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Daily Press Guidance

**Friday
May 23, 1997**

For Internal Use Only

Press Guidance

Friday, May 23, 1997

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GUIDANCE ON DISASTER SUPPLEMENTAL
MAY 23, 1997

- * POTUS statement of May 22 attached
- * Wire stories from this morning attached.
- * OMB stuff on impact of delay attached. (Actually still pending)
- * Current status:

The House and Senate have passed separate bills, but there is no conference agreement yet. There was an effort before the non-recess recess to pass a "temporary" bill with \$1.5 billion (\$1 billion for disasters, \$500 million for peacekeeping), but the more extreme elements among Republicans in the Congress, especially in the House of Representatives, stood in the way.

- * Remaining issues:

Continuing Resolution

Census sampling

Roads through Federal lands

Law enforcement commission (A.G. veto threat)

Ukraine policy

-
- * **It's disappointing that the Congress allowed its more extreme Republican elements, particularly in the House of Representatives, to stop them from providing assistance to the hundreds of thousands of people in 33 States who are depending on their action.**
 - * (If asked) With regard to peacekeeping, we are working with the agencies involved to make sure we have money to meet our immediate needs. We think there are discretionary funds that will permit us to continue our work, but we're concerned that lack of action could undermine our efforts. (RUBIN CHECKING OUT THIS LANGUAGE.)

TOIV
Chow, Rubin

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

May 22, 1997

STATEMENT BY THE PRESIDENT

I urge the Congress not to leave for Memorial Day recess without sending me a clean, emergency supplemental bill that provides the disaster assistance upon which hundreds of thousands of Americans are depending. The people of 33 States are waiting for the Congress to act. In recent weeks we have witnessed extraordinary destruction in the Dakotas and Minnesota matched only by the courage with which residents of these States have faced their plight. The Congress owes it to them to pass a clean bill and send it to me for my signature.

-30-30-30-

Automatic Continuing Resolution Does Not Belong on Disaster Supplemental

Resulting Delay Will Impede Disaster Response Effort

While Federal agencies that provide immediate relief to disaster victims (FEMA, SBA, and other agencies) have resources available and are providing immediate assistance to disaster victims, many long term recovery and reconstruction efforts can not proceed until the Disaster Supplemental is signed into law.

A budget process issue such as the automatic continuing resolution contained in S. 672 does not belong in emergency disaster relief legislation. The House should not approve such a provision so that disaster relief is not delayed. Examples of Federal response efforts that would be delayed by the inclusion of this provision follow:

HUD: Community Development Block Grant

Unlike other Federal agencies such as FEMA, HUD does not currently have funds available to dedicate to the disaster recovery efforts. The Senate bill contains HUD disaster funding under the Community Development Block Grant (CDBG program). The House is urged to approve CDBG funding. Any delay in enacting the disaster supplemental would impede HUD's efforts to provide disaster recovery assistance. The delay would increase the uncertainty over the amount of assistance that will ultimately be provided and thus compound the difficulty in planning for disaster recovery. Affected communities would experience a comparable delay in receiving funding.

This delay would impact activities not funded through other Federal disaster assistance programs, in particular activities to address the needs of lower-income individuals. The \$500 million of CDBG funds contained in the House and Senate bills would be used to buy out properties as part of a relocation effort; and to provide grants or loans to businesses and families who lack the income, savings, or credit history to qualify for an SBA loan.

Department of Agriculture

Emergency Conservation Program

No funds remain in the program to restore farmlands to production after natural disasters. A list of eligible recipients is being developed, but no one is receiving assistance. The delay in funding means that farmland remains vulnerable to future floods (spring thaw) and less ready to be planted to cropland this year. Cropland will not be leveled, debris will not be removed from fields, pasture remains unfenced, and conservation structures remain in disrepair. As a result, the damages to farmers increase, as the planting delay reduces their farm income (later planting results in lower yields per acre).

Watershed and Flood Prevention

No funds remain for new projects, all funding has been committed to addressing earlier natural disasters. USDA offices are accepting applications from local sponsors, assessing damages, and making determinations. A list is being developed, but no one is receiving assistance. The effect of the delay is to increase the likelihood of increased damages from flooding later this year as areas are left vulnerable: streams can overflow because they remain constricted from debris that has not been removed, threatening roads and bridges with wash-out. Other infrastructure and property can end up destroyed by the failure to repair damaged levees. Also, the opportunity for non-structural measures, like the purchase of floodplain easements from willing sellers, decreases with the delay in supplemental funding because landowners need to decide now whether to crop this year or wait for the possibility of an easement buyout.

CCC Disaster Reserve Assistance Program (livestock indemnity)

No payments can be made until the supplemental is enacted (the program does not exist under current law but is funded in the Senate bill). As a result, producers will likely not be able to replace livestock killed by the natural disasters, reducing farm income. (See note below)

Tree Assistance Program

No payments can be made until the supplemental is enacted (program doesn't exist under current law). As a result, orchardists and foresters will likely not be able to replace trees destroyed by natural disasters, reducing farm income. (see note below)

(NOTE: these two disaster payment programs do not have regulations in place, so while applications may be taken, payments will not be able to go out "the next day" after the supplemental is enacted, but will have to wait for regs - which will be expedited nevertheless.)

Emergency Loans (under the Farm Service Agency)

Existing appropriations for these loans will be depleted by the first week of June. Any delay in the supplemental contained in the Senate bill beyond this time frame will cause farmers to wait for emergency loan assistance to offset economic losses from natural disasters. This loss of credit will reduce their ability to repair farm structures and purchase inputs for spring crop planting.

Department of the Interior

Delays in supplemental funding would have significant impacts on DOI park and refuge restoration work, particularly on Yosemite National Park in California. Interior has proceeded with the most urgent repairs to roads and infrastructure (using existing authority to transfer balances and presumably a similar DOT authority), but these are partial and interim solutions. The supplemental will be too late to help this summer season (it will be a mess), but the biggest effect from delay will be in the 1998 summer season. Contracts need to be awarded now to get as much work as possible started on widening roads, permanent utility repairs, replacing housing and lodging buildings before next winter, when this sort of work will not be possible. The public will not be as patient next summer and will rightly expect this to be fixed.

Department of Commerce/Economic Development

Delay in funding post-disaster economic recovery planning grants will mean that disaster-impacted local communities will not have the immediate institutional capacity to focus on long term recovery planning issues. These issues are both critical to reviving the local economy in the short term and restructuring the economy in the long term.

Post disaster technical assistance grants to States for marketing/promotion to help revive the tourism industry will not be available to salvage the Summer tourism season and bookings for the convention business.

The delay in implementing the EDA Revolving Loan Fund (RLF) program will slow down business recovery. For example, business segments not eligible for SBA funding will not be addressed, i.e., landscaping and nursery industries.

GUIDANCE ON BUDGET
MAY 23, 1997

Q: What is your reaction to the view expressed by Ways and Means Chairman Archer that he will not be able to raise the \$50 billion in revenues needed to provide enough of an offset to provide gross tax cuts of \$135 billion and net tax cuts of \$85 billion over five years?

* The budget agreement calls for \$85 billion in net tax cuts over five years. The only specific requirement is that it include roughly \$35 billion in tax incentives for post-secondary education based on the President's proposals.

* Beyond that, the Congress obviously has some difficult decisions to make. Clearly, if the Congress is unable to produce \$50 billion in revenue offsets, it will need to reduce its gross tax cuts accordingly so that the \$85 billion ceiling is not breached.

* We will certainly have some ideas as this process moves forward. Our primary concern, in addition to the HOPE scholarship and the tuition deduction, is the \$500 child tax credit. We also have proposals that were included in our budget to expand Individual Retirement Accounts and for very targeted capital gains and estate tax relief.

* But obviously, we placed limits on this tax cut to ensure that it does not bust the budget. Beyond \$85 billion in tax cuts, additional tax cuts must be offset so that the deficit is not increased. While this will mean some tough choices, we think Congress ought to be able to craft a good tax bill within this very sensible framework.

Q: Are you disappointed that the Congress will not complete final action on the budget resolution before this recess?

* Well, it would have been better to complete the budget resolution than not. We're hopeful, however, that action will be completed as soon as the Congress returns so that they can get right to work on the reconciliation legislation as well as appropriations bills.

TOIV

Press Guidance
May 23, 1997

Banking

Greenspan yesterday weighed in on the issue of bank reform. He called for reform but cautioned against moving too quickly particularly in the area of banks merging with commercial institutions.

- The Secretary of the Treasury announced the Administration's banking reform proposal on Wednesday. The Administration has taken a measured and common sense approach to ensure the soundness and efficiency of the banking industry.

Yesterday's announcement sought to:

- Reduce costs and increase access to financial services for consumers, businesses and communities;
- Enhance competitiveness of our financial services industry worldwide;
- Protect the safety and soundness of our financial institutions

What is the Administration's view on banks merging with commercial institutions?

As Secretary Rubin said in his speech to the Exchequer Club yesterday, in contrast to repeal of Glass-Steagall and full affiliation among financial firms, this is an area in which there are still strongly held contrasting views and no consensus. By putting forward two reasonable alternatives, we hope to assist the Congress and the country in moving the debate forward toward a consensus.

Mellody per Ellen Seidman, OMB

Press Guidance

May 23, 1997

SBA LOAN PROGRAM

Background: The SBA has announced its intention to establish an \$80 million weekly maximum allocation for 7(a) lending authority. SBA has taken this action to conserve 7(a) loan funds through the rest of the year.

Q: Will the SBA take other actions to restrict the program?

A: SBA will monitor the effect of the \$80 million weekly allocations carefully and plans to consult with the Congress for their suggestions regarding further appropriate actions. Consistent with the statute, SBA will notify the Congress 15 days in advance of any further significant administrative actions affecting the 7(a) program.

Silverman

Conversation with Mike Stamler/SBA

GUIDANCE ON SCHOOL VOUCHER AMENDMENT PASSED BY SENATE
MAY 23, 1997

(Amendment apparently provides \$2.5 Billion for "pilot" project permitting kids who are victims of private schools to have vouchers to attend whatever school they want.)

- * We haven't had a chance to examine the amendment, but on the face of it, this is something we would oppose.
- * The Administration opposes the use of Federal funds for private school vouchers.
- * In addition, this would clearly take needed funds from vital education programs that the President considers crucial to our ability to meet the challenges of the 21st Century.

Q: Does this amendment violate the budget agreement?

A: Well, that's a good question, but I can't answer that until we've had a chance to review the actual amendment.

Q: If this violates the budget agreement, what does that say about your opposition to the Kennedy-Hatch amendment on the grounds that it violated the budget agreement.

A: Again, that's a very good question, but I'm not in a position to answer it yet.

Press Guidance

May 23, 1997

DNC CHEROKEE REIMBURSEMENT

Background: The Cherokee nation Chief Joe Byrd is being accused of illegally diverting tribal funds in order to pay a Cherokee law clerk , Ms. Kimberly Teehee, who assumed the duties of the Deputy Coordinator of American Indian Outreach for the DNC. The DNC has agreed to reimburse the Cherokee Tribe but the specific nature of her work has made it difficult to determine the exact amount of the reimbursement.

- As the DNC said yesterday, they are trying to resolve this as quickly as they can -- They have sent an invoice and are waiting to determine how much they are going to reimburse Ms. Kimberly Teehee.
- I would refer any further questions to the DNC.

Silverman

Conversation with Steve Langdon/DNC

Press Guidance
May 23, 1997

Forest Road

The New York Times today highlights a debate in Congress over the construction of roads in National Forests for the benefit of loggers at the expense of the taxpayers. The road subsidies are opposed both by environmentalists and budget hawks.

- The President's FY 1998 budget reduces Forest Service road funding scaling back timber sales in areas that do not have existing roads.
- The President also supports (included in FY 98 budget) the elimination of the Purchaser Road Credit. The PRC essentially reimburses loggers for the cost of building roads from their bid price.

In addition, there is also a provision attached to the disaster supplemental which proposes to reverse laws governing "right of way" on federal lands back to civil war era statutes -- giving states the power to determine the validity and management of right of way.

- The President strongly opposes this amendment in its current form.
- Secretary Babbitt sent a letter to Senator Stevens and Senator Byrd outlining the Administration's objectives and recommending a veto. (In fact, the President told the leadership he would veto the bill on this issue, but he hasn't addressed it publicly).

Mellody per B Johnson, CEQ

Talking Points on Technology in Poor and Minority Schools
May 22, 1997

Q: A recent Educational Testing Service survey indicates that low income and minority students are less likely to have access to technology? Is the Administration concerned about inequity in technology in our nation's schools?

A: Technology is vitally important to helping students reach high standards and get ready for the 21st Century. It's critical that technology not divide us into a nation of haves and have nots. While the biggest gap in access to computers is in the home, the President and the Vice President are deeply committed to working with our nation's schools to make sure that every child, no matter where they live or their economic circumstances, can log on to the Internet and take advantage of its rich possibilities for learning. Here's what we're doing:

- Signed the Telecommunications Act and fought for the E-rate, which will allow Internet access discounts for schools and libraries. Discounts are on a sliding scale based on need, with poorest schools qualifying for a discount of up to 90%--nearly free.
- Working with private sector partners to connect every single school in each of the 15 Empowerment Zones to the Internet, so they can leap ahead in technology. ATT and America On-Line have committed to providing free Internet access for every school in every EZ, and there are strong public-private partnerships in EZ's including Harlem and Oakland. The President also signed an executive order giving preference to schools in EZ's and EC's for surplus federal computers.
- In order to receive grants under our Technology Literacy Challenge Fund, states must spell out how they will target assistance to communities with the highest rates of poverty and the greatest need for educational technology.
- As we have worked with the private sector on Net Days, have specifically urged them to get involved with low-income areas, such as in DC and LA. And we have worked to involve not just companies, but also unions and other volunteers.

[Attached are more detailed talking points from the Department of Education.]

Educational Technology Talking Points

▶ ERATE

The President, Vice President and Secretary Riley fought hard for affordable access to telecommunications services for schools and libraries. On May 7 the FCC unanimously ruled that all K-12 schools and libraries are eligible to receive up to \$2.25 billion a year in discounts on telecommunications services. The discounts range from 20-90 percent and the average discount will be about 60 percent. The poorest schools--about one-third of all schools--will receive discounts of 80-90 percent. These discounts will help prepare all students and citizens for the Information Age by connecting them to the vast learning resources available on the Information Superhighway. Now, all classrooms and libraries--even those in the most rural and most disadvantaged areas--will be able to benefit.

▶ Technology Literacy Challenge Fund

Launched this October with a \$200 million appropriation, President Clinton proposed this funding as the first installment of a \$2 billion, five-year Technology Literacy Challenge Fund to motivate and catalyze state, local and private sector efforts to work together to integrate technology into teaching and learning and reach the four national goals for education technology: 1) provide all teachers the training and support they need to help students learn through computers and the information superhighway; 2) develop effective and engaging software and on-line learning resources as an integral part of the school curriculum; 3) provide access to modern computers for all teachers and students; and, 4) connect every school and classroom in America to the information superhighway. The FY98 budget request is for \$425 million. Ninety five percent of a state's award under the TLCF must go to local school districts and is targeted to communities with high rates of poverty and the greatest need for educational technology so that their students will have access to the benefits of educational technology.

▶ NetDays

In March 1996 the President and Vice President joined more than 20,000 other volunteers to wire 3000 California schools in an "electronic barnraising." Companies contributed wiring kits, more than six million feet of cable, technical assistance, free Internet access, and free or discounted hardware and software. Over 40 states organized and participated in NetDays this fall, wiring over 25,000 schools, using over 250,000 volunteers and these efforts will continue. This spring several more states participated in NetDays which focused on reaching the least served and low income areas. These efforts help us make significant progress in meeting our goal of wiring classrooms to the Internet.

▶ Affordable Computers

On April 17, 1996 the President signed an Executive Order making it much easier to get computers no longer needed by the federal government into America's classrooms. Procedures have been simplified, and private organizations will ensure that the computers are fully

functional and equipped to use modern software. Computer donations have been targeted toward the empowerment zones. On May 14 Education Testing Service released a study, *Computers and Classrooms: The Status of Technology in U.S. Schools*. This study revealed that major inequities still exist — students in schools with the largest percentage of poor and minority students have less access to technology. The Technology Literacy Challenge Fund and the Computer Donation program are important initiatives that will help close the gap between the have and have nots.

► **High Quality Content -- The Technology Learning Challenge Grant Program**

In 1995 the Administration initiated a "Technology Learning Challenge," to challenge communities to form partnerships of local school systems, students, colleges, universities and private businesses to develop creative new ways to use technology for learning. 19 grants were awarded in FY95 involving 134 school districts in 23 states demonstrating the innovative uses of computers, networking and multi-media across the curriculum. In FY96 the Department received 586 applications and 24 new five year grants were awarded on October 2. \$57 million has been appropriated for fiscal year 1997 which means the Department of Education will be issuing approximately 14 new grants. The FY98 budget request is for \$75 million.

RUSSIA-IRAN MISSILE COOPERATION

Q: Are the Russians arming Iran with missiles and, if so, what are you doing about it?

A: We are very concerned by reports indicating that Russian entities may have transferred surface-to-air missiles and ballistic missile-related technologies to Iran.

In 1994, President Yeltsin publicly pledged that Russia would not enter into any new arms contracts with Iran and would close out existing contracts within a few years. The details of that commitment were finalized in 1995 during meetings between Vice President Gore and Prime Minister Chernomyrdin.

Prior to the signing of that agreement with Russia, we assured ourselves that the transfers contemplated under the agreement would not provide Iran with new capabilities, alter the regional balance, or compromise the ability of the United States and our allies to protect our mutual interests.

Any transfers to Iran of advanced anti-aircraft missile systems would provide Iran with new dangerous capabilities and would violate the 1995 agreement. Transfers of missile technology to MTCR-class missile programs in Iran would be inconsistent with Russia's commitments to the Missile Technology Control Regime. In addition, missile cooperation between Russian entities and Iran could trigger sanctions under U.S. law.

We have raised our concerns regarding missile cooperation between Russian entities and Iran repeatedly and at the highest levels and have received assurances that Russia would not provide missiles or missile technology to Iran. We continue to monitor this very closely.

RUSSIA/NIS

Current

Russia-Belarus Charter Signed

- **Presidents Yeltsin and Lukashenko signed accord today on integration between Russia and Belarus. Charter follows April 2 treaty calling for Russo-Belarus union while retaining sovereignty and independence of both states. Treaty now goes to Russian and Belarusian parliaments for ratification.**
- **Not yet seen charter text defining nature of union, but understand from press reports that union consists of same council structure in existence for past year; not clear what, if any, practical changes follow from today's action. Clearly no new, unified state.**
- **Charter reportedly contains provision calling for respect for private property, freedom of speech and human rights; if so, constructive element -- hope Lukashenko to abide by those terms.**

Rodionov Firing; Sergeyev named Minister of Defense

- **On May 23, Russian government confirmed Yeltsin had appointed Strategic Rocket Forces Commander Sergeyev new Minister of Defense.**
- Understand Yeltsin cited lack of progress on military reform as reason for dismissal of Russian Defense Minister Rodionov and Chief of General Staff Samsonov.
- Obviously, all personnel decisions matters for Russian government to decide; not appropriate for us to comment or try to interpret on those decisions.

If Recent Rodionov visit to U.S. Raised

- Defense Minister, other Russian MOD officials here as part of program of ongoing bilateral contacts -- visit was productive -- would expect our militaries' work together to continue -- not dependent on individuals.

Russian Budget Proposals

- Noted Russian government's submission to Duma of revised 1997 budget; demonstrates commitment to take tough political decisions to cut expenditures, deal realistically with revenue shortfalls. Welcomed IMF's resumption of program with Russia last week; indicates confidence in government's reform plans.

(If raised -- worried about fiscal crisis in Russia?)

- Revenue shortfall serious, but revised budget shows Russia has short-term plan to address problem; government's tax reform legislation submitted to Duma early May key to long-term financial stability; commend Yeltsin's efforts to pass new tax laws.

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

- NATO and Russia reached agreement on Founding Act 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.

Suspension of Harvard Contracts

- AID suspended certain Harvard Institution for International Development contracts in Russia until further notice. Preliminary AID Inspector General investigation indicates two HIID employees violated contracts, used insider information for personal gain.
- Problem uncovered through careful program management. Refer to AID for details.

General

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.

DEMOCRATIC REPUBLIC OF THE CONGO (EX-ZAIRE)

Q: What is the situation like in Kinshasa?

A: Kinshasa is largely quiet, but carjackings and other criminal acts continue in many parts of the city.

The international airport and Brazzaville ferry remain closed. Traffic, markets and stores are resuming normal daytime activities.

Q: What is your reaction to Kabila's new government?

A: We are pleased the new cabinet has been named.

There is enormous work to be done in rebuilding the institutions of the country and obviously a first step was to establish a leadership team.

Q: What do you think about Kabila's decision to govern without a Prime Minister or Vice President?

A: The form of government is for the Congolese people to decide.

What is important is not whether there is a Vice President or a Prime Minister, but how the new team governs.

Q: Is this the "inclusive" government the U.S. has been calling for?

A: Thirteen cabinet members were announced last night. It's not clear that all the members have been named. Certainly, there will be Vice Ministers named at some point too.

The 13-member cabinet includes four non-Alliance members, drawn from two other parties.

We will need to see how the new team functions.

What is important is not only the membership of the cabinet, but whether representatives of various political groups play a meaningful role in decisions.

Q: Tshisekedi has refused to recognize the Kabila government, and is calling on people to resist it. What is your reaction?

A: We have seen these reports. We hope everyone will be able to work out their political differences so that the Congolese people can get on with the real business of rebuilding their country.

Q: Are you sending another Special Envoy to Zaire?

A: Ambassador Richardson was instrumental in U.S. efforts to encourage a peaceful transfer of power in Kinshasa.

We think he could also play a useful role in engaging the new transitional government at this crucial early stage, as it begins to set up institutions of government.

We will be discussing this idea with the new government, but have not made any specific plans for a mission.

Q: Where is Mobutu?

A: We understand he may have left Togo for Morocco this morning.

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

A: Most of the forces that had been in Brazzaville have redeployed to the USS Kearsarge, which remains off the coast of the Congo. Approximately 150 American troops remain in Brazzaville.

We will make a decision to redeploy the Kearsarge as security conditions warrant.

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."

This is not a treaty and thus will not be presented to the Senate for advice and consent to ratification.

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

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.

UN ARREARS

- The Administration has proposed a package of reforms concentrating on three broad areas: budget, personnel and oversight. We would not begin to pay our arrears until after the UN demonstrated that it had adopted these reforms. In only two years, the Administration's reforms would reduce the costs to the U.S. taxpayer of American membership in the UN system by nearly 10%.
- We have a window of opportunity in 1997 to achieve our reform objectives but it will soon close. The appointment of a new reform-minded UN Secretary General has increased the momentum for UN reform. In addition, this is the year that the UN's assessment rates and two-year budget will be set.
- The NYT story characterized our negotiations with the hill as "stalled". That is not the case. Much progress has been made, though perhaps not as fast as we would prefer and significant issues still remain. The administration supports the concept of benchmarks; the negotiations are over specifically which benchmarks should be enacted into US law.
- The President is asking the Congress to pay the arrears over two years to give our negotiators the diplomatic leverage they need to secure these reforms. Many nations do not believe American promises to pay our arrears -- they've heard it all before. Five years is therefore too long and will not be credible. If we can demonstrate to other member states that the United States will pay off its debts in a credible amount of time, then we have a good chance of succeeding. But if we cannot, then our chances are practically nil.

CHINA

CHINESE ICBM

Q: What is your reaction to today's [May 23] report in the Washington Times that China will soon deploy a new mobile strategic missile with multiple warheads that will pose a significant threat to U.S. forces in the Pacific and parts of the continental United States.

A: While I don't want to comment on the specifics of the report, I will say that we are monitoring closely China's missile and nuclear program. Has been and remains a concern.

Since the early 1980's, however, China has had nuclear missiles with the capability to threaten U.S. interests, including our homeland. One reason why the United States maintains a policy of nuclear deterrence and retains nuclear forces sufficient to accomplish this task.

Just this month, we reaffirmed our commitment to maintaining a robust nuclear deterrent in our National Security Strategy report. We are committed to maintaining nuclear forces sufficient to deter any hostile foreign leadership with access to nuclear forces and to convince it that seeking a nuclear advantage would be futile.

SANCTIONS ON CHINA INVOLVING CHEMICAL WEAPONS TO IRAN

Q: Today, the Federal Register announced U.S. trade sanctions against China for sales of chemical weapons. Can you describe what China has done and what these sanctions are?

A: Yesterday, we imposed sanctions on 7 Chinese entities for their export of chemical goods and equipment to Iran, which we believe will be used in Iran's chemical weapons program.

The sanctions are against specific individuals and companies, and not against the government of China. We have no evidence that the Chinese government was involved in these exports.

The sanctions prohibit the U.S. Government from procuring goods from the sanctioned entities and also prohibit the importation into the U.S. of any products produced by the sanctioned entities.

The Chinese government has stated publicly its commitment to the Chemical Weapons Convention. We hope that this action on our part will serve to encourage the Chinese government to improve its export controls, so as to prevent Chinese entities in the future from assisting Iran's chemical weapons program.

We are ready to follow-up today with more detailed briefings, if this would be useful.

LONG BEACH/MARINE CORPS RESERVE/COSCO

Due to extensive damage from 1994 Northridge earthquake, a USMC Reserve artillery unit temporarily relocated to Long Beach. Following 1995 BRAC decision to close Long Beach Naval Shipyard, the USMC requested to use buildings on the edge of the dry-dock facility -- buildings now occupied by Boeing Corporation -- at the Naval Shipyard. The Navy denied the request:

- Not the best use of buildings more appropriately used for maritime activities, not a USMC Reserve artillery unit.
- The *Federal Property Management Regulations* contain criteria for evaluating requests for disposing USG properties: require consideration of whether the proposed use is *the highest and best use of the property* and whether the proposed transfer will adversely impact the transfer of any remaining facilities.
- Value of the property was primarily related to its access to deep water. Any use of this property that didn't require access to deep water and use of port-related improvements is not in the highest and best use of this property; Reserve artillery center does not require waterfront property.
- USMCR presence would have essentially created an island in the middle of a civilian industrial activity. Providing access and utilities to this facility -- in the middle of commercial port activities -- would have been an issue.
- Naval Station Seal Beach -- where USMC is asking for \$6 million to build new facilities -- is an active base with infrastructure to support the Reserve unit's activities.

COSCO

Was the Marine Corps removed because they were an obstacle to turning over the naval base to COSCO?

- The Navy's negotiations were with the City and Port of Long Beach. The Navy's responsibility is to determine the highest and best use of a parcel of property and dispose of it accordingly. The selection of tenants and users of port facilities is the Port's responsibility.

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.

EL SALVADOR

- The Administration has been worked with Congress since late 1995 to look into events surrounding the 1985 Zona Rosa murders and the 1990 parole into the United States of Pedro Andrade. At the request of the SSCI, Inspectors General from State, Justice, CIA and DoD undertook formal investigations of the Zona Rosa incident and its aftermath. The results of those investigations were briefed to interested agencies and reports were delivered to the SSCI in late September. Senator Shelby requested declassification of the four reports. The White House encouraged the four agencies concerned to undertake this declassification on an expedited basis and those reports are now available to the public at the National Archives.
- The IG's concluded that no laws or regulations were violated in the Andrade parole, but did identify a failure to communicate and lack of coordination among agencies involved in the parole decision. The Department of Justice's IG recommended that the process for coordination of parole requests needs improvement.
- To ensure appropriate high-level attention to sensitive public benefit parole requests, INS and State have developed mechanisms to increase accountability and ensure adequate senior-level review of each case. These new procedures will ensure better coordination and more stringent law-enforcement review of future parole requests. (FYI for briefer: There are about 500 public benefit paroles each year. These are paroles which involve political or national policy interests. Only 5-10 of these originate with the Department of State. Most come from law enforcement agencies.)
- The INS exclusion process for Pedro Andrade is a judicial proceeding. It is our policy not to comment on asylum issues.

TURKISH INCURSION INTO IRAQ

Q: What is your reaction to the incursion of Turkish forces into northern Iraq on May 14 to attack PKK strongholds?

A: The Turkish military launched an operation against PKK forces in northern Iraq on May 14. This action is similar to Turkish operations that have taken place in the past.

The U.S. supports the right of Turkey to defend itself against the terrorist PKK, which uses northern Iraq as a staging ground to mount attacks into Turkey.

At the same time, we have repeatedly stressed that operations of this sort must be limited in scope and duration, and that adequate safeguards must be taken to protect the lives and property of the civilian population.

We have repeated this message with respect to the current operation and been assured by the Turkish government that this operation will be conducted with these concerns in mind.

We also note that Prime Minister Erbakan confirmed publicly on May 16 that the operation would be limited in scope and temporary in duration.

Turkish government sources have announced that, as of May 20, approximately 1300 PKK terrorists had been killed in action. Turkish losses were put at 14.

We do not have any independent confirmation of these estimates.

There are also press reports from Turkey suggesting that the PKK has been forced to evacuate its bases in northern Iraq.

Our position on the PKK remains clear. It is a vicious terrorist group of Marxist-Leninist origin responsible for the deaths of many innocent ethnic Kurds and Turks in Turkey and has no role to play in northern Iraq.

ISRAEL/JORDAN

AID FOR JORDAN

Q: Do you have anything more on 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: 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.

ISRAELI SETTLEMENTS OCCUPANCY RATE

Q: Do you have any comment on this flap about the occupancy rate of Israeli settlements on the West Bank?

A: You know our views on settlements. Focus right now has to be on re-energizing the negotiations between the Israelis and the Palestinians. They need to deal with a variety of issues in that context, and settlements is one of them.

WAR CRIMES

Nomination of David Scheffer to be Ambassador at Large for War Crimes Issues

- If confirmed, David Scheffer's responsibilities will be to advise the Secretary of State on U.S. efforts to address serious violations of international humanitarian law throughout the world.
- This will include coordination of support for the Yugoslav and Rwanda tribunals; leading negotiations at the UN for the establishment of a permanent international criminal court; and coordination of US efforts to establish international mechanisms of accountability for past or on-going violations of international humanitarian law in conflict areas.
- He also will assist the Secretary in addressing the needs of victims of atrocities.

[IF ASKED]

Q: Does this nomination indicate that the U.S. will be more serious in seeking to apprehend indicted war criminals?

A: U.S. continues to strongly believe that all persons indicted by the War Crimes Tribunal should appear in the Hague for trial.

We have emphasized to the parties (including Milosevic) that failure to cooperate with the War Crimes Tribunal can have serious consequences.

U.S. and SFOR will continue to provide support to the International War Crimes Tribunal and other civilian organizations that are working to bring indicted war criminals to justice. In particular, SFOR will detain indicted war criminals if it comes into contact with them, but it is not SFOR's mission to hunt them down.

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.

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

Detention of Kuttab in West Bank

Q: Reaction to arrest of Daoud Kuttab, the Palestinian-American journalist?

A: It is our understanding that Mr. Kuttab has not been charged. We are very concerned about the implications of his detention for the rule of law and freedom of the press. We believe he should be released immediately.

We have raised this matter with senior levels of the Palestinian Authority. Chairman Arafat has been traveling. Our Consul General will raise it directly with Chairman Arafat when Arafat returns to Gaza.

Our Consul General in Jerusalem (Ed Abington) visited Mr. Kuttab Thursday. Wednesday and Thursday, a U.S. Consular Officer called on him.

Q: Has the Peace Process broken down? Is Dennis Ross a spent force? Are you going to become personally engaged in negotiations? Are you sure there's a 25 percent vacancy rate in Israeli settlements? Did you announce that figure to pressure Netanyahu?

A: No doubt it's a difficult time in the Peace Process. Dennis Ross has just returned from the region after arranging the first meeting between the parties in some time. Shows that he's a tough, determined negotiator. We believe such contacts will continue.

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.

You know our views on settlements; they complicate the process. As we've said before, our focus now is on getting the parties back to the negotiating table.

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

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.

TALKING POINTS ON FAST TRACK TIMING

- The President has been involved in discussions and meetings on the priorities for this year and what the best way to sequence those priorities in order to address them in a prudent and pragmatic way so as to maximize our chances of success.

SUMMER

- **Balanced Budget.** The Administration's efforts have been focused on achieving a balanced budget agreement -- and that has been our number one priority.
- **China's Normal Trading Status.** We are also working hard to ensure that China's normal trading status is renewed.
- **During the course of the summer, we will focus on working towards completion of the budget agreement and securing normal trading status for China.**
 - We expect action on the budget to be active through most of the summer.
 - As you know, Congress must act 90 days from June 3 on our decision to continue normal trading status for China.
 - These will require a significant time commitment of the President's time and Administration resources.

FALL

- **Fast Track.** Beginning in the fall, we will take up Fast Track in full force to ensure that Fast Track legislation is passed this year. We will use the summer to begin building the groundwork for a strong push in September for Fast Track legislation this year.

DETAILS OF FAST TRACK TIMING

- Erskine Bowles, Charlene Barshefsky and others called key Democratic and Republican leaders to get their views on whether they agreed that taking up Fast Track in September made sense.
- **Key members of Congress, both Democrats and Republicans were pleased to hear of the President's commitment to move forward and conveyed that pushing hard beginning in September for a vote on Fast Track this year seemed a prudent and sensible plan.**

OTHER IMPORTANT ISSUES

- Once the balance budget agreement is complete, the President will also continue his policy of investing in our people while pursuing policies of fiscal responsibility.
 - **Entitlement Reform.** This year, we will work on creating a bipartisan process on long-term entitlement issues.
 - **Children's Issues.** We will also begin focusing on additional children's issues including additional health care initiatives, 0-3 childhood development, pre-school initiatives and other education issues.
 - **Comp. Time, Juvenile Crime.** Clearly, issues such as comp. time and juvenile crime legislation are two of more the Administration and Congress will be dealing with.

before 98?

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.

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 of the Eight 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 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

Bosnia Implementation Plan/Albright Speech

- **At the President's direction, we have completed an interagency Bosnia policy review and implementation plan aimed at reinvigorating U.S. and international efforts to bring self-sustaining peace to Bosnia. Secretary Albright's speech talked about this renewed implementation effort and was a call to action for international efforts to implement Dayton.**
- **A key conclusion of our new approach is that Dayton remains the only viable framework for long-term peace. This is evident in the substantial progress we have made since we began the implementation effort: stopping the fighting, separating the warring factions, holding successful national elections, creating joint institutions, making great strides in economic reconstruction, and gradual momentum on freedom of movement and return of refugees and displaced persons.**
- **The implementation plan is a detailed step-by-step road map aimed at creating a self-sustaining peace beyond June 1998, establishing courses of action and benchmarks in all priority implementation areas.**
- **Priority areas are:**
 - **bringing war criminals to justice;**
 - **improving indigenous public security capabilities to maintain law and order;**
 - **preventing a resumption of fighting after SFOR departs by promoting military balance through completion of train and equip program and arms reductions;**
 - **advancing development of democratic, self-sustaining joint institutions and promoting the rule of law;**
 - **enhancing economic reconstruction, inter-entity commerce and accelerated distribution of economic assistance to all areas of Bosnia;**
- **To achieve progress in these areas, the plan calls for a strategy to develop and apply greater incentives and other forms of leverage to give the parties a stake in implementing Dayton and to overcome their differing visions of Bosnia's future.**
- **We will also be launching an intensive campaign to reinvigorate the international effort. The goal is to re-focus implementation efforts and rally the international community on areas where we expect greater support, such as international police.**
- **We are introducing new programs to effectively and quickly target economic assistance to "Open Cities" that accept return of refugees and displaced persons from other ethnic groups.**

- **The President will be discussing the way ahead on Bosnia in his upcoming meetings in Europe. Secretary Albright will present the plan to our Contact Group partners and the parties at the Peace Implementation Council Steering Board Ministerial later on May 30. Both she and Ambassador Gelbard will travel to the region in the coming weeks to explain and begin execution of the plan.**

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.

Train and Equip Program

- 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.

War Criminals

- We continue to remain deeply concerned with the slow progress on war crimes front in Bosnia. Recent convictions in a German Court and by the International Criminal Tribunal are important steps toward justice in Bosnia, a key ingredient to long-term peace.
- With these convictions 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.
- 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.

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/ policy 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) supplemental 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)...

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.