors project that this trend will continue through 2025.

CHRON
2/9/98

Union Membership Continues to Decline. The number of U.S. workers belonging to unions fell 159,000 in 1997 to about 16.1 million, according to the Department of Labor's Bureau of Labor Statistics. Union members accounted for 14.1 percent of wage and salary employment in 1997, down from 14.5 percent in 1996. Unions represented about a third of all workers in the early 1950s, but that share has been declining ever since (see *Weekly Economic Briefing*, February 14, 1997). Data strictly comparable to the current measure of union membership go back only to 1983, but the membership rate has fallen every year since then, when 20.1 percent of workers were in unions. According to one analyst, the trend toward lower union membership is expected to continue into the foreseeable future, although it may have bottomed out in the private sector.

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WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

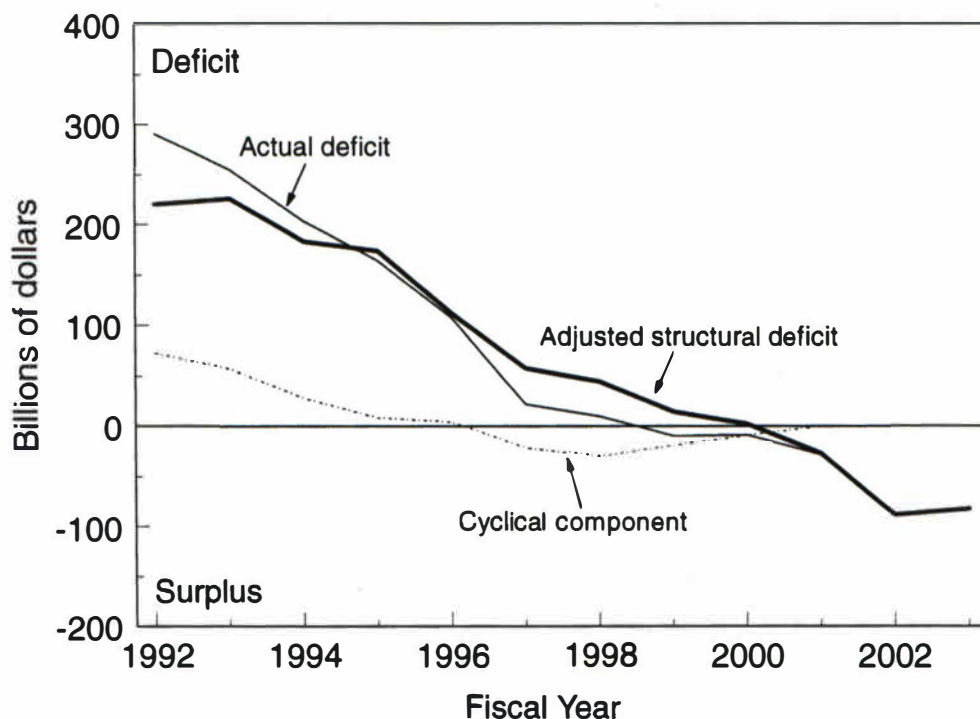
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

February 6, 1998

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CHART OF THE WEEK

Cyclical and Policy Components of Deficit Reduction



Policy changes, notably the Omnibus Budget Reconciliation Act of 1993, have played an important role in deficit reduction. This can be seen in the decline in the adjusted structural deficit, which measures what the budget balance would have been at a standardized level of economic activity (the NAIRU)—and removes the effects of outlay fluctuations due to deposit insurance (the S&L bailout). These structural changes contributed to a strong economic expansion that brought the deficit down still more. The decline in the cyclical component of the deficit represented about a third of cumulative deficit reduction between 1992 and 1997.

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"I belong to that heroic little band of unemployed on whom a healthy economy depends."

CURRENT DEVELOPMENT

GDP Scorecard: Fourth Quarter 1997

Real GDP is estimated to have increased at a 4.3 percent annual rate in the fourth quarter—the fifth consecutive quarter in which output growth exceeded 3 percent at an annual rate. Net exports and residential construction showed sizeable increases, as did inventory investment. Business investment declined slightly. The price index for GDP increased only 1.8 percent over the four quarters of 1997. This was down from 2.3 percent in 1997 and was the smallest increase since 1965.

Component	Growth*	Comments
Total consumer expenditures	3.2%	A large increase in services (especially electric and gas utilities) compensated for anemic spending on goods.
Producers' durable equipment	-3.9%	The decline in equipment investment followed two quarters of extraordinarily large increases.
Nonresidential structures	-2.7%	Industrial structures, which have been declining all year, accounted for most of the decrease. New office construction, which had been very strong, grew only moderately.
Residential structures	10.4%	The large increase in single-family home construction had been foreshadowed by strong earlier data on housing starts—and may reflect recent declines in mortgage rates.
Inventories (change, billions of 1992 dollars)	\$59.9	Inventory investment picked up in the fourth quarter, adding 0.7 percentage point to GDP growth. However, inventory investment is likely to fall in the next year.
Federal purchases	0.7%	Real Federal purchases were flat over the four quarters of 1997.
State & local purchases	2.1%	This quarter's growth was the same as the average growth over the 4 quarters of 1997, but slower than the economy as a whole.
Exports	11.3%	The 10.9 percent growth of exports in 1997 was remarkable in the face of an appreciation of the dollar and troubles in Asian economies.
Imports	1.3%	After 3 quarters of huge increases, imports stabilized in the fourth quarter.
*Percent real growth in the fourth quarter at annual rates (except inventories). The advance estimate is subject to substantial revision—especially for exports, imports, and inventories where the estimates are based on only 2 months of data.		

SPECIAL ANALYSIS

Trends Show Progress in Economic Well-Being of Children

Analysis in this year's *Economic Report of the President* shows clearly that children have shared in the benefits of the recent economic expansion.

Indicators of progress. The official child poverty rate has fallen since 1993, but remains above its 1989 level. However, an alternative measure based on an extended definition of income that includes taxes as well as in-kind food and housing benefits, has not just decreased since 1993; it is now lower than it was in 1989. Other measures of children's material well-being also show clear signs of progress (see chart on next page).

- Poverty rates and family income. The trend in the child poverty rate since 1989 has roughly followed the macroeconomy, with increases from 1989 to 1993 and decreases from 1993 to 1996. These changes largely reflect changes in family earnings. Overall, child poverty rates (using the extended measure) have decreased by 1.7 percentage points since 1989, primarily due to an expansion in the Earned Income Tax Credit.

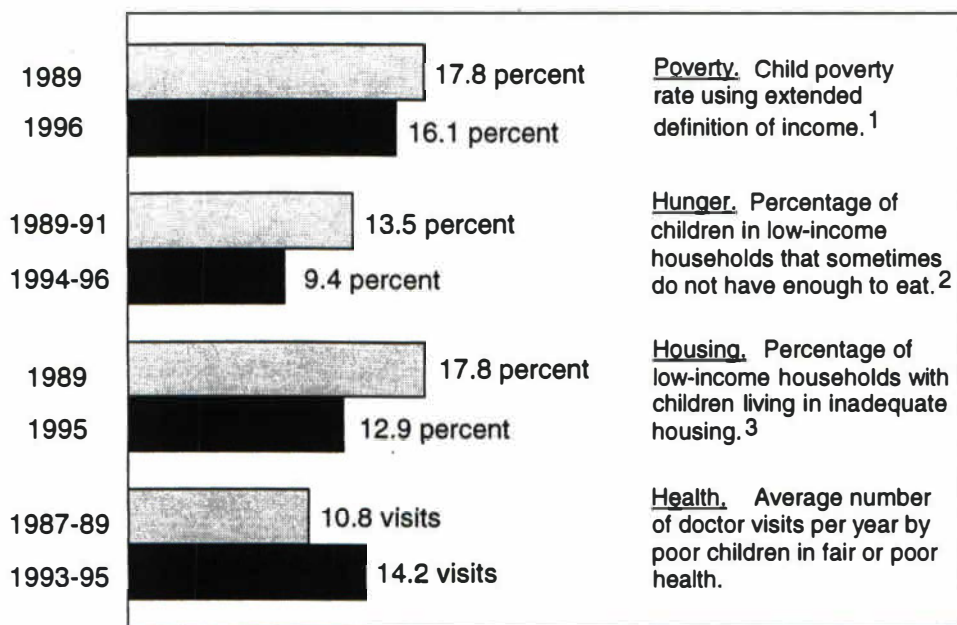
Material well-being. Since the early 1990s, the percentage of children in households reporting that they did not have enough food to eat has decreased, as has the percentage of children living in inadequate housing. In addition, children's use of basic health services has increased, and measures of infant and young child mortality have continued to decline.

- Educational outcomes. Research has shown that the labor-market returns to skills have risen, including those measured by cognitive test scores. For this reason, it is important that students get a good grounding in basic educational skills in elementary and secondary school. Evidence from the long-term assessments from the National Assessment of Educational Progress (NAEP) suggests that the science and mathematics scores of 13-year-olds have exhibited small improvements since the late 1970s, with larger gains for black and Hispanic children than for white children. Improvements in reading scores have been more modest.

Further progress is needed. Despite these gains, many children remain economically vulnerable. One in five children was officially poor in 1996, and half of all children in female-headed households had incomes below the poverty line. The percentage of children without health insurance changed little between 1989 and 1996, despite substantial increases in Medicaid coverage. This lack of progress largely reflects a concurrent decline in children's coverage through private health insurance. Finally, a large share of elementary and secondary students are at risk because they are not attaining a basic level of competency in mathematics, science, and reading. These concerns point to the importance of policies that help to increase

family incomes, expand health insurance coverage, and improve the quality of elementary and secondary education.

Improvements in Child Well-Being



1 Extended income includes taxes, and housing and food transfers.

2 Low-income households are those whose income is below 130 percent of poverty.

3 Low-income households are those who rent housing and whose income is below half median income in their area.

SPECIAL ANALYSIS

Affirmative Action and College Admissions

One criticism of affirmative action in higher education admissions is that the policy harms the intended beneficiaries economically by encouraging them to enter colleges where they are unprepared for the competition. A new study finds, to the contrary, that affirmative action in college admissions boosts college graduation rates and earnings of minority students.

The college admissions race. Blacks and Hispanics are about 2 percentage points more likely to be admitted to 4-year colleges than non-Hispanic whites and others with similar high school grades and activities, SAT scores, and family socioeconomic backgrounds. But this admission advantage rises to about 10 percentage points at more selective colleges. Being black or Hispanic is worth as much in the admissions process at elite colleges as having a high school grade point average (GPA) of roughly "A-" rather than "B," or having a (combined) SAT score of 1350 rather than 1000. Blacks and Hispanics have little or no advantage in admissions to less-elite colleges, where 80 percent of students are educated. But elite college admissions are of special interest because of the strong link between college selectivity and earnings.

Grades, graduation rates, and pay. To determine the economic effects on individuals of affirmative action in higher education admissions, one needs to know whether students admitted to elite colleges as a result of affirmative action in admissions would have fared better had they instead attended a less-elite college. Blacks and Hispanics have somewhat lower college GPAs than comparable non-Hispanic white students. However, the study found no differences in college graduation rates or later pay among comparable blacks, Hispanics, and non-Hispanic whites who attend comparable institutions. But graduation rates and earnings are higher for all students who attend elite institutions, regardless of race/ethnicity: Attending a college where the average SAT score is 100 points higher increases the chance that a student will graduate by at least 3 percentage points, and increases the student's subsequent earnings by about 5 to 6 percent. Thus, affirmative action in admissions to elite colleges allows more black and Hispanic students to enjoy the graduation and earnings advantages that elite colleges confer on all their students.

Class- or race-based affirmative action? The number of black and Hispanic students who enroll at an elite college as a result of affirmative action in admissions is small compared with the total number of white and Asian applicants who are denied admission. Thus, it is likely that such programs generate resentment far in excess of their actual aggregate effects, as many white or Asian students who would be denied admission to an elite college even in the absence of affirmative action will erroneously blame affirmative action. Still, those who really are denied admission due to affirmative action—though few in number—will bear some costs. Because the perceived costs of race-based affirmative action in admissions may stir racial animosity, some have suggested replacing race-based programs with class-based

programs that are perceived to be fairer. However, the study concludes that class-based programs are a poor substitute for race-based programs. At present, blacks and Hispanics are a small minority of the low-income population whose test scores and high school GPAs are high enough to gain admission to elite colleges. As a result, a change to income-based affirmative action would likely result in a dramatic reduction in minority enrollment at elite colleges.

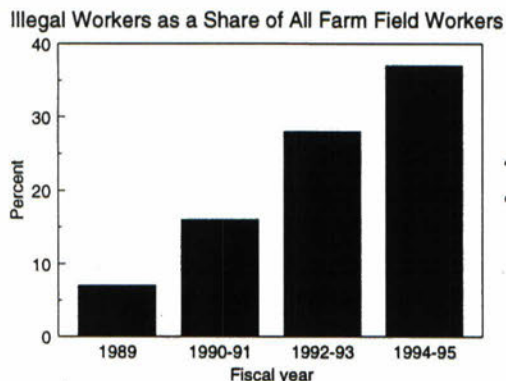
ARTICLE

Migrant Farm Labor

U.S. agriculture, especially labor-intensive horticultural crop production, is highly dependent on migrant workers. Efforts to reduce the employment of illegal workers in agriculture have been unsuccessful, and wages and benefits of both legal and illegal farm laborers have not improved in more than two decades.

The agricultural labor market. Agricultural employment is highly seasonal. The number of hired farm workers varies from about 0.8 to about 1.4 million over the course of a year. The demand for low-wage migrant labor has remained high due to continued expansion of hand-harvested fruit and vegetable production. The average wage of farm workers is about half that of nonagricultural workers, and average farm wages have not changed in real terms since the 1970s. Seven out of 10 farm workers are foreign-born and over one-third are illegal immigrants. The economic implications of utilizing so many immigrant farm workers are described in the box on the next page.

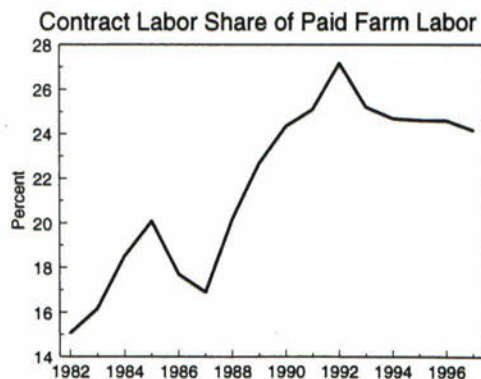
Consequences of immigration reform. The 1986 Immigration Reform and Control Act (IRCA) sought to reduce illegal immigration by shifting liability for knowingly hiring unauthorized workers to employers.



While the Act legalized the status of most farm workers at the time, it did not stem the flow of illegal immigration. The share of illegal immigrants in the paid farm labor force increased from 7 to 37 percent between 1989 and 1995 (see upper chart).

Stronger border enforcement provided by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 raised concerns about impending farm labor shortages and the need for a new guest worker program. But stagnant or declining real wages and persistently high unemployment rates in many agriculturally dependent counties suggest that no general farm labor shortage exists, although local

or seasonal shortages may occur and cause significant economic losses to farmers.



One effect of IRCA's employer sanctions was to accelerate a trend away from direct hiring and toward labor contracting. About 25 percent of all paid farm workers, and over 50 percent of seasonal farm workers in California, are now hired through contractors (see lower chart). In many cases, this also shifted responsibility

for providing housing and transportation from farmers to contractors, who reduced worker benefits.

Implications. Efforts to reduce the number of illegal immigrants in the U.S. labor market have not restricted labor available to U.S. agriculture. So long as the supply of low-wage farm workers is plentiful, incentives to expand labor-intensive agricultural production will remain high. The social cost of providing welfare and public services to low-income immigrant farm-worker families may represent an implicit subsidy on the cost of farm labor.

Economic Implications of Immigrant Farm Workers

The continued availability of low-wage immigrant workers has encouraged growth in labor-intensive crop production, and reduced fruit and vegetable prices for American consumers. Immigrant workers are also a major source of income for many foreign countries. One study estimated that remittances from 2 million unauthorized Mexican workers (most of whom are employed in agriculture) provide 7 percent of Mexican household income.

On the other hand, immigrant farm workers can strain welfare and public services in the communities in which they live. Median annual earnings of all farm workers were between \$5,000 and \$7,500 in 1995, and over three-fifths of farm-worker households were living below the U.S. poverty line. A study of 65 rural California towns using 1980 and 1990 census data found that an increase in local farm employment occurred at the same time as an increase in immigration, poverty rates, and welfare payments in that community.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

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U.S. Census
Bureau

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INTERNATIONAL ROUNDUP

Financial Crisis Shuts Off Capital Flows to Asia, but Not Elsewhere. The impact of the Asian financial crisis on bank lending was severe for that region but had little spillover to other emerging markets, according to a recent study by an international association of financial institutions. Private companies that in 1996 had lent \$93 billion to South Korea, Thailand, Indonesia, Malaysia, and the Philippines reversed course, resulting in a net outflow of \$12 billion during 1997. The difficulties in these economies did not seem to affect capital flows to 24 other emerging markets (including other Asian countries). For these economies, private capital flows increased from \$202 billion in 1996 to \$212 billion in 1997. Forecasts for 1998 suggest that flows to the entire group of 29 emerging markets will fall to \$172 billion. Flows of equity capital continued to rise to new highs, however, which indicates a continuing strong interest in these economies by international investors. In particular, foreign direct investment now represents over one-half of total capital flows to these emerging markets.

Canadian Dollar Hits a Record Low. The Canadian dollar has lost about 4 percent of its value over the past 3 months and reached a new low of 68 U.S. cents on January 29. In part, the recent depreciation is the continuation of a longer trend in which the Canadian dollar has gradually lost more than 20 percent of its value against the U.S. dollar since January 1992. (For a discussion of Canada's competitiveness, see *Weekly Economic Briefing*, October 24, 1997.) This slide was interrupted for a while after 1995 when the Canadian dollar's value remained at around 73 U.S. cents. The most recent depreciation began toward the end of 1997, and may reflect the Asian turmoil. The Asian crisis could affect the Canadian exchange rate in two ways. First, falling currencies in Southeast Asia may depress world prices of primary commodities, which are a significant portion of Canada's exports. Second, the crisis has raised investor demand for less risky U.S. securities (a "flight to quality"), which led to the appreciation of the U.S. dollar against most major currencies.

Bulgaria Poised to Kick-Start Its Economy in 1998. In 1996-97, when other transition economies were beginning to turn the corner in the transformation process, Bulgaria was moving in the opposite direction. Output fell by 11 percent in 1996 and over 7 percent in 1997, while inflation soared and the currency plummeted. Protests over the economic crisis paved the way for the anti-communist Union of Democratic Forces to replace the ruling Socialist party. A series of decisive steps have helped put Bulgaria back on the reform track. An IMF-backed currency board was instituted in July, which has helped bring inflation down sharply. Progress on structural reforms has attracted significant interest from the international investor community. Bulgaria's stock market, which had virtually ceased functioning after mid-1996, has been revitalized, and some analysts reportedly expect it to achieve some of the most spectacular gains among European stock markets in 1998. The authorities expect real GDP to grow by 4 percent in 1998. However administrative shortcomings continue to affect parts of the privatization program, and institutional weaknesses remain evident in competition policy, utility and banking regulation, and the courts.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, February 6, 1998****

In January, the unemployment rate was unchanged at 4.7 percent.
Nonfarm payroll employment rose by 358,000.

Leading Indicators

The composite index of leading indicators was unchanged in December.

NAPM Report on Business

The Purchasing Managers' Index declined to 52.4 percent in January from 53.1 percent in December.

MAJOR RELEASES NEXT WEEK

Productivity (Tuesday)
Retail Sales (Thursday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1997	1997:2	1997:3	1997:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.9	3.3	3.1	4.3
GDP chain-type price index	5.4	1.8	1.8	1.4	1.5
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	N.A.	2.4	4.1	N.A.
Real compensation per hour:					
Using CPI	0.6	N.A.	2.2	1.9	N.A.
Using NFB deflator	1.3	N.A.	1.6	2.8	N.A.
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.5	10.4	10.7	10.5
Residential investment	4.5	4.1	4.0	4.1	4.1
Exports	8.2	11.9	12.0	11.9	12.0
Imports	9.2	13.1	13.1	13.3	13.0
Personal saving	5.3	2.8	3.1	2.6	2.8
Federal surplus	-2.7	N.A.	-0.5	-0.1	N.A.
	1970- 1993	1997	Nov. 1997	Dec. 1997	Jan. 1998
Unemployment Rate	6.7**	4.9**	4.6	4.7	4.7
Payroll employment (thousands)					
increase per month			429	355	358
increase since Jan. 1993					14709
Inflation (percent per period)					
CPI	5.8	1.7	0.1	0.1	N.A.
PPI-Finished goods	5.0	-1.2	-0.2	-0.2	N.A.

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

New or revised data in **boldface**.

Employment and unemployment data **embargoed until 8:30 a.m., Friday, February 6, 1998.**

FINANCIAL STATISTICS

	1996	1997	Dec. 1997	Jan. 1998	Feb. 5, 1998
Dow-Jones Industrial Average	5743	7441	7910	7808	8117
Interest Rates					
3-month T-bill	5.01	5.06	5.16	5.04	4.98
10-year T-bond	6.44	6.35	5.81	5.54	5.62
Mortgage rate, 30-year fixed	7.80	7.60	7.10	6.99	7.03
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level	Percent Change from	
	February 5, 1998	Week ago	Year ago
Deutschemark-Dollar	1.788	-1.8	8.5
Yen-Dollar	123.3	-1.7	-0.2
Multilateral \$ (Mar. 1973=100)	98.78	-1.6	5.7

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.9 (Q4)	4.7 (Jan)	1.7 (Dec)
Canada	4.0 (Q3)	9.0 (Nov)	.7 (Dec)
Japan	1.0 (Q3)	3.5 (Nov)	1.8 (Dec)
France	2.6 (Q3)	12.6 (Nov)	1.2 (Dec)
Germany	2.3 (Q3)	7.8 (Nov)	1.8 (Dec)
Italy	2.1 (Q3)	12.2 (Oct)	1.5 (Dec)
United Kingdom	3.1 (Q4)	6.8 (Nov)	3.6 (Dec)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, February 6, 1998.**

2-9-98

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THE WHITE HOUSE
WASHINGTON

February 6, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

✓ 1. **Health Care -- Dr. Satcher's Confirmation Vote:** Next Tuesday, the Senate is scheduled to vote on Dr. Satcher's nomination to become Surgeon General. Our current vote count is 66 votes and we believe that we may get more than 70. Should Dr. Satcher be confirmed, this would fill an approximately three year void in the Surgeon General position. We are currently considering recommending a picture of you and/or the Vice President swearing Dr. Satcher in for this post.

✓ 2. **Health Care -- Congressman John Dingell Update:** Following up on your conversation with John Dingell, Larry Stein, Bruce Reed and Chris Jennings met with the Congressman on Thursday to discuss prospects of and strategy for the consumer protections legislative debate and Dingell's role on the Medicare Commission. We agreed to continue to give technical assistance to the House Democratic Caucus consumer protections bill as well as to make positive statements about it without giving an all out endorsement. The current bill goes farther than is likely to be passed in the Congress and may well be vulnerable to criticisms about excessive costs and regulations. As of yet, we have avoided having to take a position on most of the controversial positions in Dingell's bill. We will keep working with him to make his bill more acceptable to the business community and key validators.

✓ 3. **Education -- National Testing:** Goodling's bill to prohibit further development of national tests without specific authorization, beyond what was explicitly agreed to in the FY98 appropriations bill, passed by a vote of 242-174. We picked up 50 more Democrats than we had last fall. Both the Black and Hispanic Caucuses opposed Goodling's bill, partly in recognition of the substantial and targeted education investments in your budget, and partly because they viewed Goodling's bill as a partisan effort to embarrass the Administration. The bill will likely die in the Senate, but we still face a tough appropriations battle this fall.

✓ 4. **Child Care -- Current Legislation:** On Thursday, Senator Dodd and a group of 24 Democratic Senators introduced child care legislation similar both to your proposal and to the Chafee bill introduced last week. While the Dodd bill is substantially similar to your child care initiative, it makes the dependent care tax credit refundable and makes it available to stay-at-home

parents. In addition, on Tuesday, Congresswoman Nancy Johnson introduced the Chafee bill in the House.

✓ **5. Drugs -- Home Drug Tests:** Next week, HHS/FDA is planning to release a proposed regulation for "home drug test kits." HHS/FDA intends to codify its policy of the past year to allow manufacturers to market these kits without prior FDA approval. Under the proposed regulation, Sunny Cloud -- the individual who initially challenged HHS/FDA's -- could continue to market her home drug test kits. However, proponents of hair testing, which until now did not require FDA approval, are likely to be unhappy with the regulation. The proposed regulation has no impact on law enforcement-related drug tests.

✓ **6. Welfare Reform -- Performance Bonuses:** We are now nearly ready for you to announce two new nationwide competitions to promote work and personal responsibility. The first competition will award \$1 billion in bonuses -- \$200 million a year over the next five years -- to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place. Sixty percent of the funds will be distributed based on states' success in placing people in jobs (40 percent to states with the highest job entry rate and 20 percent for those with the most improved rate). Forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings gains (with 25 percent for absolute achievement and 15 percent for improvement). The second bonus will distribute \$100 million a year to states that reduce their "illegitimacy ratio"-- i.e., the percentage of children born out of wedlock (by statute, states must also have an abortion rate lower than their 1995 rate to win the bonus).

7. Cloning -- Legislation to Ban Human Cloning: Next week, the Senate will take up legislation sponsored by Senators Frist and Bond to ban human cloning. The bill goes farther than the biotechnology community believes necessary, and may interfere with promising future research, by effectively banning all cloning experiments with human cells and blocking research that might someday be conducted to combat diseases such as diabetes and cancer. We are working with Senators Kennedy and Feinstein to negotiate legislation you could sign. One option may be the addition of a sunset provision that bans human embryo research for a short time, but allows Congress to revisit the issue when scientists may actually be ready to take advantage of this technology for human research. The House is expected to take a much harder line, so our best hope is in the Senate.

THE WHITE HOUSE
WASHINGTON

Chron
98 FEB 7 PM 6:49

February 7, 1998

2-a-98

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC Weekly Report
cc: ERSKINE BOWLES

Social Security: Newt Gingrich, in a speech to the AARP on Thursday, stated that we should "keep the surplus and apply it as a reserve fund for Social Security." Alan Greenspan, testifying before the Senate Budget Committee last Thursday, was very supportive and stated that the surplus is "a very useful platform to finally get to a point where the Social Security problem is something which is truly resolvable..."

Larry Summers, Ken Apfel, and I all spoke at a variety of Social Security events last week. We are also developing hard Q&A as some Administration officials are beginning to be asked to testify. We are also continuing to work on the dates and locations of the bipartisan regional conferences that will be jointly convened by the AARP and Concord Coalition, and hope to announce that the first will be on April 7 in Kansas City. On Friday, Don Kellerman (head of Americans Discuss Social Security, associated with the Pew Organization) and I discussed a variety of ways the group could contribute to educating Americans about the choices involved in Social Security reform, and your possible participation in kicking off by satellite the 10-city interactive forum Pew is holding on March 21.

Child Labor: Last week at a news conference at the Labor Department, Secretary Herman, Senator Harkin and I announced the three key budget elements of your child labor initiative:
(1) a \$27 million increase in our support for the International Programme for the Elimination of Child Labour to support programs aimed at reducing the most intolerable forms of child labor;
(2) a \$50 million increase for the migrant education program to serve 70,000-100,000 additional migrant children; and (3) a \$4 million increase for new investigators to enforce child labor laws, collect data and support an innovative plan to enlist the support of commercial buyers of produce in assuring compliance with child labor laws among their suppliers.

I also took advantage of the opportunity to send a strong signal to importers of hand-knotted carpets from South Asia that we will not tolerate the use of bonded child labor and that we will fully implement laws restricting import of goods made under such conditions. The *Associated*

Press ran a good story on the event.

Meeting with Blair Policy Adviser: On Thursday morning, I met with David Miliband, Prime Minister Blair's chief policy adviser. Interestingly, Blair is currently trying to devise a "Working Families Tax Credit" modeled after our Earned Income Tax Credit and is having difficulty because of the structure of their tax and benefit system. They are also looking for economic initiatives that benefit middle-income voters; in particular, we discussed policies on pensions and higher education. We also discussed the Employability Conference in London at the end of this month, which I will attend with Secretaries Rubin and Herman. We agreed that this conference should highlight policies which promote flexible labor and product markets while maintaining worker protections, such as the minimum wage, lifetime learning and portable benefits.

Meeting with Greenlining Institute: Last Friday, I met with representatives of the Greenlining Institute -- a coalition of California groups interested in promoting economic development and affirmative action. They requested the Administration's support for a number of policy initiatives focused on promoting diversity in the workforce, lending to minority businesses, and investment in distressed urban areas. For example, they requested that the Administration expand CRA to investment houses, insurance companies, and Fortune 1000 companies. Working with the relevant agencies, we are evaluating, on an expedited basis, each of their policy proposals. While some of their proposals are not economically sound or politically viable, others have promise. We plan to forward to you recommendations as soon as possible.

USDA Proposes Dairy Pricing Reform: Secretary Glickman will begin an administrative process to raise U.S. milk prices. Hearings on February 17 will consider his proposal for a price floor to sweeten a more historic proposal for milk (though milk prices currently are strong). Last month, Glickman unveiled a proposed rule to reform and consolidate the 60 year-old nationwide milk pricing system, as required by the 1996 Farm Bill. This 1,100-page rule follows the directions outlined in his December 1, 1997 memorandum to you. It also aims to address the historic November Minnesota District Court decision to abolish the dairy pricing regime, stayed while USDA appeals the decision on the grounds of potential massive market disruption. We are monitoring the debate and next steps, and its implications for Federal food and nutrition programs and participants. We plan to provide you with more detail in a separate memorandum.

INTELSAT: As you know, the NEC has chaired the interagency process on restructuring of INTELSAT, an international treaty organization that is the largest provider of satellite capacity for global telecommunications. The U.S. believes INTELSAT should be fully privatized, but there is little support for that among the participating countries and Signatories, many of whom are monopoly telephone providers (e.g., France Telecom). The best we have been able to do is get INTELSAT to consider spinning off a handful of its 24 satellites to a new, private corporation, INC. As INTELSAT nears a vote on this proposed restructuring next month in Brazil, the Administration is working to resolve a wide range of complex legal and economic issues in ways that will ensure INC's independence from INTELSAT. Dorothy Robyn on my staff is leading the working group including State, FCC, Commerce, and Justice. We are cautiously optimistic that we will soon achieve a modest first step toward eventual privatization.

2-9-98

Service Contract Act: Dorothy Robyn, on my staff, convened an interagency meeting this week in an ongoing effort to resolve a dispute over the Service Contract Act. A sister to Davis-Bacon, SCA, as you know, requires firms that provide services to the federal government to pay their workers prevailing wages. Following your landmark 1994 acquisition streamlining act, the Administration issued a regulation that gave agencies the authority to waive SCA for *subcontractors* that provide *commercial* services. Citing concerns that the federal government could contract with, for example, commercial janitorial firms that pay less than prevailing wages, the Labor Department wants the regulation withdrawn altogether. The procurement agencies like the reg, however, because it makes it easier to get commercial firms to do business with them.

As the next step, staff from DOL, DoD, GSA and OMB's Office of Federal Procurement Policy will try to refine a GSA-proposed compromise. Staff have also met with organized labor and briefed key Members and their staffs, since there is considerable outside interest in this issue.

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2-9-98

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

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February 6, 1998

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
FROM: KATHLEEN A. MCGINTY
SUBJECT: CEQ WEEKLY REPORT

ask for

2-9-98

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PROTECTING COMMUNITIES FROM TOXICS

National Low Emission Vehicle (NLEV)

Good
Ford, General Motors and Chrysler, Nissan, Toyota and Honda all agreed this week voluntarily to produce vehicles that are 70% cleaner than current federal standards require. The pollutants to be addressed are smog-producing pollutants (NOx and hydrocarbons), not carbon dioxide. The Environmental Protection Agency (EPA) expects a few other manufacturers to sign up next week.

This agreement came about as a result of joint efforts by the northeastern states to get cleaner cars for their states, including efforts by some of them to adopt California emissions standards, which are about 75% more stringent than current federal standards. In a compromise brokered by EPA (which has no authority to mandate more stringent emission standards before 2004), nine of the thirteen northeastern states agreed not to adopt California standards if the car companies produced the NLEV vehicles. Based on that commitment, the above manufacturers have agreed to produce NLEV vehicles for the northeast beginning in model year 1999, and for the rest of the country beginning in model year 2001. Massachusetts and New York have adopted California standards, and Maine and Vermont reserved their option to do so.

RESOURCE STEWARDSHIP

Endangered Species Act (ESA)

This week, the majority leader unveiled a package of amendments that he wants included in the bipartisan ESA Reauthorization bill that has been developed by the Senate Environment and Public Works Committee. Our initial reaction is that the amendments are generally fairly benign, although not trouble-free. We are hoping to work with the Committee to arrive at an acceptable package. If those negotiations go well, the bill could be on the Senate floor as early as the middle of next week.

SUSTAINABLE COMMUNITIES

Meeting with DC Leaders

CEQ is working with the Community Empowerment Board to prepare a report to the Vice President with recommendations encouraging reinvestment in urban areas and reducing sprawl development in suburbs. One recommendation under discussion is the creation of three to five "metropolitan partnerships" in which the federal government would enter into agreements with urban and suburban communities within a region. The goal of such partnerships would be to bring urban and suburban areas together to solve problems that cross local jurisdictional lines. Such problems could include regional agreements on land use, transportation and air quality policies, or matching urban residents with suburban jobs.

Good ✓ CEQ received a request for a meeting with a small group of local leaders to determine how this regional approach might be utilized in the Washington metropolitan area. On Thursday, CEQ hosted a meeting that included Camille Barnett, new city manager of DC; Charlene Drew Jarvis, DC council member; Bill Freeman, President of Bell Atlantic; and Jim Gibson, President of DC Agenda. Federal participants included representatives of OMB, OVP, Treasury, HHS, HUD, EPA, and EDA. The meeting was very positive. We will be working closely with OMB to determine if there are ways that this regional approach might be used to support your D.C. Initiative.

INTERNATIONAL LEADERSHIP

House Science Committee Hearing

On Wednesday, I testified before the House Science Committee in the first of four hearings scheduled over the next several weeks on the Kyoto Protocol. The hearing drew a heavy turnout from both sides of the aisle.

Much of the discussion focused on three issues. First, many members raised the need for obtaining greater developing country participation and questioned how this could be done in the face of stiff opposition from China and others.

Good on Kyoto Protocol [Second, members from both sides gave guarded support for our \$6.3 billion Climate Technology Initiative. Several argued that even if climate change was not a problem, these programs made sense, and others argued that far more resources for these programs were needed.

✓ Finally, there was general support for emissions trading, though some members questioned how allowances would be allocated, and tried to suggest that we could set up a new United Nations bureaucracy that would "threaten our sovereignty". This assertion was easily dismissed, and our message, I believe, held up very positively and soundly, indeed. Next Wednesday, Undersecretary Stu Eizenstat and possibly Janet Yellen will testify before the Senate Foreign Relations Committee.

Let's protect Florida forever

Jeb Bush is a Republican Party candidate for governor.

THEODORE ROOSEVELT was one of our nation's most adept presidents, and his greatest legacy was the deft handling of a fast-growing nation and its fast-disappearing environment. He was foremost a conservationist.

At the turn of the century, American industry was expanding into untouched reaches of our wildernesses. Yet Roosevelt told a gathering of state governors: "As a people, we have the right and the duty . . . to protect ourselves and our children against the wasteful development of natural resources." He put his words into action. And by the end of his presidency, Roosevelt had increased our nation's protected lands by 100 million acres, giving us five new national parks.

Like the United States at the turn of the century, Florida in the 1980s also was in the midst of explosive growth and faced a similar set of environmental challenges. Touched by Roosevelt's tradition of stewardship, then-Gov. Bob Martinez, a Republican, set Florida on a course toward one of the most progressive conservation programs in the nation. Called Preservation 2000, Martinez's program allocated \$3 billion over 10 years to purchase and protect environmentally sensitive lands.

Today, thanks to the policy of good stewardship,

lands that once were on the verge of vanishing forever now are teeming with natural vegetation and wild creatures. Much remains to be done. With the coming of the new millennium, Preservation 2000 will expire, leaving the future of our sensitive lands uncertain.

Our continued stewardship will determine if future generations can enjoy the solemn quiet of our preserves or the community spirit of neighborhood parks. For these reasons, it is incumbent that we carry on the tradition of conservation. To do this, I propose that we build on the foundation laid by Preservation 2000, with a new program called "Florida Forever."

Florida Forever will:

- Dedicate \$3 billion to fund land stewardship through the year 2011. Beginning in 2001, our proposal will provide \$300 million each year for 10 years to buy and manage environmentally sensitive lands and urban green spaces.

- Encourage community and urban participation in land stewardship. At a minimum, it will double the amount of money currently allocated to local governments to buy environmentally sensitive lands and urban green spaces. This will enable communities to have a greater voice in land conservation. The increased involvement of local communities also will create an incentive for purchasing properties in our urban cores.

- Expand the constituency for conservation by providing Floridians with better access to state lands. Currently there is little connection between our protected lands and the average Floridian. Most

people have no idea of where these lands are located in Florida, and if they do, they cannot gain access to enjoy their beauty and wonder. Florida Forever will authorize the use of bond proceeds for capital improvements and allow for the development of appropriate amenities to enhance public access.

- Manage environmentally sensitive lands acquired by the state. It is not enough simply to purchase sensitive lands and say, The job is done. Protected lands that are left unmanaged are susceptible to degradation by natural as well as manmade threats. Currently only 1.5 percent of Preservation 2000 funds are spent on maintaining and managing purchased lands. Florida Forever will increase that amount to 5 percent.

- Use innovative land-stewardship techniques to lower purchasing costs. In some cases, it will not be necessary to purchase entire parcels of environmentally sensitive lands outright to ensure their protection. Instead, we can buy development rights or conservation easements from private landowners for a reduced cost and shift responsibility for maintaining their wild-and-scenic condition to the landowners themselves.

Our program will establish a fund that will be earmarked to buy development rights and conservation easements. During the next decade, Florida Forever will enable us to complete the unfinished business of Preservation 2000.

The lands that we save today and the parks and preserves that we create tomorrow will long outlast our own usefulness. But as our legacy to future generations of Floridians, we can offer no greater gift.



**JEB
BUSH**

THE WHITE HOUSE

WASHINGTON

February 6, 1998

2-9-98

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MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL
SUBJECT WEEKLY REPORT

too bad
CRIME/DRUGS: In approximately a month, we will have the ATF report on the President's directive concerning the importation of Assault Weapons. Elena Kagan and I are currently trying to strengthen the report. We will probably end up with some enforcement, but not a complete ban on importation.

OK
We have a couple of Justice Department reports being issued over the next few weeks that warrant Presidential involvement. The subjects range from annual crime numbers to a study of gang violence.

The President is scheduled to release the drug strategy at the radio address on the 14th of this month while in Philadelphia. This should be an opportunity to reiterate our message on drugs from the State of The Union.

PATIENT BILL OF RIGHTS: It looks as if the Democrats will have a piece of legislation to endorse this week. Congressman Dingell, after meeting with Administration staff, has agreed to sponsor legislation. It will probably be in time for our Thursday Unity event. I think that is the good news.

The outstanding problem is when do we try to work something out with the Republicans. I believe the earlier the better. There is now doubt that the GOP will fold and agree to legislation. I do not think it helps Democrats in November to have a bill signing in September. I also think we want legislation to sign this spring. The Congressional Democrats want to make this difficult for the GOP to accept. I do not think time strengthens our hand or theirs.

TOBACCO: The Speaker's acceptance of our position on the Surplus and Social Security, make a tobacco deal all the more likely. I think the prospects of a deal are very real and possible. The difficult question again is timing.

I believe the GOP is not interested in full agenda; they have only scheduled one hundred legislative work days. The issue then will not be the content of the deal but rather when and how it is made.

2-9-98

CHILD CARE: The Senate GOP and Senate Democrats have both announced their bills on child care. I think we should invite the co-sponsors to the White House for a Cabinet room meeting. We could release a report on Child Care or the funding for Child Care under the welfare bill. The event would exhibit bipartisan work getting done in Washington.

ECONOMICS: I met John Doerr at the State Dinner on Thursday night. He suggested to me the idea of an all day "New Economy" conference in California. I happen to like the idea and think we should plan it for late spring or early summer. It would serve the Vice President and enable the administration to highlight our economic approach in its entirety rather than issue by issue.

*eggs
plan is
pls. proceed
could also deal
w/ the worker shortage
that's a big one*

THE WHITE HOUSE
WASHINGTON

February 6, 1998

2-9-98

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MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN *LS*

SUBJECT: WEEKLY LEGISLATIVE REPORT

House of Representatives

1. **School Vouchers:** On Thursday, February 5, the House passed (242-174) H.R. 2846, a bill to Prohibit Spending Federal Education Funds on National Testing. The measure bans the use of federal funds to develop, plan or administer national tests without congressional authorization. The House passed a similar measure (295-125) late last session during consideration of the FY98 Labor, Health and Human Services and Education Appropriations Act. The Administration worked with various House caucuses including the Hispanic, Black and Asian Pacific, to insure a veto proof margin. The Members of these caucuses voted against H.R. 2846 in block in order to send a strong signal of Democratic support for your budgetary educational initiatives. Additionally, House Democrats feel the current measure is politically motivated and does not address the substantive issues of school testing.
2. **Military Construction:** On Thursday, February 5, the House voted (347-69) to override the President's veto of H.R. 2631, a bill Disapproving Cancellations in the FY98 Military Construction Appropriations Act. The measure provides for a restoration of \$287 million worth of projects to be built in 24 states and would include training and maintenance facilities as well as improvement projects. The Senate is expected to take up the measure after the President's Day recess.
3. **Renaming National Airport:** On Thursday, February 5, the House approved, by voice vote, S. 1575, The Ronald Reagan Washington National Airport legislation. The Senate passed the bill (76-22) on Wednesday, February 4 and the measure was signed on Thursday, February 5.
4. **Gregory Meeks:** On Thursday, February 5, Gregory W. Meeks was sworn in to complete the term of former Representative Floyd Flake, who retired in November 1997. Representative Meeks won a special election on Tuesday, February 3.

*Mogley
Heard*

5. **Loretta Sanchez:** On Wednesday, February 4, the House Oversight Committee voted 8-1 to recommend that the House end its investigation of the 1996 Dornan-Snachez election. Representative John L. Mica was the lone dissenter. A resolution ending the probe is expected to reach the House floor on Thursday, February 12.

The Week Ahead

On Sunday, February 8, the House Democratic Caucus begins a three day conference in Virginia. The Caucus will discuss upcoming legislative issues in the second session and the fall elections. You are scheduled to address the Caucus on the morning of Tuesday, February 10. The House is expected to stand in recess for most of the week.

Senate

1. **Nominations:** The Senate confirmed two federal judges this week: Carlos R. Moreno to be a U.S. District Court Judge for the Central District of California and Christine O. C. Miller to be a judge on the U.S. Court of Federal Claims. The Senate voted 96-0 on both nominations. 51 judicial nominees are still pending in the Senate.

The Week Ahead

During the week of February 9, the Senate is expected to consider the nomination of Dr. David Satcher to be the U.S. Surgeon General and S. 1601, the Human Cloning bill. On Thursday February 5, Senator Lott filed a motion to invoke cloture on the motion to proceed to S. 1601, the Human Cloning bill. The cloture motion is expected to ripen on Tuesday, February 10 and a vote on the cloture motion is expected on this date. Senator Lott also filed a cloture motion on the nomination of David Satcher to be the U.S. Surgeon General. The cloture motion is expected to ripen and a vote on the cloture motion is expected on Tuesday, February 10. If cloture is invoked, a vote on the nomination of Dr. Satcher will be taken immediately.

cc: The Vice-President
Erskine Bowles
John Podesta
Sylvia Mathews

- **Clean Air:** The U.S. Court of Appeals for the D.C. Circuit remanded EPA's decision not to revise the health standard for sulfur oxides to EPA for further explanation. The American Lung Association petitioned the court to require EPA to tighten the current health standard for sulfur oxides.
- **Safe Drinking Water:** On February 11, Administrator Browner will announce a proposed rule requiring community water systems to deliver annual drinking water quality reports to their customers -- Consumer Confidence Reports. This proposed rule is part of a broad array of community right-to-know provisions of the 1996 Safe Drinking Water Act.
- **Office of Civil Rights:** Pursuant to Executive Order 12898 on Environmental Justice, EPA has been working to answer questions regarding Title VI of the Civil Rights Act of 1964 and its application in environmental permitting programs. Title VI prohibits programs or activities funded by the federal government from discriminating on the basis of race, color, or national origin. On February 4, EPA released for public comment its Title VI interim guidance, prepared in consultation with its program and regional offices.
- **"Woman of the Year":** On February 2, Administrator Browner received a "woman of the year" award from *Cosmopolitan* magazine for her efforts, under your leadership, to provide cleaner air to the American people.

No longer

UNITED STATES TRADE REPRESENTATIVE

- **Japan Film:** On February 3, Ambassador Barshefsky and Secretary Daley announced a new market opening initiative for imported photographic materials in Japan. The Administration will establish an interagency monitoring and enforcement committee to review data and information regarding foreign access to Japan's distribution system for film. Kodak issued a press release strongly endorsing this new initiative.
- **Africa Initiative:** USTR announced the appointment of the first Assistant U.S. Trade Representative for Africa, a career position. USTR is consulting with key Members of Congress on the Africa trade bill.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **U.S.-Mexico Counterdrug Strategy:** On February 6, the U.S.-Mexico Counterdrug Strategy was released simultaneously in Mexico and Washington, DC.
- **National Drug Control Strategy:** Next week will be the final clearance, printing, and release of the 1998 *National Drug Control Strategy*, which sets forth goals and initiatives to reduce drug abuse in America.

2-9-98

THE WHITE HOUSE
WASHINGTON

February 6, 1998

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page 10
Bunkhardt

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. TM

SUBJECT: Summary of Cabinet Weekly Reports
January 30 - February 6, 1998

DEPARTMENT OF TREASURY

- **Korea:** On January 30, Korea completed negotiations with bankers in NY to reschedule approximately \$24 billion of Korea's short-term external debt. After initially rising on news of the debt negotiation's conclusion, Korean stocks have since fluctuated, and the currency has slowly weakened during the week of February 2 after strengthening 9.7 percent on January 30.
- **Indonesia:** Indonesian structural reforms took effect February 1, including the elimination of many monopolies, cartels, and restrictions on domestic trade, but it will take time for some of the reforms to have a meaningful impact on Indonesia. Indonesian markets have shown slight improvements following a January 27 announcement that Indonesia had a plan to restructure its banking system and a framework to deal with the external debt of private sector companies, combined with signs that Indonesia is implementing structural reform commitments. There are weak signs that confidence in the banking sector is improving, as some American banks are reportedly considering reopening credit lines to Indonesian banks. Economic indicators are reflecting changes in Indonesia's economy, as Indonesia's November 1997 trade surplus of \$1.4 billion was 75 percent of its November 1996 surplus, and consumer prices rose by 6.9 percent in January over December 1997, due to drought-induced food price increases, excessive expansion in base money, and currency depreciation.
- **G-7 Deputies:** On February 2, Deputy Secretary Summers attended the G-7 deputies meeting in London. The Deputies were generally critical of Japan's performance on financial sector reform and stimulating its economy. There was further discussion of the Asia situation and of plans for the G-22 finance ministers-central bank governors meeting in Washington and the upcoming G-7 Finance Ministers meeting in London.

DEPARTMENT OF JUSTICE

- **MLAT with Israel:** On January 26, Israeli Prime Minister Netanyahu and the U.S. Ambassador to Israel signed the U.S.-Israel Mutual Legal Assistance Treaty in Tel Aviv.
- **Tobacco Investigation:** On January 23, DNA Plant Technology Corporation (DNAP) pleaded guilty to a misdemeanor charge of conspiracy to violate the Tobacco Seed Export law, which prohibits the export of tobacco seed from the U.S. to a foreign country. DNAP contracted with a tobacco company to use biotechnology to develop and improve different varieties of tobacco plants, including lines with elevated nicotine content.
- **U.S. Drug Charges:** On January 17, Carlo Garibaldi and Bruno Malfara, who are both associated with organized crime syndicates in Toronto, were arrested in Buffalo, NY, on charges of conspiracy to export cocaine. The operation was a joint investigation between U.S. and Canada law enforcement authorities.
- **Hate Crimes Indictment:** A defendant was indicted for conspiring with others to injure, threaten, and intimidate a minority member to prevent her from occupying a dwelling in Portage, IN, because of her race. The defendant and co-conspirators, dressed in the garb of the Ku Klux Klan, used clubs, baseball bats, rocks and/or bricks to break the windows of the victim's home.
- **Civil Rights Violations:** Two New Orleans police officers were indicted for violating federal civil rights statutes by punching and kicking two arrested, handcuffed men following an incident at a nightclub. One of the defendants was also charged with using excessive force during a traffic stop.
- **RICO:** The former president of the NYC Transit Police Benevolent Association (TPBA) and two former lawyers and labor consultants for the TPBA were found guilty of racketeering, conspiracy, wire fraud, tax evasion, and witness tampering.
- **Organized Crime Arrests:** The FBI arrested 59 individuals in a drug, police corruption, and organized crime investigation in Cleveland, OH.
- **Telecommunications Act:** The Supreme Court granted a DOJ certiorari petition in a case which presents a number of legal issues relating to the Telecommunications Act of 1996, including whether the Eighth Circuit correctly held that the FCC has no "jurisdiction" either to enforce or to adopt regulations to implement new federal requirements of the Communications Act.
- **FHSA Act and PPPA Act:** On January 27, John M. D'Angelo was sentenced to 23-1/2 months in prison for violations of the Federal Hazardous Substances Act and the Poison Prevention Packaging Act. This was the first prison sentence ever imposed for violations

of these statutes. D'Angelo shipped potassium hydroxide solution in reused plastic milk containers and distilled water containers that lacked child-resistant closures and that lacked proper first aid and other cautionary labeling, in violation of these statutes. In December, 1993, a 15 year-old boy mistook for water the clear, odorless liquid D'Angelo shipped in a milk jug. He drank from the bottle and died two weeks later from severe internal injuries.

- **Medicaid Fraud:** Two men whose companies were receiving state and federal Medicaid funding pled guilty to charges of conspiracy and defrauding the TX Medicaid Program of more than \$2.8 million. The two were involved in a scheme in which they falsely certified juveniles who were eligible for Medicaid coverage as alcohol and/or drug-dependent.
- **Dairy Compact:** Several New England states wished to form an interstate compact order to govern milk sales in the New England region. Congress consented on condition that the Secretary of Agriculture find that there is a compelling interest in such a compact. The Secretary reached the necessary finding after holding informal rulemaking proceedings. Milk producers outside the New England region then sued, arguing that Congress cannot constitutionally make a delegation of legislative authority like this to an Executive Branch officer. The district court upheld the actions by Congress and the Secretary. The D.C. Circuit has now affirmed.
- **Telecommunications Act:** DOJ will appeal a district court decision striking down part of the 1996 Telecommunications Act. DOJ will argue that Congress has the right to impose conditions on market entry by the Regional Bell Operating Companies' (RBOCs), and that the RBOCs were not punished.

DEPARTMENT OF INTERIOR

- **Salton Sea:** DOI continues to await the Sonny Bono commemorative legislative proposal on the Salton Sea, which Speaker Gingrich has promised to introduce by February 16. The Secretary's Office has remained in close communication with the staffs of Senators Feinstein and Boxer and Representative George Brown to share views regarding the potential scope of an acceptable legislative package.
- **Crude Oil Value:** In the next few weeks, MMS will publish amendments to the Federal Crude Oil Valuation Rule. The rule addresses the primary concerns of the oil and gas companies that calculate and pay royalty on crude oil produced from federal leases. It also assures federal and state royalty recipients that the value will be based on the best available indicators of market value. This rule has been highly controversial since it was initially proposed early last year. Although the rule has been revised to address some industry concerns, opposition to the amended proposed rule is still expected.

- **Indian Water Rights:** On February 4, Secretary Babbitt hosted a government-to-government consultation on water rights with more than 200 leaders of western tribes. Secretary Babbitt informed the tribal leaders that he would bring the tribes' request for a government-wide Indian water policy statement to the DPC.
- **Land and Water Conservation Funds:** On February 12, the Secretary will amplify the Administration's budget message on Land and Water Conservation Funds by participating in events at Antietam National Battlefield in MD, and at other events tentatively planned at National Wildlife Refuges in MD, RI, TX, and CA.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Asia:** As of February 3, Korea had used \$188 million in USDA-guaranteed export credits, Thailand \$54 million, and Indonesia \$26 million. USDA continues to work on a P.L. 480 food aid initiative for Indonesia, and is considering expanding Korea's line of credit to include hides and skins.
- **Environmentally Sensitive Farmland:** On January 29, Secretary Glickman brought 5.9 million acres of environmentally sensitive farmland into the Conservation Reserve Program, doubling the environmental benefits of the program over what it achieved just one year ago.
- **One America:** During his January 30 roundtable on credit in rural America, held in conjunction with the Rural Life Conference in Pine Bluff, AR, Secretary Glickman announced a new pilot program, developed with the Rural Development Corporation, a consortium of minority banks, and USDA, to provide credit to socially disadvantaged persons in AL, AR, MI, MO, NC, and VA.
- **Women, Infants and Children (WIC) Program:** On February 11, in Boston, MA, Secretaries Glickman and Cuomo will announce a joint USDA-HUD initiative to provide WIC program services to HUD-financed housing projects.

DEPARTMENT OF COMMERCE

- **Asia Trip:** On February 14-20, Secretary Daley will travel to Japan, Korea, and Singapore. The trip will provide opportunities to assess the present economic circumstances in Asia, evaluate prospects for U.S. commercial interests, and emphasize the continued importance of market openings. On February 20-27, Secretary Daley will attend the Gore-Mbeki Bi-National Commission meetings in South Africa.
- **ITA Internet Site:** On February 10, DOC's International Trade Administration will launch a new on-line service for trade-related complaints. The site will also include information from State and USDA.

- **Baldrige Quality Award:** On February 9-11, DOC will host the tenth annual "Quest for Excellence" conference, providing in-depth information on the performance excellence strategies of the 1997 Malcolm Baldrige National Quality Award winners. DOC will release a study of Baldrige Award winners, which show that Baldrige winners significantly exceed the average performance of large publicly-traded companies.
- **Export Controls on Computers:** On February 3, DOC published in the *Federal Register* regulations implementing the provisions of the FY98 National Defense Authorization Act. The provisions require notification of exports and re-exports of high performance computers and post-shipment verifications of certain of exports and re-exports.
- **Internet Domain Names:** During the week of February 2, DOC will publish in the *Federal Register* a "Discussion Draft" suggesting ways to improve the current management of Internet names and addresses. The Draft proposes to shift registration of domain names away from a government-controlled entity to the private sector, subject to competition. Up to five additional domain realms would be authorized initially.
- **Administration Economic Indicators Release Dates:**
 - ▶ February 10 - Wholesale Trade (December).
 - ▶ February 12 - Advance Retail Sales (January).
 - ▶ February 13 - Manufacturing and Trade: Inventories and Sales (December).

DEPARTMENT OF LABOR

- **MI Suit:** The State of MI has filed suit in Federal district court, seeking to block DOL from withholding funds under the Wagner-Peyser Act. In a January 30 letter to state officials, DOL's Employment and Training Administration (ETA) made clear that Federal funds would be withheld if MI went forward with its plan to reorganize the employment service. A District Judge heard arguments on February 6, on the State's request for a preliminary injunction which would prevent DOL from withholding funds until the court rules on the merits of the underlying legal dispute.
- **Los Alamos National Laboratory:** DOL's Office of Federal Contract Compliance Programs (OFCCP) expects to settle an employment discrimination case that involves the Los Alamos National Laboratory in NM. This case arose under Executive Order 11246, which prohibits job bias by Federal contractors on the basis of race, color, religion, sex, or national origin. DOL found that the lab discriminated against Hispanic employees in connection with a 1995 reduction-in-force (RIF). During that RIF, Hispanic workers lost almost half of the nearly 200 jobs that were cut. DOL efforts in this case are being watched closely by state officials, advocacy groups, and a group of Hispanic workers who have filed their own employment discrimination suit in state court.

- **Davis-Bacon Act:** On February 17, DOJ will present arguments in a case involving a challenge to the constitutionality of the Davis-Bacon Act. DOJ will argue that the contractors and housing groups lack standing to challenge the constitutionality of the Act, because they have not shown that the law caused any individual employees to be denied work. The Government will also argue that the Davis-Bacon Act was enacted to maintain local labor standards and not to discriminate against minorities.
- **Welfare-to-Work:** On February 13, Secretary Herman will travel to Los Angeles, CA, where she will attend a breakfast with labor leaders, host a welfare-to-work roundtable, and participate in an event with Representative Harman.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **AL Title XXI Approval:** On January 30, HCFA notified AL that its Title XXI proposal was approved. The State is expanding Medicaid eligibility to children under age 19, who were born on or before September 30, 1983, and with family income levels at or below 100 percent of the Federal Poverty Level. Eligible children will receive the full Medicaid benefit package and all Medicaid program policies will apply.
- **Gender, Age, and Race Information in Drug Applications:** During the week of February 9, FDA expects to publish in the *Federal Register* a final rule to require that drug application sponsors characterize the number of subjects in a clinical study according to age group, gender, and race and present safety and effectiveness data for major demographic subsets of the population, including gender, age and racial subsets. This final rule reflects recommendations made by the National AIDS Task Force.
- **Teens and Tobacco:** On February 2, CDC and the singing group, BOYZ II Men, launched the Third Annual Teen Media Contest on Tobacco. This annual contest recruits anti-smoking messages and promotion campaigns from teenage journalists and will extend through April 7.
- **New Parkinson's Drug:** On January 29, FDA approved Hoffman-LaRoche's Tasmar Tablets to enhance Parkinson's Disease treatments. Tasmar, a new molecular entity, is the first of a new class of drugs called COMT inhibitors. It works alongside of levodopa, the standard treatment for the disease, to make it last longer in the brain. Sustained levels of levodopa relieve the effects of Parkinson's disease.
- **Dog Blood Substitute:** On January 30, FDA approved BioPure Corporation's Oxyglobin for treating anemia in dogs. A physiological salt solution of highly purified, polymeric, bovine-derived hemoglobin, Oxyglobin is the first blood-replacement product approved for any species. Its approval has sparked hope for scientists seeking a blood substitute for humans.

- **Satcher Nomination:** During the week of February 9, the Senate is expected to approve the nomination of David Satcher to be Assistant Secretary for Health and Surgeon General.
- **Weapons Report:** The February 9 issue of the *American Journal of Preventive Medicine* reports on the use of weapons in schools using data from the Youth Risk Behavior Survey conducted by the National Center for Chronic Disease Prevention and Health Promotion at CDC.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Empowerment Zones:** On January 31, the Vice President announced that Cleveland, OH, has been designated a full Empowerment Zone. The Vice President made the announcement from Los Angeles via satellite link-up with Secretary Cuomo, Representative Stokes, and Mayor White at a job training facility in the Empowerment Zone. Cleveland and Los Angeles have been Supplemental EZs since 1994. The designation as full EZs entitles them to new tax incentives and credits.
- **Section 108 Loan Guarantees:** On January 29, Secretary Cuomo announced \$1.6 million in Section 108 loan guarantees to San Luis Obispo County in CA, \$1.3 million to Buffalo, NY and \$1.2 million to Beaver County, PA. HUD's section 108 loan guarantees provide communities with financing for job creation, housing, rehabilitation, and construction of public facilities and large-scale development projects.
- **Disaster Recovery Grants:** On February 4, Secretary Cuomo announced \$668,569 in grants to CO – including \$511,740 for Fort Collins – under HUD's Disaster Recovery Initiative. The grants will help Fort Collins and other communities recover from heavy rains and flash flooding that damaged buildings and infrastructure last summer. The HUD assistance will supplement aid from FEMA and other federal agencies.
- **"Repealer" Bill:** HUD has submitted a bill to OMB to repeal inactive and obsolete program authorities. This bill would expedite reallocation of workforce resources in conjunction with the implementation of the HUD 2020 Management Plan.
- **Housing Discrimination Settlement:** On February 2, Secretary Cuomo announced a \$110,000 settlement of a Fair Housing Act lawsuit filed by a disabled AL woman who said she suffered because her landlord refused to move her to an apartment that was wheelchair accessible.

DEPARTMENT OF TRANSPORTATION

- **AIP Grant:** On February 2, the Vice President and Secretary Slater announced an AIP grant of \$30 million for improvements at IL airports.

- **St. Louis Metrolink:** On February 3, Secretary Slater participated in an announcement of \$64 million included in the FY99 budget for the St. Clair Metrolink extension in East St. Louis, MO. The Secretary was joined by the mayors of St. Louis and East St. Louis and Representative Costello. Secretary Slater also met with the *St. Louis Post Dispatch* editorial board to discuss your budget proposal and DOT initiatives.
- **Recreational Trails:** On January 29, Secretary Slater announced awards of \$7.3 million in initial allocations to the 50 states and DC through the National Recreational Trails Funding Program. This is DOT's first step in exploring the concept of a Millennium Trails project as part of the Administration's millennium initiative.
- **U.S. -Japan Aviation:** On January 30, Secretary Slater joined you to announce that the U.S. and Japan reached an aviation agreement providing substantial, immediate benefits for the airlines of both countries while setting the stage for further liberalization in the future. This announcement received significant national and editorial coverage.
- **FAA and Year 2000 (Y2K) Computer Concerns:** On February 4, FAA Administrator Garvey announced a new agency lead to bring management direction to the challenges presented by Y2K. FAA has also expanded the technical support provided by Coopers and Lybrand, their business partner for the Air Traffic Service Y2K program. On February 3, the House Science Subcommittee on Technology and the House Government Reform Subcommittee on Government Management held a joint hearing on the FAA and the Year 2000.
- **National Groundhog Job Shadow Day:** On February 2, nearly 600 students participated in DOT's Groundhog Shadow Day activities. In Washington, DC, students from 13 Prince Georges County and DC schools shadowed DOT employees. The event, the first activity since DOT entered into the Prince Georges County School-to-Careers Initiative, will be part of DOT's Garrett A. Morgan Technology and Transportation Futures Program.

DEPARTMENT OF ENERGY

- **Advanced Transportation Technologies:** EPA Administrator Browner, Under Secretary of Defense Gansler, and OSTP Director Gibbons joined Secretaries Peña and Slater in announcing a DOE-DOT agreement to manage a joint program for the development and deployment of medium to heavy duty "advanced technology" vehicles.
- **Speeches:** On February 6, Secretary Peña delivered the keynote address to the National Council of State Legislators' (NCSL) Leader-to-Leader Conference. On February 10, Secretary Peña will speak to the membership of the National Association of State Energy Officials.

DEPARTMENT OF EDUCATION

- **Satellite Town Meeting:** February's Satellite Town Meeting, to air February 17, will be titled "Raising Student Achievement: Schools, Communities and Challenging Standards." The event will air live from a Seattle PBS station and by satellite at locations across the country.
- **CA Trip:** Secretary Riley will visit San Francisco, Los Angeles, Long Beach, and Santa Barbara from February 10-15. Scheduled events include a speech to the American Council on Education; participation in the Race Initiative Advisory Board meeting; a Southern CA K-12 roundtable; a roundtable with CA State University presidents; and school visits in Long Beach and Berkeley.
- **Millennium Project:** On February 4, DOEd held an agency-wide symposium focusing on the history and future of education in America and planning for the celebration of the Millennium.

VETERANS AFFAIRS

- **Budget:** On February 4, Acting Secretary West testified at a budget hearing before the House Veterans' Affairs Committee. Issues included VA's reliance on non-appropriated funding streams for health care, VA's position on prohibiting compensation for tobacco-related disabilities, VA's Year 2000 preparations, and several benefit delivery matters.
- **Confirmation Hearing:** The Senate Veterans' Affairs Committee confirmation hearing on the nomination of Acting Secretary Togo D. West, Jr., as Secretary of Veterans Affairs is scheduled for February 24.
- **Health Care:** Despite the January 9 release of a VA Medical Inspector report stating there is no association between funding reductions and the quality of care at VA medical facilities in Castle Point and Montrose, NY, several members of the NY congressional delegation continue to press the issue. On February 3, VA officials, including Under Secretary for Health Kizer, met with members of the NY delegation.

ENVIRONMENTAL PROTECTION AGENCY

- **Low Emission Vehicle Program:** On February 4, General Motors and Ford announced they will enroll in the National Low Emission Vehicle Program, which will offer consumers across the country new cars and light trucks that are 70 percent cleaner than vehicles on the road today. Toyota previously agreed to enroll. Other automakers have until February 17 to enroll. GM and Ford will begin offering cleaner vehicles in the 1999 model year.

- **Clean Air:** The U.S. Court of Appeals for the D.C. Circuit remanded EPA's decision not to revise the health standard for sulfur oxides to EPA for further explanation. The American Lung Association petitioned the court to require EPA to tighten the current health standard for sulfur oxides.
- **Safe Drinking Water:** On February 11, Administrator Browner will announce a proposed rule requiring community water systems to deliver annual drinking water quality reports to their customers -- Consumer Confidence Reports. This proposed rule is part of a broad array of community right-to-know provisions of the 1996 Safe Drinking Water Act.
- **Office of Civil Rights:** Pursuant to Executive Order 12898 on Environmental Justice, EPA has been working to answer questions regarding Title VI of the Civil Rights Act of 1964 and its application in environmental permitting programs. Title VI prohibits programs or activities funded by the federal government from discriminating on the basis of race, color, or national origin. On February 4, EPA released for public comment its Title VI interim guidance, prepared in consultation with its program and regional offices.
- **"Woman of the Year":** On February 2, Administrator Browner received a "woman of the year" award from *Cosmopolitan* magazine for her efforts, under your leadership, to provide cleaner air to the American people.

No longer

UNITED STATES TRADE REPRESENTATIVE

- **Japan Film:** On February 3, Ambassador Barshefsky and Secretary Daley announced a new market opening initiative for imported photographic materials in Japan. The Administration will establish an interagency monitoring and enforcement committee to review data and information regarding foreign access to Japan's distribution system for film. Kodak issued a press release strongly endorsing this new initiative.
- **Africa Initiative:** USTR announced the appointment of the first Assistant U.S. Trade Representative for Africa, a career position. USTR is consulting with key Members of Congress on the Africa trade bill.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **U.S.-Mexico Counterdrug Strategy:** On February 6, the U.S.-Mexico Counterdrug Strategy was released simultaneously in Mexico and Washington, DC.
- **National Drug Control Strategy:** Next week will be the final clearance, printing, and release of the 1998 *National Drug Control Strategy*, which sets forth goals and initiatives to reduce drug abuse in America.

DAN BURKHARDT

please coordinate the
reply.

SMALL BUSINESS ADMINISTRATION

- **African American Initiative:** On February 10, the Administrator will join the Vice President at an event sponsored by Metropolitan Access during Black History Month. Administrator Alvarez and the Vice President will roll out SBA's three-year goals to more than double the number of SBA loans to African American-owned small businesses.
- **One America:** On February 11, Administrator Alvarez will keynote a panel discussion on "Race and Poverty" at the upcoming Race Advisory Board meeting in San Jose, CA.

UNITED STATES INFORMATION AGENCY

- **Filipino VP Candidates:** USIS Manila reports that two candidates for Vice President in the upcoming national elections are former USIA grantees. They are Irene Santiago, the candidate of the Democratic Reform party, and Senator Edgardo Angara, the running mate of Presidential candidate Joseph Estrada.
- **Iraq Crisis:** USIA is preparing flash surveys in western Europe and Russia to provide American policy-makers with timely information about British, French, German, and Russian public perspective on the rapidly unfolding events in Iraq.
- **Overseas Reaction to FY99 Budget:** Commentary on your budget in Milan's *Il Sole-24 Ore* proved exuberant, concluding that you will make history by presiding "over the longest and most prosperous period in times of peace, which built the basis for spreading the American model--democracy and market economy--in the world."

OFFICE OF PERSONNEL MANAGEMENT

- **Partnership:** On February 4, OPM issued new guidance reiterating your executive order on partnership and stressing that labor and management must form partnership councils or adapt existing committees to include union participation. The order also stresses agencies' obligation to negotiate over permissive subjects.
- **Welfare-to-Work:** Since March 8, 1997, Federal agencies, as part of your welfare-to-work initiative, have hired 2,834 former welfare recipients.
- **Regulatory Reform:** On January 30, OPM published a final rule governing the political activities for Federal employees who live in localities that OPM has designated as partially exempt from the prohibitions in the Hatch Act Reform Amendments of 1993. The regulation will permit employees in designated localities to run as independent candidates for a local public office and to solicit political contributions as, or on behalf of, independent candidates.

GENERAL SERVICES ADMINISTRATION

- **Electronic Commerce:** GSA is teaming with an industry consortium to use the Internet for electronic commerce and to develop a pilot program for federal agencies and technology companies to promote broad, easy access to electronic catalogs across the Internet. On February 2, a kick-off event was held to launch the study phase of this initiative which will be completed by the end of this month, leading to a four-month pilot with GSA, NASA, DoD and private companies.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **Disaster Requests:** On January 29, the Governor of TN requested that the incident period be reopened and additional counties added as a result of severe winter storms. On January 30, the Governor of NC made a similar request.
- **Project Impact:** On February 5, Director Witt traveled to Seattle, WA, to kick off the fifth Project Impact disaster resistant community. The Director was joined by state, city, and community leaders to talk about ways to make the community and its citizens safer and reduce the cost of future disasters.

SOCIAL SECURITY ADMINISTRATION

- **Noncitizen SSI:** By the end of February, SSA will release letters to governors and county executives in areas with large noncitizen population to announce the availability of listings of the nonqualified citizens whose SSI eligibility will end in September 1998 due to welfare reform. SSA is undertaking this effort so that state and local governments can arrange for local agencies or community-based organizations to conduct outreach efforts to the approximately 20,000 nonqualified noncitizens who will be receiving reminders at the end of the month telling them to update their SSI records or adjust their immigration status.

cc:

The Vice President
Erskine Bowles
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Jack Gibbons
John Hilley
Mickey Ibarra
Janis Kearney
Ron Klain
Ann Lewis
Sylvia Mathews
Michael McCurry
Katie McGinty
John Podesta
Franklin Raines
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Dan Tarullo
Melanne Verveer

DEPARTMENT OF STATE

Asian Financial Crisis: Lingering unease was voiced at Davos about Asian markets. Indonesia still faces the greatest uncertainty; an arrangement with commercial banks to manage private debt is the central focus, and State is monitoring the food situation and potential for unrest. Singapore President Goh has carried an important message to Soeharto on the need to maintain stability and follow through with IMF reforms. State is reviewing U.S. government programs that may have potential to aid both Indonesia and Thailand. State is developing a Congressional strategy to support our efforts to respond to the crisis and gain approval for the IMF quota increase. Possible attendance at Kim Dae Jung's February 25 inauguration, and his March 9-10 visit to Washington, provide the Administration early opportunities to demonstrate support for his new government.

NATO Enlargement: The Polish, Hungarian, and Czech Foreign Ministers will be in Washington February 9-11 to make a final pitch for ratification of NATO enlargement. The three Foreign Ministers meet with Secretary Albright on February 9, prior to the Secretary's speech on NATO enlargement sponsored by the New Atlantic Initiative. On February 10, they take their campaign to the Hill, calling jointly on Senators Lott and Daschle and the Senate NATO Observer Group (possibly with Senator Helms), and then individually on some two-dozen selected Senators. A dinner hosted by the bipartisan U.S. Committee to Expand NATO that evening, to which all 100 U.S. Senators have been invited, will be another opportunity to build congressional and public support for the upcoming ratification vote. The Foreign Ministers will stay on in Washington on February 11 to attend your NATO ratification roll-out event.

DEPARTMENT OF DEFENSE

Humanitarian Relief to China: On January 23, a USAF C-141 landed at Beijing airport loaded with 55,000 pounds of shelters and two heaters to fulfill the Secretary's commitment to President Jiang Zemin to provide additional assistance to earthquake victims.

Asian Financial Crisis: On January 30, Secretary Cohen testified before the House Committee on Banking and Financial Services regarding domestic and international implications of Asian financial issues. The Secretary appeared with Chairman Greenspan, Secretary Rubin and Deputy Secretary Summers.

Secretary's Schedule: On February 5-12, Secretary Cohen will travel to Germany to attend the Wehrkunde Conference, and then visit the Gulf Cooperation Council states and Russia.

UNITED NATIONS

Iraq: On January 29, Ambassador Richardson and an interagency delegation embarked on an eight day, eight country Presidential mission to reinforce the U.S. position on Iraq with the non-permanent members of the Security Council. Richardson is scheduled to travel to Sweden, Switzerland (where he will attend the World Economic Forum in Davos and meet with the Slovenian prime minister), Portugal, Kenya, Gabon, the Gambia, Brasil, and Costa Rica.



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

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February 6, 1998

2-9-98

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MEMORANDUM FOR THE PRESIDENT

FROM: JOHN H. GIBBONS 
CC: ERSKINE BOWLES
SUBJECT: OSTP WEEKLY REPORT

FY99 R&D BUDGET WIDELY APPLAUDED

- Your presentation of the balanced budget on February 2 set the stage for unveiling your historic R&D budget. The Vice President convened Cabinet and Subcabinet officials to demonstrate the strength and integration of the Federal portfolio. This press event resulted in substantial coverage in the mainstream media.
- The previous Friday, I arranged a conference call with a bipartisan group of opinion leaders in the scientific community to give them a heads up on the budget announcement. They were surprised and extremely pleased by the R&D increases for FY99. Moreover, they appreciate the sustained commitment obvious in the outyear projections.
- ✓ • The Science Coalition, comprised of 400 leading organizations, institutions, and individuals from all areas of engineering, medicine, and science has strongly endorsed your budget and calls it a "major step toward reestablishing science research as a national priority." (See attachment.)
- ✓ • We expect a letter signed by many former Presidential Science Advisors to be circulating within days. It will endorse the Administration's commitment to investments in R&D.
- ✓ • I also participated in a special rollout of your climate change technology initiative. The specifics of your \$6.3 billion package were highlighted for an audience of press, industry, and nongovernmental organizations. The combination of tax incentives and focused R&D was enthusiastically received.
- ✓ • Your February 13 address to the American Association for the Advancement of Science (AAAS) will be another important opportunity to communicate your vision for science and technology in the 21st century and highlight your commitment to sustained growth in our R&D investments. I will introduce you to this audience of 5,000 plus over 500 members of the press.

OSTP INITIATES A CONVERSATION ON RACE

In response to your request to engage our communities in a dialogue on race, I have brought together a panel of 15 distinguished academic and industry leaders for a *One America Conversation*. PCAST member David Hamburg will lead a dialogue focused on two topics: 1) the need for greater racial diversity in the science and technology community; and 2) how to improve minority recruitment programs in science and engineering. The session will occur during the AAAS meeting in Philadelphia, immediately following your address.

CLONING LEGISLATION MOVING

There is much congressional activity focused on developing a prohibition on cloning human beings. Of particular interest is a bill introduced by Senators Feinstein and Kennedy that echoes many of the elements of your June 1997 proposed measure. Another bill, with more problematic language with regard to its impact on biomedical research, was introduced on February 3rd by Senators Bond, Frist, Gregg, et al. This bill was reintroduced by Senator Lott, allowing it to come directly to the floor. OSTP is working closely with WH Legislative Affairs, DPC, OMB, and Counsel, as well as with the Departments of Justice and HHS to develop a SAP and legislative strategy.

NSTC ISSUES PLAN FOR NATIONAL PLANT GENOME INITIATIVE

On January 30, the NSTC issued an interagency plan for the Federal government's contribution to a National Plant Genome Initiative. Like the Human Genome Initiative, a better understanding of plant genes will allow scientists and plant breeders to develop improved plants for agriculture, phyto-remediation (cleanup of contaminated sites using plants), carbon sequestration to help us meet greenhouse gas emissions targets, and the development of plant-based pharmaceuticals. Your FY99 budget request contains increases at both NSF and the USDA for this new program.

The Science Coalition

1317 F St., NW
Suite 600
Washington, DC 20004

FOR IMMEDIATE RELEASE
February 5, 1998

For Information Contact:
Barbara Zadina or Julie Brown
(202) 789-2495

The Science Coalition Applauds President's Budget Increases for Major Science Research Agencies

President Establishes Science Research as a National Priority

(Washington, D.C.) -- This week, President Clinton took a major step toward reestablishing science research as a national priority with his FY1999 budget, released by the White House on Monday. The Science Coalition applauds the President for proposing the largest funding increases in history for the National Institutes of Health and the National Science Foundation, placing science at the top of the agenda for FY 1999 and beyond.

The Administration has proposed to increase science research and development spending overall by 3 percent, including an increase of 6.1 percent for research at universities, where America's next generation of innovators work and learn. These investments will enhance the productivity of the U.S. economy and our ability to compete in the global market.

The Science Coalition now looks forward to working with members of Congress in a bi-partisan fashion to strengthen congressional support for science and engineering research. If Congress will support -- and sustain -- these investments, the potential benefits for all Americans are substantial. Disease prevention, superior education, food safety, a cleaner environment, computing advances and many other tangible benefits are the payoffs these investments offer to future generations.

The Science Coalition urges Congress to support a balanced research portfolio across all agencies and science disciplines in the FY1999 budget. The importance of interdisciplinary linkages in scientific discoveries is well-documented. Future challenges such as the mapping of the human genome and understanding the global environment, among others, will require advances in many areas of science, some of which may not yet even exist.

We encourage all Americans to support this effort. A strong and sustained federal commitment to science and engineering research will enable us to fulfill our nation's highest potential for economic growth and productivity, human health and knowledge, and future prosperity.

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THE SCIENCE COALITION

An alliance of more than 400 organizations, institutions and individuals -- including Nobel laureates, businesses, voluntary health organizations, medical groups, healthcare providers, scientific societies, and public and private universities -- dedicated to sustaining the federal government's historic commitment to U.S. leadership in basic science.

Phone: (202) 662-3716 • Press Office: (202) 789-2495
Email: tscadmin@conx.com • Web Site: www.sciencecoalition.org

THE SCIENCE COALITION

(418 members as of January 28, 1998)

Organizations:

Academy of Radiology Research
AIDS Action Council
Alliance for Aging Research
AlliedSignal, Inc.
America's Blood Centers
American Academy of Allergy, Asthma and Immunology
American Academy of Child and Adolescent Psychiatry
American Academy of Dermatology
American Association for Dental Research
American Association of Blood Banks
American Association of Colleges of Nursing
American Association of Colleges of Pharmacy
American Association of Dental Schools
American Association of Engineering Societies
American Association of Neurological Surgeons
American Association of Pharmaceutical Scientists
American Association of Physicians in Medicine
American College of Cardiology
American College of Medical Genetics
American College of Obstetricians and Gynecologists
American College of Radiology
American Diabetes Association
American Fisheries Society
American Heart Association
American Institute for Medical and Biological Engineering
American Institute of Biological Science
American Institute of Chemical Engineering
American Institute of Chemists
American Institute of Nutrition
American Mathematical Society
American Medical Association
American Nuclear Society
American Nurses Association
American Occupational Therapy Association
American Organization of Nurse Executives
American Pediatric Society
American Pharmaceutical Association
American Pharmaceutical Society
American Physical Society
American Physical Therapy Association
American Physiological Society
American Podiatric Medical Association
American Psychiatric Association
American Psychological Association
American Red Cross
American Seed Trade Association
American Skin Association
American Speech-Language-Hearing Association
The American Society for Bone and Mineral Research

American Society for Cell Biology
American Society for Clinical Nutrition
American Society for Clinical Pharmacology and Therapeutics
American Society for Engineering Education
American Society for Microbiology
American Society of Agronomy
American Society of Animal Science
American Society of Clinical Oncology
American Society of Clinical Pathologists
American Society of Consultant Pharmacists Research and Education Foundation
American Society of Health-System Pharmacists
American Society of Hematology
American Society of Human Genetics
American Society of Mechanical Engineers
American Society of Plant Physiologists
American Veterinary Medical Association
Ebel Perry Andrus Gerontology Center, University of Southern California
Anxiety Disorders Association of America
Arizona Academy of Family Physicians
Arizona Association of Industries
Arizona State University
Associated Colleges of the Midwest
Association of University Programs in Health Administration
Association for Research in Vision and Ophthalmology
Association for Women in Science
Association of Academic Health Centers
Association of American Medical Colleges
Association of American Veterinary Medical Colleges
Association of Medical School Pediatric Department Chairmen
Association of Population Centers
Association of Professors of Medicine
Association of Program Directors in Internal Medicine
Association of Reproductive Health Professionals
Association of Research Libraries
Association of Schools of Public Health
Association of State and Territorial Health Officials
Association of Teachers of Preventive Medicine
Association of University Programs in Health Administration
Association of Women's Health, Obstetric and Neonatal Nurses
Asthma and Allergy Foundation of America
ARCO
Autism Society of America
Bank of America

Battelle Memorial Institute
Baxter Healthcare
Baxter World Trade
Bochler Group, Inc.
Bellcore
The BET (Business & Education Together) Foundation
BI Incorporated
BJC Health System
Boston University
Brain Injury Association, Inc.
Bristol-Myers Squibb Pharmaceutical Research Institute
Brown University
C&D Charter Power Systems, Inc.
California Academy of Family Physicians
California Chapter of the American College of Cardiology
California Pacific Medical Center Research Institute
California Solar Energy Industries Association
Cargill, Incorporated
Case Western Reserve University
Century (Div. of CNF Industries, Inc.)
Century Contractors West, Inc.
Chart Industries, Inc.
The Chlorine Institute
Citizens for Public Action on Blood Pressure & Cholesterol, Inc.
College of William and Mary
College on Problems of Drug Dependence
Colorado Education Association
Columbia University
Computer and Communications Industry Association
Computing Technology Industry Association
Congress of Neurological Surgeons
Connecticut Association of Public School Superintendents, Inc.
Connecticut Association of Schools
The Connecticut Hospital Association
Connecticut Pharmacists Association
Connecticut State Medical Society
Consortium of Social Science Associations
Cornell University
Council for Advancement and Support of Education
Council on Competitiveness
Crop Science Society of America
Cystic Fibrosis Foundation
Cytogen Corporation
Dartmouth College
Delaware Pharmaceutical Society
Detroit-Macomb Hospital Corporation
Digestive Disease National Coalition
Duke University
Dynatech Corporation
Eastman Kodak Company
Electric Power Research Institute
Eli Lilly and Company
Emory University
The Endocrine Society
Energy Rhythms

ESA, Inc.
Federation of American Societies for Experimental Biology
Federation of Behavioral, Psychological and Cognitive Sciences
Florida Council of Independent Schools
Florida Psychological Association
Florida Society of Neurology
Florida State University
Ford Motor Company
Foundation for Agromomic Research
Foundation for Anesthesia Education Research
Fox Chase Cancer Center
Frequency Electronics, Inc.
Frontenac Company
GenCorp
General Atomics
General Electric Company
Genentech, Inc.
The Genetics Society of America
George Washington University Medical Center
Georgia Association of Educational Leaders
Georgia Institute of Technology
Georgia Psychiatric Physicians Association
Glaxo Wellcome
B. F. Goodrich
Greater Austin Chamber of Commerce
Halogated Solvents Industry Alliance Incorporated
Harvard Pilgrim Health Care
Harvard University
Health Care Association of Michigan
Healthdyne, Inc.
Hewlett-Packard Co.
Hexcel Corporation
HRCA Research & Training Institute
Human Genome Sciences, Inc.
Human Nutrition Research Center on Aging at Tufts University
Illinois Education Association
Immunex Corporation
Indiana Academy of Family Physicians - Research Committee
Indiana University
Information Technology Association of America
Ingersoll-Rand
Institute of Electrical and Electronics Engineers - USA
Intel
International Federation of Professional & Technical Engineers
Intersouth Partners
Iowa Engineering Society
Iowa State University
Jenny Craig, Inc.
Johns Hopkins University
Johnson & Johnson
Johnson Associates, Inc.
Joint Policy Board for Mathematics
Juvenile Diabetes Foundation

Kent State University
Kentucky Medical Association
Kentucky Nurses Association
La Jolla Institute for Allergy and Immunology
Landmark Graphics Corporation
Licensed Practical Nurse Association of Illinois
Jerome H. Lipman & Company, Ltd.
Lockheed Martin Corporation
Louisiana Primary Care Association
Louisiana Psychiatric Medical Association
Louisiana State Nurses Association
Maine Chamber and Business Alliance
March of Dimes Birth Defects Foundation
Maryland Academy of Family Physicians
Maryland Independent College & University Association
Massachusetts Institute of Technology
Massachusetts Public Health Association
MCI Communications Corp.
McDonnell Douglas
Medical College of Wisconsin
Medical Society of the State of New York
Merck and Co., Inc.
Michigan Health Council
Michigan Society for Medical Research
Michigan State University
Michigan Technological University
Minnesota Psychological Association
Mississippi State University
Missouri Innovation Center - St. Louis
Missouri Society of Professional Engineers
Monasato Company
Motorola, Inc.
National Alliance for the Mentally III
National Association for Biomedical Research
National Association of Children's Hospitals & Related Institutions
National Association of Community Health Centers
National Association of Orthopedic Nurses
National Association of State Universities and Land-Grant Colleges
National Athletic Trainers' Association
National Business Aircraft Association
National Coalition of Hispanic Health and Human Services Organizations
National Cotton Council
National Council of State Boards of Nursing
National Easter Seal Society
National Fisheries Institute
National Foundation for Brain Research
National Foundation for Cancer Research
National Foundation for Ectodermal Dysplasia
National Head Start Association
National Education Association
National League for Nursing
National Marfan Foundation
National Osteoporosis Foundation
National Society of Black Engineers

National Society of Professional Engineers
National TechTeam, Inc.
National Tuberculosis Association
National Vitiligo Foundation, Inc.
National Voluntary Health Agencies
New England Gerontological Association
New England Regional Genetics Group
New Hampshire College & University Council
New Hampshire Health Care Association
New Hampshire Nurses' Association
New Jersey Association for Biomedical Research
New Mexico Farm and Livestock Bureau
New Mexico Institute of Mining and Technology
New York Biotechnology Association, Inc.
New York State Podiatric Medical Association
New York University
North Carolina Association for Biomedical Research
North Carolina State University
Northwestern University
Novell, Inc.
NYNEX Science & Technology
Obesity and Diabetes Research Center
Ohio State University
Oklahoma State University
Oncology Nursing Society
Optical Society of America
Orion Satellite Corporation
Paralyzed Veterans of America
Parkinson's Disease Foundation
Partners HealthCare System, Inc.
Pennsylvania State University
Percepton, Inc.
The Perkins Elmer Corporation
Pfizer, Inc.
Pharmaceutical Research & Manufacturers of America
Pioneer Hi-Bred International, Inc.
Population Association of America
Potash & Phosphate Institute
The Procter and Gamble Co.
Purdue University
Regulatory Environmental Group for Missouri Research/America
Rhode Island State Nurses
Rice University
Rockefeller University
Rush University
Rutgers University
Schering-Plough Corporation
Sea Grant Association
Scott & White Memorial Hospital
SmithKline Beecham
Society for Computer Simulation International
Society for Investigative Dermatology
Society for Neuroscience
Society for the Advancement of Women's Health Research
Society for Pediatric Research
Society of Research Administrators

Society of Toxicology
Soil Science Society of America
Solar Energy Industries Association
Southeastern Universities Research Association (SURA)
Special Libraries Association
Stanford University
State University of New York at Stony Brook
Syracuse University
The Sulphur Institute
Tennessee Nurses Association
Texas A&M University
Texas Instruments
Texas Tech University
The Georgia Foundation for Independent Colleges, Inc.
Tourrette Syndrome Association, Inc.
Transamerica Occidental Life Insurance Co.
TRW, Inc.
TSI Incorporated
Tufts University
Tulane University
United Scleroderma Foundation
United States Pharmacopeia
United States Surgical Corporation
University of Alaska System
University of Alabama
University of Arizona
University of California
University of California Berkeley School of Public Health
University of Chicago
University of Colorado
University of Connecticut
University Corporation for Atmospheric Research
University of Florida
University of Georgia
University of Illinois
University of Iowa
University of Maryland at College Park
University of Maryland Baltimore County
University of Massachusetts
University of Medicine and Dentistry of New Jersey
University of Michigan
University of Minnesota
University of Missouri
University of New Mexico
University of Notre Dame
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University of Wisconsin - Madison
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U.S. WEST Advanced Technologies

Vanderbilt University
Vanderbilt University Medical Center
Ventriex, Inc.
Virginia Polytechnic Institute and State University
Vulcan Materials Co.
WMX Technologies, Inc.
Warner Lambert Company
Washington State University
Washington University
Western Metal Products
William Beaumont Hospital
Yale University

Individuals:
Martin Apple
Frederick M. Bernthal
Richard W. Beadine, M.D.
John P. Bilenkian, M.D.
Erich Bloch
D. Allen Bromley
Virginia Burnham
Stanley Cohen, Ph.D.
Leon N. Cooper
Elias J. Corey, Ph.D.
Donald L. Custis, M.D.
Jane L. Delgado, Ph.D.
Maria Fiatarone, M.D.
Walter Gilbert
Allan L. Goldstein
Dudley R. Herschbach, Ph.D.
Reverend Theodore M. Hesburgh, CSC
Arthur M. Jaffe
Julia A. Jenko
Jeffrey Kuster
C. Everett Koop, M.D., Sc.D.
Tim Leashan
Leon M. Lederman
Claude Lenfant, M.D.
William N. Lipscomb, Ph.D.
Margaret E. Mahoney
Kevin W. O'Connor
Gilbert S. Omenn, M.D., Ph.D.
Norman Ramsey, Ph.D.
Julius B. Richmond, M.D.
John Santos, Ph.D.
Gary Schuckman
Mitch Siale
Steven Teitelbaum, M.D.
Admiral James D. Watkins, USN (ret.)
Deborah L. Wine-Smith
Mary Woolley
Clayton Yeuter

FAXTHE
CARTER CENTER

'98 FEB 9 AM 8

From the OFFICE OF JIMMY CARTER

Date Feb. 6, 1998
Number of pages including cover sheet 2

To:

President Bill Clinton

Phone

Fax Phone 202 1456 -9490

CC:

From:

Jimmy CarterContact: Faye DillPhone 404/331-0281Fax Phone 404/331-0283

REMARKS:

☐ Urgent☐ For your review☐ Reply ASAP☐ Please comment

219198

Send to NSC?

Yes

No



JIMMY CARTER

February 6, 1998

To President Bill Clinton

I enjoyed and appreciated my visit with you, Secretary Albright, and Vice-President Gore on January 23rd. I am greatly honored by having the next Seawolf class submarine named for me, and I look forward to its construction and commissioning.

I want to follow up on the primary issue we discussed, my interest in exploring possibilities for resolving some of the remaining issues in Korea. This is based on some special relationships I have with key leaders. As you will remember, Kim il Sung made a number of significant commitments to me in June 1994, which he then confirmed in writing to you. One of the most important was willingness to meet directly with President Kim Young Sam. Both sides subsequently confirmed this, but all arrangements were aborted by the unexpected death of Kim il Sung a few days before the scheduled summit meeting.

Since then, on several occasions and on his own initiative, Kim Jong Il has sent me word that he intends to fulfill all the promises his father made to me. Also, the North Koreans have issued press releases and confirmed this with direct messages to me that I have an invitation to return to Pyongyang "at an appropriate time."

The other pertinent factor is my own long-standing personal relationship with President-elect Kim Dae Jung, whose death sentence was commuted after we interceded strongly with President Chun in 1980. Kim called me after his recent election and asked me to come to Seoul to discuss relations between North and South Korea.

To take advantage of what might be a real opportunity for progress, I need your approval. I will be very careful to coordinate each step of my efforts with your designated NSC and State Department officials.

Sincerely,

The Honorable Bill Clinton
The President
The White House
Washington, D.C. 20500-2000

cc: Vice-President Al Gore
Secretary of State Madeleine Albright

TO: Rebecca Cameron

FR: Carol H. Rasco

RE: Arkansas project

Start
See

98 FEB 9 AM

I have received this from the wife of a young man I knew in DeWitt as he grew up; his parents were friends of mine. I pledged only to pass it along to the White House and will allow you to determine if it needs follow up action of any kind. I also thought it might help explain to you all any calls, letters, etc. you may be receiving on the issue. I did not have time to read it thoroughly so do not pass along any comments, evaluations.

Thanks!

2-2-98

2/9/98

Send to Benkhart?

Yes ☒
No ☐

Don't
Please
advise

C.

PITTMAN / PORTIS C O M M U N I C A T I O N S

PUBLIC RELATIONS • MEDIA RELATIONS • ISSUES MANAGEMENT

Tuesday, January 20, 1998

Ms. Carol Rasco, Director, America Reads Challenge
United States Department of Education
600 Maryland Ave., SW
Washington, DC 20202

PITTMAN / PORTIS
C O M M U N I C A T I O N S

Stacy Pittman, APR

Dear Ms. Rasco:

501-372-3001 FAX 501-374-0049
1021 WEST SECOND STREET • LITTLE ROCK, ARKANSAS 72201

In recent months, I have been working with The Foundation for Educational Advancement Today (FEAT) in the Foundation's efforts to win recognition for the decades of work it has devoted to a plan that could revolutionize education in America and bring jobs to Arkansas.

FEAT is an educational charity founded by the late Congressman Wilbur D. Mills. Its plan would use direct broadcast satellite (DBS) technology to bring assisted learning programs, at a minimum cost, directly into every school, home, library and office building in America.

After several months of working with FEAT, I am convinced that the Foundation's plan is practical, and its goals are attainable.

However, FEAT has been blocked by several ill-advised and short-sighted governmental decisions, including the Federal Communications Commission, which can be changed if the benefits of FEAT's program can be brought to the attention of key decision-makers in the federal government.

Please take a few minutes to read the enclosed brochure, which provides a synopsis of FEAT's origins, accomplishments and what the Foundation hopes to do in the near future. Then, I hope you will call or write President Clinton, asking him to seek the FCC's reconsideration of its unfortunate decision. The President has made education the nation's number one priority. To miss this opportunity to enhance education at minimal cost would be a tragedy.

Thank you for taking the time to read this letter and the attached brochure. I firmly believe this issue is of critical importance to the future of our country.

I hope you will call if you have any questions.

Sincerely,

Stacy Pittman

Stacy Pittman

*Are you doing
well? We hope so!
Lee sends his best!!*

Arkansas a space TV hub? 'Pie in sky' on back burner

BY NOEL OMAN
Democrat-Gazette Staff Writer

Central Arkansas was supposed to be the next Silicon Valley, a new outpost in the newest frontier in communications technology, with all the prestige and economic benefits granted the California center for the computer age.

From this base, it was envisioned that the latest in interactive instruction and educational programming would be produced here and beamed by satellite to every school and library in the country.

As far-fetched as it sounds, the goal was around the corner in the dreams of an eclectic group of Arkansans. They waged a quiet but furious campaign on behalf of

Daniel H. Garner Jr. and his quixotic quest to start a direct-broadcast satellite service based in Little Rock.

But the dreams are on hold.

MCI Communications Corp. beat out two other rivals last week with a \$682.5 million bid for the rights to the coveted direct-broadcast satellite license that Garner had tried to nurture during most of two decades.

Garner lost the license last year when the Federal Communications Commission ruled that he had not developed enough property for the license he had held since the mid-1980s. He has appealed the ruling.

So the dream is pending, too, for the group that has been pro-

See **SPACE**, Page 38

Space

Continued from Page 18
moting Garner's idea.

Group members range from neighborhood activists to Washington lobbyists, together only because of the zeal they share for an initiative that was a "pie in the sky" proposition 15 years ago and seems to remain one today. Greed, they say, got in the way.

"If the American people knew what could have been ... Watergate would pale in comparison to Edugate," wrote William Asti, a Little Rock architect and neighborhood activist, in a letter to FCC officials imploring them to reconsider.

Garner's license was the last remaining one available to deliver television and other services directly to homes through satellite.

Such service, known as direct broadcast satellite, or DBS, television, uses satellites to broadcast up to 125 channels of television directly to customers who have 18-inch reception dishes, rather than emptying towers on the ground or cable systems.

DBS provides sharp picture quality and good sound, but it requires customers to obtain the dishes, which cost about \$800, and to pay about \$25 monthly. The service is attractive in rural areas, where regular broadcast television and even cable companies have trouble reaching.

While other companies have developed it, DBS is not expected to become a force until after the turn of the century.

But 15 years ago, when Garner began championing the idea, it was the stuff of which "Star Wars" was made.

Garner, an entrepreneur who started Little Rock's first FM radio station and was a one-time rock concert promoter, formed Advanced Communications Corp. when DBS

was, at best, a high-risk venture.

The formation of the company and its license application, in January 1984, caused enough local stir to attract the interest from the state's leading government and business leaders, including Gov. Bill Clinton.

Garner's futuristic ideas were backed by others in the state as far back as 1961.

Bill Williamson, a researcher with the University of Arkansas Industrial Research and Extension Center, suggested in a paper that development of a film industry could serve as a "launch pad" for the larger effort Garner envisioned.

"This outlook is predicated on the expansion of communication satellite service, growth in cable television service, development of video disc technology, and the tremendous growth in demand for home information, education and entertaining programming," Williamson wrote.

Williamson, now retired, still follows Garner's initiative, as does Joe Glass, the first director of the state's motion picture development office.

"A participating dreamer" is what the self-deprecating Williamson calls himself and the others involved. To others, they were just flakes.

Betsey Wright, a one-time gubernatorial chief of staff for Clinton and now a Washington lobbyist for the Wexler Group, remembers meeting with Garner in Little Rock during those early years.

"It was tough to decide whether Garner was a nut — or a visionary whose dreams of educational enhancement and communications technologies should be paid attention to," Wright conceded in an Aug. 15, 1988, letter to the FCC in support of Garner's effort to keep the license.

But for Wright and others, it followed that if Garner's DBS idea was on the mark, then perhaps also

was his idea to develop the venture's educational aspects.

That was to be pursued through a not-for-profit organization started by Garner and Wilbur D. Mills, the former Arkansas congressman who was a longtime chairman of the House Ways and Means Committee. They called it the Foundation for Educational Advancement Today. Mills was one of Garner's early supporters.

Under the plan, which Garner says remains in place, ACC had agreed to donate two transponders for use by the foundation. The transponders would provide 12 channels the foundation could use to advance its goal of satellite broadcasting to every school and library in the country.

Based on MCI's \$682.5 million bid, the two transponders have a commercial value of some \$100 million.

"By using DBS, we will be able to bring a virtually unlimited variety of educational services and programs to children in all 50 states and the Caribbean," the chairman of the foundation, Richard L. Mays of Little Rock, said in a letter to the FCC.

G. Gordon Apple, an engineer for Garner's company, produced a blueprint for the interactive education system, coined the YES Networks.

In 1992, Apple outlined a plan to offer hundreds of interactive courses and seminars available to anyone with an "18-inch antenna and digital receiver." He predicted it would be operational within three years.

Lost in the excitement of Garner's commitments was how the portion of that venture would be financed. Would it be underwritten entirely by ACC as some of Garner's supporters have said?

In an interview Friday, Garner was reluctant to talk because of pending litigation. But he did acknowledge that his plan to finance

the purchase of satellite dishes for schools and libraries involved convincing major corporations to sponsor the educational initiative.

For now, Garner's supporters are counting on a successful appeal. Their optimism is fueled by the forceful dissents in the narrow 3-2 FCC decision not to renew Garner's license.

Commissioner James H. Quello wrote that it was no coincidence that he and the other senior member of the commission, Andrew C. Barrett, objected to revoking Garner's license. They are the only remaining FCC members who have guided development of the industry, he said.

"As a veteran, this strikes me as somewhat akin to rewarding a survivor of the Charge of the Light Brigade by putting him in front of a firing squad," Quello wrote of the majority decision.

A group led by Garner, who operates his business out of Arlington, Va., had reached a deal last year to sell its direct broadcast satellite license to a subsidiary of Tele-Communications Inc. — Tempo — for about \$45 million.

Tempo planned to use the license to offer satellite TV through the Primestar group, which planned to compete against Hughes' DirecTV service. DirecTV, which started in 1994, received its license for free.

Adding to Garner's worries was a late Friday announcement that Echostar Direct Broadcasting System Corp., a division of Echostar Communications Corp., won the auction for another license Garner lost — one that covers mostly the western half of the United States.

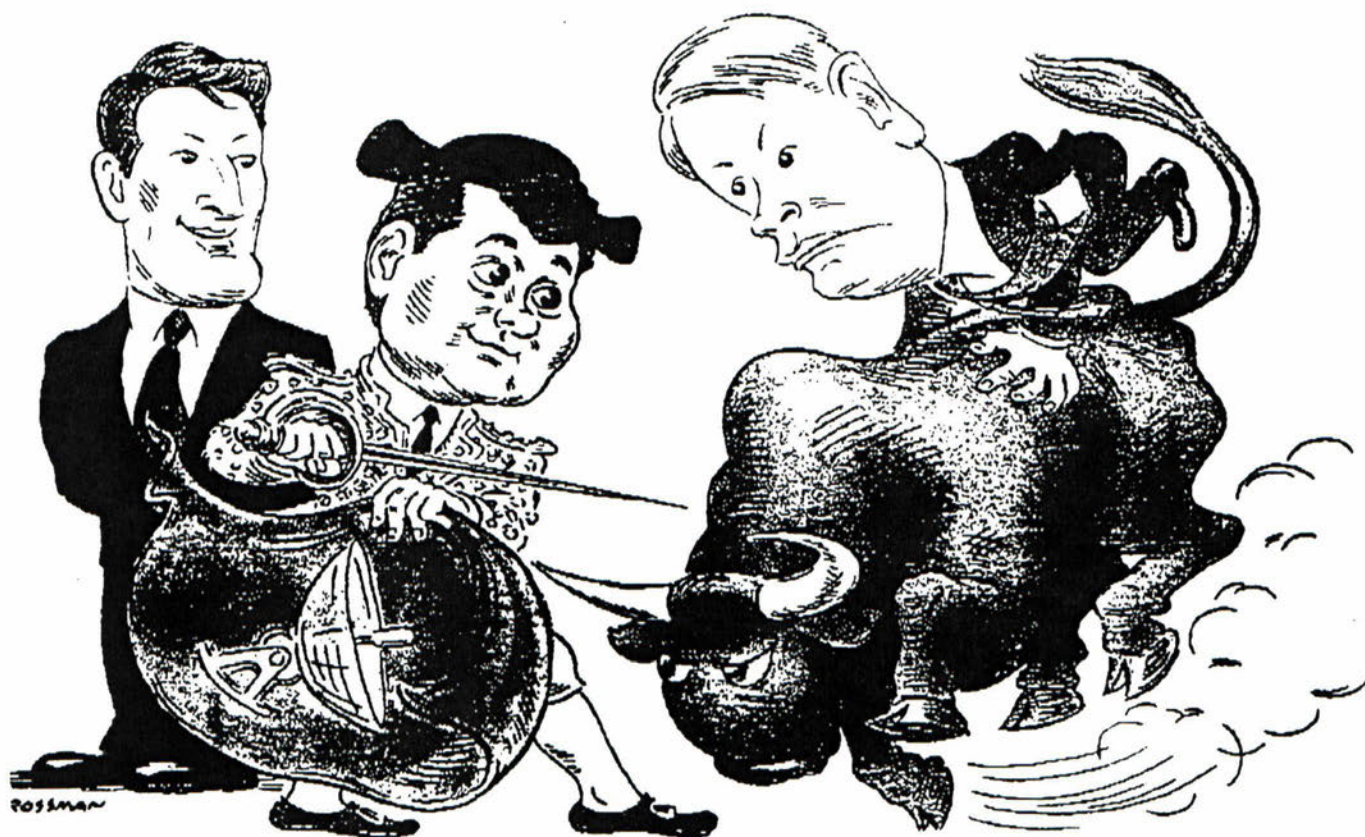
Some believe that with Mills' 1992 death, Garner lost the necessary political clout needed to stay the course. MCI had lobbied successfully for the auction to a Congress receptive to ways to increase revenue.

"He had the ways and the means," Glass says.

Is the Vice President of the U.S. using his high office to carry on a personal vendetta against a prominent businessman? It sure looks that way.

Gore-ing Malone's ox

By Gary Samuels



ALBERT GORE JR. and John Malone do not much like each other. The cable magnate, boss of (expected 1996 revenues, \$6.2 billion) Tele-Communications Inc., has been known to say uncomplimentary things about Gore. The Tennessee political pro, who likes to present himself as a forward-looking tree-hugger, returns the compliment in spades. In pushing his 1992 Cable Act, then-Senator Gore used Malone as his whipping boy, referring to him as "Darth Vader" and the "ring-leader" of the "cable Cosa Nostra."

By rolling back cable rates, the Gore bill cut TCI's cash flow sharply

and thereby made it harder for Malone to raise the money he needs to maintain his position in cable TV.

That was nothing compared with what Gore and his handpicked Federal Communications Commission chairman, Reed Hundt, did to Malone last year.

Here's the whole strange story:

By mid-1994 Malone had a huge problem on his hands. General Motors' Hughes Electronics had just launched its DirecTV service. This direct broadcast satellite TV service was better than cable TV with far more channels, and was soon skimming off hundreds of thousands of

the most avid cable subscribers. DirecTV became the most successful new product launch in consumer electronics history, eclipsing VCRs, cellular phones and faxes.

Malone had to offer a competitive product. TCI already owned 20% of cable consortium PrimeStar Partners, a successful direct broadcast satellite operation. But PrimeStar was no answer to DirecTV. PrimeStar offered rural customers service from low-power satellites whose weak signals required wide, 36-inch-diameter receiving dishes. DirecTV beamed its video programming from high-power satellites via strong signals that could



Dan Garner
of Advanced
Communications
"It sure
looks odd."

be picked up by 18-inch receivers.

To fight back against Hughes, Malone needed the same kind of high-power satellite licenses Hughes held. He found his man in Lorton, Rock, Ark., telephone local area telephone owner Dan Garner.

A portly, chain-smoking fellow who well knew his way around politics and business, Garner began applying for licenses in 1984. In going after satellite licenses, Garner was competing against no bigger, more experienced players among them, Hughes, and Western Union. Nevertheless, in 1991 Garner's Advanced Communications had enough clout to get the continued

Under the terms of the license, Garner had until the end of 1991 to build his satellite system. But satellite technology was changing so fast that Grody was ready to begin building a "bandwidth" system that would allow him to use the same frequencies for multiple services. "I was a little bit of a skeptic," admitted Garner, "but I signed a deal with John Malone in September 1994. For \$45 million, I took over the system."

But Garner was not alone. He had a partner, John Malone, who was

the FCC. Otherwise the licenses would revert to the FCC.

The extension was a mere formality. Or so it had always been. Not this time. On Apr. 27, 1995, the FCC informed Garner and Malone that their time was up and the licenses had expired. The Commission had never before denied an extension for building satellites," says William Wiltshire, now a lawyer at the FCC.

Also involved in the deal was Garner's longtime friend Jackson Stephens Jr., heir to the Stephens investment banking fortune. Stephens lent Garner money to apply for the licenses; the loans have been paid in full. Stephens is not out-of-pocket, but he is clearly incensed by

the outcome. "Here's a guy [Garner] who gets a license out-front, gets ready to commercialize it," Stephens says, "makes a deal, and then the rules change fairly capriciously. It sure looks odd."

Was Gore behind this capricious decision? Circumstantial evidence suggests that he was. The actual decision was rendered by Scott Blake Harris, an outside gun and a newcomer to the FCC who was then serving as chief of the agency's newly created International Bureau. A former Washington-based Williams & Con-



John Malone of Tele-Communications Inc. **Still stymied by satellites.**

nolly lawyer whose specialty was international commercial law, Harris had worked closely with Reed Hundt on Gore's presidential campaigns of 1988 and 1992. Hundt brought him to the FCC in 1994 and promptly gave him the sensitive assignment of deciding whether to grant the extension Garner needed to consummate the deal with Malone.

In April 1995 Harris denied the request. In October the full commission backed Harris by a 3-to-2 margin, with Reed Hundt casting the deciding vote. In May 1996, just weeks after a federal appeals court backed the FCC, Harris resigned from the FCC and set up a communications law practice for the Los Angeles firm of Gibson, Dunn & Crutcher.

In an interview, Harris insists that no pressure came from Hundt or Gore. But of course none was needed. Harris was fully aware that his bosses hated Malone. "This was not a close case," insists Harris—

despite the close vote.

He is flatly contradicted by two veteran FCC commissioners—Andrew Barrett and former FCC chairman James Quello. In his dissent to Harris' decision, Quello blasts: "The majority has changed the . . . due diligence rules in the middle of the game, unlawfully and unfairly disadvantaging an innocent participant [Garner]."

That Reed Hundt chose to vote at all in the Garner-Malone case is another curiosity. Before Gore brought him to the FCC, Hundt was a partner at Latham & Watkins, the Los Angeles law firm that represents GM Hughes in its DirectTV filings at the FCC. DirectTV was, of course, a prime beneficiary when TCI was blocked from using Garner's licenses to launch a competitive direct broadcast satellite service. Normally sensitive to conflict-of-interest charges, Hundt has recused himself in other cases involving potential conflicts. This time he saw no conflict.

Who finally got the licenses? In the end Garner's channels were hammered down in January for \$682 million to MCI, whose partner is Rupert Murdoch's News Corp. MCI and News Corp hope to launch service late in 1997.

Good deal for the government? After all, if Garner had kept his licenses he wouldn't have paid the government \$682 million.

But before you swallow that argument, listen to Bill Clinton's former aide Betsy Wright, now a Washington lobbyist for Hill & Knowlton's Wexler Group. Wrote Wright to Hundt: "The government of our country does not take away the successful and valuable work products of its citizens just because it can make money by selling that work to others."

But the hiring of the ex-Clinton

"Our government does not take away the successful work products of its citizens just because it can make money by selling that work to others."



FCC Chairman Reed Hundt (top) and Vice President Al Gore **Good deal for the government?**

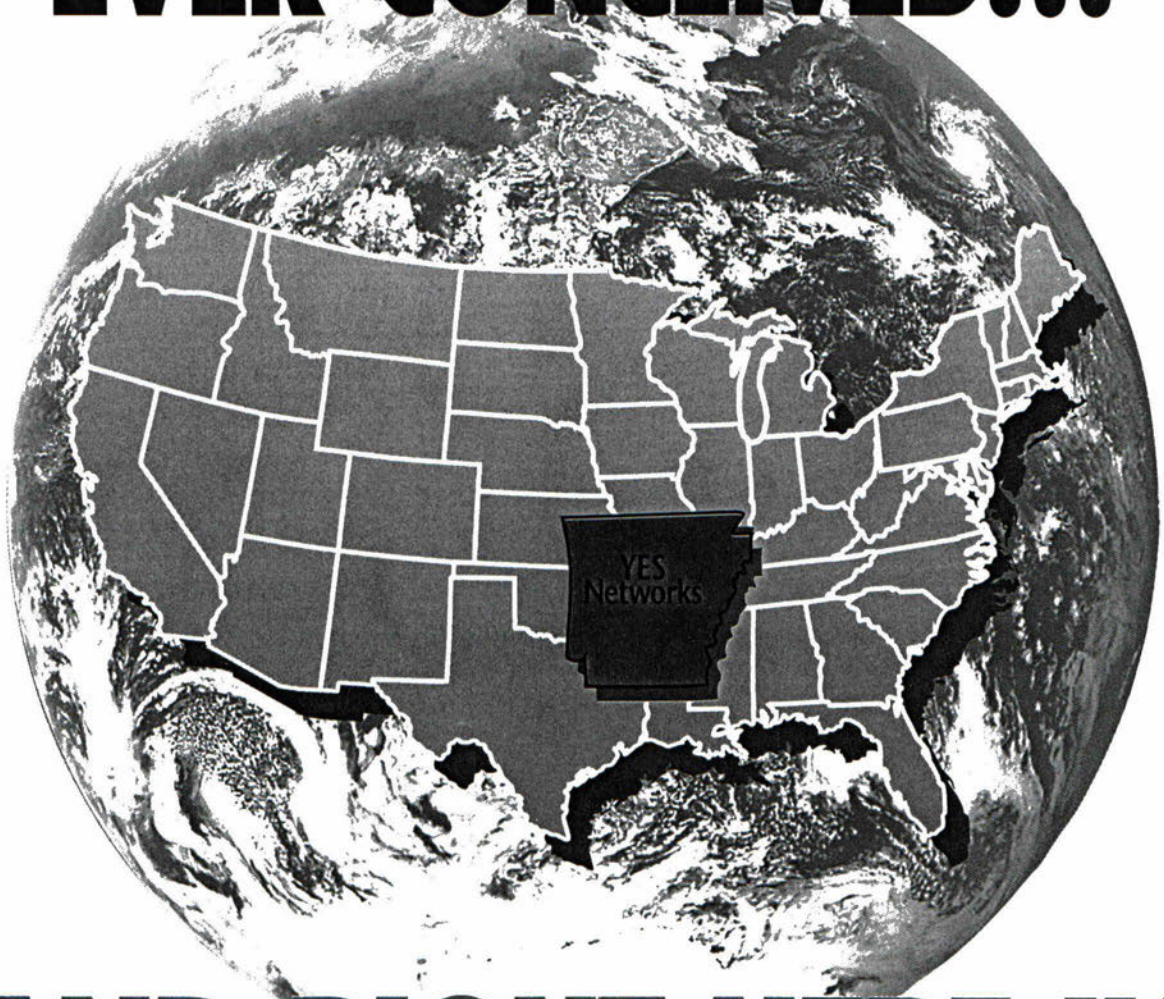
insider hasn't helped Garner or Malone. In another attempt to launch a competitive direct broadcast satellite system, Malone inked a clever deal with satellite operator Telesat Canada, under which TCI would use Canadian satellite slots to beam TV programs to the U.S.

The deal required FCC approval. In July the commission announced its decision: No. TCI, not about to give up, refiled for approval in August.

"We should put this case on the mantelpiece," Reed Hundt crows. "We did the right thing by jacking up competition and benefiting the taxpayer through the auctions." TCI, he adds, was an "innocent" victim of Advanced's failure to legally secure its licenses. Was this a vendetta? "I'm kind of flabbergasted!" he replies.

TCI declined to discuss the case, pointing out that it remains at the mercy of the FCC.

**YOU CAN HELP
ESTABLISH THE GREATEST
EDUCATION SYSTEM
EVER CONCEIVED...**

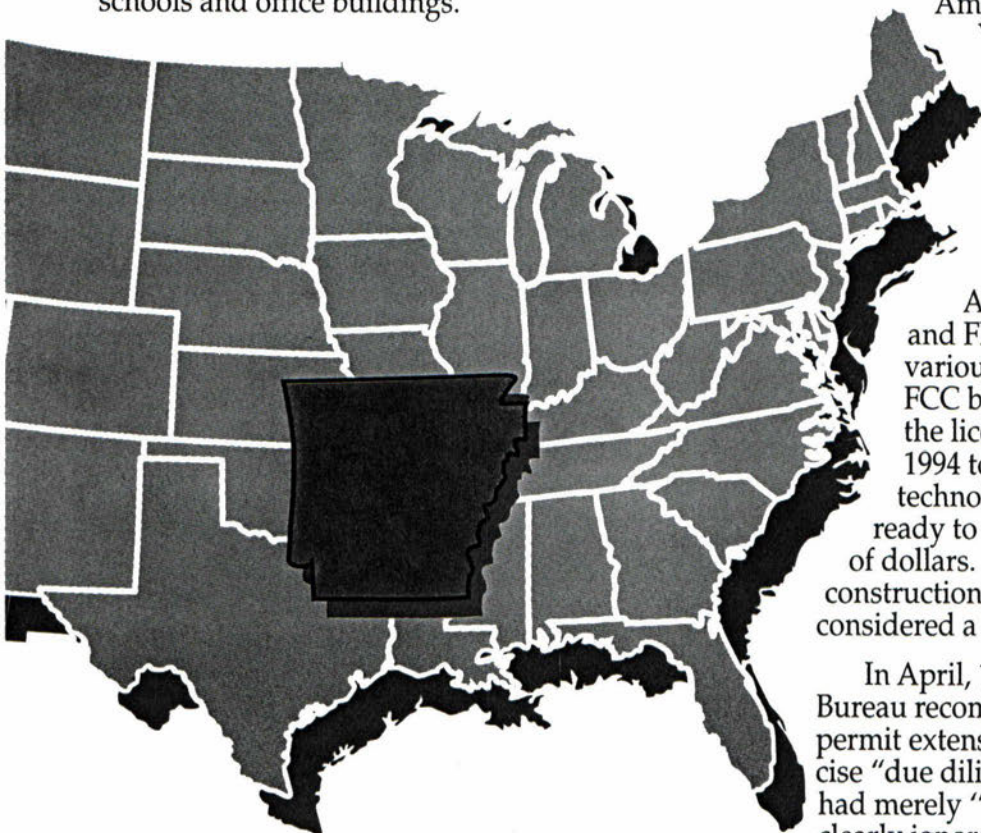


**AND RIGHT HERE IN
ARKANSAS**

THE BEGINNING

In the early 1980s, satellite broadcast services were still in their infancy. A few companies used low-power satellites to broadcast weak-signal television programming to rural residents who purchased huge satellite receiver dishes in order to receive the signals. These dishes are still seen today, though few are used and most have been abandoned.

A new and better technology was on the horizon: direct broadcast satellite service (DBS), which is the broadcast of strong signals from satellites to small receivers (about 18 inches wide or smaller) placed unobtrusively on or in homes, schools and office buildings.



Although this improved DBS system was a relatively unexplored technology in the early 1980s, it was quite familiar to the founders of Advanced Communications Corporation (ACC), based in Little Rock. For years, the people at ACC had been studying DBS technology, as well as digital broadcasting via satellite.

From 1984 through 1991, the Federal Communications Commission awarded a number of satellite frequencies and an orbital position to ACC, **which was the only license applicant that voluntarily included sweeping educational aspects.** ACC envisioned sending a virtually unlimited variety of educational services and programs to children in all 50 states.

MILLS FOUNDATION JOINS THE PROJECT

In 1988, former Congressman Wilbur D. Mills organized the Foundation for Educational Advancement Today (FEAT), an educational charity dedicated to exploring the use of new technologies to improve education from kindergarten through college, with both campus and home education options. Because ACC and FEAT were so closely aligned in their goals for education, ACC dedicated a significant portion of its satellite capacity to FEAT.

Both ACC and FEAT began working toward launching the satellite system. FEAT developed a long-range plan that created the YES ("Your Educational Services") Networks, and would furnish satellite receivers to every American school and library at no charge. The YES Networks would then transmit several hundred simultaneous channels of educational programming to the receivers throughout North America.

FCC CHANGES THE RULES — 'IN THE MIDDLE OF THE GAME'

As Advanced Communications Corporation and FEAT worked diligently to put together the various components of the satellite system, the FCC began changing the rules. Under the terms of the licenses, ACC and FEAT had until the end of 1994 to build the satellite system. But satellite technology was changing so fast that nobody was ready to commit the necessary hundreds of millions of dollars. Because of this, the FCC routinely granted construction extensions to all license holders. It was considered a mere formality.

In April, 1995 the newly created FCC International Bureau recommended denial of ACC's request for a permit extension, deeming that ACC had failed to exercise "due diligence" in developing its satellite system and had merely "warehoused" the license. The Bureau clearly ignored the fact that ACC spent years pioneering digital satellite technology and even battled such giant industries as General Motors to prove digital technology was feasible and practical.

In October 1995, the full FCC took up the issue and voted, 3 to 2, to deny ACC's permit extension. The Commission had never before denied an extension for building satellites. The license was then auctioned by the FCC for \$682 million to MCI, intended for use by an Australian affiliate of MCI. This action and later FCC approval of a proposed British Telecom/MCI merger represent a serious national security issue at the very least.

Additionally, James H. Quello, one of the two senior FCC commissioners who dissented against the majority in the decision to rescind the license, stated in his dissent:

In its decision today, the majority has changed the DBS due diligence rules in the middle of the game, unlawfully and unfairly disadvantaging an innocent participant...

...This result is patently unfair to Advanced [ACC] and the other DBS licensees and permittees who invested time and money 15 years ago when the possibilities that this service would become viable were minimal, at best.

The FCC's decision was appealed to the District of Columbia Federal Court of Appeals and eventually the U.S. Supreme Court, neither of which would hear the case. **To this date, ACC's case has not been heard in any appropriate court.**



IMPACT ON ARKANSAS

What does this mean for Arkansas? For one thing, much of the operation and administration of FEAT's educational project was to be centered in Arkansas. This meant numerous top quality jobs as well as a brighter profile for our state in the high technology industries. Both were lost.

Second, it means that FEAT, the educational charity founded by Congressman Mills, will lose more than \$100 million, which is the estimated value of its percentage of the FCC license. Through grants from the U.S. Department of Education and the state of Arkansas, FEAT has taken giant strides toward making its dreams a reality — dreams of harnessing the positive power of the telecommunications revolution and applying that power to education and the public interest. Those dreams cannot be realized without a satellite system.

IMPACT ON EDUCATION IN AMERICA

MCI has announced only minimal plans to serve the American public interest. Only FEAT and ACC

offered a plan of such scope and sweep that it potentially could reach every schoolchild in America.

The FCC's rescission of ACC's license is a serious setback for education in Arkansas and the rest of the United States. The FEAT/ACC plan has been on the drawing board for more than ten years. Because there are no other plans ready for implementation, and few organizations willing to devote the time, finances and energy required to realize such a comprehensive project, educational technology in America could be held back for years, perhaps even another decade or more.



THE PRESENT STATUS

Officials at the White House have become concerned about national security issues created by foreign ownership of direct broadcast satellites in key orbital positions over the United States. They are also concerned about whether the public's interest, i.e. education, is being served by the licensees of digital satellite broadcasting. For these reasons, the White House has asked for two probes into the licensing of DBS systems.

The first investigation is being conducted by the U.S. State Department, which is looking into national security considerations surrounding the influence of American satellite services by foreign companies. The second probe is looking into how the public interest, including education, can best be served by satellite technology.

CRITICAL ISSUES

The critical issue in both cases is whether a domestic or foreign company is doing what is best for the American public regarding educational reform and our ability to compete in the world of the future.

We cannot be sure that those who have repealed the educational reforms presented in the original application are looking after the best interests of the American public, and we cannot depend on foreign interests to deliver the necessary educational reforms.

To merely hope for the best is folly. Corrective and decisive action is necessary.

WHAT FEAT WANTS

We at the Foundation for Educational Advancement Today want to accomplish what we set out to do in the first place — establish a highly sophisticated satellite-based education program that reaches each and every classroom in America. We have come so close that we are not willing to give up.

FEAT has searched for alternative ways to provide satellite transponder time and funding to carry out Congressman Mills' dream of supplying satellite receivers to all schools and libraries at no cost to those institutions. While we remain receptive to other proposals and ideas, it now appears that the

way to accomplish the goal is through nullification of the FCC's action, and the return of the license to Advanced Communications Corporation, which still stands by its pledge to FEAT.

The program that FEAT envisioned and designed could be a turning point in American education. America cannot afford to allow this blueprint to be obscured by politics, or delayed and defeated by ignorance. This is not about politics; it is about our children.

WHAT YOU CAN DO

We hope you will join us in our effort to take advantage of unprecedented technology to enhance the education of millions of Americans, as well as to create jobs in Arkansas.

It can be done. We have the plan.

We are asking you to write a letter today to the President.

In that letter, we hope you will tell the President of FEAT's work and your belief that the FCC's action should be nullified.

We have included a sample letter for you to consider. The White House is currently looking into public interest issues surrounding digital broadcasting, so please send your letter as soon as possible to this address:

The President
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

All of us at the Foundation for Educational Advancement Today thank you for taking the time to read this material, and we hope you will voice your support for FEAT and for education in Arkansas and the rest of the nation.

FOUNDATION FOR EDUCATIONAL ADVANCEMENT TODAY

6803 Cantrell Road, Suite 200, Little Rock, Arkansas 72207

Telephone (501) 377-1493

Fax (501) 224-8910

CONFERENCE OF PRESIDENTS
OF MAJOR AMERICAN JEWISH ORGANIZATIONS

*Free
4c*

TO: Nancy Herenreich
FROM: Malcolm Hoenlein
FAX: 202-456-2883
PAGES: 2

98 FEB 6 PM 5:48

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2-6-98

To Burkhardt for reply?
Yes ☒ No ☐

Coordinate with NSC?
Yes ☒ No ☐

B.

**CONFERENCE OF PRESIDENTS
OF MAJOR AMERICAN JEWISH ORGANIZATIONS**

Melvin Salberg
 Chairman

Malcolm L. Hoenlein
 Executive Vice Chairman

January 22, 1998

President William J. Clinton
 The White House
 Washington, D.C. 20500

Dear Mr. President,

We have been mandated by the member organizations of the Conference of Presidents to communicate their and our concern regarding Jonathan Pollard. We have written and spoken to you previously to urge that Mr. Pollard be granted parole. Many of our constituent organizations have written to you as well urging that his sentence be commuted. These feelings are shared by many outstanding Americans of every religion and walk of life. Numerous members of both Houses of Congress, religious leaders, Nobel laureates and legal personalities have added their voices in support of Mr. Pollard's release from prison.

We believe that Mr. Pollard has paid his debt after more than thirteen years of incarceration. He has expressed remorse for his actions both publicly and privately. When compared to others convicted of spying, in most cases for hostile countries, his punishment is excessive.

We respectfully urge you to consider this humanitarian plea to allow Mr. Pollard to start anew and rebuild his life. As a matter of compassion and justice we believe immediate action to be warranted.

We look forward to hearing from you.

Sincerely yours,


Melvin Salberg
 Chairman


Malcolm Hoenlein
 Executive Vice Chairman

110 East 59th Street, New York, N.Y. 10022 • (212) 318-0111 • FAX# (212) 644-4135

American-Latino Friendship League American Friends of Livid American Israel Public Affairs Committee American Organization for Jewish Education American Jewish Committee American Jewish Congress American ORT Foundation American Sephardi Federation American Zionist Movement Americans for Peace Now	AMIT Anti-Defamation League of B'nai B'rith Association of Reform Zionists of America B'nai B'rith Jewish Community Council Jewish Council for Public Affairs Jewish Institute for National Security Affairs Jewish Labor Committee Jewish National Fund	Branch of America Friends of Israel Defense Forces Haganah, Women's Zionist Organization of America Hebrew Immigrant Aid Society Jewish Community Council Association Jewish Council for Public Affairs Jewish Institute for National Security Affairs Jewish Labor Committee Jewish National Fund	Jewish Renaissance Jewish War Veterans of the U.S.A. Jewish Women International Joint Distribution Committee Labor Zionist Alliance Mizrachi U.S.A., Zionist Organization of the Conservative Movement N.A.A.A.P. U.S.A. National Committee for Labor Israel National Conference on Soviet Jewry	National Council of Jewish Women National Council of Young Israel Rabbinical Assembly Rabbinical Council of America Religious Leaders of America Union of American Hebrew Congregations Union of Orthodox Jewish Congregations of America United Israel Appeal United Jewish Appeal	United Synagogue of Conservative Judaism WIZO U.S.A. Women of Reform Judaism Women's American ORT Women's League for Conservative Judaism Women's League for Israel Women's Circle World Zionist Executive U.S.A. Zionist Organization of America
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2-9-98

THE WHITE HOUSE

WASHINGTON

February 8, 1998

copied
Sperling
Reed
Stein
COS

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY *SM*

SUBJECT: Strategy on Coverdell Education IRA Proposal

The attached Sperling/Reed/Stein memo asks you to adopt a strategy for dealing with Senator Coverdell's education IRA proposal, in advance of its scheduled Senate Finance Committee mark up on Tuesday. Your advisers, including Secretaries Riley and Rubin, met with Erskine on Friday to discuss the two options presented below.

Background. As you know, Coverdell would raise annual education IRA contribution limits from \$500 to \$2,000 and broaden permissible account distributions to include private elementary and secondary school tuition -- a back-door voucher favoring the rich that would divert scarce resources from public schools. Last July, you threatened to veto the entire budget bill if it included Coverdell's proposal. Last fall, the House passed it 230-198; it died in the Senate after a Kennedy-led filibuster. This year, the bill will get a strong vote out of committee; the filibuster may not hold. So far, Dems have been unable to add school construction and other provisions.

Option 1. Stick to the strong veto message and discourage Democrats from adding ameliorative provisions. This option is consistent with last summer's veto threat and would satisfy public school advocates. A veto appears to be sustainable in the House, though perhaps not in the Senate. You could reassess later, if a veto-proof majority emerges. However, Daschle and other Dems have signaled they may not oppose Coverdell this year; we would miss a school construction opportunity; and Republicans would have a popular issue to criticize us on.

Option 2. Stick to the veto threat, but encourage Democrats to add provisions that we support, such as school construction. Depending on the success Dems have adding proposals, we could negotiate a deal or revert to a veto. This option offers possible progress on school construction and would deprive the Republicans of a popular issue. However, it could be portrayed as a flip-flop; could start us down the "slippery slope" on vouchers; and would be strongly criticized by public education supporters.

Views. *All of your advisers* support Option 1 -- sticking with a strong veto message for now and discouraging Dems from adding improvements. Everyone believes Coverdell is bad policy and a move towards vouchers. Opposing popular IRAs will be hard, however, and harder still if the bill includes some help for public schools. Your advisers suggest encouraging Dems to offer a *substitute* for Coverdell when the bill goes to the floor.

Option 1 (recommended) ____ Option 2 ____ Discuss *✓* ____

2-9-98

THE WHITE HOUSE
WASHINGTON

98 FEB 7 PM 12:24

FEBRUARY 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
BRUCE REED
LARRY STEIN

RE: STRATEGY ON COVERDELL EDUCATION IRA PROPOSAL

The Senate Finance Committee is scheduled to mark-up the Coverdell Education IRA proposal on Tuesday, February 10, 1998. A group of your advisors, including Secretaries Rubin and Riley, met with Erskine Friday to discuss our legislative strategy. This memorandum lays out the current situation, several options, and the recommendations of your economic team.

Background:

Senator Coverdell's proposal would expand the existing education IRA in two ways. First, it would broaden the accounts to allow for distributions to pay for educational expenses, including tuition, at private elementary and secondary schools. Currently the accounts are limited to higher education. Second, it would raise the contribution limit from \$500 to \$2,000 annually.

Senator Coverdell's proposal is objectionable on policy grounds for two key reasons. It provides for tax-side subsidy for private schools, and, thereby, diverts scarce resources from public schools. In this respect, the proposal can be viewed as a back-door voucher. Secondly, the tax benefits are heavily skewed to people with high incomes, 70 percent of the benefits flow to the top 20 percent of families.

For these reasons, as you will recall, you sent a strong letter to the Congressional Leadership on July 29, 1997, that stated your opposition to the Coverdell proposal and your intention to veto the entire budget bill if it were included (The Republicans had asked for the letter as a condition of removing the Coverdell provision from the bill).

Last fall the House passed the Coverdell proposal by a vote of 230-198. During House consideration, Secretary Riley and Secretary Rubin underscored the Administration's opposition with a joint letter that opposed the provision on both education and tax policy grounds. This bill died in the Senate as a result of a successful filibuster effort led by Senator Kennedy. After the Senate vote, Senator Daschle publicly warned that the filibuster might not hold this year and there is a uncertainty among some Democrats of how strong our veto resolve is on this issue.

Current Situation

The Coverdell proposal remains a top item on the Republican agenda and they are trying to move it quickly. Chairman Roth and Majority Leader Lott are pursuing a strategy of garnering support for Coverdell in return for the inclusion of pet proposals (education only) of the members on the Committee. That strategy appears to be working. For Senator Graham, a provision providing tax-free treatment for withdrawals from state pre-paid tuition plans will be added to the Chairman's mark. Apparently for Senator Moynihan, favorable tax treatment for employer provided educational assistance is extended both in time and coverage to include graduate education, as we do in our budget. Add Senator Breaux, who has supported Coverdell previously, and even with less than enthusiastic Republican, Senator Chafee, the bill looks like it could come out of Committee with a strong vote.

Despite attempts by Senator Moseley-Braun, school construction is not currently included, though discussions are continuing over the weekend. Sen. Moseley-Braun's staff has indicated that she would probably vote for Coverdell if it included a school construction proposal worth at least \$3 billion or so over five years (the Administration proposal is \$5 billion). You will recall that Senator Lott has been a strong opponent of school construction in the past.

Options

In our meeting, we discussed the following strategy options: 1) stick to our very strong veto threat. 2) Continue the veto threat, but encourage Democrats to add school construction and other items for a possible ultimate deal.

Option 1:

Under this strategy option, we would stick very strongly to our veto threat with the full intention of vetoing any bill that includes the Coverdell proposal, just as we have done to date. We would not encourage Democrats, to the extent possible, from adding proposals that we support.

Pros:

- Consistent with the position you took in your letter to the Congressional leadership during the Balanced Budget Agreement negotiations.
- Satisfies public school advocates concerned about vouchers.
- Appears sustainable at least in House (though possibly not in the Senate). There are apparently 8-12 wavering Senate Democrats. Both the House and Senate dynamic could possibly change to the extent something very attractive gets added, such as a robust school construction provision.
- Can reassess later if dynamics change, or if veto-proof majority begins to emerge.

Cons:

- Minority Leader Daschle and other Democrats have signaled that they may not stick with their position last year opposing Coverdell. The bill could come out of Finance with an overwhelming vote.
- Lose opportunity for possible progress on school construction.
- Republicans continue to have a popular issue to criticize us on.

Option 2:

Under this strategy, we would stick to our veto threat, but we would encourage Democrats to add provisions that we support, such as school construction. Depending on how much success Democrats have, down the road we would either engage in negotiations to add more of our proposals or we would stick to our veto threat.

Pros:

- An opportunity to achieve a success on school construction.
- Robs Republicans of an issue, while forcing them to cave in on school construction.

Cons:

- Would be portrayed as a flip-flop, perhaps affecting credibility of future veto threats.
- May contribute to “slippery slope” on school vouchers, as public school advocates fear.
- Would be strongly criticized by public education supporters, even if it includes a substantial school construction investment.

Recommendation:

All of your advisors agree that Coverdell is bad public policy. Proponents of Coverdell intend for this to be a first step towards vouchers. Moreover, the tax benefits disproportionately benefit high income people.

Some of your advisors believe that switching will be seen as moving away from a principled position. Others, however, point out the potential for an education bill moving through Congress with possible strong momentum and including several attractive components, including pre-paid tuition plan provisions, enhanced employer provided education benefits, and perhaps school construction. It would be difficult to make an effective public case against such a bill. An IRA does not strike people as a voucher, plus people understand IRAs and they like them. The public case against a bill becomes that much harder to the extent provisions are included that help public schools, such as school construction.

While some of your advisors believe that we will need to continue to re-assess our position as events unfold, and some felt we should never move off our current position, it is the consensus view of your advisors that there is nothing to be gained from moving off of your strong veto threat now. It is also agreed that, we should not, at least for now, encourage Democrats to try to load up the bill with attractive items, while recognizing that Finance Committee Democrats will do some of this on their own. Rather, we can encourage Democrats to offer a proposal as a *substitute* for Coverdell when the bill goes to the Senate floor.

_____ Recommended Option	_____ Option 2	_____ Discuss
Strong Veto Threat	Strong Veto Threat	
Encourage Democratic	Encourage Democrats	
Substitutes	To Add to Coverdell	

Maria / R. Schneider
Fyl - BS

THE PRESIDENT HAS SEEN
2-9-98
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IF WE LISTEN TO PUNDITS AND POLITICIANS, WE GET THE IMPRESSION that Americans are fighting a culture war. Some people are presumed to be moral traditionalists: they have an abiding faith in God, country and family and long for the days when morality was absolute and virtue predominant. Others, by contrast, are said to be modern, even post-modern, in their moral outlook: they accept a more secular America, welcome the fact that families are no longer patriarchal and think that our society has improved because one group can no longer impose its conception of the good life on any other. But in the course of in-depth interviews with 200 people in the suburbs of Tulsa, Atlanta, San Diego and Boston, I did not find Americans morally divided among themselves. I found them instead divided within themselves: most people want to be traditional and modern at the same time. They honor God, family and country, yet they also want to accommodate themselves to the realities of contemporary America. As a retired piano and organ teacher living in Broken Arrow, Okla., whose father

her Christian beliefs are deeply held; anything but a moral relativist, she believes in doing what is right and avoiding what is wrong. At the same time, however, she is not a moral traditionalist. For as much as she believes that religion commands her to do the right thing, she does not believe that her religion can establish an absolutist moral standard binding on everyone. People who tell others the right way to behave "have stopped preaching and gone on to meddling," she said. "Where their nose starts is where my fist should end" is her paraphrase of John Stuart Mill's harm principle.

Nonjudgmentalism is the reigning moral precept of American middle-class life. Considering America's history of religious intolerance, it is surely remarkable that only a handful of my respondents believe that Jews, Muslims or even atheists are less worthy than Christians. As important as morality is for most middle-class Americans, they are reluctant to have morals taught in school because they have no easy answer to the question of whose morals ought to be taught. Women who con-

The Homosexual Exception



A new study shows that suburban Americans are surprisingly

was a Southern Baptist minister, put it: "You don't have to accept anyone's dogma. Live with the concept of God as you perceive it."

Yet there is one exception to America's persistent and ubiquitous nonjudgmentalism. However much they are willing to accept almost anything, most of the middle-class Americans I spoke to were not prepared to accept homosexuality.

THERE IS SUCH A THING AS MIDDLE-CLASS MORALITY; IT IS JUST NOT the one portrayed in books like "The Man in the Gray Flannel Suit," "The Organization Man," "The Feminine Mystique," John Updike's "Couple," the fiction of John Cheever and the print and film versions of "The Ice Storm." In pop culture and pop sociology, the typical middle-class American insists that everyone conform to a stern moral code yet personally violates that code in drunken revelry, marital infidelity and life according to Prozac. In actuality, the reverse is true. Most middle-class Americans uphold strict moral standards for judging their own behavior but are extremely reluctant to judge the behavior of anyone else.

This explains why the views of the retired piano teacher are so representative of how middle-class Americans think. There is no doubt that

Alan Wolfe, University Professor at Boston University, is the author of "One Nation, After All," to be published next month by Viking.

sider themselves feminists do not look down their noses at mothers who stay at home with their children, while stay-at-home mothers tend to respect the choices made by those who work. If there is one commandment to which Americans pay homage, it is the one formulated by a 34-year-old stay-at-home mother from Sand Springs, Okla.: "Thou shalt not judge."

All of which makes the negative judgments of so many respondents on homosexuality so striking. To be sure, there are plenty of middle-class Americans who care not a whit what people do in private (among them the retired piano teacher). As one might expect, people in the Boston suburbs are not as condemning of homosexuality as people in Oklahoma. Although polls show that Southern blacks are among those most hostile to homosexuals, the middle-class African-Americans with whom my research assistant and I spoke in Georgia, who knew a thing or two about discrimination, were among the most tolerant toward gay people. Others felt that if for no other reason than to protect their children, people need to know more about sex, including forms of sex they may personally disapprove of.

But these were minority voices. The furthest most people were willing to go in the direction of toleration was to say that while they did not like homosexuality, gay people deserved respect because all people deserve respect. Four times as many people we spoke with condemned homosexuals as were willing to offer them positive acceptance. Some simply

refused to discuss the subject, as if the mere mention of the word would violate their religious beliefs. Others responded with nervous laughter or an obvious desire to change the topic as quickly as possible. Still others, ever reluctant to use a word that implies a judgment about someone else's behavior, had no trouble finding these words, all of which cropped up in my interviews when the subject of homosexuality was raised: "abnormal," "immoral," "sinful," "unacceptable," "sick," "unhealthy," "untrustworthy," "mentally ill," "wrong," "perverted" and "mentally deficient." In all likelihood, Americans are less homophobic than they were before the gay rights revolution, but middle-class Americans have not come to the conclusion that homosexuality represents an alternative that is the moral equal of any other.

How do people reconcile their willingness to pass judgment on homosexuality with their strong support for moral individualism? A fairly frequent response was articulated by a conservative Christian woman from Cobb County, Ga.: "God said to love everyone, so you hate

knows full well that too strong a condemnation of homosexuality can contribute to an atmosphere of hatred. Still, he also believes that being a Christian means characterizing certain things as wrong, and he does not want to budge on the moral bottom line. Should we teach respect for homosexuality? we asked him. "I don't think morally I am obligated to do that," he responded. "What I am obligated to do is to teach them what the Bible teaches: 'A man and a woman will become one as God's gift.'"

When President Clinton took up the issue of homosexuals in the military, he probably believed that homosexuality was the third leg of the rights revolution: gay men and women would obtain their civil rights in the same way blacks did in the 1960's and women did in the 1970's. Things haven't quite worked out that way, at least not yet, and one of the reasons may be that Americans simply do not accept the idea that sexual preference is like gender or race. In this belief they find support, oddly enough, in the early rhetoric of gay liberation itself.



tolerant — of everyone but gay men and lesbians. By Alan Wolfe

the sin but love the person." This formulation sounds fine, except if you believe, as many homosexuals do, that sexual identity is a big part of what defines who you are. For another group of middle-class Americans, homosexuals are asking for "special rights," something more than what other groups want. "You earn respect, you just don't get it," according to a 51-year-old hairdresser and father of four from Chula Vista, Calif. "I don't get it because I am Mexican."

A general manager at a tool factory from Cobb County said, "I see it as the type of thing where you're trying to force something on people rather than some way of educating people." Like the retired piano teacher from Oklahoma, he is vehemently put off by conservative Christian preachers because of their "in your face" tactics. Surprisingly, homosexuals are, in his view, quite similar to them because both interfere in the lives of others. As he understands the matter, gay people are not asking for the right to be left alone. They want instead his acceptance of them, and that he is not prepared to give.

Others with whom we spoke are torn between their personal rejection of homosexuality and their equally heartfelt rejection of extremism in the defense of conventional sexuality. A district manager for a consumer-products company living in Oklahoma used to demonstrate in front of abortion clinics to assert his strong moral beliefs, but, reflecting his commitment to moral freedom, he would also allow women to pass into the clinic without obstructing them. In a similar way, he

Initially reluctant to blame any behavior on biology or genetics, many gay activists, responding to the heady ideas of the French philosopher Michel Foucault, once argued that homosexuality, like all forms of sexuality, was "socially constructed." Those middle-class Americans most hostile to homosexuality, I found, were those most willing to see it as a conscious choice. Homosexuals, in their view, are different because they want to be different. "I just don't think that people are born that way," said a 30-something Jehovah's Witness from Georgia. "So I wouldn't want that taught to my child." On the other hand, a female immigrant from the Philippines living in California said, "I think it is something we have to accept because it's part of their nature." What are we going to do, she added sarcastically, get into "gene alteration"? Make something a natural condition or a syndrome, and Americans are quick to empathize. Make it a choice, and people feel that they have the similar choice of condemning it.

If we listen to these opinions, we are likely to come to two conclusions. The first is that many homosexuals are correct to suggest that they, perhaps more than any other group in America, are severely stigmatized. But the second is that those Americans who have qualms about homosexuality are also correct if they believe their views to be widely shared. There is no culture war in America, but on the question of gay rights, fairly severe battles are likely to be fought for the foreseeable future. ■

The Hoffa Union

ernment's man. In Hoffa's view, the Federal Government favored Carey until Hoffa's own men discovered Carey campaign crimes that were too flagrant to ignore. "We found the records, we found the checks and we took the Government and put their nose in it and said, 'This is embezzlement,' and they finally said, 'Yeah,'" Hoffa says bitterly. "We were the ones who eventually brought Ron Carey down. The Government hated that, but they finally saw it."

Hoffa is a complex man, but his defining characteristic is an abiding distrust of the Federal Government and the leaders it anoints. Carey, Sweeney, Trumka, Cherkasky — they're all the same to him, men whose mission it is to deny him what was taken from his father.

HOFFA'S OFFICE, ON THE GROUND FLOOR of an orange-brick teamster building in a blasted-out section of Detroit, is depressing and dank, and bare of furnishings, the office of a man who doesn't spend much time there. His official title in the union is administrative assistant; he was put on the payroll of the Michigan Teamsters Joint Council in order to qualify him to run for president. On one wall is a drawing of his father, with Mount Rushmore in the background. On another hangs a poster from the 1992 film "Hoffa," in which Jack Nicholson played the teamster boss. Hoffa didn't like the movie much, but he likes the poster — "He Did What He Had to Do," it reads. "That's my dad," Hoffa says.

He grew up the middle-class son of a working-class icon. His father got him summer jobs driving trucks, but law school was the ultimate goal. When football got in the way of college — Hoffa played both offense and defense at Michigan State — his father forced him to quit the team. When I asked Barbara Crancer, Hoffa's older sister, if she or her brother ever rebelled against their father's wishes, she replied: "We never had a rebellious stage. Our father would never have allowed that."

Hoffa graduated from the University of Michigan Law School, and, in his only early bout with celebrity, ran in 1967 as a Democrat for a seat in the Michigan House. After losing that race, he built a modest labor law practice, servicing teamster locals allied with his father. Since then, Hoffa, his wife, Ginger, and their two sons, now in their 20's, have lived in middle-class contentment and obscurity. His life to date has not shown the markings of greatness.

Sitting with Hoffa on a rainy day in December, I take out of my briefcase his father's last book, "Hoffa: The Real Story." It is animated by Hoffa's fighting spirit, and it is wonderfully self-serving. I turn to a chapter near the end and read aloud his father's final words on the

subject of union power: "I see one last big round of fights coming between labor and management. . . . In the old days, they bombed our homes, shot us, used tear gas on us and beat the hell out of us. It can happen the first time there's a depression and there would be a knockdown, bloody battle again. . . . When that war comes, Jimmy Hoffa wants to be right up front."

By the time this book was published, in late 1975, Hoffa was already dead. I now ask his son if these are the beliefs that motivate him, too.

"My father was a very different person than myself," he says. "I'm my own person. My father was born in 1913. He lived through the Depression. He came up through the school of hard knocks. I'm not going to war with anyone."

I then mention the Indian-wrestling affair, in which Hoffa's father claimed he was challenged by Robert Kennedy to an arm-wrestling match. Hoffa's father said at the time that he beat Kennedy — twice. This, he claimed, was the root of his problems with Kennedy. By humiliating Kennedy physically, Hoffa wrote, he sealed their feud. (Kennedy's book on his war with Hoffa makes no mention of any arm wrestling.)

I ask Hoffa if he would be challenging Janet Reno to an arm-wrestling match.

"No, no," he says, but adds, with half a smile, "I could take her."

Then, when he realizes I'm writing down what he's saying, he freezes. "Look, I'm a lawyer. I have no beef with the Department of Justice."

Even though I've known only one of them, it seems safe to say that Jimmy Hoffa is no Jimmy Hoffa. Which is certainly for the better, and maybe also for the worse.

I first met Hoffa three years ago, at a Las Vegas meeting of the teamsters' Women's Caucus, which was dominated entirely by men. It was a pro-Hoffa crowd, and the men in charge made up Hoffa's brain trust, as it were. They included Larry Brennan, the bilious and potty-mouthed chief of the Michigan Teamsters Joint Council, who lectured me at length about the "bull dykes" who run the women's caucus. Hoffa himself seemed like an afterthought at the convention, a front man for Old Guard teamster interests whose greatest asset was his name. I wrote this up in an article for New York magazine, calling Hoffa a soft and satisfied man with ethics problems of his own.

He remains, three years after I first met him, mostly unreadable. His *Continued on page 62*



Ron Carey, above, the discredited teamster president. Top left: Hoffa with his point men; John Murphy, second from left, helped take down Carey. Bottom left: Hoffa's father confronted his nemesis, Robert F. Kennedy, in 1958.