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1

Daily Press Guidance

**Tuesday
May 20, 1997**

For Internal Use Only

Press Guidance

Tuesday, May 20, 1997

Domestic

1. POTUS Medical Update (Potus Physical)
2. Bipartisan Congressional Meeting
3. Welfare-to-Work (Welfare)
4. Late Term Abortion (Abortion)
5. Budget (Budget)
6. Banking (Budget)
7. IRS Technology Modernization (IRS)
8. U.S. Conference of Mayors Drug Summit (Drug)
9. Dolphin/Tuna (Environment)
10. Yosemite (Environment)
11. Green Bay Packers (Sports)

Foreign

1. DROC (Congo)
2. NATO/Russia
3. China
4. CIA
5. Encryption
6. NATO
7. QDR/National Security Strategy
8. Middle East
9. Saudi Arabia
10. Fast Track
11. OECD
12. Israel
13. Russia/NIS
14. Trips and Visitors
15. Burma
16. Bosnia
17. Northern Ireland
18. Gulf War Illness

Press Guidance

May 20, 1997

POTUS MEDICAL UPDATE

- Do not be surprised if you happen to catch a glimpse of the President on the putting green this afternoon because as of this morning he has been granted putting privileges.
- A combination of aggressive physical therapy (including a lot of water aerobics) and a good healthy body have put the President ahead of schedule. (Doctors initially estimated that it would be three months before the President would be able to golf at all).
- The doctors plan to leave the brace on at least until next week to protect the muscle and the President will continue to use his cane through the upcoming foreign trip. Following the trip Dr. Atkinson will examine the President and re-evaluate.

Silverman

per conversation with Dr. Mariano

TALKING POINTS FOR THE HOUSE AND SENATE BIPARTISAN LEADERSHIP MEETING

- Thank you for the hard work and bipartisan cooperation on the budget agreement. This was an historic agreement in which each side realized significant successes while achieving the first balanced budget since 1969. We all have much to be proud of in this budget and I am grateful for the willingness of both sides to come together and work through this difficult issue.
- Using the model of bipartisanship reflected in the budget agreement, I hope that in the upcoming weeks we can proceed on other issues of interest to both parties and all Americans, including:

*Campaign Finance Reform - My challenge to the Congress still stands. Campaign Finance Reform continues to be a top priority and I urge you to meet the July 4th deadline which I set earlier this year.

✓*Juvenile Justice - Although there continues to be disagreements over trigger locks and enforcement vs. prevention, I believe there is an opportunity for common ground and I hope Congress will move on this expeditiously.

*CWC Implementation - We worked hard in a bipartisan fashion to pass the CWC. We now need to finish the job and pass the implementing legislation, which was provided for as part of an overall unanimous consent request on the CWC.

✓*China MFN - Yesterday I announced the renewal of MFN status for China. I did so because I believe it is in America's interest and I call on Congress to support this effort.

✓*NATO Enlargement - Next week I will be going to Europe to do two very important things: one celebrates the past and the other looks to the future. We will commemorate the fiftieth anniversary of the Marshall Plan, and NATO and Russia will sign the Founding Act, which will help us involve Russia constructively on European security issues.

✓ It is my understanding that you intend to include the so-called automatic continuing resolution in the Disaster Supplemental Appropriations bill. As you know, I have stated that I will veto this legislation if this language is included. This provision is inconsistent with the budget agreement (\$18.0 billion below the 1998 levels reached in the budget accord), unnecessary, and extraneous to a disaster bill. Let me assure you that I have no intention of allowing another government shutdown.

- The Administration believes that the provisions of the House and Senate versions of the bill respectively, that would provide for an automatic continuing resolution (CR) for FY 1998 are extremely ill-advised and clearly extraneous to this bill.

bill respectively, that would provide for an automatic continuing resolution (CR) for FY 1998 are extremely ill-advised and clearly extraneous to this bill.

A few specific examples of problems that would be created by the automatic CR includes the following (comparisons are to the FY 1998 Budget)

A) An Average of 500,000 fewer women, infants and children per month would receive food and other services through WIC.

B) College aid would be cut by \$1.7 billion from the FY 1998 request, allowing a maximum Pell grant level of only \$2,660--compared with the \$3,000 proposed by the President--and eliminating nearly 375,000 students from the program. No new aid would be available to older students.

C) Educational services for over 483,000 children would be cut from grants to local educational agencies.

D) NIH would be cut \$337 million (2.6 percent) from the proposed FY 1998 funding level of \$13.1 billion. The number of NIH-funded new research projects could be cut by up to 800 in FY 1998 from the proposed FY 1998 level to enable continuation of research.

E) VA Medical Care would be denied to 60,000 veterans.

THE WHITE HOUSE
WASHINGTON

May 19, 1997

MEETING WITH HOUSE AND SENATE BI-PARTISAN LEADERSHIP

DATE: May 20, 1997
LOCATION: Cabinet Room
TIME: 11:00 am - 12 noon
FROM: John Hilley *John Hilley*
Susan Brophy
Janet Murguia

I. PURPOSE

The purpose of this meeting is to thank the leaders for their efforts in securing a bipartisan budget agreement; to discuss the timetable for House and Senate action; and to discuss other Administration priorities discussed below.

This is the second bipartisan leadership meeting of the year. The first was held in the Capitol on February 11.

II. BACKGROUND

You should proactively raise the following issues which we hope can move in a bipartisan manner in the upcoming weeks: the disaster supplemental, the budget resolution, juvenile justice, campaign finance reform, Chemical Weapons Convention implementation, China MFN and NATO expansion. The Republicans are likely to raise additional issues: housing reform, late term abortion, fast track and comp/flex time. A discussion of each follows.

A. Supplemental Update

Both the Senate and House have completed action on the disaster supplemental; both bills would also create an automatic continuing resolution based on the McCain-Hutchison language, which you have indicated you will veto. The House Democratic leadership believes that there are a sufficient number of Democratic votes to sustain a veto although the vote on final passage of the supplemental (131 Democrats voting against) fell somewhat short of a veto sustaining margin. Senate Democratic leaders have also indicated that they can sustain a veto although they would greatly prefer to work out the issue and are anxious to deliver

a signable disaster supplemental before the Memorial Day recess.

We are pursuing an approach with Senators McCain and Lott that would dispose of this "no government shutdown" issue as a stand alone bill. McCain however wants some assurance that we can actually reach an agreement on an anti-shutdown provision and it will be passed by Congress and signed by the President. A no shutdown bill that is acceptable to the Administration must fund the government at levels consistent with the budget agreement, and must address many formidable technical problems. While Senators McCain and Lott may go along with such an approach there are many Republicans in the House who are insisting that an automatic CR be at 1997 levels -- some 25 billion below the budget agreement.

Apart from the automatic continuing resolution, there is only one other issue in either bill which may rise to the veto level. That issue concerns a Senate provision that would prevent the Department of Interior from promulgating rules on "Revised Statute (R.S.) 2477" and prohibit implementation of the Department's January 1997 policy guidance on that statute. The effect of this restriction would be to effectively render the federal government unable to prevent the unwarranted conversion of footpaths, dog sled trails, jeep tracks, and other primitive transportation routes into paved highways through sensitive public lands and military installations. The Senate narrowly approved the amendment (49-51); it was not included in the House bill.

The conferees intend to meet tomorrow and expect to complete action by Wednesday. Floor action could occur as early as Wednesday evening; the House expects to adjourn for the Memorial Day recess by Thursday evening.

B. Budget Update

The Senate Budget Committee expects to take up and complete action on the 1998 budget resolution today, May 19. Senate floor action will begin tomorrow. All parties hope to complete the final agreement by the end of the week. On the floor, Senate Democrats plan to offer amendments to fund the school construction initiative, a sense of the Senate on tax equity, and the Kennedy/Hatch amendment on children's health financed by an increase in the tobacco tax. Notwithstanding the fate of these amendments, a majority of Senate Democrats are expected to vote in favor of the budget resolution on final passage.

The House Budget Committee met on Friday, May 16th, and ordered the resolution reported by a bi-partisan vote of 31 to 7. The "no" votes were all Democratic: Reps. McDermott (WA), Mollohan (WV), Costello (IL), Mink (HI), Roybal-Allard (CA), Thompson (MS) and Weygand (RI).

The budget resolution is scheduled for House floor action on Tuesday. At this

time, amendments that might be made in order by the Rules Committee are by: the Congressional Black Caucus; Rep. George Brown (D-CA) (relating to long-term investment); the Coalition; Rep. Joe Kennedy (D-MA); Rep. Minge (D-MN) (relating to budget enforcement); and Reps. Shuster (R-PA), Petri (WI), Oberstar (D-MN) and Rahall (WV) (increasing Highway Trust Fund spending by across-the-board cuts in discretionary spending and the tax cuts). Debate on amendments is expected to be very limited under the rule, and action on the resolution in the House is expected to be completed late on Tuesday evening.

C. Juvenile Justice

The Senate Judiciary Committee is scheduled to markup Thursday. The Administration is working with the Committee to address issues not included in the House bill, including trigger locks and funding for key prevention programs such as Safe and Drug-Free Schools.

The House passed the Republican leadership-sponsored juvenile justice bill on May 8, by a vote of 286-132. The measure, which was opposed by the Administration, is a narrowly-crafted measure which would authorize \$1.5 billion in funding over three years for state and local juvenile justice block grants. The measure would also make a number of enforcement changes that would give federal prosecutors greater flexibility in prosecuting juveniles as adults in the federal system. The measure does not provide for trigger locks, prevention funding or an expansion of the Brady bill to ban handgun purchases by juveniles who commit a crime that would be a felony if committed by an adult.

D. Campaign Finance Reform

Since the bipartisan leadership meeting on Capitol Hill, serious Congressional efforts to enact meaningful campaign finance reform have stalled. On the Senate side, although Senators McCain and Feingold have worked hard to attract cosponsors to their proposal, notably, only Democrats have joined the effort while Republican cosponsorship remains at two - Senators Thompson (R-TN) and McCain (the bill has 29 cosponsors in the Senate). While it has been reported that several Republicans are likely to support the measure if it comes to the floor (Senators Specter (R-PA), Collins (R-ME), Snowe (R-ME), Jeffords (R-VT)) most Republicans are waiting to take their cue from a Republican leadership-sponsored campaign finance task force expected to report to the caucus later this summer.

The Senate Rules Committee has had its first hearing on the McCain-Feingold bill, with two more hearings expected in the near future. On the House side, Congressman Shays and Meehan have collected 40 cosponsors (17 Republicans and 23 Democrats) for their measure. There have been no hearings on reform legislation and any effort to move campaign finance reform legislation will be complicated by the number of competing bills in the House - there are at least three other House measures with more than forty cosponsors. Finally, during the next several weeks Democrats plan to step up their campaign criticizing

Republicans for doing little on reform and calling for Speaker Gingrich to bring reform to the floor before July 4th.

E. Chemical Weapons Convention Implementation

The CWC passed the Senate 74-26 on April 24, 1997. As part of the UC that got the CWC to the floor, the implementing language was agreed to be brought to the floor for consideration by the Memorial Day recess. The Senate Judiciary Committee held a hearing on the CWC on May 13, 1997. Since then the respective staffs have been fashioning a Republican bill and a Democratic bill for the markup this Thursday, May 22. CWC is still contentious among the right-wing Republicans and their implementing language is unacceptable. They have not accepted our offers to work with them and improve their bill. The Democrats have been working with the Administration and we believe that their bill will be acceptable to us. The Democrats will offer their bill as an alternative on the floor when the CWC implementing language gets to the floor. We feel that we can achieve passage of an acceptable CWC bill, if it gets to the floor as agreed to in the UC.

The House bill on CWC has been referred to the International Relations Committee, and will go sequentially to the Judiciary Committee. Most of the work will be done in the Judiciary Committee. We have discussed with staffs on the House side to open the discussion, including the leadership. They have no intention of beginning the process of passage until the Senate has completed all action. The earliest that we can expect the House to begin deliberations is mid-June with passage expected in late June.

F. China MFN

The statutory deadline for announcing renewal of China MFN is June 3. We feel certain that a resolution of disapproval will be introduced by opponents. What is less certain is whether an alternative resolution to outright disapproval will be introduced. Key Republicans in the House, on both sides of the issue, are meeting to discuss such an alternative. It is unclear where this will end up.

The entire expedited procedure process must be completed by September 3. It is unclear when the House will choose to act. Some members have indicated that they would like this to move as early as late June or July. Others believe that the vote should be backed up to the August recess in order to watch China's treatment of Hong Kong during reversion and to build support for its passage.

The outlook is considered much better in the Senate. It is difficult but not impossible in the House.

G. NATO Enlargement

As you know, last week we contacted members on the announcement of the NATO-Russia Founding Act. Secretary Albright and Deputy Secretary Talbott

briefed members of the Senate NATO Observer Group. Briefings were offered to the House, and a staff level briefing will take place tomorrow-- seems to be little interest in a member briefing.

We have contacted the four leaders asking that they accompany you next week to Europe, or if they are unable to send a designee who is involved with this issue-- e.g. Bill Roth or Joe Biden. However, we are not expecting that anyone will attend. We will also work with the Hill to send a larger delegation to Madrid in July.

The following are issues likely to be brought up by the Republicans:

H. Housing Reform

The House of Representatives last week passed a Housing reform measure by a veto proof margin(293-132). Secretary Cuomo has said the President would veto the legislation in it's current form. The bill H.R. 2, is sponsored by Rep. Rick Lazio(R-N.Y.), who chairs the Housing Subcommittee in the House. The administration's most significant objection is income targeting with respect to eligibility for public housing. The prospects for this legislation are unclear. Senator Connie Mack(R-FL), who chairs the Housing Subcommittee is likely to support the House measure and may even make it more objectionable. However, Senator D'Amato(R-N.Y.) Chairs the full committee and has not announced a position. It remains possible according to his staff that he would work with the administration to address our concerns.

I. Late Term Abortion

The Senate is likely to vote on final passage of the Partial-Birth Abortion Ban (Senator Santorum R-PA) before the Memorial Day recess. Senator Daschle has not publicly announced how he will vote on final passage but we believe he will vote for the ban. His attempt to strike a compromise last week banning all late-term abortions with a life and health exception failed by a vote of 36-64. Both pro-life and pro-choice forces joined to defeat his amendment. Monday, the American Medical Society endorsed a revised Santorum bill which seeks to more clearly define what procedure is prohibited and gives any accused physician the right to have his or her conduct reviewed by the State Medical Board before a criminal trial commenced.

J. Fast Track

As you know, you have recently been sent a memo about the timing of fast track. The staff is split on whether to proceed to this immediately or wait until September. The issue is the intersection of fast track with other Presidential priorities that are coming up in the next few months such as the budget and China MFN.

The Republicans don't believe that we are serious about moving on fast track this year and have employed a strategy of public chiding us to move immediately. Some Republican leaders may raise this and prod you to move forward now.

We have told them that to pass fast track will require a great deal of your time and we will proceed when we know that we have sufficient Presidential time and White House resources to do this legislation.

K. Comp/Flex Time

All Senate Democrats joined by D'Amato and Specter voted against cloture on the Ashcroft bill earlier this week. Democrats were prepared to offer the President's proposal minus the Family and Medical Leave Act (FMLA) expansion. Recognizing that it will not be possible for them to break the filibuster, Republicans are calling the White House to ask for negotiations. We have told them that their bill is a non-starter and that there will be no negotiations without Senators Daschle and Kennedy.

III. PARTICIPANTS

Pre Brief:

President
Vice President
Secretary Rubin
Erskine Bowles
Frank Raines
John Hilley
Ron Klain

Meeting:

Senator Trent Lott
Senator Don Nickles
Senator Tom Daschle
Senator Wendell Ford

Rep. Newt Gingrich
Rep. Dick Armey
Rep. Tom DeLay
Rep. Richard Gephardt
Rep. David Bonior

President
Vice President
Secretary Rubin
Erskine Bowles

Q: THE REPUBLICANS ARE PROVIDING NUMBERS THAT SHOW THAT THE MEDICARE CUTS YOU SAID WOULD DEVASTATE THE PROGRAM IN THE LAST DEBATE ARE ESSENTIALLY THE SAME YOU NOW ENDORSE. DOESN'T THIS PROVE YOUR WERE DEMAGOGING THE ISSUE?

A: While the total Medicare savings have moved closer together, they are still less than the \$270 billion in savings that the President vetoed.

This does not even take into account fundamental differences between the 1997 Balanced Budget Agreement and the Medicare proposal the President vetoed.

- 1) Vetoed Budget had premiums that were about \$18 more per month than in the 1997 Balanced Budget Agreement.** The monthly premium under the Budget Agreement will be about \$69 in 2002. If the policy were a 31.5% premium instead of 25%, this premium would be about \$87. On an annual basis, this difference is about \$215 for a single beneficiary, \$430 for a couple.
- 2) Vetoed Budget would have raised the percent of the program funded by beneficiaries by over one fourth.** The 1997 Balanced Budget Agreement keeps the Medicare Part B premium at its current level of 25% of program costs — far below 31.5% the 1995 Republican Budget that the President vetoed.
- 3) Vetoed Budget's investments are only 1% of the 1997 Balanced Budget Agreement's investments.** The Budget Agreement includes critical investments:
 - **Preventive services: \$3 to 4 billion**, including services to detect breast and colon cancer, provide for diabetes self-management, and increase payments for preventive vaccinations.
 - **Protection against excessive hospital outpatient coinsurance: \$4 billion**
 - **Premium assistance for low-income beneficiaries: \$1.5 billion**

In contrast, the vetoed Budget included extremely modest investments, **\$100 million** for coverage of oral breast cancer drugs.

- 4) Vetoed Budget had larger provider reductions.** The vetoed Budget had policies that put much tighter constraints on provider payment growth. For example, under the vetoed plan, hospital payment update reductions would be twice as big as is needed in the 1997 Budget Agreement. This translates into savings of \$22 billion over five years under the vetoed plan versus \$11 billion under the Agreement.
- 5) Vetoed Budget included flawed structural reforms.** The 1997 Balanced Budget Agreement does not sanction the use of balance billing, association plans, and other ideas that put beneficiaries at risk.

WELFARE TO WORK

May 20, 1997

The Welfare to Work Partnership

Today President Clinton announced that over 100 companies have accepted his State of the Union challenge to forge "a new national effort to marshal America's businesses, large and small, to create jobs so that people can move from welfare to work." CEOs and senior executives from the companies joined the President to launch the Welfare to Work Partnership, a private, non-profit organization which will lead the national business effort to hire people from the welfare rolls. The Partnership pledged to enlist 1,000 companies within the next six months and named United Airlines Corporation CEO Gerald Greenwald its Chairman of the Board.

The Welfare to Work Partnership is an independent, nonpartisan, national effort of the American business community to help move those on public assistance into jobs in the private sector. The Partnership will provide information, technical assistance, and support for all interested companies. The Partnership was formed in response to the President's challenge in his 1997 State of the Union speech, and the CEOs from the five companies the President noted in that speech -- Sprint, Monsanto, UPS, Burger King, and United Airlines -- form the Partnership's Board of Directors. Since signing the welfare law last August, the President has launched an aggressive campaign to challenge both the public and private sector to help welfare reform succeed. The President signaled his commitment to work with the corporate community by holding a White House meeting with 14 company CEOs in January 1997. After that meeting five companies made a commitment to lead a national welfare to work effort.

The President's Welfare to Work Transportation Initiative

Citing transportation as one of the biggest barriers in moving from welfare to work, President Clinton today announced grants to 24 states to develop strategies to solve this problem. The President urged Congress to enact his \$600 million welfare to work transportation initiative, part of his NEXTEA transportation proposal.

Two-thirds of new jobs are in the suburbs, but three of four welfare recipients live in rural areas or central cities. Only six percent of welfare recipients own cars, and public transit often provides inadequate connections to job and training centers. To combat this problem, the President today urged Congress to adopt the six-year, \$600 million grant program in his NEXTEA transportation bill that would support flexible, innovative transportation systems in rural, urban, and suburban areas to get people where the jobs are. Today, the President also announced grants to 24 states and the Virgin Islands to develop welfare to work transportation plans. The grants are being awarded by the Department of Transportation's Federal Transit Administration and the Federal Highway Administration in cooperation with the National Governors' Association.

A Balanced Budget that Helps Move People from Welfare to Work

The President praised the new budget agreement which includes two critical welfare to work initiatives. The first is a \$3 billion Welfare to Work fund for cities and states to create job opportunities for welfare recipients. This proposal, a centerpiece of the President's second-term agenda, will help move one million adults from welfare to work. The budget agreement also includes the President's proposed enhanced tax credit which would give companies that hire long-term welfare recipients a 50% tax credit on the first \$10,000 of wages paid over two years.

Vice Presidential Initiatives

To ensure that former welfare recipients succeed in the workplace, Vice President Gore today announced a new campaign, beginning with a conference on May 29th, to help those leaving welfare retain jobs.

In addition to this new campaign, the Vice President is overseeing the federal government's hiring initiative. The President has committed the federal government, the nation's largest employer, to do its part to hire people from the welfare rolls. On April 10th the President held the first full Cabinet meeting of his second term in which federal agencies pledged to directly hire at least 10,000 welfare recipients over the next four years.

Today's Program

The President was joined today by the Vice President, Mr. Greenwald, Partnership President Eli J. Segal, Delaware Governor Tom Carper, Wisconsin Governor Tommy Thompson, and small business owner George R. Stinson of Racine, Wisconsin, whose company workforce is more than half former welfare recipients.

**MOVING AMERICANS FROM WELFARE TO WORK:
THE FEDERAL-NGA WELFARE TO WORK TRANSPORTATION INITIATIVE**

“Each and every one of us has to fulfill our responsibility — indeed, our moral obligation -- to make sure that people who now must work, *can* work.”

President Bill Clinton,
State of the Union Address, February 4, 1997

- One of the biggest barriers facing those making the move from welfare rolls to payrolls is access to jobs, training, and support services such as day care. Two-thirds of new jobs are in the suburbs, but three of four welfare recipients live in rural areas or central cities. Their access to these jobs is limited: few welfare recipients own cars, and public transit, which provides a crucial lifeline for many lower-income Americans, often provides inadequate connections to new employment opportunities in the suburbs.
- The Department of Transportation is contributing \$330,000 towards a partnership with the National Governors' Association (NGA). This will be used for grants to states to help them develop transportation strategies that support their welfare to work efforts. This partnership recognizes that those making the transition from welfare to work must largely depend on public transportation to reach jobs and other employment-support services, and that cooperation among federal, state, county, and local governments and the private sector is crucial.
- Participating states, led by their Governors' offices, are forming interagency task forces to coordinate transportation with welfare reform initiatives. The groups include state, county, and local human services agencies, along with local transportation providers, community human resource organizations, and private employers.
- State welfare to work transportation action plans will be completed during 1997. They are expected to emphasize coordinating existing public transportation, human services, and private programs that enable welfare recipients to get to where the jobs are.
- 24 states and one territory are participating: Alaska, Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, the Virgin Islands, Virginia, Washington, Wisconsin, and Wyoming.

Welfare to Work
May 20, 1997
Q&A -- 5/19 DRAFT

Company Hiring

Question: How many companies have committed to hire welfare recipients?

Answer: Today, over 100 companies committed to hire people from the welfare rolls -- and the Partnership's new Chairman, Gerald Greenwald today pledged to sign up 1,000 companies within six months.

Question: Will these companies displace other workers in order to hire welfare recipients?

Answer: No. An explicit part of the commitment each company has made is to hire and retain former welfare recipients **without displacing** other workers.

Question: Will the companies pay health benefits?

Answer: We expect companies to treat former welfare recipients like any other workers, which includes providing health benefits if they are provided to other workers.

Welfare to Work Partnership

Question: What is the Welfare to Work Partnership?

Answer: The Partnership is a national, independent, nonpartisan effort of the business community to help move people on public assistance to jobs in the private sector. The Partnership will concentrate on energizing the business community to hire and retain welfare recipients without displacement of existing workers.

The Partnership provides information, technical assistance and support for businesses of all sizes, from all industries and from all areas of the country.

Question: What are the goals of the Partnership?

Answer: In the first year, the Partnership plans to build an expanding network of companies committed to hiring and retaining persons on public assistance. In addition to mobilizing companies, the Partnership will publish and broadly disseminate a best practices manual of private

sector initiatives and promising public-private alliances at the state and local levels. It expects to develop a comprehensive, customer-friendly database of organizations which provide job training and readiness, child care and related services.

Question: Who are the five founding corporations?

Answer: The founding companies of the Partnership are United Airlines, Burger King, Monsanto Company, Sprint Corporation, and United Parcel Services of America. United Airlines CEO, Gerald Greenwald, is the chairman of the board.

Question: Who can participate in the Partnership?

Answer: Membership is open to all businesses, large or small, who are committed to either hiring and retaining those on public assistance without displacement of existing workers.

Question: Why should businesses get involved with the Partnership or any other type of the welfare effort?

Answer: Because it makes good business sense. Today many companies find it difficult to locate entry-level workers. By actively recruiting welfare recipients, companies will greatly enlarge their pool of potential entry-level workers, a pool of workers that companies previously not actively recruited. In addition, companies will have the knowledge that it is actively participating in its community to strengthen families and improve children's lives.

Minimum Wage

Question: Will the Administration's announcement last week that employers must pay welfare recipients the minimum wage make it harder for companies to hire welfare recipients?

Answer: No. Private companies have always had to pay the minimum wage and follow the Fair Labor Standards Act for those workers who are "employees" instead of "trainees." The confusion lay primarily in whether the law required government-sponsored workfare -- in which welfare recipients work in public service projects in exchange for their benefits -- to pay the minimum wage. Our lawyers believe that most welfare recipients participating in the work activities such as workfare will legally count as "employees."

Question: Won't this end welfare reform as we know it by making work more expensive for states?

Answer: Not at all. With both TANF and food stamps counting toward the minimum wage, every state except Mississippi will be able to give welfare recipients workfare slots for 20 hours a week (the welfare law's current requirement) without raising their benefit levels. And of course states should be trying to place welfare recipients in private sector jobs where the minimum wage already applies -- that's why having so many companies commit today to hiring welfare recipients is so important.

Question: Will the Administration support changes to the welfare law so workfare programs don't have to pay the minimum wage?

Answer: We would oppose legislation that flatly exempts welfare recipients from the minimum wage law. The Administration believes that people who work should be paid at least the minimum wage.

Question: Would you oppose any legislation addressing this issue?

Answer: Not necessarily, but any legislation would have to be consistent with our support for the minimum wage. In determining how the minimum wage applies to workfare, the Administration has had to address a host of technical issues that Congress did not deal with in passing the welfare law. If Congress wants to address these issues, the Administration will consider the proposals carefully. But any legislation must reflect the Administration's position that people who work should be paid at least the minimum wage.

Today's Speakers

Question: Why was Governor Thompson invited to speak?

Answer: We invited two governors to speak today -- Governor Tommy Thompson (R-Wisc.) and Governor Tom Carper (D-Del.). Both were intimately involved in developing the welfare reform proposals the President signed into law, and both have been welfare reform leaders in their own states -- so it seemed appropriate to have them here today. In addition, today the President announced transportation planning grants to 24 states, which were given in cooperation with the National Governors' Association.

Question: Tell me more about the small business owner speaking today.

Answer: George R. Stinson is the President and owner of General Converters and Assemblers, Inc. in Racine, Wisconsin. More than half his workforce is former welfare recipients. He is currently expanding his plant and plans to fill many of the 100 new positions with welfare recipients. An African American, Stinson says that one of his primary concerns as an employer is to hire and provide on-the-job training to persons without much job experience.

White House Hiring

Question: More than a month ago, the White House pledged to hire welfare recipients? Have any been hired?

Answer: Yes, one former welfare recipient has already been hired, and the departments are reviewing resumes to fill the remaining positions.

Welfare Privatization

Question: I understand Erskine Bowles and other White House officials plan to meet with members of the Texas Congressional delegation this week. Is this the beginning of a negotiation over welfare privatization?

Answer: No, we are not taking part in any negotiation. The purpose of the meetings is simply to answer any questions the Congressional delegation may have regarding the response that the Administration provided to the state of Texas last week regarding what kinds of privatization is allowed under current law.

Question: Is the Administration going to approve Wisconsin's request to privatize welfare and food stamp offices in some parts of the state?

Answer: We have not yet responded to Wisconsin's request.

Transportation Announcement

Question: Why is the President talking about new transportation funding now, after the budget has been agreed to?

Answer: With the budget agreement in place, the Congressional Committees are about to take up the ISTEA reauthorization -- so now is exactly the right time for the President to highlight the welfare to work provisions of the transportation bill he sent to the Hill earlier this spring. Also, many of the business leaders involved in the Welfare to Work Partnership have told us how important transportation will be to their ability to hire welfare recipients, so today's event seemed like a good time to discuss the President's welfare to work transportation proposal.

In general, the budget negotiations assume the reauthorization of ISTEA, although the level of transportation spending within the domestic discretionary category has been under some discussion recently. But the budget agreement certainly leaves room for the President's \$600 million welfare to work transportation proposal.

Question: What does the President's transportation proposal do?

Answer: The President's NEXTEA transportation bill:

- **Invests \$600 Million to Improve Access to Jobs and Training.** NEXTEA includes a six-year, \$600 million grant program to support innovative transportation initiatives, such as vanpools, to get people where the jobs are.
- **Increases Job Training Opportunities in Transportation Technology and Construction.** NEXTEA opens opportunities in transportation by increasing incentives for states and localities to provide job training in conjunction with federally-funding technology and construction projects and enabling them to offer hiring preferences favoring welfare recipients and residents of Empowerment Zones and Enterprise Communities.

Question: What can the \$600 million be used for?

Answer: States, local governments, and private, non-profit organizations could apply for grants to plan and implement new transportation services targeted at linking welfare recipients with jobs.

Question: Would the proposal allow welfare recipients to be hired at the expense of other workers?

Answer: No. What the President's bill does allow is what are called "local hiring preferences" allowing transportation contractors to provide a preference to equally qualified welfare recipients and residents of Enterprise Zones and Enterprise Communities who apply for construction and related jobs.

Question: The President praised a new bipartisan Congressional proposal introduced today by Senators Specter and Lautenberg. How does their proposal differ from the President's?

Answer: The Specter-Lautenberg bill would provide \$250 million per year for transportation services to link economically disadvantaged persons -- including welfare recipients and those not on public assistance -- to jobs in high-growth suburban areas. In addition, other sections of the bill propose funding levels for various ISTEA programs that are different from the President's NEXTEA proposal.

Question: Does the President endorse the entire Specter-Lautenberg transportation bill, or just the welfare to work provisions?

Answer: No. The President supports the strong pro-transit goals of the bill but some of the specifics don't jibe with the Administration's balanced budget plan -- for example, the idea of shifting the 4.3 cents of the gas tax now dedicated to deficit reduction to the highway trust fund.

Question: The grants the President announced today seem pretty small. Do you expect them to accomplish anything?

Answer: These grants, provided by the Department of Transportation in cooperation with the National Governors' Association, will enable states and communities to develop strategies that support welfare to work efforts. They will bring state and local welfare, training, and transportation authorities together to address this problem in a strategic way. But these are just seed grants for developing plans -- that's why the President has proposed a comprehensive, \$600 million fund for welfare to work transportation services.

Vice Presidential Announcement

Question: The Vice President announced he'll chair a conference on May 29th.
What's the subject?

Answer: The conference will focus on job retention strategies and will include a panel of groups that have helped former welfare recipients become successful workers.

Question: What's the purpose of the conference?

Answer: The Vice President and his staff have been meeting with a wide range of civic organizations to discuss their role in welfare reform. Of course, many of these groups have been contributing to their communities for more than a century, so public service is nothing new to them.

Question: Is there any particular model the Vice President favors?

Answer: The panelists are from a variety of types of programs -- nonprofits, like the Strive program in New York which was recently featured on 60 Minutes; America Works, the successful, private sector job placement and retention company; and public sector, such as the Social Security Administration, which has a long record of successfully hiring welfare recipients. The Vice President is particularly intrigued by what State Comptroller John Sharp has done in Texas. The Texas Pathfinders project has paired welfare recipients with community mentors to help them make the transition to self-sufficiency.

Talking Points on Late-Term Abortion

5/21/97

- The President will veto the Santorum bill because it does not adequately protect women from grievous physical harm.
- The American College of Obstetricians and Gynecologists (ACOG), which is the organization of specialists who know the most about this issue, agrees with the President that the bill endangers women, because it prevents doctors from using a procedure that in a few cases best protects women from serious injury.
- The AMA's last-minute endorsement of the Act will not lead the President to change his position. The changes that the AMA bargained for in the bill protect doctors from criminal prosecution, but do not protect women from serious physical injury.
- The AMA insisted that a peer review process take place before any criminal prosecution.
- But these changes do not help the few women -- like the women who were with the President when he signed the bill -- who need the procedure that the bill prohibits in order to prevent grievous injury. The President vetoed the bill last year to protect these women, and he will veto the bill again to protect them.
- The AMA itself concedes that the procedure may be necessary to save a woman's life and that the bill must have a life exception to protect the few women faced with this danger. The President is saying only that this exception must extend to the few other cases in which the procedure is necessary to save a woman from serious physical harm, such as loss of the ability to have other children.

Q&A on Late-Term Abortion

Question: Does the AMA's endorsement of the Partial Birth Abortion Act -- and its statement that the partial-birth procedure is not good medicine -- change your view of this legislation?

Answer: No, because I am still not convinced that this bill adequately protects women from grievous injury. Let me remind you that the American College of Obstetricians and Gynecologists, which is the organization of doctors that knows the most about this issue, opposes this bill for the same reason I do -- because it prevents doctors from using a procedure that in a small group of cases best protects women from serious physical injury. The AMA endorsed this bill after bargaining for a change that protects doctors. I've implored Congress to make a narrow change in the bill to protect women -- to ensure that they don't suffer grievous injury because Congress has tied the hands of their doctors -- and I will not sign the bill until I get it.

Question: Senator Daschle has now said that he will vote for the Partial Birth Abortion Act. Does this mean that your veto will be overridden?

Answer: We'll have to see how the votes line up -- but that's not going to affect my decision. I will veto this bill because I think it doesn't adequately protect women from serious physical injury. I have said over and over that if Congress were to add a narrow exception covering these few cases, I would gladly sign the bill. But I will not sign the bill until it has that narrow exception for grievous injury, no matter how the votes stack up in Congress.

Budget Questions

Tuesday, May 20, 1997

Q: ARE YOU WILLING TO COMPROMISE ON THE B-AVERAGE REQUIREMENT FOR THE HOPE SCHOLARSHIP?

A: The President believes that part of the higher education tax cut should be targeted to open the doors of college and encourage students to work hard and do well there. That's why he proposed the Hope Scholarship. We've gotten some feedback about that proposal, particularly that the grade requirement may be a little complicated to implement, but we still want to encourage students to perform well. We are listening to those concerns, but no final decisions have been made.

Q: THE BUDGET DIRECTOR INDICATED YESTERDAY THAT THE WHITE HOUSE MIGHT BE WILLING TO MOVE TOWARD THE REPUBLICAN CHILD TAX CREDIT PROPOSAL. ARE YOU WILLING TO RAISE BOTH THE INCOME LIMITS AND AGE LIMITS?

A: The President proposed a \$500-a-year child tax credit in his budget that was available for children up to the age of 13 and targeted at middle-class families. The Republican child tax credit was more expensive. **The President is committed to seeing the bulk of this tax package goes to help middle-class families**, and we will work with Congress to see how big a child tax credit we can afford consistent with our agreement.

[Background on Child Tax Credit: Our tax credit covers children up to 13 years old and phases out beginning at \$60,000. The Republican proposal covers children up to 18 years old and phases out at beginning at \$110,000. FYI -- We are flexible on age, not especially so on income limits.]

Q: WILL YOU SUPPORT THE KENNEDY-HATCH AMENDMENT TO THE BUDGET DEAL FOR CHILDREN'S HEALTH?

A: We support Senator Kennedy and Senator Hatch's goals of covering uninsured children and stopping teen smoking. That's why the President insisted on including a \$16 billion investment in the bipartisan agreement for children's health; that is a very good beginning. And that's why the President has led the campaign against teen smoking.

We look forward to working with Senators Kennedy and Hatch to design a children's health proposal that ensures that the \$16 billion investment provides insurance to as many children as possible. There are many positive aspects to the Kennedy-Hatch proposal. We must work within the bipartisan process that produced the budget agreement to determine whether it can be advanced within the framework of the agreement.

Q: WILL YOU OPPOSE THE SHUSTER AMENDMENT TO INCREASE TRANSPORTATION SPENDING BY \$12 BILLION?

A: Yes. The President and congressional leadership signed off on a budget that included substantial new investments in transportation. As part of the agreement, we added an additional \$10 billion in contract authority to ensure that we can continue to modernize America's infrastructure. However, we cannot support any amendment that would unravel that budget deal and increase the deficit.

Q: WILL YOU ACCEPT THE SPEAKER'S PROPOSAL TO INCREASE THE ESTATE TAX EXEMPTION?

A: The President proposed estate tax relief in his budget that was designed to help family farms and small business owners pay estate taxes. The Republican proposal is very expensive, and benefits the most wealthy Americans. Only 1-2 percent of estates are subject to this tax at all. We understand that estate tax relief is a very high priority for Republicans, but the President will work hard to **ensure that the bulk of this tax package goes to help middle-class families consistent with the agreement.**

Q: CAN YOU ACCEPT A BROAD-BASED CAPITAL GAINS TAX CUT?

- A:**
- 1) We have a good capital gains tax cut proposal in our budget targeted at home owners.** It excludes about 99 percent of home sales from the capital gains tax. It allows families to exclude \$500,000 of capital gains from the sale of a home.
 - 2) We expect that the final tax bill will have a broader capital gains tax cut than we had in our budget.** We understand that a capital gains tax cut is a top priority of the Republicans.
 - 3) The President will continue to work to ensure that the bulk of the tax cut package goes to help middle class families.** The President priorities are to provide tax cuts to make it easier for middle class families raise their kids and send them to college.
 - 4) We expect both sides to continue to work in good faith to reach a mutually agreeable final tax bill, just as both sides did in reaching the overall agreement.** We are confident that we will do just that.

Q: WILL THE PRESIDENT ACCEPT A 50 PERCENT EXCLUSION?

A: Again, we expect a broader capital gains tax cut than was in our budget. We understand that a capital gains tax cut is a top Republican priority. The President is going to continue to work to ensure that the bulk of the tax cut goes to middle class families. We are confident that we can reach agreement on a mutually acceptable tax cut bill.

Q: WHAT ABOUT INDEXING?

A: We have some serious concerns about indexation of capital gains. First of all, it would be very difficult to administer. In addition, indexing capital gains without indexing debt creates a strong incentive to create tax shelters. Indexing also becomes very expensive down the road and would, therefore, undermine the tremendous progress we have made in getting our fiscal house in order.

Q: SO YOU OPPOSE INDEXING, WILL YOU VETO THE TAX BILL IF IT'S IN?

A: We expect that both sides will continue to work in good faith and that we will be able to achieve a mutually agreeable final tax bill. The President will continue to work to ensure that the bulk of the tax cuts go to middle class families and to ensure that the tax cut does not explode.

Update on Hill Budget Meetings Today

- o President met with bipartisan congressional leadership at White House today.
- o Budget team meeting (Hillely, Sperling, Bowles, and Raines) with House Caucus, Senate Dems ("DPC"), Blue Dogs, and Hispanic Caucus today.

Press Guidance
May 20, 1997

Banking De-Regulation

- This is an issue that the Administration has been looking at for a very long time. Since 1993, the Administration has taken a measured and sensible approach to ensure the soundness and efficiency of the industry. We have set forth a record of accomplishment in the area of improving the efficiency and creating greater competition.
- Rubin and other Treasury officials have testified numerous times that the administration favors financial services modernization. It is important to consumers and the economy.
- The Treasury Department will have more to say on this topic in the very near future. (FYI - Rubin will make an announcement tomorrow. This has not been announced to press).

Mellody per Paul Elliot, Treasury and Ellen Seidman, OMB.

THE WHITE HOUSE
Office Of The Vice President

FOR IMMEDIATE RELEASE
TUESDAY, May 20, 1997

CONTACT: 202-456-7035

VICE PRESIDENT GORE, SECRETARY RUBIN ANNOUNCE CHANGES AT IRS
Plan Calls for Task Force on Customer Service, IRS Management Board, IRS Advisory Board

WASHINGTON -- Vice President Al Gore and Treasury Secretary Robert Rubin today (5/20) announced a plan to help make the Internal Revenue Service more effective, efficient, and taxpayer-friendly. The plan calls for:

- The creation of a Task Force on Customer Service;
- The establishment of an IRS Management Board to improve administration of the agency;
- The establishment of an IRS Advisory Board to tap private-sector experience.

"Americans work hard and pay taxes. They deserve to know that their federal government is giving them the most value for their money," said Vice President Gore who heads the National Performance Review (NPR) to make the federal government work better and cost less. "That means creating an IRS that is modern, flexible, and responsive to the needs of its customers -- the American taxpayers."

Vice President Gore announced the creation of a Task Force on Customer Service to review frustrations that taxpayers have in dealing with the IRS and to propose, within 90 days, changes to address them. The group will be led by IRS employees and include representatives from the National Treasury Employees Union, NPR, and senior officials from the Treasury Department.

Secretary Rubin said, "This plan continue the process of putting the IRS on the road to more effective, efficient operations, increased ability to further compliance with the nation's tax laws, and, most importantly, improved customer service."

In addition, Secretary Rubin proposed the creation of the IRS Management Board, which will focus on the administration of the agency, including strategic, personnel and procurement decisions. The board will be comprised of representatives from the IRS, NPR, the Office of Management and Budget, the Office of Personnel Management, and other relevant government departments and agencies.

He also proposed that the Treasury Secretary and Deputy Secretary appear twice yearly before a Congressional committee to report on the conduct of their oversight responsibilities. In addition, he called for legislation providing a five-year term for the Commissioner of the IRS in order to improve continuity of leadership at the agency, and the establishment of an IRS Advisory Board comprised of individuals outside of government with private-sector and consumer expertise.

The NPR is a comprehensive evaluation of the entire federal government to find ways to make it work better and cost less. Since it began in 1993, the NPR has resulted in the smallest federal go government since John F. Kennedy was President and more than \$118 billion in savings for taxpayers.

##

Internal Revenue Service Blueprint For Technology Modernization May, 1997

Summary

The new IRS "Blueprint for Modernization" outlines a plan to update the technological systems in order to provide superior service to the taxpayer, to move toward paperless operations, and to increase compliance with the law. The Blueprint represents a new way of doing business at the IRS. It is the first comprehensive attempt to form a strategic partnership with the private sector in order to address the problems of the past and ensure that the IRS is flexible for the future. The Blueprint uses a centralized, main-frame computer system that will ensure taxpayer privacy and minimize cost, while enabling IRS customer service and compliance personnel to easily access accurate and timely information.

History

In 1988, the Internal Revenue Service put into effect a plan to upgrade and modernize the agency's technological system. The plan, known as the Tax System Modernization (TSM), was implemented over the course of the next seven years. In 1995, the General Accounting Office released a report that uncovered failures in the program and large financial losses. It called for massive changes in program planning, management and implementation of TSM. Congress, in turn, called on the IRS by May 15, 1997 to produce a plan for correcting and updating its technological capabilities.

The primary failure of TSM was the result of inadequate design and planning. The system's multiple computers and databases installed could not be integrated with existing computers. TSM also failed to move the IRS toward a paperless system and made current inefficiencies worse. IRS employees were unable to access current and correct information to effectively serve American taxpayers.

A Sharp Turn

In early 1996 the Treasury Department - taking into account the serious problems with the IRS computer system - called for a sharp turn in technology modernization. Treasury:

- Hired a new IRS Chief Information Officer with extensive private sector experience and launched a nationwide search for new technical managers;
- Created the Modernization Management Board (MMB) to oversee the creation and implementation of new IRS technological systems.
- Put a stop to existing TSM contracts in order to review and evaluate the system;
- Eliminated 26 wasteful TSM contracts and collapsed the remaining contracts into 9;
- Began to draft a Modernization Blueprint to guide the overhaul of IRS technology.

Future Steps

Along with the release of the Blueprint, the IRS plans to issue what is known as a Request for Comments (RFC), seeking input and guidance from the private sector. After receiving and reviewing comments and revising the Blueprint, the IRS, working with the MMB, will competitively bid a contract to assume overall responsibility. The selected contractor will work in collaboration with the IRS and the Treasury Department as the Blueprint is put into effect.

WHITE HOUSE MAYORS CONFERENCE ON DRUG CONTROL

PRESIDENTIAL ANNOUNCEMENTS

MAY 21, 1997

Announcements

Today, at the White House Mayors Conference on Drug Control, President Clinton and members of his Cabinet met with mayors from across the country to discuss efforts to control illegal drugs and their destructive consequences. The President made two anti-drug announcements:

- 1) **Attacking the Threat of Methamphetamine.** President Clinton released a new report by the Department of Justice showing that methamphetamine use is down in 8 key cities and clandestine lab seizures by the Drug Enforcement Agency (DEA) increased by 170% in 1996.
- 2) **Cracking Down on Money Laundering.** In response to the President's request, the Treasury Department will publish proposed rules today, designed to prevent and detect money laundering in the money services businesses-- helping to staunch the flow of narcotics and illegal drug proceeds.

Methamphetamine Report

- Methamphetamine -- known on the street as "crystal," "crank," and "ice"-- is a synthetic stimulant drug that is cheaper than cocaine in many markets, produces a longer high than cocaine, and can produce extreme aggressiveness and irrational violence.
- *President Clinton's Methamphetamine Strategy.* The President's April 1996 Strategy assesses the methamphetamine threat, identifies the issues and establishes an action plan. In October 1996, President Clinton signed the Comprehensive Methamphetamine Control Act of 1996 into law. The new law incorporates many elements of the President's Strategy, including increased penalties and regulatory provisions for precursor chemicals. The new penalties are scheduled to take effect on November 1, 1997.
- Methamphetamine Report Findings:
 - ✓ **Increased Seizures.** In 1996, DEA Clandestine Laboratory Enforcement Teams seized 879 clandestine methamphetamine laboratories-- a 170% increase over 1995.
 - ✓ **Methamphetamine Use Down in Key Cities.** Preliminary data from the National Institute for Justice (NIJ) 1996 Drug Use Forecasting figures show that in eight western cities, methamphetamine use declined between 7 and 52% from 1995 levels.
 - ✓ **Successful Federal Prosecutions.** U.S. Attorneys around the nation are successfully prosecuting methamphetamine cases in coordination with state and local law enforcement agencies, including cases with lifetime sentences for methamphetamine traffickers.

Anti-Money Laundering Initiative

- Building on the successful New York Geographic Targeting Order (GTO), today Treasury will publish three Notices of Proposed Rulemaking affecting money services businesses (e.g., money transmitters, sellers of money orders and traveler's checks, and check cashers). The proposed rules would extend the New York GTO on a nation-wide and permanent basis, requiring money remitters to report currency transmissions of \$750 or more to any person outside the U.S.; require the registration of money services businesses (MSBs); and require MSBs to report suspicious activities.

(Draft)
CLINTON ADMINISTRATION
NATIONAL METHAMPHETAMINE STRATEGY UPDATE
MAY 21, 1997

Announcement:

Today, in a meeting with Mayors to discuss drug policy, President Clinton announced that methamphetamine use dropped in 8 key cities and that seizures of the clandestine labs used to produce methamphetamine increased by 170% in 1996.

Background

Methamphetamine is a synthetic stimulant drug that is cheaper than cocaine in many markets, produces a longer high than cocaine, and can produce extreme aggressiveness and irrational violence.

- *Methamphetamine use is dangerous and spreading.* While use of the drug has historically been concentrated in the West and Southwestern regions of the U.S., it is now spreading to the Midwest and the East. Methamphetamine is produced in clandestine laboratories, which carry an enormously high risk of fire and explosion.
- *President Clinton's Methamphetamine Strategy.* The President's April 1996 Strategy assessed the methamphetamine threat and established an action plan to avert its further spread. In October 1996, President Clinton signed into law the Comprehensive Methamphetamine Control Act of 1996-- which incorporates many elements of the President's Strategy, including increased penalties and regulatory provisions for precursor chemicals. New penalties are scheduled to take effect on November 1, 1997.

Clinton Administration: Taking Action Against the Spread of Methamphetamine

- *Increased Seizures.* DEA Clandestine Laboratory Enforcement Teams seized 879 clandestine methamphetamine laboratories in 1996-- a 170% increase over the number of labs seized in 1995. Current projections indicate an even higher number of seizures will be achieved in 1997.
- *Preliminary 1996 Data Shows Meth Use Down.* Data from the National Institute for Justice 1996 Drug Use Forecasting (DUF) show that in 8 western cities (Dallas, Denver, Los Angeles, Omaha, Phoenix, Portland, San Diego, and San Jose) methamphetamine use declined between 7 and 52% from 1995 levels. San Antonio showed a modest increase: from 1.5% in 1995 to 2.1% in 1996. 1996 DUF data also indicate that adult female arrestees use methamphetamine more than male arrestees, and white arrestees were more likely to use the drug than African-American and Hispanic arrestees.
- *Targeting the Midwest.* In 1996, the Office of National Drug Control Police (ONDCP) designated a five-state region in the Midwest (Nebraska, Iowa, Kansas, Missouri and South Dakota) as a High-Intensity Drug Trafficking Area (HIDTA) to address methamphetamine use, production, and trafficking. In December 1996, a joint effort between the DEA, U.S. Marshals, and state and local law enforcement within the HIDTA resulted in the conviction and life sentence of a methamphetamine trafficker in Missouri.

DEPARTMENT OF THE TREASURY

TREASURY



NEWS

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Treasury Anti-Money Laundering Regulations

On Wednesday, May 21, 1997, the Department of the Treasury will publish three Notices of Proposed Rulemaking in the Federal Register designed to prevent and detect money laundering in the money services businesses -- money transmitters, issuers, redeemers and sellers of money orders and traveler's checks, check cashers, and currency retail exchangers. While these regulations are the result of the lessons learned from the New York Geographic Targeting Order ("GTO"), the regulations themselves are much broader than that order.

The GTO

Beginning on August 7, 1996, certain licensed money transmitters in the New York metropolitan area and their agents have been subject to an order requiring them to report information about the senders and recipients of all cash-purchased transmissions to Colombia of \$750 or more. Under Secretary of the Treasury for Enforcement Raymond W. Kelly issued the "GTO" pursuant to a provision of the Bank Secrecy Act (BSA). GTOs are intended to be temporary measures, and can be authorized for no more than 60 days at a time.

The El Dorado Task Force

The GTO's origins lie in the investigative efforts of the Treasury-led El Dorado Task Force, a joint federal, state and local effort that includes some 140 agents, police officers and support personnel from 13 agencies, including Customs, the IRS Criminal and Examination divisions, the Secret Service, the NYPD and New York State Banking Department.

El Dorado developed evidence that certain New York area money remitters and their agents were engaged in a scheme to move drug money to Colombia by breaking up large cash transactions to avoid the reporting and record keeping requirements of the BSA. Armed with this information, the U.S. Attorneys from the Southern District of New York, the Eastern District of New York, and the District of New Jersey, along with senior officials from Customs and IRS, presented Treasury's Financial Crimes Enforcement Network (FinCEN) with a compelling case that a GTO would be an appropriate step to take against these transmitters. FinCEN staff then worked closely with the primary Assistant U.S. Attorney and others from Customs, IRS and the Department of Justice to review the application and craft an appropriately tailored order, originally involving 12 licensed money transmitters and 1,600 agents.

The GTO was extended and expanded in October 1996 to include a total of 22 licensed transmitters and approximately 3,500 agents. The order was extended again in December and February, and extended again and expanded to include one more licensed money transmitter the first week of April, 1997.

Effects of the GTO

The GTO caused an immediate and dramatic reduction in the flow of narcotics proceeds to Colombia through New York City money transmitters. Treasury's analysis of data generated by the GTO is ongoing, but the targeted money transmitters' business volume to Colombia appears to have dropped approximately 30%. Business to Colombia dropped off even at the money remitters not subject to the GTO, suggesting that much of the money remitted to Colombia was controlled centrally by high-level cartel money brokers.

In the aftermath of the GTO, Customs has observed a marked increase in interdiction and seizure activity at the borders -- over \$50 million in the first 6 months since the GTO went into effect, approximately four times more than in prior years.

The GTO also has had a significant impact on money laundering activity among the targeted transmitters. Several stopped sending funds to Colombia. One went out of business altogether. One money transmitter agent has pled guilty to structuring transactions to avoid the reporting requirements, and the El Dorado Task Force has made numerous additional arrests. El Dorado is continuing to pursue investigations of this type, and FinCEN will consider imposing civil penalties against violators who are not pursued criminally.

In addition to the Proposed Rules, Treasury is considering whether, and under what circumstances, to issue additional GTOs. In late May, Treasury and the Department of Justice will be convening a meeting of US Attorneys and Special Agents from high-risk money laundering areas to introduce the GTO and other tools which Treasury has at its disposal.

Proposed Rules

In response to the results achieved through the GTO, President Clinton asked Treasury to look for ways to translate into a permanent solution the benefits realized through this interim measure. The rules announced today seek to achieve this goal.

Registration of Money Services Businesses (MSBs)

The most fundamental of these proposals is to implement the Congressional mandate to register "money transmitting businesses" generally, which includes money transmitters or remitters, money order issuers and sellers, travelers check issuers and sellers, retail currency exchangers, and check cashers. Treasury has redefined this class of businesses as money services businesses ("MSBs") to avoid confusion between the terms money transmitting business and money transmitter, and has drafted the registration proposal in a way that strikes an appropriate balance between law enforcement's need for accurate information about the owners and locations of MSBs against the concern that small businesses be spared of unnecessary and intrusive regulation.

Suspicious Transaction Reporting by MSBs

The second proposed regulation would extend the suspicious activity reporting requirements -- already in place with respect to banks -- to money transmitters and issuers, sellers and redemers of traveler's checks or money orders. Because customers of these institutions do not maintain

account relationships, it is more difficult for these entities to know their customers well enough to spot suspicious transactions. To address this potential problem, the proposed rule provides guidance by listing specific indicia of suspicious transactions gleaned from money laundering investigations.

Lowered Threshold for Currency Transaction Reporting By Money Transmitters

The final proposed regulation essentially makes the New York GTO apply nation-wide and on a permanent basis. Under the proposed rule, money transmitters would be required to report currency transactions of \$750 or more that involve the transmission of funds to any person outside the United States. The rule also requires the remitters to verify the identity of the person sending the funds. Treasury does not believe that this rule will unduly burden legitimate business; the vast majority of legitimate remittances are between \$200 and \$500.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.
May 19, 1997

SECRETARY OF THE TREASURY

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

Dear Mr. President:

Last year, the Treasury-led El Dorado Task Force developed evidence that certain New York-area money transmitters and their agents were engaged in a scheme to move drug money to Colombia by breaking up large cash transactions to avoid the reporting and record-keeping requirements of the Bank Secrecy Act. The evidence demonstrated that, in total, the transmitters had sent approximately \$800 million to Colombia.

In response to this information, Under Secretary of the Treasury for Enforcement Raymond W. Kelly issued a "Geographic Targeting Order" or "GTO" pursuant to a provision of the Bank Secrecy Act that allows the Treasury to require financial institutions in a geographic area to comply with special reporting and record-keeping obligations. The GTO in question required the designated money transmitters and their agents to report information about the senders and recipients of all cash-purchased transmissions to Colombia of \$750 or more.

The GTO was extremely successful, causing an immediate and dramatic reduction in the flow of suspected narcotics proceeds to Colombia through New York City money transmitters. The volume of cash transmissions to Colombia among the targeted transmitters dropped by approximately 30 percent. Several stopped transmitting funds to Colombia entirely. In addition, the U.S. Customs Service seized over \$50 million as money launderers were forced to resort to risky cash smuggling through airports and other means.

Given this success, and the priority you have assigned to combating drug trafficking and related crimes, I decided to extend the special reporting and record-keeping requirements of the GTO so that they would apply nationally and on a permanent basis. To this end, and in order to take the necessary complementary steps to apply the Bank Secrecy Act more effectively in this area, I am transmitting to you three Notices of Proposed Rulemaking which will be published later this week in *The Federal Register*. The three proposed rules will change the treatment of money transmitters and other so-called "money services businesses" (such as check cashers, retail currency exchanges and those engaged in the money order and traveler's check business) under the Bank Secrecy Act. In so doing, these rules put into place the lessons we learned from the work of El Dorado and the success of the GTO.

The first of the new regulations requires approximately 25,000 qualifying money services businesses to register with the Treasury Department's Financial Crimes Enforcement Network (FinCEN) as mandated by the Money Laundering Suppression Act of 1994. Although there are a

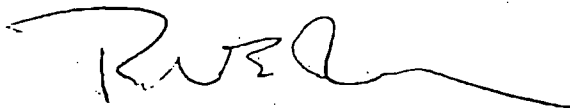
large number of money services businesses, the rules contain terms intended to minimize the impact of registration on small businesses that serve as agents for larger businesses, e.g. Western Union.

A second regulation will extend the suspicious activity reporting requirements -- already in place with respect to banks -- to money transmitters, and issuers, sellers and redeemers of traveler's checks or money orders. Because customers of these institutions do not maintain account relationships, it is more difficult for the institutions to "know their customers" well enough to spot suspicious transactions. To address this potential problem, the proposed rule provides guidance by listing specific indicia of suspicious transactions.

The final regulation makes the \$750 reporting requirement of the New York GTO applicable to money transmitters nationwide, and on a permanent basis. Under the proposed rule, money transmitters must report currency transactions of \$750 or more that involve the transmission of funds to any person outside the United States. Previously, only transactions of \$10,000 or more had to be reported. The new rule also requires the transmitters to verify the identity of the person sending the funds. We do not believe that this rule will unduly burden legitimate business; the vast majority of legitimate remittances are between \$200 and \$500.

The overwhelming majority of the businesses affected by these new rules are engaged in legitimate and valuable commercial activity. Indeed, the industry has been extremely supportive of our work. The rules are intended only to make life difficult for the money launderers and their accomplices, and to prevent the manipulation of honest businesses by criminal enterprises.

Sincerely,



Robert E. Rubin



OFFICE OF THE VICE PRESIDENT
WASHINGTON

May 20, 1997

The Honorable Wayne Gilchrest
United States House of Representatives
Washington, D.C. 20515-2001

Dear Representative Gilchrest:

I am writing to thank you for your support of H.R. 408, the "International Dolphin Conservation Program Act." As you know, the Administration strongly supports this legislation, which is essential to the protection of dolphins and other marine life in the Eastern Tropical Pacific.

In recent years, dolphin mortality in the Eastern Tropical Pacific tuna fishery has been reduced far below historic levels. The bill will codify an international agreement to lock these gains in place, further reduce dolphin mortality and protect other marine life in the region. This agreement was signed in 1995 by the United States and 11 other nations, but will not take effect unless the Congress acts on H.R. 408.

This legislation is supported by major environmental groups including Greenpeace, the World Wildlife Fund, the National Wildlife Federation, the Center for Marine Conservation, and the Environmental Defense Fund. The legislation also is supported by the U.S. fishing industry.

I am hopeful that this important legislation will be passed by the full House when it comes to the floor this week. Again, thank you for your support of H.R. 408.

Sincerely,

Al Gore

AG/pgu

Talking Points on Babbitt's Park Reservation Proposal

(On NBC's Today Show and on NPR's All Things Considered, Secretary Babbitt mentioned that the National Park System may move to a reservation system as early next year in certain popular National Parks, especially Yosemite.)

- o Several of the large, popular National Parks suffer severe overcrowding on summer holiday weekends, especially Yosemite National Park in California.
- o As early as next year, Yosemite may institute a reservation system for the Memorial Day and 4th of July Weekends in order to control traffic jams. The Secretary said that this will help families avoid driving long distances only to find that the park has been closed due to excessive traffic.
- o During the next five years, the Park Service will begin to roll out solutions to overcrowding by implementing light rail and bus transportation into the Parks from gateway communities. The Secretary has stated that the problem in the Parks is not too many people but too many cars.
- o These kinds of measures must be taken in order to preserve the Parks for future generations and to insure that American public has a positive Park experience. Why come to a park for its natural beauty and natural setting only to get caught in massive traffic jams?
- o These measures are consistent with the President's Parks for Tomorrow initiative announced on Earth Day 1996 and will complement other efforts to improve Park infrastructure, noise levels, excessive air and ground traffic and in general, to enhance the National Park System for the American public.

5.19.97

Press Guidance
May 19, 1997

GREEN BAY PACKERS EVENT

Tomorrow at 4:45pm on the South Portico of the White House, President Clinton will honor the 1997 Super Bowl Champion Green Bay Packers.

SEQUENCE:

POTUS

Robert Harlan, President and CEO, Green Bay Packers

Mike Holmgren, Head Coach, Green Bay Packers

Brett Favre and Reggie White present POTUS with jacket.

Q: What does the President think about All-Pro Tight End Mark Chumura's decision not to come to the White House?

A: The President has been looking forward to honoring the Green Bay Packers for their outstanding '97 season and it is obviously up to each team member as to whether they choose to participate in this annual White House event.

REVISED

THE WHITE HOUSE

WASHINGTON

May 19, 1997

EVENT WITH SUPER BOWL XXXI CHAMPION GREEN BAY PACKERS

DATE: May 20, 1997
LOCATION: South Lawn
TIME: 4:45 pm
FROM: Maria Echaveste
Danny Wexler

I. PURPOSE

To congratulate the 1996 NFL Champion Green Bay Packers.

II. BACKGROUND

The Green Bay Packers reclaimed the trophy named for their former head coach by beating the New England Patriots 35 -21. Twenty-nine years after their most recent championship, Lombardi's team once more has Lombardi's trophy. Green Bay broke records on offense, defense and special teams. Desmond Howard returned a kickoff 99 yards for a key third quarter touchdown, quarterback Brett Favre threw two touchdown passes including a record 81-yarder to Antonio Freeman and Reggie White collected a record three sacks. The Packers captured their 12th NFL championship and their first since Super Bowl II in 1968.

Much of the Packers success is attributed to General Manager Ron Wolf and Head Coach Mike Holmgren. The two joined forces in 1992 and have achieved great success. Their record includes: five consecutive winning seasons, four consecutive playoff berths, back-to-back NFC Central Division championships and a spot in Super Bowl XXXI, the first in 29 years.

One of the best stories of this season is the success of Desmond Howard, who recently signed with the Oakland Raiders and will not attend the event. Early in his career, he was recruited by Michigan as a running back, switched to wide receiver and won the Heisman Trophy in 1991. The Packers signed Howard as an unrestricted free agent just a few days before the start of the 1996 training camp, then nearly cut him at the end of the preseason because he was limited due to a hip injury.

After this year, however, Howard has secured his position in the NFL. In the Super Bowl, he returned four kickoffs for 154 yards and six punts for 90 yards, and a Super Bowl record of 244 yards in kick returns. Late in the third quarter his 99 yard kick-off return clinched victory for the Packers and won him the Most Valuable Player trophy. That return was the longest in an NFL playoff game and the longest in Super Bowl history.

Another critical player was Packers quarterback, Brett Favre. In addition to the bomb to Antonio Freeman, he hit Andre Rison for 54 yards. In total he completed 14 of 27 passes for a total of 246 yards. Favre earned his second NFL MVP award this season.

Packer Defensive End, Reggie White has been an active participant in the Inner City Church in Knoxville, Tennessee, where he has served as an Assistant Pastor. The Inner City Church was the subject of a fire on January 8, 1996. The investigation is continuing.

Like many other victims of church fires, Reggie White has had a strong emotional reaction to the Inner City fire. As an outgrowth of that reaction, he began to speak out on the issue of church burnings, particularly with reference to the plight of Inner City. He has at times been openly critical of the Federal government's efforts to respond to the fire at his church, and to church fires in general. Jim Johnson, Assistant Secretary for Enforcement at Treasury has offered to meet with Reggie White after the event today to provide a briefing on the ongoing efforts of the Federal Government. As of this morning, however, Mr. White had not accepted the invitation.

During the ceremony, the Packers will present you with a replica of the Vince Lombardi trophy and a jacket.

III. PARTICIPANTS

Pre-Brief Participants

Danny Wexler
Setti Warren
Laura Capps

Event Participants

To be provided by Social Office

IV. PRESS PLAN

Open Press

V. SEQUENCE

To be provided by Social Office.

VI. REMARKS

To be provided by speech writing.

DEMOCRATIC REPUBLIC OF THE CONGO (EX-ZAIRE)

Q: What is the situation like in Kinshasa?

A: The situation is returning to normal. Traffic is resuming. The international airport is closed except to the Alliance. The Brazzaville ferry remains closed. There are still some sporadic incidents of gunfire although the Alliance has established effective control of the city.

We continue to advise Americans to limit movements and remain at home until the situation returns to normal.

Q: (If announced): What is your reaction to Kabila's new government?

A: We understand that the new government will be announced at 8 p.m. local time on May 20.

Q: Who has Ambassador Simpson met with today?

A: Ambassador Simpson continues to meet with the political spectrum in Kinshasa, including senior ADFL officials and other political leaders.

Q: Has he scheduled a meeting with Kabila?

A: Kabila remains in Lubumbashi as of the morning of May 20.

Ambassador Simpson remains in regular telephone contact with him.

Q: Has Kabila talked to Tshisekedi?

A: We understand Alliance representatives and representatives of Tshisekedi have made contact in Kinshasa. We do not know if the two political leaders have been in contact.

Q: Where is Mobutu?

A: We understand President Mobutu is in Togo.

Q: Do you agree with Kabila's representatives that Mobutu should stand trial before an international tribunal for abuses perpetrated during his regime?

A: This is a matter for the Congolese People to decide.

Q: When do you think elections should be held?

A: We strongly support the resumption of the democratic process in Congo. Progress in such reforms will be important to our relations with the new government.

Since the new government is just getting established, we cannot give a specific time frame for elections. However, we have continually urged that elections occur.

Q: Are you going to send our Embassy employees back to Kinshasa?

A: We are still evaluating the security situation, but we expect to do so.

Q: Are you going to pull U.S. troops out of Brazzaville?

A: We would refer you to the Defense Department for details of deployment, but clearly the need for evacuation has diminished now that the transfer of power in Kinshasa has occurred.

Q: Is the U.S. sending a team to meet with Kabila? If so, what is the purpose of the team's trip?

A: We have had contacts with the Alliance since October and are in regular touch with ADFL representatives.

Soon after the new government is installed, we will want to discuss a range of issues, including democratic and economic reforms, election preparation, human rights and public accountability.

We are looking at a number of options for engaging the new government on these topics.

(IF ASKED)

While the changeover in Kinshasa has been relatively non-violent, we learned yesterday that one of the Embassy's foreign service national employees was killed over the weekend

Kabinda Tshanyina, an Embassy expediter, was shot during a carjacking on May 19 and later died of his injuries.

The incident appears to have been a random act of violence, unrelated to Mr. Tshanyina's links to the Embassy.

Wish to express the U.S. Government's deep regret at the death of a valued U.S. Government employee and to extend our sincerest condolences to Mr. Tshanyina's family and friends.

NATO-RUSSIA DRAFT ACCORD

Q: Does NATO-Russia Founding Act require parliamentary/legislative approval:

A: As stated in the Preamble of the Founding Act, this document reflects an "enduring political commitment" by the signatories." Nowhere in the text is there discussion of what internal processes for approval (of the Act) will be used by individual states.

How or if the Founding Act is presented to the Duma is entirely for President Yeltsin and the Russian Government to decide.

(N.B. This is not/not a treaty and thus will not/not be presented for ratification to the Senate.)

We do not expect any attempts to change the text of the Founding Act, but in any event, that is not an action which could be taken unilaterally (by any state).

- On the Founding Act, it has not yet been released because work is still ongoing in conforming the texts from English into French (the other official NATO language) and Russian. This is a technical process which we expect to be completed before the end of the week.
- From the beginning of this Administration, President Clinton set as a key foreign policy goal the achievement of a peaceful, stable, undivided and democratic Europe.
- In March in Helsinki, Presidents Clinton and Yeltsin discussed the future of European security. They agreed on the importance of building a cooperative relationship between NATO and Russia.
- Wednesday in Moscow, NATO Secretary General Solana and Russian Foreign Minister Primakov reached agreement on the text of a NATO-Russia document, called the NATO-Russia Founding Act.
- The Act provides the basis for an enduring partnership between NATO and Russia, a partnership giving Russia a historic chance to secure its rightful place in Europe.
- The Act defines the terms of a fundamentally new and sustained relationship -- in which NATO and Russia will consult and coordinate regularly and, where appropriate, act jointly -- as NATO and Russia are working together in Bosnia today.
- We applaud the hard work of Mr. Solana and Mr. Primakov, and of many others. The NATO-Russia relationship is a key element of the security architecture that we are building for Europe for the 21st century.
- Its new relationship with Russia is part of NATO's effort, in the aftermath of the Cold War, to adapt to new circumstances and meet new challenges.

- NATO remains the bedrock of Euro-Atlantic security and will retain all of its prerogatives.
- In just a few weeks, NATO will invite the first new members to join the Alliance, as full members with all rights and responsibilities of membership.
- Enlargement will extend the benefits of the stability and security that Western Europe has enjoyed for decades to Central and Eastern Europe.
- Some doubted we could proceed with enlargement and a new relationship with Russia in parallel. But through steady, consistent leadership, the United States, in a truly bipartisan fashion, is in fact building a better Europe, without lines, without gray zones, without secret deals, but with hope and confidence.

CHINA -- MFN

WHY CONTINUATION OF NORMAL TRADE STATUS IS IN THE NATIONAL INTEREST OF THE UNITED STATES:

- **ENGAGEMENT:** US interests are best served by a secure, stable, open and prosperous China. The manner in which we engage China will help determine whether it becomes integrated into international norms and institutions or whether it becomes more isolated and unpredictable. This vote must be about how best to promote U.S. interests--not an endorsement of China's policies. Extending for China the same normal trade treatment we give to virtually every nation on earth will help further integrate China--and promote the interests of the American people.
- **INTERNATIONAL COOPERATION:** China's adherence to international norms is fundamental to advancing the interests of the American people. On nonproliferation, China has joined us in the NPT, CTBT, and CWC regimes. China is a constructive contributor to maintaining stability on the Korean peninsula and bringing North Korea into peace talks. We have a strong bilateral program to combat alien smuggling, narcotics trafficking and terrorism. Negotiations on China's adherence to WTO norms and standards is moving forward, building on past trade successes such as last year's intellectual property agreement. MFN extension supports our efforts to subject China to the same international discipline as other major powers and builds on cooperation in important areas.
- **HONG KONG:** Hong Kong is the gateway of trade between the US and China. Revocation of MFN would seriously weaken the people of Hong Kong just when they need to assert their strength and autonomy. The Hong Kong Government estimates that revocation would: slash trade by \$20-\$30 billion, eliminate 60,000-85,000 jobs, cut economic growth by well over 50% and reduce income by \$4 billion. That's why Hong Kong leaders across the political spectrum, including Democratic Party Hong Kong leader Martin Lee and Governor Patten favor renewal of MFN.
- **JOBS:** Today an estimated 170,000 U.S. jobs depend on exports to China. U.S. exports to China have more than tripled over the past decade and China is now our fifth largest trading partner, accounting for \$12 billion of U.S. exports. Revocation would derail the talks on China's entry into the World Trade Organization, under which China would reduce its trade barriers substantially, creating new export opportunities for U.S. companies and workers. Revocation would also hurt U.S. consumers, who could pay at least \$590 million more in a single year because of higher tariffs on such products as shoes and clothing.
- **HUMAN RIGHTS:** The Administration has consistently pressed its human rights concerns with China, including most recently in Geneva at the UN Human Rights Committee. Over time normal trade and continued economic engagement opens up Chinese society. Every year, thousands of Chinese employees of U.S. companies visit this country, gaining exposure to our politics, economy and personal freedoms. Revoking normal trade status will diminish these growing ties and play into the hands of those in China who want less openness.

- **RELIGIOUS FREEDOM:** Revocation would also set back the cause of winning religious freedom in China. This is the view of the China Service Coordinating Office, an organization serving more than one hundred Christian organizations in China. They fear the following effects: doors will be closed for service through educational, cultural and other exchanges; revocation would undermine Hong Kong and Taiwan, hurting their Christian outreach to the mainland
- **TAIWAN:** Revocation would damage Taiwan's economy. It is heavily dependent on U.S.-China trade, with \$20-30 billion invested in the mainland. Taiwan's economic viability is in the interest of the American people.

CIA

Openness/Guatemala Issue

- **We would note that CIA has taken extraordinary steps toward openness over the past five years.**
- **The Agency, for the first time, is about to release to the public volumes of documents relating to a covert action, the 1954 coup in Guatemala.**
- **We are confident that CIA will continue to release documents of historical interest, consistent with the protection of sources and methods, but understand that such a process necessarily takes time.**

Budget/Suit

- **The President has previously endorsed the public disclosure of the aggregate appropriation for intelligence and intelligence-related activities of the United States at the time the appropriations are passed by Congress.**
- **Former DCI Deutch, in testimony to the Congress, agreed. The administration would support such a provision in the intelligence authorization act.**

ENCRYPTION

Re Sun Microsystems plan to sell encryption software developed in Russia

- We are reviewing our regulatory posture with Sun to ensure that their arrangement with the Russian encryption company is in compliance with US export controls.

[FYI ONLY: We have three licenses issued to Sun which we are looking at to determine whether there is any restriction that might be available re Sun's transfer of information or participation in the marketing of this product. We need a legal review to see where we stand before making this fact public. The above point simply alludes to the fact that a review (further unspecified) is underway. END FYI]

- With respect to the product itself, we have not evaluated it and are not in a position to comment on its nature, e.g., whether it includes key recovery, or its strength.

[FYI ONLY: This is an allusion to the fact that a number of foreign products claim to be more than they are in terms of encryption power and security. We also do not know whether the product contains some form of key recovery, but we do know that Sun had permission from the license to transfer key recovery. END FYI]

- That said, we continue to maintain that key recovery is an essential element of encryption as it relates to electronic commerce and secure public networks. Key recovery is necessary to allow business to have independent access to its own information to protect proprietary data from inadvertent loss or theft. Key recovery is also essential for public safety to prevent the use of encryption to conceal illegal acts.

NATO -- SOUTHERN FLANK

Q: Any reaction to the Drozdiak piece in the WP about instability on the southern flank of NATO?

A: We agree that the southern flank of NATO has emerged as one of the greatest sources of potential instability in the wake of the end of the Cold War.

Bosnia is the prime example of this. It is also the prime example of how NATO can act effectively in the region to restore stability.

We believe that the NATO involvement in Bosnia will serve as a deterrent to aggression elsewhere in the region.

At the same time, we need to assure that NATO retains its active presence, including the U.S. Sixth Fleet based at Naples.

Q: (If asked) Is the instability in the southern region a key factor in the desire of the U.S. to retain command of AFSOUTH headquarters in Naples?

A: Yes, we believe the potential instability in the region, its great strategic importance, and the preponderance of U.S. forces in the Mediterranean strongly dictate in favor of retention of command of AFSOUTH.

A: At the same time, we welcome increased European participation in AFSOUTH and throughout the NATO command structure to provide for greater burdensharing consistent with the maintenance of overall security in Europe.

QUADRENNIAL DEFENSE REVIEW (QDR)

QDR

- As the QDR entered its final stages, the President was briefed twice by Secretary Cohen and General Shalikashvili on its conceptual underpinnings and principal force structure and programmatic recommendations. *Although there are a lot of details to the QDR report -- and the President has not gone over them line-by-line -- he was briefed on and approved the basic elements of the report.*
- The NSC staff and OMB participated as observers at a senior level throughout the review and will remain involved in QDR-related follow-up as it pertains to budgetary issues and as revised program plans for FY-99 and onward are developed.
- Urge Congress to work closely with the Administration in using the QDR as the first step on the road to shaping the U.S. military to respond to the diverse challenges of the twenty-first century. As Secretary Cohen said last week, this is an evolutionary process -- a process that involves making hard choices.

BRAC:

Why are we closing more bases, particularly as the 1995 Commission on Roles and Missions recommended a six-year hiatus in base closures?

- The Joint Chiefs have strongly urged that we close more excess base infrastructure. Since the end of the Cold War we have decreased our active force by 33 percent. The reduction in domestic base infrastructure has been only 21 percent. After completing the force structure reductions under the QDR, the force will have decreased by 36 percent.
- As these figures demonstrate, it is clear that DoD is spending an increasing percentage of its funds on overhead -- funds that can be used to modernize the force, to replace aging Cold War era equipment and to develop future systems.
- **Across the Federal government we are restructuring to achieve greater efficiencies and savings -- and the Department of Defense cannot be exempt. The President has said that he is supportive of the QDR decisions and we will work with Congress to fashion appropriate legislation to guide future BRAC rounds so as to bring our base structure more in line with our force structure.**

How can the President propose more closures when he "saved McClellan and Kelly?"

- The 1995 BRAC decision was a particularly difficult one for the President. Only after receiving written assurances from Alan Dixon, the BRAC Commission Chairman, that the Commission intended to provide DoD the flexibility to privatize at Kelly and McClellan, did the President agree to forward the BRAC recommendations to Congress.

- Congress approved the 1995 BRAC recommendations the President sent forward. Included with those recommendations was the intention to implement a privatization plan for Kelly and McClellan Air Force Bases.
- The President wrote to Alan Dixon that he would accept the Commission's recommendations "because of the overwhelming national security interest in reducing our base structure in line with the personnel reductions that have already taken place...." He also said that his acceptance of the recommendations was based on the understanding that DoD would "implement a privatization plan for McClellan Air Force Base (AFB), in Sacramento, California, and Kelly AFB in San Antonio, Texas, that reduces the economic impact on these communities and avoids unacceptable disruption of Air Force readiness...." [Many in Congress continue to criticize the President for the decision to privatize activities at the Kelly and McClellan AFB depots.]

National Guard:

Doesn't the QDR's plan to cut the Army National Guard violate the President's previous assurances to support the Guard and further integrate it into our "Total Force"?

- The President and this Administration remain committed to a strong partnership between our Active and Reserve military components. As Governor of Arkansas and President of the United States, President Clinton has seen first hand the unparalleled contributions our citizen soldiers make to our national security and the safety of our citizens at home.
- The President has pledged that he would "not let the Guard become a backup force of last resort" -- and he won't. In fact, under this Administration the Reserve Components have become an even larger percentage of our total military force.
- The QDR, even though it cuts the Army Reserve and the Army National Guard, actually strengthens the National Guard by accelerating Guard conversion and modernization programs and outlining wartime missions for the National Guard.
- Guard and Reserve forces provide trained units and individuals to fight in wartime and to support the wide range of peacetime operations. No major operation can be successful without them and the Army Guard's Enhanced Separate Brigades are written into theater war plans.
- Having said that, the need for as large a strategic reserve as we had during the Cold War has declined. This was demonstrated as recently as last week, when NATO and Russia agreed on the text of the "Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation." In the preamble to that document both sides agree that NATO and Russia do not consider one another adversaries and cite the sweeping transformations in NATO and Russia that make possible this new relationship.
- When the QDR reductions are completed, the Army Reserve and National Guard combined will have been reduced 32 percent from Cold War levels -- as compared with a 38 percent reduction in the Active Army.

Modernization:

Isn't the seriousness of the QDR process called into question by the decision to retain three expensive tactical fighter programs (F-22, Joint Strike Fighter, F/A-18E/F)?

- The QDR assessed alternatives for all three programs from the standpoint of both warfighting risk and acquisition cost. Although the total number of planned aircraft were reduced, and the procurement pace was revised, the QDR concluded that it would not be prudent to terminate any of the programs given the warfighting risk of such a decision and the significant adverse impact it would have on technology development and the defense industrial base.

If we are to retain an ability to fight two regional wars, don't we need more B-2 bombers, particularly in light of the planned QDR force structure reductions?

- The QDR examined various options for adding additional B-2s to the 21 planned aircraft. The arguments against additional B-2s, particularly the large unprogrammed expenses in the FYDP (\$2.4 - \$14.3 billion) and the long gap between the retirement of the offset aircraft and the delivery of the extra B-2s, outweigh arguments in favor of extra B-2s. Further, the retirement of Navy and Air Force fighter aircraft, for instance, would limit our ability to conduct our national security strategy of overseas engagement.

Strategy:

Aren't we exaggerating or inflating the threat by maintaining a requirement to prepare to fight two major regional wars nearly simultaneously -- as expressed in the President's 1997 National Security Strategy and the QDR?

- The 1997 National Security Strategy makes a clear case that as long as countries like Iraq and North Korea remain capable of threatening vital U.S. interests, a two war requirement is prudent.
- Maintaining such a capability should deter adventurism elsewhere if we are heavily engaged in one theater and provide a hedge against the possibility that we might encounter larger or more difficult than expected threats.
- A strategy for deterring and defeating aggression in two theaters ensures we maintain the flexibility to meet unknown future threats while our continued global engagement helps preclude such threats from developing.

Wasn't the QDR really budget-based, rather than strategy-based?

- An updated defense strategy was formulated as the first step of the QDR and provided the conceptual foundation for the rest of the review. Subsequent QDR decisions flowed from the strategy. [The QDR was developed in parallel with and draws on the President's 1997 National Security Strategy Report, which was released May 15.]
- Having said that, there were fiscal constraints that guided the process. Efforts to reduce the deficit and balance the budget by 2002 clearly suggest that there are limits to the amount of funds available for future weapons procurement. Thus, the QDR sought to try and restructure DoD and free-up funds for modernization -- while operating within the President's budget figures.

MIDDLE EAST PEACE PROCESS

Q: Has the Peace Process broken down? Is Dennis Ross a spent force? Are you going to become personally engaged in negotiations?

A: No doubt it's a tough time in the Peace Process. Dennis Ross has just returned from the region after brokering first meeting between the parties in some time. Shows that he's a tough, determined negotiator; no doubt he's the right man for the job.

We're going to remain actively engaged in the process, looking for opportunities to move it forward. Progress seldom made through grand gestures, but through hard work with the parties.

Ultimately, decisions about moving the process forward up to the parties themselves. We can facilitate, provide opportunities, reassurance; they have to make the decisions.

Q: Some commentators have accused the Administration of not taking on the responsibility it should to save the Middle East peace process, even if that means putting some pressure on Israel to compromise. What are you doing?

A: At a time when the peace process is experiencing serious difficulties, there is a temptation to look for quick fixes or easy answers to explain the lack of progress.

That's not our approach. President Clinton has made it clear since the beginning of his Administration that he is committed to helping the parties to make peace after five decades of war and violence.

The President and Secretary Albright and are in regular and constant contact with Arab and Israeli leaders in order to do everything we can to get the negotiations back on track. The talks we have had over the past two months, including two meetings with Prime Minister Netanyahu, have been for the purpose of developing an approach which will move the process closer to our goal of a comprehensive peace.

For these efforts to succeed, two things are necessary: Zero tolerance for terror, including a 100% effort to prevent it, and a readiness by both sides to take steps that build confidence in the integrity of the negotiating process.

We understand the urgency of moving ahead, but we're not going to be rushed. We need to make sure that both sides are ready to take the steps necessary for credible negotiations.

SAUDI ARABIA

Bin Ladin

- His message and his methods are reprehensible.
- The U.S. has military forces in the Persian Gulf to protect its vital interests.
- Host governments, including the Saudi leadership, share these interests and are our valuable allies.
- Terrorist threats are not going to force us to abandon our interests or our friends in the region.
- In the meantime, we are taking every step to protect our forces in the area from terrorist attack. Our units in Saudi Arabia are already on high alert.

Khobar Bombing

Q: Is the suspect in Canada being interviewed? Is he cooperating with the U.S.? Is he coming to the U.S., etc.?

A: This is an ongoing criminal investigation.

It would be inappropriate for us to comment on such details.

I refer you to the Justice Department."

Q: Are we getting cooperation from Syria on the Khobar bombing investigation?

A: The investigation into the Khobar bombing is ongoing. We do not comment on investigations in progress.

Regarding Syria, I'm not going to discuss the details of our diplomatic exchanges with other governments, particularly when they involve a matter under investigation.

Q: Are the Saudis helping? What have we learned from the suspect detained by Canada?

A: As I've said before, we have gotten cooperation from the Saudis and we've been assured at the highest levels of the Saudi Government that more cooperation will be forthcoming.

As has been reported, Canada has detained an individual who may have information about Khobar. I'd refer you to the FBI for any comment on that.

Q: But the Canadians charged this guy with participating in the bombing and the papers they filed indicate he has links to Syria and Iran. Do you concur with the Canadian assessment of his culpability? Does this mean we're going to finally take action against Iran? Will it be military action?

A: Canada did make some specific allegations in the papers the Canadian government filed with its own courts. As you know, we, too, have an investigation ongoing.

At this time in our own investigation, it is neither necessary nor appropriate to make specific public charges or allegations. The FBI, the agency in our government that is in charge of this investigation and the agency that has been working with Canada, will follow all leads and will take them to their appropriate conclusion.

We are treating this as a criminal, law enforcement investigation. I'm not going to speculate about the outcome of the investigation or any actions that outcome might require.

Q: So you're ruling out any military action against Iran based on the clear and convincing evidence Canada's authorities have submitted to their courts?

A: I'm declining to speculate on the outcome of the case. Nothing more, nothing less.

FAST TRACK

- Committed to getting fast track through the Congress.
- Will continue to work with Congress to pass fast track authority.
- High level Administration officials have been meeting with key members on both sides of the aisle to push this legislation forward.
- Hopeful that we will succeed.

Q: It has been reported that the President is planning to delay his request for fast track authority to accommodate the budget process. Is that true? Does this signal Administration retreat on fast track? Has Gephardt scared the President off?

A: Not at all. The President is still firmly committed to seeking fast track authority to open foreign markets. It is critical if we want to continue creating good jobs for American workers.

Every President since Ford has had fast track authority for key periods, and the reasons for it now are more compelling than ever. Over 11 million U.S. jobs now depend on exports, and these jobs pay 13-16 percent more than the average U.S. job. Today, 95 percent of the world's consumers live outside the U.S., and the vast majority of those consumers live in the emerging and fastest growing markets of Latin America and Asia. We simply must continue to open these markets for U.S. exports if we are to succeed in the global economy.

We cannot afford inaction. If we are not seizing opportunities to break down trade barriers and open foreign markets, we can be sure other countries will act -- to the benefit of their companies and their workers.

The United States has nothing to fear. We are the most competitive large economy in the world as judged by independent experts. But our ability to define the nature of our trade relationships will in significant measure determine our leadership role in the next century. Fast track authority is the most important factor determining these relationships.

As you know, we have been consulting with Congress to develop bipartisan support for this legislation. We think that is the best way to build a strong foundation for this effort. We will continue to consult with Congress as to the substance, tactics and timing of the fast track initiative.

Q: It has been reported that the Administration is weighing the dropping of labor and environmental goals from fast track trade authority legislation, a move certain to infuriate labor unions. Is this true?

A: As we have stated before, our goal is to build the broadest possible support for the fast track legislation. To that end, Ambassador Barshefsky and others have been consulting actively with members of Congress representing all points of view on this subject, and with all interested parties, including organized labor. We will continue to do so with the goal of enacting legislation that receives broad support.

OECD ANTI-CORRUPTION DEBATE

Background: Talks continue on whether to proceed to criminalization of foreign commercial bribery through an OECD Recommendation for national legislation or via further negotiation of an OECD Convention. France, Germany, Japan and Spain have blocked consensus by insisting on negotiation of an OECD Convention.

A possible compromise would provide for national legislation based on agreed common elements to be submitted to legislatures by Autumn 1998, while OECD members seek to negotiate a convention by the Spring of 1998. If successful, the Convention would provide the basis for national legislation. **The key U.S. objective is prompt enactment of strong national legislation.**

France thus far has rejected the compromise proposal. Germany and Japan are considering it. Spain will not block consensus.

Q: What is the U.S. trying to achieve in the OECD on combatting bribery of foreign officials, and what are its prospects?

A: OECD Ministers meet on May 26 in Paris. Secretary Daley will lead our delegation. The United States and other members of the OECD seek prompt, effective action to put an end to foreign commercial bribery. The United States has criminal laws that prohibit bribery of foreign government officials, and, with U.S. leadership, the OECD has developed a set of common elements that should be included in national antibribery legislation.

The large majority of OECD members have agreed to an OECD recommendation to enact national criminal legislation, based on the common OECD elements, by the end of 1998. Only a few countries have refused to join the consensus, insisting on prior negotiation of an OECD convention.

U.S. experience demonstrates that a convention is not necessary to criminalize foreign bribery. **We should not delay national action in favor of more negotiations.**

ISRAEL

AID FOR JORDAN

Q: Can you confirm stories in the Israeli press that the U.S. plans to cut \$50 million in aid from Israel and Egypt, in order to give it to Jordan?

A: We don't have any specifics.

As you know we've been doing all we can to assist the parties to get the peace process get back on track. We are looking at ways we might assist those nations who are willing to take risks for peace.

For some time now, the President has been seeking ways to provide substantial assistance to Jordan. King Hussein has taken genuine risks for peace; he deserves support.

We are still examining ways we might do that. No final decisions. We've been in close consultation with the Israelis and others in the region about this.

GUN AND ISRAELI DIPLOMAT

Q: Do you have any comment on the Israeli diplomat bringing his gun to a White House tour?

A: No. I understand that matter is being handled in the normal law enforcement and diplomatic channels.

ISRAELI AGENT

If asked about press reports accusing U.S. Government official of being an Israeli agent:

- As a matter of practice we do not comment on intelligence matters.

If pressed:

- We do not comment on intelligence matters.

Q: Have you been in touch with the Israeli Government about this matter?

A: This is an intelligence matter; I'm not going to comment on any aspect of it.

RUSSIA/NIS

Current

NATO-Russia Agreement (see also NATO-Russia, above)

- NATO and Russia announced they reached agreement -- on final draft of document defining terms of new partnership between NATO and Russia.
- Summit of NATO heads of state and government and Russian president Yeltsin to be held May 27 in Paris -- to sign Founding Act.

NATO-Russia

- Plans for NATO enlargement proceeding on schedule -- Madrid summit on track; will issue first invitations to prospective new members at July 8-9 meeting.
- Enlargement part of broader effort to build comprehensive European security system, which includes strong NATO-Russia relationship. Going forward in way that does not threaten any nation's security, enhances stability in Europe.

In Helsinki, President and Yeltsin disagreed over enlargement but agreed to work together to build cooperative NATO-Russia relationship.

- See Russia as partner of NATO in shaping more secure, stable and undivided Europe. That is good for United States, Russia and Europe.

Denver Summit of the Eight

- Denver meeting will be Denver Summit of Eight; will build on increased Russian involvement; Yeltsin to arrive and depart with others; will be one press conference by leaders of the Eight.
- Seven will still discuss economic, financial matters; expect this to be small part of agenda.

Prospects for START II Ratification by Russian Duma

- At Helsinki summit, President Yeltsin made clear his firm commitment to press Duma to ratify START II -- without conditions.
- START II ratification in both U.S. and Russia's best interests -- provides for stabilizing reductions in strategic forces, reduced costs, and opens the door to negotiations on further reductions in "START III," as agreed in Helsinki.
- The ratification of START II by Russia remains an essential prerequisite to begin START III negotiations toward further reductions in nuclear forces.

TRIPS AND VISITORS

- President will travel to Netherlands May 28 for U.S.-EU Summit and Marshall Plan commemoration event. President has accepted invitation to stop in London to meet with Prime Minister Blair.
- President Kiro Gligorov of the Former Yugoslav Republic of Macedonia in Washington June 17 for working visit with the President.
- Denver Summit June 20-22.
- POTUS will travel to Denmark in July in conjunction with the July 8-9 NATO Summit in Madrid.
- President's visits to Brazil, Argentina and Venezuela rescheduled to October 12-17.
- APEC Summit in Vancouver, Canada November 24-25.

Visit of President Aliyev of Azerbaijan

Background: The President wrote Aliyev Friday, inviting him to visit Washington, "perhaps in late July or August." Amb Kauzlarich delivered the letter to Aliyev on Saturday, who promptly had the part regarding the invitation read to the Azeri press.

- POTUS has invited Aliyev to visit Washington; date TBD, possibly in the late summer.

BURMA

Q: Why did you wait so long to invoke Cohen-Feinstein sanctions?

A: We have been watching closely events in Burma to determine whether conditions of the law have been met.

As indicated in the President's [Secretary's] statement, the regime has perpetrated a range of abuses over the past seven months, which have had the cumulative effect of triggering the requirements of the Amendment.

Q: What would it take to lift the sanctions?

A: We would expect to see progress by the Burmese authorities on critical human rights and democracy issues, which include the lifting of restrictions on Aung San Suu Kyi and the political opposition, respecting the rights of free expression, assembly and association, and undertaking a dialogue on Burma's political future that includes leaders of the NLD and the ethnic minorities.

[Note: Lifting of the sanctions could be accomplished in a number of ways, including through a waiver provision in the law, which requires a Presidential determination that application of sanctions would be contrary to the national security interests of the United States.]

Q: What are Aung San Suu Kyi's views on sanctions?

A: We are reluctant to attempt to characterize Aung San Suu Kyi's position on sanctions; rather we would encourage you to refer to her many public statements on this issue.

Q: Why are sanctions appropriate for Burma but not for China?

A: Our values and goals in the area of human rights promotion are constant, but our approach from one country to another can and does vary based on our judgment on what may be effective.

In case of Burma, there is a stronger international consensus on the need to bring pressure to bear upon the government. For example, the European Union has imposed a visa ban and restricted trade preferences, and all members of the UN General Assembly and Human Rights Commission have joined consensus in resolutions critical of Rangoon. Thus, our action on Burma is part of a collective effort to pressure the regime, and may encourage other governments to take stronger actions. Moreover, given the relatively high degree of repression and state control over aspects of civic and economic life in Burma [i.e., greater than in China], a policy of engagement with Rangoon is less likely to bring about positive change over time.

BOSNIA

Train and Equip Program (NYT)

- The international Train and Equip program is successfully helping to establish a stable military balance in Bosnia, which is one of the keys to establishing a lasting peace in the region. The recently announced delivery order of 116 refurbished howitzers and 21 heavy equipment transporters from U.S. Army excess stocks to Bosnia is part of the ongoing program to meet the defense requirements of the Federation, as identified shortly after Dayton, and within the parameters of the Bosnia arms control agreements.
- The T&E program continues to facilitate concrete progress in the formation of joint Federation defense structures that will be critical to strengthening the Bosniak-Croat Federation. The latest step forward in this regard, announced in Sarajevo last week, are the agreements between Presidents Izetbegovic and Zubak on a joint Federation Military Strategy and on key commands.

Tudjman Letter

- The President and Croatian President Franjo Tudjman have exchanged letters on our overall bilateral relationship. In his response, the President reiterated our support in principle for Croatia's PFP membership while noting that there is a lot of work to be done together in implementing Dayton/Erdut agreements before we get there.

Problems with Dayton Implementation

- Implementation of Dayton and bringing long term peace and reconciliation to Bosnia remains a long term process and much work remains to be done. Nevertheless, we should not lose sight of how far we've come.
- Only 18 months ago, the bloodiest conflict in Europe since World War II continued to rage in Bosnia. Today, the market massacres, sniper alleys, and grim campaigns of ethnic cleansing are over; since Dayton, we have maintained a secure peace, separated and demobilized the former warring parties, held successful national elections, created new national institutions that are beginning to govern, and made real progress toward the difficult long term challenges of political reconciliation and economic reconstruction.
- More recently, the parties agreed on a new central bank and common currency. So we continue to see progress on a day-to-day basis but our work in Bosnia is not yet done.
- The Dayton process brought peace to Bosnia and remains the best hope for long-term stability and reconciliation. We continue to reexamine our implementation efforts and look for ways to more effectively bring about the conditions needed for a self-sustaining peace. But it is the Bosnian parties themselves who bear primary responsibility for fulfilling the vision of the Dayton Accords.

War Crimes Verdict

- We welcome the historic verdict by the International Criminal Tribunal convicting Dusan Tadic of crimes against humanity. There can be no peace without justice in Bosnia and this conviction is an important step toward that goal.
- With this conviction and the recent delivery of indicted war criminal Zlatko Aleksovski to the Hague, it is clear we are making slow progress on war crimes. We will not be satisfied, however, until all indicted war criminals stand trial at the Hague.

War Criminals

- We continue to remain deeply concerned with the slow progress on war crimes front in Bosnia. We continue to press the parties to fulfill their obligations to turn over indicted war criminals. We are also examining a variety of ways we can help the Tribunal to bring indicted war criminals to justice. We have made no decisions on how to assist the Tribunal. We are reviewing many different options.

If pressed about sending teams of special police or commandos to arrest war criminals:

- We have been examining several options to assist and enhance the ability of the Tribunal to bring indicted war criminals into custody. One option may be to establish some sort of capability to execute the court's arrest warrants. We are studying the feasibility of these options but have made no decisions yet.

Radovan Karadzic

- Karadzic was removed from office and remains banned from any public or political role as agreed by Republika Srpska. We continue to monitor the situation and will insist that Republika Srpska live up to their agreement. We remain concerned about his potential influence and will not be satisfied until he is brought to justice in the Hague.

Supplemental Amendment for Date Certain Withdrawal from Bosnia (passed by Senate)

- We strongly urge that this legislation not be further pursued. President's senior advisors would recommend a veto to the bill if an amendment is adopted that would mandate a date certain for withdrawal of U.S. forces from Bosnia — even a date of June 1998, when SFOR's mission is scheduled to end.
- An amendment requiring a withdrawal by a date certain — with no regard for the situation on the ground or prospects for self-sustaining peace — would seriously restrict the flexibility of our military commanders in completing their mission and jeopardize the secure environment needed for civilian implementation.

- We continue to believe SFOR's mission (18 months) should provide sufficient time to establish the conditions to maintain security and stability without an outside military presence. We have no desire or plan to extend the mission beyond mid-1998, but we should not set an arbitrary deadline that would call into question our commitment to implementation of the Dayton Accords, our reliability as a NATO ally, and our commitment to peace and stability in Europe.

SFOR Mission Duration

- We continue to believe that SFOR's mission should be completed in 18 months. 18 months should give sufficient extra time needed to establish conditions to maintain security and stability without an outside military presence.

NORTHERN IRELAND

IRA Approved Off-Duty Policeman's Murder?

- Do not have any official confirmation of this press report.
- Understood that different group, INLA, claimed responsibility for this brutal murder.

BRITISH ELECTION -NI RESULTS

Background: Clear that Gerry Adams has won back the West Belfast seat he lost to the SDLP in 1992. That was expected. The biggest news is that Sinn Fein strategist Martin McGuinness has won a seat too, defeating hard-line unionist and DUP candidate Willy McCrea in spite of splitting the nationalist vote with an SDLP candidate. It looks like the UUP (mainstream unionists) will either keep 9 seats or get 10.

- Important election in Northern Ireland, fought on completely different issues than in rest of UK.
- If asked reaction to SF seats: Hope party leaders will conclude that democracy works, offers only way forward to just and lasting settlement in Northern Ireland. Time to take gun out of Irish politics forever and get down to work.

PEARSON DEPORTATION .

Background: DOJ has decided to appeal the lower court's ruling that Brian Pearson is eligible to stay in the U.S. Pearson served time for an IRA bombing (of a military/ police barracks--no one injured) before coming to the U.S.

- This decision was made by the Department of Justice on legal grounds. Questions concerning the case should be referred to DOJ.
- If asked: This is a deportation case; our policy toward Northern Ireland was not at issue. That policy is clear --we strongly condemn IRA terrorism and will continue to support efforts to achieve a just and lasting peace in Northern Ireland.

MITCHELL RESIGNATION AS SAPASS FOR ECONOMIC INITIATIVES IN IRELAND

[Background: It has not been made public yet but Senator Mitchell has submitted a letter to POTUS resigning his position as Special Advisor to the President and Secretary of State for Economic Initiatives in Ireland -- a position he has held since late 1994. Ideally, we would prefer to announce it at same time his successor is named, which will take a few weeks.]

- Yes, Senator Mitchell has decided to give up position as Special Advisor to President and Secretary of State for Economic Initiatives in Northern Ireland. Will of course continue as chair of Belfast peace talks; in fact, understand his decision to resign the economic job based on need to devote his time to the talks.
- We are moving to select a successor to Senator Mitchell to oversee Administration support for economic initiatives. Creating jobs through investment and trade is key to underpinning Northern Ireland peace process over long term.

CONTINUED IRA VIOLENCE

- Strongly condemn continued IRA violence in Northern Ireland and in Britain, urge immediate, unequivocal cease-fire.
- Belfast peace talks (now in recess until June) have best chance of long-term success if they are inclusive (that is, if Sinn Fein participates) but that can only happen after IRA cease-fire.

ON WHETHER IRA NEEDS TO DISARM BEFORE JOINING TALKS

- U.S., like British and Irish governments, have accepted the report issued last year by Senator Mitchell and his colleagues, which suggested decommissioning of arms in parallel with talks.

GULF WAR ILLNESSES

What is your reaction to the findings in the Presidential Advisory Committee (PAC) interim letter report that (1) there was information even prior to the Gulf War raising cause for concern about chemical weapons storage at Khamisiyah; and (2) that there was “substantial mismanagement and lack of communication” between the military and intelligence community on this information?

- Important here at the outset to note that we are where we are today -- with all of the recent and continuing document releases -- because of the President's direction to get out all of the facts, and DOD and CIA's commitment to carry out that direction...
- DOD and CIA have already stated for the record that their handling of Khamisiyah-related information should have been better, and they are both committed to capturing the appropriate “lessons learned”...
- Moreover, both agencies currently have their IG staffs investigating the related issues, and their reports are expected this summer...

Why was there, in the PAC's words, “no serious [executive branch] effort to examine the possibility of chemical warfare agent exposure of U.S. troops at Khamisiyah until late 1995” when there were documents available raising this concern by December 1991?

- No question that the recently-released documents should have been identified and released much earlier; this figured prominently in the President's decision in JAN 97 to extend the PAC he established in MAY 95 in order to provide independent oversight of the ongoing process...
- These documents are being identified and released now in response to the President's direction to get out all of the facts...
- As to why these documents did not come to light earlier, the various ongoing IG and other investigations at DOD and CIA should help us to understand what happened...

The PAC found that there is no single entity integrating the data for a comprehensive assessment of the government-wide response to Khamisiyah; the PAC also questioned how individual accountability will be addressed. What is the White House view?

- First, the PAC's recommendation that a “presidential-level” entity to integrate intelligence community “lessons learned” is consistent with the Administration's commitment to take full advantage of the Gulf War experience to improve our preparedness and planning for future deployments -- this recommendation will be carefully considered when the President receives the PAC's interim letter report and the accompanying agency responses...
- DOD and CIA have asked former SEN Warren Rudman to advise both agencies on the GWI problem. SEN Rudman is well-qualified to undertake a review of all investigative findings, and his efforts will enhance our ability to integrate the intelligence “lessons learned”...
- With respect to accountability, our understanding is that there is no evidence to date of individual misconduct. If and when any such evidence comes to light, the DOD and CIA IG and other investigators tackling the many issues involved would document and refer that evidence to their respective agency heads as a matter of course...

The PAC believes that an EPA-type approach would be appropriate for the long-delayed Khamisiyah modeling effort and that veterans deserve to learn the results of a full-range of modeling scenarios (including worst-case events). What is your reaction?

- DOD and CIA recently formed a joint modeling team to take this work forward to conclusion as rapidly as possible, with the projected completion date of 21 JUL 97...
- The PAC's assessment that EPA-type modeling may be useful or even more appropriate will need to be evaluated by the joint DOD/CIA team...
- In terms of targeted notification letters, DOD has already sent out letters to those personnel within 50 kilometers of Khamisiyah, and will conduct additional notifications if necessary...
- Most important here is that the issue of notification has no bearing on the eligibility of veterans for physical examinations, health care, and compensation -- and DOD and VA have strongly encouraged all Gulf War veterans to take full advantage of the available programs...

Is DOD using the Privacy Act as a "shield" to block the PAC's "unfettered access" to the critical information they need?

- Our understanding is that earlier this year DOD lawyers noted Privacy Act legal concerns about certain information being provided to the PAC in response to their requests...
- We have confirmed that the Privacy Act does have application and have been informed that the required legal steps are being taken to obtain the consent of individuals providing information for release of that information to the PAC...

Is the PAC likely to be extended again given the many problems still remaining?

- The PAC has a critical role to play -- the White House is relying on the PAC's expertise and independent assessments to enhance program quality across the full spectrum of government activity related to Gulf War illnesses...
- Any discussion of extending the PAC would be premature at this juncture given the many initiatives currently underway and the amount of time remaining before the end of the initial extension period (31 OCT 97)...

What about the statement in the recent CIA white paper that the CIA briefed the NSC staff in JAN 96 on the Khamisiyah evidence?

- The CIA white paper (and one of the accompanying documents containing briefing slides) reflects the classified CIA brief the NSC staff received in JAN 96.
- During the briefing -- which focused on the CIA's declassification initiative and ongoing study of potential exposures -- the staff was told that information had come to light about the possibility of chemical munitions storage and agent release at the Khamisiyah facility. This was briefed as preliminary information, and the NSC staff noted at the close of the brief that CIA needed to pursue this possibility aggressively together with DOD.
- Subsequent CIA and DOD efforts to investigate this concern eventually led to the JUN 96 DOD announcement of Khamisiyah.

The intelligence community admits making mistakes in its handling of the Gulf War illnesses investigation, and the many recently-declassified documents clearly should have come out much sooner. With much of the related activity occurring during George Tenet's tenure at CIA, does the Director-designate retain the President's full confidence?

- Absolutely.
- The CIA has contributed a tremendous amount to our knowledge about chemical weapons in the Gulf War theater and specifically about exposure incidents that might be related to undiagnosed Gulf War illnesses.
- George Tenet is fully supportive of the President's commitment to get out all the facts, and has increased the level of resources devoted to the Gulf War illnesses problem when new information indicated the need to do so.

What has the Administration done for Gulf War veterans who are sick?

- Through the dedicated efforts of DOD and VA personnel, veterans are receiving the care they need for Gulf War illnesses, whether diagnosed or undiagnosed.
- Overall, to date -- (1) DOD & VA toll-free help lines; (2) 80,000+ free medical exams; (3) 26,000+ compensation claims approved; (4) special legislation paying disability for Gulf veterans with undiagnosed illnesses, with an extension of the presumptive period for undiagnosed illness compensation forthcoming soon; (5) thousands of pages declassified; and (6) 90+ federally-sponsored research projects completed or underway.