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

P1 National Security Classified Information [(a)(1) of the PRA]
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P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Daily Press Guidance

Tuesday
June 3, 1997

(For internal use only.)

updated on 7/9/97 to G: drive

Press Guidance
Tuesday, June 3, 1997

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3. TV Ratings - TV
4. Banking Reform - Bank Reform
5. Disaster Supplemental - FEMA, Disaster
6. Government Performance Results Act implementation
7. ~~Joel Klein~~
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GUIDANCE ON BUDGET/MEDICARE/MEETING W/HILL
JUNE 3, 1997

CONGRESSIONAL MEETING TUESDAY

* Read-out to come.

* The meeting was with the Chairs and Ranking Democrats on the two authorizing committees and subcommittees dealing with the health-related provisions (Medicare, Medicaid, Kids Health) of the balanced budget legislation:

* Ways and Means -- Archer, Rangel
  Health Subc. -- Thomas, Stark
  Commerce -- Bliley, Dingell
  Health and Environment -- Bilirakis, Sherrod Brown

MSA'S -- pilot project

* A pilot project for MSA's was authorized by the Kassebaum-Kennedy legislation. **It does not include Medicare recipients, who obviously raise a set of different issues due to their health and potential vulnerability.** In any event, the pilot began on January 1 and runs through January 1, 2000. We anticipate the first information from this pilot no earlier than this fall.

TOIV
Jennings

Tobacco talks and second hand smoke

Press Guidance
June 3, 1997

Q. *Are you sending a signal to tobacco makers that you may not endorse any settlement?*

A. We have sent a clear message from the outset -- any settlement between the parties must be consistent with the public health priorities which we have set out especially those designed to protect children. The President has said (in an interview with Face the Nation) that he will have to consult with public health experts before taking a position on any negotiated settlement.

Q Would you endorse legislative proposals to cap punitive damages for tobacco companies? Do you support the Lautenberg amendment? Do you intend to lobby against it?

The Administration has always opposed to the punitive damages and joint liability provisions of the product liability bill including applying them to the tobacco industry.

Q. *Does the President intend to ban smoking in federal buildings as some Members of Congress have called on him to do?*

The Administration is currently looking at proposals concerning banning smoking in federal buildings. Currently DOD and HHS have prohibitions and GSA regulations published in 1986 restrict tobacco use in about 10% of Federal domestic facilities.

Q. *What is the Administration's position on second hand smoke in the workplace?*

Per DPC and OSHA -- Environmental Tobacco Smoke is of great concern particularly in light of recent studies such as the Harvard School of Public Health finding that regular exposure to second hand smoke almost doubles one's risk of heart disease. The Administration introduced a proposed rule to set forth a workplace standard for second hand smoke in 1994 and the comment period ended this Febraruy. Because there was a high level of interest in this issue(115,000 comments), OSHA received more than the usual amount of comment and they are working through these as expeditiously as possible.

Lockhart per Elizabeth Drye and Bruce Reed at DPC and Gaskill at OSHA

Press Guidance
June 3, 1997

TV RATINGS

Today, the Washington Post has a story that indicates that there is a split between Jack Valenti and some TV and cable broadcasters on how to move forward in responding to parental and Congressional concerns that the current ratings do not provide sufficient information. Reportedly, several broadcasters, including FOX and ABC have agreed to begin as early as this month providing S,V, and L (sex, violence and language) ratings, in addition to the current ratings already in place. We understand that NBC may release a statement today indicating that they will never include the additional S,V and L ratings.

Q. Would the Administration support changing the ratings system to include additional ratings for sex, violence and language (S,V,L ratings)?

A. When the President announced the voluntary industry ratings system last year, he said that it was now up to the parents to let the industry know if the ratings they put in place were working. Many parents and others have responded that they would prefer a more detailed ratings system. As was reported, some in the industry have responded to this suggestion and will be adding S,V, and L ratings to their current ratings system. Clearly some in industry believe that parents have spoken. We look forward to working with parents groups and industry to ensure that a ratings system that truly serves the public is created.

Q. With the split in the industry, isn't it possible that we end up with an alphabet soup with different broadcasters choosing different ratings systems and won't that hurt the effectiveness of the v-chip?

A. A uniform rating system would bring advantages to both parents and industry. Thats why we look forward to working with parents groups and industry to ensure that the ratings system serves the public interest.

Q. Does the FCC have the authority to force the other broadcasters to comply with the additional ratings?

A. The FCC will be holding hearings later this month on TV ratings. Under the 1996 Telecommunications law, the law requires the FCC to convene an advisory committees after one year if the industry has not developed an "acceptable" ratings system. The Advisory Committee would develop a rating system that the industry could use if they use a ratings system at all. The FCC is expected to determine whether or not the system is acceptable and/or make recommendations to the industry.

Silverman per OVP document

Press Guidance
June 3, 1997

Banking Reform

- We believe as a policy matter, this is a very important issue whose time has long since come. We would not have authorized the Treasury Department to move forward with this if we didn't think it was both important and feasible.
- The issue at hand is very complicated and involves a number of different interest groups with varied concerns.
- The history of banking bills has been that they take a while to gestate and are often passed towards the end of a congressional session.

See attached info on our proposal.

FYI - Rubin is testifying on Hill today.

Mellody per Ellen Seidman, OMB

Treasury's Financial Services Modernization Proposal
May 21, 1997

The objectives:

- 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 we're proposing:

- Permit depository institutions, securities firms, insurance firms and other financial services firms to affiliate with each other -- repealing the Glass-Steagall Act and breaking down other legal and regulatory barriers to such affiliations.
- Allow financial services companies to choose the best corporate form in which to operate, by allowing financial activities to be performed either in a subsidiary of a bank or in a holding company affiliate, with the same protections against misuse of the deposit insurance system applicable to either form.
- Provide for establishment of wholesale banks (WFIs) that do not take insured deposits, which would be allowed to affiliate with any type of firm and which would be subject to the Community Reinvestment Act.
- ***Either*** allow a **limited** amount of commercial activity in financial firms that include well-capitalized banks that take insured deposits ***or*** retain the status quo under which such activity is permissible in firms affiliated with thrifts, but not in firms affiliated with retail banks.
  - **Under the first alternative**, financial firms that include well-capitalized banks could receive a limited percentage of their gross revenues from non-financial businesses, but could not affiliate with any of the largest (by asset size) 1000 non-financial firms. The thrift charter would be abolished, thrifts would become banks, and the Office of Thrift Supervision (OTS) would be merged with the Office of the Comptroller of the Currency (OCC).
  - **Under the second alternative**, the thrift charter and holding company structure, in which non-financial companies may affiliate with a single thrift, would be retained, but non-financial companies would not be allowed to affiliate with financial firms affiliated with retail banks. OTS and OCC would remain separate agencies, but would be permitted to achieve efficiencies through joint operations.
- Expand functional regulation, particularly of certain non-traditional securities activities performed in banks, and authorize the Federal Reserve to serve as umbrella supervisor of holding companies affiliated with banks, with certain limitations on the Fed's authority to establish holding company capital requirements.
- Expand consumer safeguards, by requiring plain-language disclosures when banks sell non-insured products, and consistent regulation.
- Tolerate no weakening of the Community Reinvestment Act.

- Merge the bank and thrift deposit insurance funds.

QUESTION: When will the Treasury release actual legislative language?

ANSWER: Secretary Rubin will testify before the House Banking Committee on June 3. Legislative language will be released in connection with that appearance.

QUESTION: Didn't you wimp out? Why have you not allowed a full merger of banking and commerce?

ANSWER: 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.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1789

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

KEY PROVISIONS OF THE TREASURY'S FINANCIAL MODERNIZATION PROPOSAL

May 21, 1997

1. **FINANCIAL ACTIVITIES OF COMPANIES OWNING INSURED DEPOSITORY INSTITUTIONS**
   - Companies that own banks (bank holding companies) and meet certain qualifications would -- subject to certain safeguards -- be permitted to engage in any financial activity, including the full range of:
     - securities activities;
     - insurance activities;
     - investment advisory activities and mutual fund sponsorship; and
     - merchant banking.
   - Likewise, financial companies could own banks.

2. **FINANCIAL ACTIVITIES OF INSURED DEPOSITORY INSTITUTIONS AND THEIR SUBSIDIARIES**
   - National banks (and state banks to the extent permitted by state law) would be authorized, subject to certain safeguards, to conduct any financial activity through subsidiaries (except that national bank subsidiaries would not be authorized to engage in real estate development).
   - National banks would be permitted to engage in the full scope of activities that had previously been permissible for national banks or federally chartered thrifts (except investing in real estate development).
     - National banks (and state banks to the extent permitted by state law) would be permitted to act as general agents for the sale of insurance. National banks would be prohibited from engaging directly in insurance underwriting other than what is currently permissible (e.g., credit-related insurance).

RR-1700

- National banks (and state banks to the extent permitted by state law) would be permitted to underwrite and deal in municipal revenue bonds in addition to other securities activities currently permissible in the bank.

3. NONFINANCIAL AFFILIATIONS

Two alternative approaches will be suggested:

- Under the **"basket"** approach (**Alternative A**), bank holding companies that derive some significant percentage (specified by Congress) of their gross revenues in the U.S. from financial activities could derive the remainder of their revenues from nonfinancial activities.

  - In addition to the "basket" limitation, we would suggest prohibiting any affiliation between a bank holding company and a nonfinancial firm having assets in excess of a specified amount (calculated to approximate the 1,000 largest nonfinancial companies).

  - The federal thrift charter would be eliminated after two years, and existing unitary thrift holding companies (which presently have no activity restrictions) would be given a grandfather exemption from the "basket" test (terminable upon a change of control).

- Under the **"financial-only"** approach (**Alternative B**), bank holding companies would not be permitted to engage in *any* nonfinancial activities.

  - The existing thrift charter would be preserved, and thrift holding companies would retain their current authority to engage in any lawful activity.

4. CAPITAL PROTECTIONS AND OTHER SAFEGUARDS

- The following safeguards would apply if a bank holding company or a subsidiary of a bank engaged as principal in activities not permissible for a national bank to engage in directly:

  - The bank would have to remain "well capitalized" -- that is, to be in the highest regulatory capital category, with capital exceeding normal requirements.

    - The bank would have to deduct from its regulatory capital the entire amount of its equity investment in any subsidiary engaged in such activities. Thus even if the investment were to be a total loss, the bank would still be well-capitalized.

- The bank would have to be well-managed.

- Any company controlling the bank would have to give an undertaking that if the bank's capital fell below the well capitalized level, it would be promptly restored.

- Existing limits on loans and other transactions between banks and affiliated companies (sections 23A and 23B of the Federal Reserve Act) would be extended to bank subsidiaries engaged in such activities. Thus any transactions between the bank and the subsidiary would have to be conducted at arm's length, could not exceed 10 percent of the bank's capital, and would have to be fully collateralized. (In addition, the bank's transactions with all affiliates, including the subsidiary, could not exceed 20 percent of the bank's capital.)

- Banks could not be held vicariously liable -- under the "piercing the corporate veil" theory -- for obligations of a subsidiary or other affiliate that the bank had not assumed.

  - Bank regulators would be specifically required to assure that banks observed principles of corporate separateness.

- Under **Alternative A**, banks would be prohibited from extending any credit to, or for the benefit of, any nonfinancial affiliate. (**Alternative B** would permit no nonfinancial affiliates.)

5. **FEDERAL RESERVE REGULATION OF HOLDING COMPANIES**

- The Federal Reserve would continue to approve the formation of, and to supervise and regulate, all bank holding companies.

  - The Federal Reserve would be able to require financial reports from holding companies if they are not reasonably available from other sources. The Board would have access to information that was provided by the holding company or any of its units to other regulatory organizations.

- Federal Reserve examinations of a bank holding company would be limited, to the fullest extent possible, to holding company units that could have a materially adverse effect on the safety and soundness of a bank affiliate.

  - The Board would, to the fullest extent possible, make use of examination reports made by, or on behalf of, regulators of holding company units.

- The Federal Reserve would be permitted to set consolidated capital requirements for a bank holding company if:

  - With the elimination of the OTS, the FDIC Board would be restored to its original three-member size.

  - The FDIC's Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) would be merged.

- Under **Alternative B** (the "financial-only" approach to bank affiliations), the thrift system would be left as it is today.

  - OTS and OCC would be kept intact (although the prohibition against combining functions of the two agencies would be lifted).

  - No conversion of thrifts would be required, and unitary thrift holding companies would retain their diversified affiliation authority.

  - BIF and SAIF would be merged.

7. WHOLESALE FINANCIAL INSTITUTIONS

- Wholesale financial institutions (WFIs) could be chartered as either national banks or state member banks.

- WFIs would not have FDIC insurance and could not accept retail deposits.

- The OCC and Federal Reserve would supervise WFIs and set their capital requirements.

- Owners of WFIs would not be treated as bank holding companies, could therefore engage in any lawful business.

- WFIs would be subject to Community Reinvestment Act (CRA) requirements.

8. FUNCTIONAL REGULATION OF INSURANCE AND SECURITIES ACTIVITIES

- Insurance activities of banking organizations would be subject to normal state insurance regulations, if those regulations do not discriminate against financial institutions. States could not apply to national banks laws that had the purpose or effect of discriminating against, or had a disproportionately adverse effect on, financial institutions.

- Securities activities of banking organizations would be regulated as follows:

  - The Securities Exchange Act's exemption of banks from broker and dealer registration would be narrowed to permit SEC regulation of activities other than traditional banking activities.

- The SEC would be required to amend its net capital rule to avoid a *de facto* pushing out of broker-dealer activities from the bank.

- SIPC insurance would not apply to broker-dealer activities conducted in the bank.

- Products traditionally provided by banks would not subject to SEC broker-dealer regulation, and the primary banking regulator and the SEC could jointly exempt new banking activities.

- The Investment Company Act's application to banking activities would be updated and clarified. Banks' exemption from the Investment Advisers Act would be narrowed.

- The SEC, rather than the banking agencies, would handle registration of bank-issued securities and periodic reporting by banks having securities registered under the Securities Exchange Act of 1934.

9. CONSUMER PROTECTION

- The banking agencies, in consultation with the SEC, would be required to prescribe rules regarding banks' retail sales of nondeposit investment products, in order to avoid customer confusion about the nature and applicability of FDIC and SIPC insurance, and to protect against conflicts of interest and other abuses.

    - Such rules would address such matters as sales practices, qualifications of sales personnel, incentive compensation, and referrals.

- The rules would require simple, direct and understandable disclosures, such as the following:

"NOT FDIC-INSURED OR SIPC-INSURED
"NOT GUARANTEED BY THE BANK
"MAY GO DOWN IN VALUE."

- Customers could prevent sharing of confidential customer information between banks and their nonbank affiliates.

- The National Council on Financial Services would periodically assess the effectiveness of such regulations, and could adopt regulations more stringent than those of the agencies.

10. **National Council on Financial Services**

- A National Council on Financial Services would be created.
- Among other functions, the Council would do the following:
    - Prescribe (under **Alternative A**) the method for applying the gross revenues test for measuring thc extent of a bank holding company's financial activities;
    - Consider whether additional activities are financial;
    - Impose additional firewall restrictions, if determined to be necessary, between banks and their affiliates, including subsidiaries of banks;
    - Review the adequacy of consumer protections to determine whether modifications are needed; and
    - Resolve differences among the agencies on such questions as whether an activity is "financial," or whether a particular product or activity is insurance, securities, or banking.

11. **Time Frame for Modernization**

- Under **Alternativc A**, modernization of bank activities and affiliations would occur two years after enactment. The two-year period would accommodate unification of the bank and thrift charters, as well as the respective federal regulators.
- Under **Alternative B**, the thrift system would remain intact. Thus modernization of bank activities and affiliations would begin nine months after enactment.

DEPARTMENT OF THE TREASURY

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FOR RELEASE AT 1 P.M. (EDT)
May 21, 1997

Remarks by Treasury Secretary Robert E. Rubin
to the Exchequer Club

Thank you for the opportunity to speak here today.

I'd like to talk about financial modernization, and the Treasury's approach to dealing with this important issuc. Our objective is simple: modernizing financial services in a way that will benefit consumers, businesses, and communities, enhance competitiveness of our industry worldwide, and protect the safety and soundness of our financial institutions.

And the stakes here are enormous. The Bureau of Economic Analysis estimates that in 1995, Americans spent nearly $300 billion on brokerage, insurance, and banking services. Even if increased competition from financial modernization were to reduce costs to consumers by just 1 percent, that would be savings of $3 billion a year. And, as I'll explain a bit later, substantiality greater savings than that may be likely.

In many respects, moving forward on financial modernization is a logical next step in the financial services agenda the Administration has pursued since 1993.

We helped bring to conclusion one of the most costly chapters in the history of U.S. finance, the savings and loan debacle, by helping four years ago to pass the Resolution Trust Corporation Completion Act, and last year by helping pass legislation to increase capitalization of the Savings Association Insurance Fund, which insures deposits at thrift institutions.

We've also worked to enact landmark interstate banking legislation, which will go into effect nationwide on June 1st. And the bank and thrift regulators have been eliminating unnecessary regulatory burdens that serve no clear purpose, while protecting consumers and communities.

In 1995, at President Clinton's urging, regulators completely rewrote their Community Reinvestment Act rules, to enable banks and thrifts to focus on performance, not paperwork. Today depository institutions and communities are coming together in innovative ways to help serve creditworthy borrowers and rebuild areas long left behind. Similarly, the Treasury has established the Community Development Financial Institutions Fund, whose primary purpose is
RR-1699

to help non-traditional lenders meet the financing needs of economically distressed communities.

All of these measures were good for the consumer, businesses and communities that depend every day on financial services.

Today, our nation's financial marketplace is exceptionally strong. Unprecedented numbers of Americans have access to credit. We have the most reliable, liquid markets anywhere. Our financial institutions are innovative, and function effectively in a highly competitive global economy.

The Challenge

But in the midst of all this progress, we're still operating under an outdated legal and regulatory structure. National banks can sell insurance, but only from a town of five thousand. Securities firms provide bank-like products, but can't actually own a bank. Bank holding companies can underwrite securities, but with arbitrary limitations on the revenues they can derive from that activity.

The Glass Steagall law may have been appropriate when we had a dramatically different financial system. But think of the enormous changes that we've seen since then: We have developed a very sophisticated system of bank supervision. Our securities markets are the most liquid and reliable in the world. Geographic barriers to competition have come down. Financial products are rapidly converging. Globalization has spurred greater opportunity and competition. And technological innovation is a driving force behind the development of sophisticated financial products.

As you know better than anyone, the old lines that separated the insurance, securities, and banking industries have increasingly blurred as new financial products and services have appeared. And regulatory and judicial rulings continue to erode many of the barrier that were put in place to restrain competition among financial services firms.

Our goal now is to create a regulatory and legal environment in which: 1) consumers benefit from lower costs, better services and greater convenience; 2) financial services providers operate on a level playing field; 3) financial institutions can offer products and services without maneuvering through a maze of archaic laws; and 4) we protect the deposit insurance funds and safety and soundness. However, we don't simply want regulation to reflect the market realities of 1997. We want to create a framework in which US financial markets can innovate, evolve and compete well into the 21st century.

The Approach

Let me share with you our current thinking on several legislative changes we think should be considered.

First, we would propose to break down barriers that inhibit or prevent competition among various providers of financial products and services. We would permit banks, securities firms and insurance companies to affiliate with one another, reflecting the consensus that this reform is long overdue. These affiliations would help promote a genuine two-way street, one in which all participants have the opportunity to compete and innovate.

Second, we would give firms the choice to organize their financial activities in the most efficient way they see fit -- either as a subsidiary of a bank, or as an affiliate of a bank holding company regulated by the Federal Reserve Board. Banks would, if they took the subsidiary route, have to subtract from their regulatory capital 100% of any investment in subsidiaries that undertake activities not permissible for the bank itself, and banks would have to establish firewalls restricting certain transactions between the bank and its subsidiary. Safeguards like these -- which will be the same for subsidiaries as for holding company affiliates -- will protect banks and the federal deposit insurance funds from any risks posed by subsidiaries.

In establishing subsidiaries, banks could expand the range of financial products and services they offer, and diversify the sources of their earnings. In this respect, subsidiaries can help promote safety and soundness at banking institutions.

We should not and do not favor one form of corporate structure over another. But, by developing equal and consistent safeguards for subsidiaries and affiliates, we give companies the power to choose their structure for business, not regulatory, reasons. And let me emphasize: banks and the federal deposit insurance funds will be equally well protected under either format.

Third -- and perhaps the most difficult question in this debate -- is whether to permit companies that include banks to engage in non-financial activities, the so-called "banking and commerce" issue.

As we examined this issue, we recognized that people on all sides have strongly held views about this issue. There are, for example, some who believe that permitting broader affiliations between banking and commercial firms could have not only significant economic implications but also important cultural and social effects. Therefore, because of the nature of the issues and the complete lack of consensus, we think the issue needs to be further debated by Congress before settling on a final approach.

Consequently, we believe that Treasury can be most helpful in resolving this issue by providing two possible alternative legislative models.

Under the first model, Congress could decide to permit some modest measure of non-financial activity for bank holding companies. In such a case, it would be sensible to set a high threshold -- expressed in terms of gross domestic revenues -- to qualify the organization as predominantly financial. Under this model, Congress also could prohibit any affiliation between a bank and any of the 1,000 largest non-financial companies.

This alternative, would provide a basis for Congress to unify the regulation of banks and thrifts.

Under the second model, Congress may decide not to relax limits on non-financial activities of firms affiliated with banks, while as I've already said permitting bank holding companies to engage in the broad range of financial activities.

Under this alternative, the likely outcome would be for Congress to retain the separate thrift charter and the current rules relating to unitary thrift holding companies. While this alternative would not eliminate the current disparities between banks and thrifts, it does permit bank holding companies to engage in the full range of financial activity.

Let me now turn to the fourth item in our approach -- the creation of a new wholesale financial institution (so-called "woofies"). WFIs would be banks which accept only wholesale uninsured deposits, but they would not be considered banks for the purpose of holding company regulation. As chartered financial institutions with access to the payments system, they would be subject to prompt corrective action and other safeguards to ensure they don't pose a significant risk to the financial system. We would also require these banks to comply with the Community Reinvestment Act.

Lastly, we believe that we should move closer to a system of regulation by function, whereby specific financial activities would be regulated by the appropriate federal or state agency, regardless of where these activities are conducted. In this way, consumers would receive consistent regulatory protections. In the securities area, we would maintain and strengthen the important role of the Securities and Exchange Commission, without pushing current securities activities out of banks. With respect to insurance, we'd permit states to apply state laws to bank insurance activities as long as those laws were truly non-discriminatory. Finally, we would propose to create a council of financial regulators that would help resolve questions about the regulation of specific financial products.

Safeguards

With all these changes, of course, we must ensure that any and all financial modernization proposals are safe. In the past eight years, we've made great strides in restoring safety and soundness to our financial system. We're mindful of the S&L experience and are committed to avoiding anything of this sort again.

The Treasury approach would enhance existing consumer safeguards. We would provide for important disclosures -- in plain, straightforward terms -- so buyers can understand whether or not the products they purchase from financial services providers are insured.

For financial institutions, we believe that our proposal for expanded activities, which employs a "belt and suspenders" approach, is safe and sound because it provides even greater safety and soundness protections than current law. The expanded business opportunities we described above are linked to greater protections for insured depository institutions. Banks would have to be well-capitalized -- the highest regulatory capital category -- and well-managed to qualify for broader affiliations. They would have to meet other important prudential safeguards that prevent subsidiaries or affiliates from weakening the depository institution.

And finally, this proposal comes with an absolute commitment to safeguard communities. This Administration will not tolerate any weakening of CRA in any legislation.

Benefits

In the past, when we have permitted greater competition in the financial services industry, consumers of financial products have benefited significantly. For example, after the New York Stock Exchange eliminated fixed commission rates in 1975, brokerage rates dropped by over 20 percent and an entire new industry -- discount brokers -- was created. From 1986 to 1989, as affiliates of banks began to underwrite municipal revenue bonds, issuers like local governments saved as much as $9 per $1000 of borrowed funds -- savings that could be passed on directly to taxpayers to help build roads, schools, hospitals and their communities.

Even more dramatic savings have accrued to consumers after the government has lifted barriers to competition in other industries.

As I mentioned earlier, the Bureau of Economic Analysis estimates that in 1995, American consumers spent nearly $300 billion on brokerage, insurance, and banking services. If increased competition from financial modernization were to reduce costs to consumers by 1 percent, that would be a savings of about $3 billion a year. Based on the efficiencies that could be realized from increased competition, it is plausible to expect ultimate savings to consumers of up to 5 percent from increased competition in the securities, banking and insurance industries -- as much as $15 billion per year. The bulk of these savings should come as financial services firms, driven by increased competition, adopt best-practices.

As I indicated earlier, the financial services industry is undergoing fundamental and dramatic change. The question we need to address is: what will be the rules of the road in the years to come? Will we rely on the old rules -- crafted primarily in the depth of the Depression -- or will we look forward to creating a legal and regulatory structure that will meet the needs of a dynamic and ever-changing system?

I share the views of many others who feel that the time has come to modernize the rules of our financial services system. Such a move, if done with due regard for safety and soundness, will benefit the broad range of users of financial services: consumers, small and large businesses, communities, and state and local governments. A more rational system, with a level playing field and appropriate safeguards, is in everyone's interest.

We look forward to working with the Congress on this important initiative in the time ahead.

GUIDANCE ON DISASTER SUPPLEMENTAL
JUNE 3, 1997

* Today, Frank Raines joined Senator Daschle and Congressman Gephardt in a press conference to call on the Congress to pass a clean disaster supplemental.

* It was wrong for Congress to leave for its recess without adopting a clean bill, but they can rectify that mistake by acting now. But that legislation should not include provisions that are designed to draw a veto by the President. It should not include a provision that effectively cancels out a key element of the balanced budget agreement. And it should not include other provisions that do not belong in a disaster supplemental.

* We've described for you the many long-term disaster assistance plans that have been delayed because of this inaction on the part of the Congress. The longer they go, the greater danger there is that immediate disaster assistance will be affected. There are hundreds of thousands of people in 33 states that are depending on enactment of this legislation. We ought to get it done.

* Current status: The House and Senate have passed separate bills, but there is no conference agreement yet.

* FYI, remaining issues:

  Continuing Resolution provision

  Census sampling (current provisions acceptable, but movement afoot to go back to unacceptable language)

  Roads through Federal lands

  Law enforcement commission (A.G. veto threat)

* **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.**

TOIV
Chow, Rubin

Talking Points

Government Performance and Results Act Pilot Projects

June 3, 1997

Background:

- The General Accounting Office (GAO) yesterday released a report evaluating the first round of pilot projects being conducted under the Government Performance and Results Act (GPRA).

  – These three-year-old pilots focus on performance management – specifically, agency preparation of annual performance plans.

- Under GPRA, agencies are required to send the first of their annual performance plans to OMB in September.

  – These plans will be forwarded to Congress along with the President's fiscal 1999 budget in February.

  – Agencies are required to submit strategic plans to OMB in September as well, which will be forwarded to Congress.

Message:

- GAO has concluded that the pilots "achieved mixed results, which will lead to highly uneven government-wide implementation of GPRA in the fall of 1997."

  – GAO predicts that both the strategic plans and the annual performance plans "will not be of a consistently high quality or as useful for congressional and agency decision-making as they could be."

- We believe that the pilots have enabled the agencies and OMB to gain valuable experience in preparing annual performance plans.

  – We have seen general improvement in the pilots' ability to set goals and measure and report performance against these goals.

  – OMB has initiated an ongoing review of the performance goals that agencies proposed to include in their performance plans.

- We believe that the agencies are engaged in a serious effort to comply with GPRA, and we expect them to produce useful and informative strategic and performance plans this fall.

  -- When implemented, GPRA will provide a vehicle by which agencies will be able to articulate for the public, as well as Congress, their basic mission, goals, and objectives -- as well as the results they are achieving.

- Submission of strategic and performance plans is the start of the dialogue about performance, not the end of it.

GUIDANCE ON JOEL KLEIN
JUNE 3, 1997

* We continue to believe that Mr. Klein would be a first-rate head of the Antitrust Division. He did a great job while he was here at the White House, and we think he would do an excellent job with the Antitrust Division. **The Justice Department is working with Senator Hollings and will continue to work with him to resolve his concerns.**

TOIV
Ruff

Press Guidance
June 3, 1997

FDA

FDA proposed introduced a proposed rule yesterday to reduced the risks of ephedrine alkaloids.

FDA was reacting to an important public health issues (reports of adverse affects). This is just a proposed rule and will have the normal rule making process including a public comment period. Refer additional q's to Jim O'Hare at FDA.

Mellody

Press Guidance
June 3, 1997

DR. BETTY SHABAZZ UPDATE

- Yesterday, the President wrote a letter to Dr. Shabazz expressing both his and the First Lady's best wishes (see attached).
- The Vice President and Mrs. Gore sent a telegram to Dr. Shabazz.
- The White House continues to monitor the situation through Minyon Moore, Deputy Director of Political Affairs, who is a personal friend the family.

Silverman
per Minyon Moore

THE WHITE HOUSE

WASHINGTON

June 2, 1997

Dr. Betty Shabazz
Jacobi Medical Center
1400 Pelham Parkway, South
Bronx, New York 10461

Dear Dr. Shabazz:

Hillary and I were so sorry to learn of your injuries. We are keeping you in our thoughts and praying for your strength and comfort.

Sincerely,

Bill Clinton

Press Guidance
June, 3, 1997

Title IX

Background: Yesterday, the National Women's Law Center filed 25 complaints against 25 colleges and universities (one for each year that Title IX has been law) alleging sex discrimination under Title IX with the Office of Civil Rights, Department of Education. Title IX prohibits discrimination based on sex at federally funded institutions. The Office of Civil Rights (OCR)has 135 days to review the complaints and if found meritorious, OCR mostly likely will negotiate with the school in question to address the complaint.

Points per Elena Kagan and Maria Echeveste:

- These complaints were filed yesterday and we are unaware of the details alleged in the complaints.
- The Office of Civil Rights has 135 days to determine whether the complaints are valid and it should be allowed to complete its work.
- It is not appropriate for the White House to comment while OCR is conducting its review.

For briefer only:

Per Ann Lewis -- There are discussions underway re: a title IX event at the White House. The 25th anniversary is coming up (June 23) and there is a chance that we could do something around that, but final decisions have not been made therefore it would be premature to preview anything. *FYI - June 17t is tentatively marked on the block.*

Compiled by Mellody

GUIDANCE ON PA AVENUE AND GSA PLAN TO ELIMINATE PARKING METERS
JUNE 3, 1997

Pennsylvania Avenue

* When talking about the idea of financial compensation for District's losses, important not to associate this with the broad DC plan, which does not specifically address this issue. You should say these issues are being addressed separately.

* We are working closely with the Congress and with District officials. We've had good conversations with Congresswoman Norton, and we're well aware of her concerns. Obviously, she has some legitimate concerns on behalf of the District, and we're working with her.

GSA Plan

* They're in beginning stages of developing EIS on their plan to restrict parking around 80 Federal buildings in downtown Washington area for security reasons.

* Their proposed plans include elimination of meters and further restrictions on parking.

* They've had three public hearings, and there will be more meetings with other government agencies, including the District government.

* **The EIS probably won't be completed until at least February 1998, so there is a long way to go before any final decisions are made on this. But the EIS will review the economic impact of the plan.**

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 2, 1997
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 1486 - Foreign Policy Reform Act
(Gilman (R) New York)

The Administration supports the overall fiscal year 1998 appropriation authorization levels in H.R. 1486, as reported by the International Relations Committee. In the aggregate, these levels conform to those provided in the House-passed Budget Resolution. The Administration also commends the Committee for providing important new authorities, as requested by the Administration, to carry out U.S. foreign relations. These include provisions which constructively extend the President's special authorities in the Foreign Assistance Act.

Several very objectionable amendments, which are described below or in the attachment, have been submitted to the Rules Committee for its consideration in granting a rule for H.R. 1486. Of particular concern are amendments that would: (1) authorize foreign affairs programs at levels below those provided for in the 1998 Budget Resolution; (2) micromanage the planned reorganization of the foreign affairs agencies; (3) establish prejudicial conditions and restrictions on the payment of arrears to international organizations; and (4) impose unwarranted restrictions on international family planning programs. In addition, there are other amendments, as well as provisions of the bill, which would restrict the President's ability to conduct foreign relations. If any of these amendments are included, alone or in combination, in the bill presented to the President, his senior advisers would recommend that H.R. 1486 be vetoed.

Foreign Affairs Appropriation Authorization Levels

The appropriation authorization levels in H.R. 1486, in the aggregate, are consistent with the Budget Agreement for fiscal year 1998. The Administration, therefore, would strongly oppose any amendments to reduce foreign affairs authorizations below those levels or, in the case of the Arms Control and Disarmament Agency (ACDA), to delete the Agency's entire authorization for fiscal years 1998-1999. The Administration also urges the House to provide appropriation authorization levels in FY 1999 consistent with the Budget Agreement.

Foreign Affairs Reorganization

H.R. 1486 should permit bipartisan movement towards the common goal of reorganizing and reinventing the State Department, ACDA, U.S. Information Agency (USIA), and the Agency for International Development (AID). The Administration supports the Hamilton amendment on reorganization, which will achieve this goal.

The Administration strongly opposes a Gilman-sponsored amendment that would mandate many of the details on how to implement such a complex reorganization, thereby prejudging how the foreign affairs agencies are to be restructured. Such a directive would be incompatible with the flexibility needed by the President to reorganize the foreign affairs agencies to meet the challenges of the 21st century.

International Organizations (IO) Arrears

The Administration is pledged to reforming the United Nations (UN) and other international organizations while enhancing U.S. credibility by paying arrearages -- a top priority of the Administration. The Administration has been working with the Congress to identify specific reform benchmarks, but there is a limit to what can reasonably be negotiated with other sovereign member states. While the Administration supports the Hamilton UN reform amendment, it strongly opposes the Gilman-sponsored amendment because it would push well beyond such limits and would set back chances for progress on this important matter. Other amendments which may be considered could actually undermine the ability of the United States to exercise leadership and to work effectively with the UN.

International Family Planning

The Administration strongly opposes the Smith amendment that attempts to impose statutory restrictions on funding for international family planning programs along the lines of the so-called Mexico City policy. Such limitations harm safe, voluntary family planning programs which are needed to reduce unintended pregnancies, child and maternal deaths, and the incidence of abortion.

Foreign Relations Restrictions

The Administration welcomes expressions in the bill of support for an "open door" approach to NATO enlargement, so that Alliance membership will remain open to other Central and Eastern European democracies after the first state or states are invited to join. Conversely, the Administration would oppose amendments requiring the President to differentiate among prospective members and rate publicly their relative preparedness to join the Alliance. Similarly, the Administration would oppose amendments seeking to stipulate the content of the Founding Act which the NATO members have already signed with Russia.

H.R. 1486 also contains additional highly objectionable provisions that would restrict the President's ability to conduct foreign policy. For example, there are restrictions related to Jerusalem and limits placed on assistance to Russia. These and other concerns are described further in the attachment. The Administration will seek to modify or delete these provisions as the legislative process continues. Finally, other objectionable amendments have been proposed that would severely restrict the President's authorities and make it harder for any Administration to react to unanticipated contingencies.

The Administration is continuing to review H.R. 1486 and may seek further changes to the bill as the legislative process continues.

Pay-As-You-Go Scoring

H.R. 1486 would increase direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act (OBRA) of 1990. OMB's preliminary scoring estimates of this bill are presented in the table below. Final scoring of this legislation may differ from these estimates.

PAY-AS-YOU-GO ESTIMATES
($ in millions)

	1998	1999	2000	2001	2002	1998-2002
Direct Spending	0.3	2.8	6.2	7.9	8.4	25.7

ATTACHMENT

ADDITIONAL ADMINISTRATION CONCERNS WITH H.R. 1486

Unnecessary Foreign Policy Restrictions. H.R. 1486 imposes unnecessary restrictions on the ability of the President to conduct American foreign policy. Some of these restrictions would also impermissibly infringe on the President's constitutional authorities. There are also potential amendments in these and related areas, which we strongly oppose. Objectionable provisions include:

- Section 1710 on U.S. Policy in Jerusalem, which includes the objectionable earmarking of funds to construct a U.S. Embassy in Jerusalem. These provisions would infringe on the President's constitutional authorities and would be counterproductive to U.S. efforts to promote peaceful resolution of the Arab-Israeli conflict. The large earmark would force funds to be diverted from maintenance, rehabilitation, and current leases, and could even cause the State Department to close other posts. Also objectionable is the bill's policy statement related to Egypt and Camp David commitments. These provisions could undercut U.S. credibility as an active intermediary in the peace process.

- Section 513, which unacceptably restricts assistance to Russia and would damage U.S. national interests in supporting a successful democratic and economic transformation of Russia. These restrictions undercut those in Russia who support democratic and market economic principles, and are helping to integrate Russia into global economic and security institutions.

- Section 466, which requires international negotiations to establish a multilateral code of conduct for arms sales. This requirement would raise constitutional concerns regarding the President's foreign affairs authority.

- Section 504, which subjects contributions to the International Fund for Ireland to certain specified employment principles.

- Section 426, which sets objectionable limits on foreign military financing loans, particularly in fiscal year 1999.

- Section 576, which restricts humanitarian assistance to North Korea. This could unduly constrain the Administration's flexibility in responding to urgent developments in that region.

- Section 1702 regarding U.S. Policy on torture. The Administration generally supports the Lantos Amendment to this section, which addresses the Administration's most serious concerns.

Other Funding Issues. H.R. 1468 contains earmarks and other limitations which undermine Administration priorities for the Economic Support Fund (ESF), the New Independent States (NIS), and Support for Eastern European Democracy (SEED). The combination of earmarks and recommended authorization levels for specific regions and programs creates objectionable statutory limitations on the Administration's ability to meet new development challenges as they arise.

In several areas (such as Refugee Assistance, Development Assistance, and Development Fund for Africa), H.R. 1486 provides authorization of appropriations in excess of requested levels, which results in decreased authorization levels elsewhere.

Finally, H.R. 1486 includes appropriation authorizations for FY 1999 which are below those projected in the President's FY 1998 Budget and in the Budget Agreement.

Micromanage Executive Authority. Statutory requirements to create certain positions and specify criteria for personnel positions and bureaus (sections 1301, 1303, 1304, 1305, and 1306) undermine the Administration's authority to organize the Department of State and manage U.S. foreign affairs. These and other restrictions on foreign service staffing levels, (particularly section 1326) along with proposed amendments which would require counterproductive reductions in AID staffing levels, are particularly inappropriate. This is especially true at a time when the Administration is working to implement the President's plan to restructure foreign affairs agencies.

The Administration also opposes language in section 1406 that would mandate the consolidation of international exchange and training programs. Mandating consolidation and establishing an artificial level of "savings" to be derived from consolidation prejudges deliberations on this issue and should not be included in the bill.

Section 1201(c) would earmark funds that would otherwise be available to satisfy claims of U.S. citizens against a foreign state, and use them for the Department's reward program. In addition to depriving U.S. citizens of access to these funds, this provision would entitle a foreign state to make a claim against the United States. This is inappropriate and unnecessary, since funds appropriated to the Department's emergency account have to date been sufficient to cover the offered rewards.

In addition, section 1327, which extends Law Enforcement Availability Pay (LEAP) to the Diplomatic Security Service, should be modified to cover all Diplomatic Security special agents.

Reporting Requirements. In addition, H.R. 1486 includes several reporting requirements to Congress that will significantly increase workload requirements. Specifically, the Administration opposes the extensive, overly detailed quarterly reporting on Helms-Burton determinations; reports on efforts to secure Israel's membership in the UN's Western European and Others Group; reports on resolution of U.S. commercial claims against Saudi Arabia; additional information for inclusion in USAID's Congressional Presentation Documentation; and reports concerning countries providing nuclear fuel to Cuba.

* * * * *

Press Guidance
June 3, 1997

TEXAS TORNADO UPDATE

- The official Texas disaster request is still under review and James Lee Witt plans to talk to Governor Bush later today (they had a scheduling conflict yesterday and were unable to talk).

If pressed: All but 28 homes appear to be fully insured (unlike flood insurance homeowners insurance covers tornado damage) and many of these 28 will qualify for SBA loans.

We are all thankful that there is such a high level of insurance coverage. Considering this high level of coverage and the Government's inability to duplicate benefits we are reviewing what we can do in the form of federal assistance.

FYI briefer: More than likely there isn't going to be a Presidential Disaster Declaration because the amount requested is so small (less than $500,000). However, there will likely be a Limited Emergency Declaration to allow the transfer of federal property to the state of Texas (possibly mobile homes).

Silverman
Per Steve Silverman and FEMA

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. briefing paper	President Clinton to Sign Reauthorization of Individuals with Disabilities Education Act; RE: Personal [partial] (2 pages)	06/06/1997	b(6)

COLLECTION:

Clinton Presidential Records
Press Secretary
General Files
OA/Box Number: 10858

FOLDER TITLE:

Daily Press Guidance - June 3, 1997

2011-0586-F
db4226

RESTRICTION CODES

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

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

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE
OFFICE OF THE PRESS SECRETARY

FOR PLANNING PURPOSES ONLY — JUNE 3, 1997
NOT FOR DISTRIBUTION OR RELEASE
Contact: 202/456-7150

PRESIDENT CLINTON TO SIGN REAUTHORIZATION OF INDIVIDUALS WITH DISABILITIES EDUCATION ACT

Washington, D.C. -- President Clinton will sign the reauthorization of the Individuals with Disabilities Education Act on Wednesday, June 4, at the White House. The bill reauthorizes IDEA, the historic 22-year-old civil rights legislation that guarantees children with disabilities a free and appropriate public education.

WHAT: President Clinton signs the IDEA reauthorization.

WHEN: Wednesday, June 4, 1997
10:30 a.m.

WHERE: South Lawn
The White House

COVERAGE: OPEN PRESS
Pre-set: 9 a.m.
Final escort from press briefing room: 10:15 a.m.

Credentials: Media that need White House clearance to cover this event should call the Office of Media Affairs, 202/456-7150.

There will be several families whose children have benefitted from the act who will be available following the signing:

- Joshua Bailey, Mt. Pleasant, TN (Will introduce the President) [001]

(b)(6)

[redacted]

(b)(6)

F 66423

Draft

OVERVIEW

The Progress

The Individuals with Disabilities Education Act (IDEA) has a long history. Twenty-two years ago, prior to its implementation, approximately 1 million children with disabilities were shut out of schools and hundreds of thousands more were denied appropriate services. The legislation changed much of this for many children. There are ninety percent fewer children with disabilities now housed in state institutions than in 1975. There are three times the number of young people with disabilities are enrolled in colleges or universities. And twice as many of today's twenty-year old individuals with disabilities are working, compared to their predecessors.

Unfulfilled Promises

While this is significant progress, we can and must do better. The status of children with disabilities still falls short of our expectations for them.

- Twice as many children with disabilities drop out of school as their peers.
- Drop outs with disabilities do not return to school, have difficulty finding jobs and often end up in the criminal justice system.
- Girls with disabilities who drop out often become young unwed mothers—at a much higher rate than their non-disabled peers.
- Minority children with limited English proficiency are often inappropriately classified as having a disability.
- Many children with disabilities are excluded from the curriculum and assessments used with their non-disabled classmates, limiting their possibilities of performing to higher standards.

Strategies for Success

The new IDEA legislation is an attempt to remedy these and other problems that contribute to the barriers faced by children with disabilities. The focus of this legislation is to improve the results achieved by children with disabilities by raising expectations, holding them to higher standards of achievement, and linking research to teaching and learning.

IDEA will make these changes by:

- Raising expectations for children with disabilities;
- Increasing parental involvement in the education of their children;
- Ensuring that regular education teachers are involved in planning and assessing children's progress;
- Including children with disabilities in assessments, performance goals, and reports to the public;
- Linking research to improved professional development of all personnel who are involved in educating children with disabilities; and
- Providing increased support to local education agencies to implement the law.

The following document outlines IDEA to describe how children with disabilities will receive a free, appropriate public education that meets highest standards of performance.

Preliminary Messages for IDEA Event(s)

1. ***We have the same high expectations for children with disabilities as we do for all children.*** We have the evidence that children with disabilities can and do learn well. And, with few exceptions, students with disabilities can meet the higher standards that we expect all children to achieve.

2. ***IDEA is a working reality, not a promising experiment.*** Schools across the nation have been implementing IDEA for years. We have hundreds of thousands of successful students with disabilities who have demonstrated their ability to learn and succeed in school. We know how to teach children with disabilities and they know how to learn.

3. ***IDEA lets us all win.*** Every child has his own unique way of learning. Together we can ensure that every child in our schools will reach his potential, meet higher standards and be prepared for their future as productive citizens.

4. ***Stereotypes about low expectations for teaching children with disabilities have been proven wrong in the past 20 years.*** In the past 22 years since the advent of P.L. 94-142, we have learned a great deal about how to teach children with disabilities. We are ready to support the professional development of educators with the knowledge we have gained. We know what works and why. We are willing and ready to be held accountable for our efforts.

5. ***By working together, we improve teaching and learning for all.*** Families, educators, students with disabilities and their classmates can all achieve their goals of meeting higher standards when they work together. This country was based on our citizens pulling together for our common good. We have a stake in each others' success.

6. ***IDEA preserves rights and improves teaching and learning.*** The new law preserves the rights of children with disabilities to educational opportunity, while it emphasizes shared responsibility for achieving the best teaching and learning results possible. Only with local, state and federal government, children, parents, teachers and schools working together can we ensure that all children will become all that they can be.

INDIVIDUALS WITH DISABILITIES EDUCATION ACT:

Questions & Answers

1. How will the new law help children with disabilities reach higher levels of achievement?

The 1997 Individuals With Disabilities Education Act which will be signed into law by President Clinton aims to strengthen academic expectations and accountability for the nation's 5.4 million children with disabilities, and bridge the gap that has too often existed between what those children learn and the regular curriculum.

From now on, the Individualized Education Program (IEP) -- the plan that spells out the educational goals for each child and the services he will receive for his education -- must relate more clearly to the general curriculum that children in regular classrooms receive.

The law will also require regular progress reports to parents, include children with disabilities in state and district assessments and in setting and reporting on performance goals as they do for non-disabled children.

Teachers will benefit from advancements in research through professional development initiatives.

2. What about parents? How are parents involved in decisions about their child's education?

Parental involvement will increase under the new law. In all states, parents will now be included in groups making eligibility and placement decisions about children with disabilities. Previously, in some states, parents only had a right to be included in IEP meetings. Parents also have a right to consent to periodic re-evaluations of their children's program, in addition to initial evaluations.

Currently, parents of children with disabilities rarely get regular reports from schools on their child's progress in acheiving academic goals set forth in the IEP. The new law aims to increase parental involvement by requiring regular progress reports, that are commonly made for other children.

3. Will more children with disabilities be placed in regular classroom settings under the law?

The new law is designed to remove financial incentives for placing children in more separate settings when they could be served in a regular classroom, and it will include regular classroom teachers in the meetings at which the academic goals of children with disabilities are set.

The new law also eases some of the restrictions on how IDEA funding can be used for children served in regular classrooms. Specifically, such funds can be used for providing services to children with disabilities in regular classroom settings even if non-disabled children benefit as well.

4. How does the new law change the roles and responsibilities of regular classroom teachers?

A critically important feature of the new law specifies that regular teachers will be part of the team that develops each child's IEP. That is especially important since the law removes barriers to placing disabled children in regular classroom settings and ties the education of children with disubilities more closely to the regular education curriculum.

The law requires that IEP's include the program modifications and supports for the child and teacher to enable the child to succeed in the classroom.

The law also provides continued federal support to improve teacher training nationwide, and adds support of teacher training programs in geographic areas with acute teacher shortages.

5. How will IDEA 97 prevent inappropriate placements for minority children?

Whether the child is a minority student or not, IDEA 97 emphasizes that for most children with disabilities, special education is not a place. Rather, special education is a set of services to suppor the needs of children with disabilitics to succeed in general education classrooms.

For the first time, states will be required to gather data to ensure that school districts are not disproportionately identifying and placing children with disabilities from minority or limited English proficiency backgrounds in separate educational settings, and that such children are not being disproportionately suspended or expelled. In addition, in determining their education services, schools will be required to address the language needs of students who have limited English proficiency. Teachers will be provided training and research based knowledge to meet the special needs of these children.

6. How will this law help school districts meet the costs of special education?

The new law directs more federal dollars to school districts and allows them greater flexibility to meet the needs of children with disabilities in their schools. States and other public agencies will continue their level of support to school districts. Unnecessary assessments will be eliminated, saving school districts an estimated $765 million per year.

7. How does IDEA promote safe, well-disciplined schools?

All children deserve safe and well-disciplined schools. For the first time, the new law sets out and clarifies how school disciplinary rules and the obligation to provide a Free Appropriate Public Education to disabled children fit together.

The law explicitly requires that children who need it receive instruction and services to help them follow the rules and get along in school.

However, the law also recognizes that if students bring a weapon or illegal drugs to school, schools have the right to remove children with disabilities to an alternative educational setting for up to 45 days. The new law permits schools to go to a hearing officer for an injunction to remove a child for up to 45 days if the child is considered substantially likely to injure himself or others. Previously, only a court had that authority. And the law also recognizes the right of schools to report crimes to law enforcement or judicial authorities.

At the same time, the law guarantees that children under suspension or expulsion would still receive special education services elsewhere.

8. How does the law affect infants, toddlers, and preschoolers with disabilities?

The law allows federal funding to rise to $400 million for infants and toddlers programs from current appropriations of $315 million. For preschoolers allowable funding is up to $500 million up from current spending of $360 million. It clarifies that infants and toddlers should receive services in the home or in other natural settings where possible. It also improves the coordination and transition for children from infant and toddler programs to pre-school programs.

9. Will these changes and new requirements affect the number of lawsuits and due process hearings by parents and legal bills for school districts?

When parents and schools districts collaborate on childrens' education, conflict is minimized. IDEA 97 recognizes and encourages these positive relationships and non-adversarial methods of resolving disputes. The new law includes parents in placement decisions and requires schools to report regularly to parents on their child's progress.

Under IDEA 97 states will make effective voluntary mediation available to parents and school districts as a far less costly alternative to lawsuits. In the rare instances when it is necessary parents can still choose due process procedures.

MAY-12-97 11:39 FROM:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 12, 1997
(Senate)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

S. 717 - Individuals with Disabilities Education Act (IDEA) Amendments of 1997
(Sen. Jeffords (R) VT and 17 others)

The Administration strongly supports Senate passage of S. 717 as a major step towards ensuring high-quality educational opportunity for all students. Reauthorization of the Individuals with Disabilities Education Act (IDEA) reaffirms and strengthens this commitment to children with disabilities and their parents. This legislation is the product of comprehensive bipartisan negotiations involving both chambers of the Congress and the Administration, with broad public input from many individuals and organizations. It places a strong emphasis on teaching and learning, and will do much to help improve educational results for the 5.8 million children with disabilities who are served under the IDEA.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 2, 1997
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 1486 - Foreign Policy Reform Act
(Gilman (R) New York)

The Administration supports the overall fiscal year 1998 appropriation authorization levels in H.R. 1486, as reported by the International Relations Committee. In the aggregate, these levels conform to those provided in the House-passed Budget Resolution. The Administration also commends the Committee for providing important new authorities, as requested by the Administration, to carry out U.S. foreign relations. These include provisions which constructively extend the President's special authorities in the Foreign Assistance Act.

Several very objectionable amendments, which are described below or in the attachment, have been submitted to the Rules Committee for its consideration in granting a rule for H.R. 1486. Of particular concern are amendments that would: (1) authorize foreign affairs programs at levels below those provided for in the 1998 Budget Resolution; (2) micromanage the planned reorganization of the foreign affairs agencies; (3) establish prejudicial conditions and restrictions on the payment of arrears to international organizations; and (4) impose unwarranted restrictions on international family planning programs. In addition, there are other amendments, as well as provisions of the bill, which would restrict the President's ability to conduct foreign relations. If any of these amendments are included, alone or in combination, in the bill presented to the President, his senior advisers would recommend that H.R. 1486 be vetoed.

Foreign Affairs Appropriation Authorization Levels

The appropriation authorization levels in H.R. 1486, in the aggregate, are consistent with the Budget Agreement for fiscal year 1998. The Administration, therefore, would strongly oppose any amendments to reduce foreign affairs authorizations below those levels or, in the case of the Arms Control and Disarmament Agency (ACDA), to delete the Agency's entire authorization for fiscal years 1998-1999. The Administration also urges the House to provide appropriation authorization levels in FY 1999 consistent with the Budget Agreement.

Foreign Affairs Reorganization

H.R. 1486 should permit bipartisan movement towards the common goal of reorganizing and reinventing the State Department, ACDA, U.S. Information Agency (USIA), and the Agency for International Development (AID). The Administration supports the Hamilton amendment on reorganization, which will achieve this goal.

The Administration strongly opposes a Gilman-sponsored amendment that would mandate many of the details on how to implement such a complex reorganization, thereby prejudging how the foreign affairs agencies are to be restructured. Such a directive would be incompatible with the flexibility needed by the President to reorganize the foreign affairs agencies to meet the challenges of the 21st century.

International Organizations (IO) Arrears

The Administration is pledged to reforming the United Nations (UN) and other international organizations while enhancing U.S. credibility by paying arrearages -- a top priority of the Administration. The Administration has been working with the Congress to identify specific reform benchmarks, but there is a limit to what can reasonably be negotiated with other sovereign member states. While the Administration supports the Hamilton UN reform amendment, it strongly opposes the Gilman-sponsored amendment because it would push well beyond such limits and would set back chances for progress on this important matter. Other amendments which may be considered could actually undermine the ability of the United States to exercise leadership and to work effectively with the UN.

International Family Planning

The Administration strongly opposes the Smith amendment that attempts to impose statutory restrictions on funding for international family planning programs along the lines of the so-called Mexico City policy. Such limitations harm safe, voluntary family planning programs which are needed to reduce unintended pregnancies, child and maternal deaths, and the incidence of abortion.

Foreign Relations Restrictions

The Administration welcomes expressions in the bill of support for an "open door" approach to NATO enlargement, so that Alliance membership will remain open to other Central and Eastern European democracies after the first state or states are invited to join. Conversely, the Administration would oppose amendments requiring the President to differentiate among prospective members and rate publicly their relative preparedness to join the Alliance. Similarly, the Administration would oppose amendments seeking to stipulate the content of the Founding Act which the NATO members have already signed with Russia.

H.R. 1486 also contains additional highly objectionable provisions that would restrict the President's ability to conduct foreign policy. For example, there are restrictions related to Jerusalem and limits placed on assistance to Russia. These and other concerns are described further in the attachment. The Administration will seek to modify or delete these provisions as the legislative process continues. Finally, other objectionable amendments have been proposed that would severely restrict the President's authorities and make it harder for any Administration to react to unanticipated contingencies.

The Administration is continuing to review H.R. 1486 and may seek further changes to the bill as the legislative process continues.

Pay-As-You-Go Scoring

H.R. 1486 would increase direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act (OBRA) of 1990. OMB's preliminary scoring estimates of this bill are presented in the table below. Final scoring of this legislation may differ from these estimates.

PAY-AS-YOU-GO ESTIMATES
($ in millions)

	1998	1999	2000	2001	2002	1998-2002
Direct Spending	0.3	2.8	6.2	7.9	8.4	25.7

ATTACHMENT

ADDITIONAL ADMINISTRATION CONCERNS WITH H.R. 1486

Unnecessary Foreign Policy Restrictions. H.R. 1486 imposes unnecessary restrictions on the ability of the President to conduct American foreign policy. Some of these restrictions would also impermissibly infringe on the President's constitutional authorities. There are also potential amendments in these and related areas, which we strongly oppose. Objectionable provisions include:

- Section 1710 on U.S. Policy in Jerusalem, which includes the objectionable earmarking of funds to construct a U.S. Embassy in Jerusalem. These provisions would infringe on the President's constitutional authorities and would be counterproductive to U.S. efforts to promote peaceful resolution of the Arab-Israeli conflict. The large earmark would force funds to be diverted from maintenance, rehabilitation, and current leases, and could even cause the State Department to close other posts. Also objectionable is the bill's policy statement related to Egypt and Camp David commitments. These provisions could undercut U.S. credibility as an active intermediary in the peace process.

- Section 513, which unacceptably restricts assistance to Russia and would damage U.S. national interests in supporting a successful democratic and economic transformation of Russia. These restrictions undercut those in Russia who support democratic and market economic principles, and are helping to integrate Russia into global economic and security institutions.

- Section 466, which requires international negotiations to establish a multilateral code of conduct for arms sales. This requirement would raise constitutional concerns regarding the President's foreign affairs authority.

- Section 504, which subjects contributions to the International Fund for Ireland to certain specified employment principles.

- Section 426, which sets objectionable limits on foreign military financing loans, particularly in fiscal year 1999.

- Section 576, which restricts humanitarian assistance to North Korea. This could unduly constrain the Administration's flexibility in responding to urgent developments in that region.

- Section 1702 regarding U.S. Policy on torture. The Administration generally supports the Lantos Amendment to this section, which addresses the Administration's most serious concerns.

Other Funding Issues. H.R. 1468 contains earmarks and other limitations which undermine Administration priorities for the Economic Support Fund (ESF), the New Independent States (NIS), and Support for Eastern European Democracy (SEED). The combination of earmarks and recommended authorization levels for specific regions and programs creates objectionable statutory limitations on the Administration's ability to meet new development challenges as they arise.

In several areas (such as Refugee Assistance, Development Assistance, and Development Fund for Africa), H.R. 1486 provides authorization of appropriations in excess of requested levels, which results in decreased authorization levels elsewhere.

Finally, H.R. 1486 includes appropriation authorizations for FY 1999 which are below those projected in the President's FY 1998 Budget and in the Budget Agreement.

Micromanage Executive Authority. Statutory requirements to create certain positions and specify criteria for personnel positions and bureaus (sections 1301, 1303, 1304, 1305, and 1306) undermine the Administration's authority to organize the Department of State and manage U.S. foreign affairs. These and other restrictions on foreign service staffing levels, (particularly section 1326) along with proposed amendments which would require counterproductive reductions in AID staffing levels, are particularly inappropriate. This is especially true at a time when the Administration is working to implement the President's plan to restructure foreign affairs agencies.

The Administration also opposes language in section 1406 that would mandate the consolidation of international exchange and training programs. Mandating consolidation and establishing an artificial level of "savings" to be derived from consolidation prejudges deliberations on this issue and should not be included in the bill.

Section 1201(c) would earmark funds that would otherwise be available to satisfy claims of U.S. citizens against a foreign state, and use them for the Department's reward program. In addition to depriving U.S. citizens of access to these funds, this provision would entitle a foreign state to make a claim against the United States. This is inappropriate and unnecessary, since funds appropriated to the Department's emergency account have to date been sufficient to cover the offered rewards.

In addition, section 1327, which extends Law Enforcement Availability Pay (LEAP) to the Diplomatic Security Service, should be modified to cover all Diplomatic Security special agents.

Reporting Requirements. In addition, H.R. 1486 includes several reporting requirements to Congress that will significantly increase workload requirements. Specifically, the Administration opposes the extensive, overly detailed quarterly reporting on Helms-Burton determinations; reports on efforts to secure Israel's membership in the UN's Western European and Others Group; reports on resolution of U.S. commercial claims against Saudi Arabia; additional information for inclusion in USAID's Congressional Presentation Documentation; and reports concerning countries providing nuclear fuel to Cuba.

* * * * *

Press Guidance
June 3, 1997

SBA/Labor

Secretary of Labor Herman and SBA Administrator Alvarez yesterday announced a campaign including a 1/800 number and website to educate small businesses and encourage them to provide retirement benefits for their employees. The announcement amplifies an earlier announcement by the Vice President.

A copy of Secretary Herman's remarks is attached.

The Honorable Alexis M. Herman
U.S. Secretary of Labor
Remarks at the Small Business Press Round table
June. 2. 1997
2:00-2:30 p.m.

Assistant Secretary Olena Berg and I are pleased to be available along with Small Business Administrator Aida Alvarez and Deputy Assistant Secretary Kenneth Krupsky from Treasury to discuss our 5-step plan aimed at helping small businesses start pension plans.

Earlier today the Vice President announced our campaign to inform small businesses of the options available to them to make retirement security a reality for more workers. Both the Small Business Administration and the Treasury Department have partnered with the Labor Department in today's unveiling of new pension retirement solutions. Both agencies have been integrally involved in the Labor Department's national Retirement Savings Education Campaign launched in 1995. The Labor Department has served as a catalyst to provide information about pension and retirement planning to workers and employers.

As an outgrowth of our campaign, our coalition of more than 200 private and public sector partners have formed a non-profit organization -- the American Savings Education Council (ASEC) -- charged with raising public awareness to ensure long-term dissemination of information to the American public.

Workers require the assistance of the business community to make retirement vehicles available so that employees can save more of their hard-earned income for retirement.

The 5-point strategy we propose targets small businesses -- a new audience for us but one familiar to our partners -- and urges these businesses to learn about and adopt retirement plans for their employees.

We are targeting small businesses -- especially those with 100 or fewer employees -- for one reason: they comprise a large segment of the U.S. business population. Today, there are over 5 million small businesses with 100 or fewer workers. But, only 1 million of these have pension plans. We think there should be more.

New legislation encourages savings plans for this group and makes them easy to start and to maintain.

The Small Business Job Protection Act of 1996 eased some retirement plan restrictions for current plans and encouraged small businesses to start pension plans for their workers.

Retirement plan options -- like SIMPLE, the Savings Incentive Match Plan for Employees of Small Employers, and SEP, Simplified Employee Pensions -- are two such examples. They are easy to start and offer flexibility to employers and employees in the amount they contribute to their savings plans.

These two plans are outlined in new brochures we are releasing today, and they are just part of our campaign to encourage small employers to adopt pension plans.

A third brochure -- Simple Retirement Solutions for Small Business -- outlines for small employers the major categories of retirement plan options and points out some of the advantages in starting retirement savings.

These brochures were produced with the cooperation of the Treasury Department and the Internal Revenue Service.

The Small Business Administration is the nation's expert on small business endeavors. They are taking the lead in letting the nation's small businesses know about these new retirement savings vehicles.

Our campaign isn't stopping here, however. We will be airing radio public service announcements and releasing public service ads and articles in major business and pension magazines.

We will be encouraging employers to call our toll free publications hotline at 800-998-7542 to get copies of our new materials.

In addition, the SBA has committed to distribute informational materials through their 90 regional and district offices, and to their trade associations and the Small Business Development Centers located around the country.

Small businesses employ a large percentage of the workforce -- nearly 40 percent. We hope that more of them will start savings plans now and will make workplace savings an on-going commitment.

DEMOCRATIC REPUBLIC OF THE CONGO (EX-ZAIRE)

Q: What is the status of efforts to gain access (a) by humanitarian workers to the refugees who remain in the DROC and (b) by international investigators to areas where there have been reports of human rights abuses?

A: Multiple diplomatic efforts are underway to persuade the new Government of the DROC to grant unrestricted access to refugees and to sites of alleged mass killings and other human rights abuses.

We are working closely with the EU countries and through a variety of diplomatic channels of our own to obtain access.

We are extremely disturbed about these reported atrocities and about the continued lack of access.

This issue is also being raised at the OAU Summit presently taking place in Harare.

Q: Would you provide an update on the refugees in Democratic Republic of the Congo?

A: Relief workers are still prevented from traveling by road south of kilometer 48 (4 miles south of Biaro).

UNHCR believes that large groups of refugees remain in the forest west and south of that area and are anxious to reach them.

Some 37,200 refugees from Kisangani and 5,600 from Mbandaka on the border with Congo (Brazzaville) have now been airlifted to Rwanda.

Thousands more refugees are reported to be in the Mbandaka area where they are being cared for by relief workers. 15,000 have crossed into Congo (Brazzaville).

We are still trying to obtain information about the number of Rwandan refugees at the DROC/Angola border.

On Friday, the United States announced an additional contribution to UNHCR of $12.6 million in support of its refugee relief and repatriation efforts in the Great Lakes region.

Q: What is happening with the Nigerian-led offensive against rebels in Sierra Leone? Does fighting continue?

A: There were reports of sporadic fighting between Nigerian Economic Community of West African States Monitoring Group (ECOMOG) forces and rebels throughout the evening of June 2 at Hastings airport. We understand the Nigerians reinforced their presence at Hastings.

There were no signs of any Nigerian soldiers at the Aberdeen Peninsula area from where American and third country nationals (TCNs) were evacuated earlier this morning local time.

Q: What happened to foreigners at the Mammy Yoko Hotel?

A: American and third country nationals fled the Mammy Yoko Hotel after it was overrun by rebels yesterday afternoon. Those who fled sought refuge at other locations on the Aberdeen Peninsula to await evacuation.

Q: Was there a third Kearsarge evacuation? Can you give us details of the operation?

A: The United States completed a third evacuation of about 12 Americans and almost 990 nationals this morning from Freetown. We also evacuated the British and Nigerian High Commissioners and their staffs.

The operation was completed in about two hours with all evacuees taken to the Kearsarge and then on to Conakry, Guinea.

The combined total of people evacuated by the Kearsarge since Friday is approximately 2300, including about 440 Americans.

Q: What are the nationalities of the evacuees?

A: We are in the process of compiling a breakdown of all the nationalities.

Q: Do peace talks continue? Is there a U.S. role?

A: We understand earlier negotiations led by the British and Nigerian High Commissioners aimed at brokering a return to civilian rule broke down due to conflicts between junior and senior officers in the Sierra Leone military, as well as splits within the Armed Forces Ruling Council (AFRC), and uncertainty the Revolutionary United Front (RUF) rebels who joined the coup would sign on to any agreement.

We are not aware of any ongoing peace talks. However, the United States is using diplomatic channels to urge the military clique to quit and restore the democratically-elected government of Sierra Leone.

Q: **Are the Americans in Freetown there voluntarily or do they want to leave?**

A: **We evacuated all Americans from Freetown who reached the landing sites and wanted to leave. We know of only two Americans in Sierra Leone who remain voluntarily.**

FRENCH ELECTION

Q: <u>Any comment on Socialist victory? Possibility of communists in government?</u>

A: Congratulate Socialist leader Jospin. France is key ally and partner for U.S. Prepared to work with his government, as we are with all French governments.

Wide range of issues on which we work with France including foreign policy issues like Bosnia, Middle East. Africa, NATO, global issues like combatting narcotics, crime, terrorism, protection of environment and global economic issues. Expect this cooperation with continue with both President Chirac and new government.

If asked about possibility of Communists in government. dependence of Socialists on Communists for parliamentary majority: Expect to work well with new government, based on common interests and values with France. Participation of Communists would not change this.

Q: **<u>Has India moved Prithvi missiles to the Pakistan border area?</u>**

A: **We do not comment on alleged intelligence reports.**

Q: **<u>If so, what effect will this have on Indo-Pakistani peace talks?</u>**

A: **Senior leaders of India and Pakistan are engaged in a series of meetings aimed at reducing tensions and have declared their intentions to continue a dialogue to resolve their differences.**

An open discussion of both countries' security concerns is of particular importance to a successful dialogue, and we hope this will be one of the central issues for their ongoing discussions.

Q: **<u>Has Pakistan deployed Chinese M-11 missiles?</u>**

A: **We take very seriously reports that Pakistan has received M-11 ballistic missiles from China and are following the situation carefully.**

Q: **<u>Why haven't we applied sanctions?</u>**

A: **There has been no determination that a transfer of complete missiles or the missile production technology that would trigger category 1 sanctions under the U.S. missile sanctions law has taken place.**

Q: **<u>Will the U.S. work to defuse this situation?</u>**

A: **The United States has long held the view that the deployment or acquisition of ballistic missiles by India or Pakistan would be destabilizing and undermine the security of both countries.**

We continue to encourage both governments not to deploy ballistic missiles.

Q: **<u>Has the U.S. approached India?</u>**

A: **We have been in frequent contact with the Indian and Pakistani governments on nonproliferation. Both are fully aware of our position.**

TURKEY -- NEW ELECTIONS CALLED

Q: <u>What is your reaction to the announcement in Ankara that new elections will be held, and that Prime Ministership will be handed over?</u>

A: We have seen a variety of reports that new elections may be held and that there might be a change of prime ministers.

As you know, there has recently been a good deal of political debate in Turkey. The call for elections appears to be another step in Turkey's process or resolving internal political issues.

It is an internal political matter for the Turks to decide, and it would be inappropriate for me to comment any further.

Our views have not changed. We support democracy and secular principles and we expect to work harmoniously with whatever government Turkey's democratic system produces.

ROMANIA-UKRAINE TREATY

- **The U.S. warmly welcomes the signing on June 2 of the friendship treaty between Romania and Ukraine.**

- **The Treaty, which confirms current borders and protects the rights of ethnic minorities, is another welcome example of Europe's new democracies working together to promote good ties, security and tolerance.**

- **In letters to President Kuchma of Ukraine and President Constantinescu of Romania, President Clinton praised the courageous and far-sighted approach of both nations that led to the successful conclusion of this historic document.**

- **(If asked). Neither NATO nor the U.S. has made final decisions about the nations that will be invited at the Madrid Summit to join NATO. Certainly, the treaty is another sign of both countries' commitment to the values and standards NATO upholds.**

- **(If asked). Romania is strongly interested in joining NATO; Ukraine does not seek membership, but supports the process of NATO enlargement for other, interested countries.**

Q: Can you comment on press reports from the Sintra NATO Foreign Ministers meeting that the U.S. believes that only 3 aspiring members -- Poland, the Czech Republic, and Hungary -- should be invited to join the Alliance at the Madrid Summit?

A: At Sintra, NATO foreign ministers held a preliminary exchange of views on the considerations that should guide the Alliance toward its decision at Madrid on whom to invite to begin accession talks.

No decision has been made on the number of new entrants we would support, but most important is that all new members be able to assume the full responsibilities of membership.

We will be reviewing the matter and consulting closely with our NATO allies.

(If pressed: This was the first NATO discussion of the issue of "who." Allies expressed a range of preliminary views, as is normal and healthy. The Alliance will develop a consensus before Madrid.

Why NATO Enlargement is in America's National Interest

At its Madrid Summit on July 8-9, NATO will invite additional states to join the North Atlantic Alliance. Here are reasons why NATO enlargement serves America's national security interests:

1. Enlargement will make NATO stronger and better able to address Europe's security challenges.

- Europe remains a vital American interest. Europe's fate and America's future are joined. We fought two world wars and the Cold War in part to protect the security of Europe and the transatlantic area. Taking wise steps now will strengthen our common security, enhance NATO's ability to address Europe's future security challenges and reduce the possibility of another conflict.

- Stronger collective defense. NATO's core mission remains the collective defense of NATO territory. A NATO that embraces Europe's new democracies -- with capable militaries and a commitment to improve them -- will be better able to fulfill its basic mission.

- Greater ability to address new security challenges. NATO also is addressing Europe's new security threats, from weapons proliferation to ethnic conflict to terrorism. Enlargement increases the number of states willing to share these responsibilities. Central European countries that want to join NATO have already contributed troops and bases to NATO's efforts in Bosnia and have stated their intention to do their part in NATO's security mission in the future. Combined with the Partnership for Peace and NATO's new constructive partnership with Russia, a larger Alliance will be better able to address the new security challenges of the 21st century.

- Past enlargements made NATO stronger. NATO has enlarged three times before -- adding Greece and Turkey in 1952, West Germany in 1955 and Spain in 1982. Each time, the Alliance benefited from the addition of states committed to the security of the transatlantic area and prepared to contribute to it. Current efforts to enlarge the Alliance will have the same result.

2. Enlargement will help secure the historic gains of democracy in Europe.

- Part of a broader effort to build a new Europe. As President Clinton has stated since 1994, we have an opportunity, for the first time in history, to build an undivided, democratic and secure Europe. NATO can now do for Europe's east what it did for Europe's west -- provide a secure climate where freedom, democracy and prosperity can grow. Such a Europe would be a stronger and better partner in trade, investment, diplomacy and other aspects of security. While other institutions play a role -- including the European Union, OSCE, and others -- NATO remains the keystone of America's involvement in transatlantic security.

- Bolsters progress toward strong democracies and free markets. Joining NATO helped Italy, Germany and Spain reintegrate into the democratic community. Now, the very prospect of NATO membership has encouraged Central European states to continue and deepen their democratic and market reforms. Already, states in the region have strengthened civilian control of their militaries, improved relations with ethnic and religious minorities and accelerated economic privatization -- in part to improve their prospects for membership in and cooperation with NATO.

- Improves and protects the business climate for American firms and workers. Our economic ties with Europe are among the most significant in the world and Europe's fastest-growing economies are now in Central Europe. Growing European markets will yield benefits for American exporters and export-industry workers. The stabilizing effect of NATO enlargement and its encouragement of free market reforms will help create a better long-term environment for trade, investment and economic growth in Central Europe. The resulting prosperity will benefit the United States, as did Western Europe's American-assisted recovery after WWII.

3. Enlarging NATO will encourage prospective members to resolve their differences peacefully.

- NATO enlargement is helping to resolve potentially dangerous conflicts. When he signed the NATO Treaty in 1949, President Truman said that if NATO had existed in 1914 or 1939, it would have prevented the hostilities that tore the world apart. NATO has helped reconcile former adversaries like France and Germany and helped moderate tensions between Greece and Turkey. Today, the prospect of NATO's enlargement has made Europe safer by encouraging the new democracies to improve their ties. Many countries have already reached agreements on border and ethnic issues that otherwise might have become sources of tension

(Hungary-Romania, Poland-Lithuania, Poland-Ukraine, Slovenia-Italy, the Czech Republic-Germany).

4. **Enlarging NATO will erase the artificial line in Europe that Stalin drew, bringing Europe together in security.**

- Eliminates gray zone of insecurity. NATO enlargement will help prevent emergence of a gray zone of insecurity in a region where past insecurity has helped generate the century's worst conflicts. While not all interested European states will be invited at Madrid to join the Alliance, NATO will keep the door open for future members; the first to join shall not be the last. Enlargement, combined with other arrangements like the Partnership for Peace and NATO's new relationship with Russia an Ukraine will yield security benefits beyond NATO's own borders By contrast, a decision *not* to enlarge NATO would suggest a permanent acceptance of the Cold War dividing line.

- An enlarging NATO is forging a more constructive relationship with Russia. During the Cold War, NATO and Russia were nuclear adversaries. A new NATO, as it prepares to add new members, has also laid the foundation for constructive partnership with a new, democratizing Russia. An important part of that new relationship is the NATO-Russia Founding Act. That document creates a new Joint Council for NATO-Russia consultations, coordination and, when possible, joint action.

- Insecurity is more expensive. NATO membership involves solemn security commitments and financial obligations; like all the other elements of American security, it is not cost- or risk-free. But history shows that the cost of inaction is much higher. The Pentagon estimates that NATO enlargement will cost the U.S. $150-200 million per year over the next decade. But when the U.S. failed to address Europe's security challenges after World War I, we paid a terrible price in blood and treasure.

- American leadership. NATO enlargement constitutes a tangible expression of America's commitment to remain engaged in Europe and to exert our leadership in efforts to build a safer and more prosperous transatlantic area for the 21st century. This is part of a larger strategy that we must pursue to put behind us the darkest moments of the 20th century and fulfill the possibilities of the 21st.

B-61 NUCLEAR BOMB ISSUE

Background: Weekend stories in the Washington Post and New York Times questioned whether the Pentagon's new "B-61/Mod 11" low-yield, earth-penetrating nuclear bomb violated the spirit of the Comprehensive Test Ban (CTB) and presaged a new "first use" nuclear doctrine on the part of the U.S. against states with chemical or biological weapons programs.

Points

- Since taking office in 1993, the Clinton Administration's National Security Strategy has underscored the need to maintain a strategic nuclear deterrent capability across a triad of offensive forces as a hedge against the possible re-emergence of a large-scale nuclear threat to the U.S. homeland. This requirement was recently reaffirmed in the Defense Department's Quadrennial Defense Review (QDR) and the President's May 1997 National Security Strategy Report to Congress.

- As an element of deterrence, the U.S. has traditionally maintained nuclear weapons capable of destroying deeply-buried and hardened targets, such as command and control bunkers. By maintaining the capability to destroy such targets in a retaliatory strike, the U.S. ensures that the leaders of any state that contemplated launching a nuclear first strike on the U.S. would themselves be at genuine risk of being killed in the U.S. retaliatory strike. In a very personal respect, then, this capability bolsters the prospects that any such first strike would be deterred from ever being initiated.

- For the past few decades, the responsibility for destroying such targets rested with the B-53 nuclear bomb. Since this bomb had no earth penetrating capability and could therefore only destroy deeply buried, hardened targets with a massive airburst, the B-53 if ever used would have inflicted overwhelming collateral damage against the surrounding urban areas and civilian populace.

- The B-53 has now been replaced with the B-61/Mod 11. The B-61 series of nuclear gravity bombs has been in the U.S. inventory for years, and no new nuclear device or "physics package" had to be created to produce the Mod 11. Rather, what is new about this version of the B-61 is the titanium container that allows the bomb to penetrate deep into the earth before exploding.

- The B-61/Mod 11 does not violate the spirit or letter of the CTB. The B-61 had been thoroughly tested before the U.S. nuclear moratorium began in 1992, and no nuclear test explosions of the Mod 11 have been or will be required to maintain the weapon in the U.S. inventory.

- Introduction of the B-61/Mod 11 into the U.S. inventory will not make it more likely that U.S. nuclear weapons will ever be used. Any decision to order the first use of U.S. nuclear weapons since 1945 by an American President would remain as one of the most weighty and portentous decisions imaginable.

Q: **Has Russia added new elements to the ABM Agreement reached in Helsinki? If so, what are they? What is the U.S. reaction?**

A: **These ongoing negotiations are confidential. It would be inappropriate for me to comment at this time, either on their substance or on the characterizations in the article.**

In their Helsinki Summit Joint Statement concerning the ABM Treaty, Presidents Clinton and Yeltsin agreed on the basis for an agreement on ABM/TMD Demarcation.

In the Standing Consultative Commission, in Geneva, we are working with Russia, Ukraine, Belarus, and Kazakstan to complete that demarcation agreement.

The Russians are not trying to introduce elements that were not in the Helsinki Joint Statement on ABM or that were previously rejected by us.

Current

Russia-Ukraine

- Welcome Friendship, Cooperation and Partnership Treaty signed by Presidents Yeltsin and Kuchma as well as separate agreement on basing of Black Sea Fleet.

- President Yeltsin's constructive visit to Kiev, agreements signed, underscore commitment of Russia and Ukraine to strong, positive relations; contribute to stability in Europe.

- Understand Black Sea Fleet agreement signed by Prime Ministers Lazarenko and Chernomyrdin gives Russia 20-year lease of port facilities, allows access of both Russian and Ukrainian navies to key Crimean ports.

NATO-Ukraine Charter

- On May 29 in Sintra NATO and Ukraine initialed text of charter on NATO-Ukraine relationship to reflect Ukraine's unique contributions to European security.

- Yet another important step toward building stable, undivided Europe, showing successful efforts by parties since Kuchma's May 16 Washington meeting with President.

(If asked how this document differs from NATO-Russia Founding Act)

- Similar in many respects -- Charter also represents political commitment between NATO and Ukraine to consult and cooperate on security issues in Europe; neither is legally binding nor gives parties veto power over each other's decisions, actions.

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 potentially involved in serious conflicts of interest. Refer to AID for details.

- Decision to suspend contracts based on evidence of conflicts of interest; under such circumstances would be inappropriate to allow continued use of government funds without ensuring that measures taken to protect against misuse.

- Understand HIID has removed from their positions the two employees in question, reprimanded them for violating Harvard policy which prohibits advisors from investing in countries where they provide technical advice.

General

NATO-Russia Founding Act

- Summit of NATO heads of state and government and Russian President Yeltsin held May 27 in Paris to sign Founding Act. Milestone agreement -- lays basis for robust and growing partnership between NATO and Russia.

(see also NATO-Russia and NATO-Russia Founding Act Fact Sheet)

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.

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

Prospects for START II Ratification by Russian Duma

- At Helsinki summit, Yeltsin made clear his commitment to press Duma to ratify START II -- without conditions. In May 27 bilateral in Paris, Yeltsin assured President of commitment to START II, indicated he would press Duma to ratify Treaty.

- In May 20 meeting with Duma leaders on NATO-Russia Founding Act, Yeltsin made pitch for START II ratification.

- 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.

- Ratification of START II by Russia remains an essential prerequisite to begin START III negotiations toward further reductions in nuclear forces.

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.

IRAN: ELECTIONS

Q: Any further reaction to the Iranian election?

A: I think the President summed up our views in London.

Iran did have an interesting and hopeful election.

Nonetheless, we have very real concerns about aspects of GOI's behavior, including support for terrorism, attempts to undermine the Peace Process and efforts to acquire weapons of mass destruction and their means of delivery.

Our differences are not with the people of Iran. As the President indicated we favor an end to the estrangement between the people of the United States and the people of Iran and contact between them.

Talks in New York City

Q: **Can you confirm that there was a working level meeting in NYC last Friday?**

A: **The North Koreans communicated with us the week before suggesting a working level meeting be held in NYC between the North Koreans, the South Koreans and the U.S. to explore further unanswered questions around the four-party talks, as well as other issues of concern. The meeting held Friday can be characterized as what has become routine contact between the three parties. I anticipate additional meetings of this nature will be held, but a date for the next meeting has not been set.**

Q: What is your comment on meetings between the North and South Korean Red Crosses and the provision of direct food aid to North Korea?

A: **North Korea's food shortage is severe and we welcome provision by the South Korean Red Cross of 50,000 metric tons of humanitarian aid to help alleviate those shortages. The meeting of the two Red Crosses is an important element of fending off severe starvation, and an important channel for maintaining direct North-South contacts.**

Ramos Horta and White House Meeting

[Note to briefer: Ramos Horta or his supporters requested meetings with the President and the Vice President last year, and both meeting requests were turned down (or not acted upon). However, we are not aware that any other WH meetings were requested. Had they been, NSC staff would likely have met with Horta.]

Q: Any comment on the WP story regarding a decision not to see Nobel laureate Jose Ramos-Horta at the White House?

A: No such decision of this kind has been made.

Q: Would the President agree to see Ramos Horta in the future?

A: I can't speculate on what the President's schedule will or will not permit.

Q: What about other officials in the White House meeting with Ramos Horta?

A: A number of NSC officials have interests and responsibilities relating to Indonesia, including East Timor.

Should they receive requests for a meeting, I expect that they would have an interest in seeing Mr. Ramos Horta, and that a meeting of some kind would be arranged.

Q: Didn't the White House turn down a request for a Ramos-Horta meeting with the President?

A: While the President's schedule did not permit a meeting with Ramos Horta on his last visit, other senior Administration officials, including Undersecretary of State Tim Wirth and Assistant Secretary of State John Shattuck, met with Mr. Ramos-Horta.

We share Mr. Ramos-Horta's concerns about human rights in East Timor, as well as the need for reconciliation, and we recognize his tireless efforts to bring the plight of the people of the territory to the attention of the international community.

As Mr. Ramos-Horta himself has said, and I quote, "President Clinton is knowledgeable and sensitive about East Timor."

In March, we once again cosponsored a resolution at the UN Human Rights Commission on the situation in East Timor, and the President has raised this issue in meetings with Indonesian President Soeharto.

We have also strongly supported the efforts of the UN Secretary General to encourage dialogue among the Indonesians, the Portuguese and the people of the territory.

Election Process

Q: What is the Administration's view of the violence associated with the election process in Indonesia?

A: We deplore efforts to suppress the peaceful expression of political views or attempts to influence the election process. We encourage all elements of the Indonesia political spectrum to exercise restraint and work to ensure the late May elections are free and fair.

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.

Anniversary of Tiananmen Tragedy

Q: **Do you have any comment on the anniversary of the June 1989 Tiananmen tragedy?**

A: **This week marks a tragic anniversary for the Chinese people. In the Spring of 1989, Chinese students, workers and others began a series of peaceful demonstrations in Beijing that spread throughout the country. During the next several weeks, the world's attention was focused on Beijing's Tiananmen Square, which was filled with tens of thousands of Chinese citizens. On June 3-4, 1989, the world watched as the Chinese Government crushed the pro-democracy demonstrations.**

We have urged the Chinese Government on many occasions to make a full accounting of those who disappeared in the Tiananmen tragedy of June 1989, and to release all political and religious prisoners. On this tragic anniversary, we once again urge China to take these steps.

The Chinese Constitution and the Universal Declaration of Human Rights guarantee freedom of speech and petition, and we call on the Chinese Government to allow its citizens to exercise these rights freely.

Chinese Execution/Arbitrary Police Power

Q: Do you have any comment on the summary execution in Xinjiang of eight Muslims, charged with bombing buses there?

A: We are aware of reports of growing problems with terrorist incidents in Western China, but have little reliable information on the situation. While our abhorrence for terrorist acts is well-known, we also have significant concerns about the absence of due process in China's criminal justice system.

Q: Is China a police state, as the New York Times article implies?

A: Certainly the level of police presence in many areas of China is intrusive, and its intolerance for political dissent constitutes one of the principal disagreements the United States has with China. We also note the article points out the rapid process of change that has taken place in China over the last 2-3 decades. We believe the direction of change has been toward a broadening of some democratic rights in China, and we hope that trend will continue.

GEPHARDT OPPOSITION TO MFN

Q: Minority Leader Gephardt has come out in opposition to MFN renewal for China. Is this a blow to the Administration's renewal efforts?

A: Mr. Gephardt opposed MFN last year. We disagree with him, but respect his decision to do so again this year. However, this does not in any way change the President's view that extending normal trade status to China is the best way to integrate China further into the family of nations, and to secure our interests and ideals. Every President who has confronted the issue has supported MFN for China.

If we were to revoke normal trade status we would isolate ourselves cut off our contact with the Chinese people and undermine our influence with the Chinese government. Revocation would undermine America's security, non-proliferation, and economic interests, Engagement is the best way to advance the rule of law or respect for human rights in China. If we are to help shape China's direction, we must actively engage China on all fronts, using the appropriate tools at our disposal, not the blunt instrument of MFN revocation.

MFN

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

- **ENGAGEMENT**: President Clinton's strategy is clear: 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 to 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 are moving forward, building on past trade successes such as last year's intellectual property accord. 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 Hong Kong Democratic Party leader Martin Lee and Governor Patten favor renewal of MFN.

- **JOBS**: Today an estimated 170,000 U.S. job 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 invite retaliation against U.S. exporters and investors. Revocation would also hurt U.S. consumers, who could pay upwards of half a billion dollars more in a single year because of higher tariffs on such products as shoes and clothing.

- **HUMAN RIGHTS**: Engagement does not mean endorsement. 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, with $20-30 billion invested in the mainland. Taiwan's economic viability is in the interest of the American people.

Iran Files

Q: What do you think about CIA destroying its records on the 1953 coup?

A: The destruction of the CIA records on its 1953 operations in Iran leaves us with an incomplete understanding of those significant events. It is important now that CIA try to piece together the record of its activities in Iran during that period from the memories of those involved. We understand CIA will undertake such a project.

If asked:

Q: How about two DCI's telling the American people that CIA would release these records when they had actually been destroyed thirty years ago?

A: Obviously DCI Gates and DCI Woolsey had no reason to believe that the documents were not still intact.

If pressed:

Q: How about that CIA not letting the DCI know that they had destroyed documents?

A: I would refer you to the Agency for the details on when the documents were destroyed and when this information came to light.

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.

ALGERIA: BUS BOMBING IN ALGIERS

Q: What is your reaction to yesterday's bus bombings in Algiers, which appear to be linked to the upcoming elections?

A: We condemn these brutal acts of terrorism in the strongest terms. We deplore the loss of life and the injuries to innocent civilians. The U.S. offers its condolences to the families of the victims, and calls for an end to the violence that has plagued Algeria for so many years.

Q: Will such attacks have an impact on the June 5 elections?

A: The legislative elections will be an important crossroads in Algerian political development. Peaceful, honest elections could help Algeria emerge from the violence that followed the cancellation of elections in 1992. Terrorism and violence have no role in such processes.

ISRAEL: TERRORISM THREAT?

Q: Do you have any information about new terrorist attacks planned against Israel? Will you revise the public announcement for Israel?

A: As a matter of policy, we do not discuss intelligence information. We already have a public announcement in effect for Israel warning of the possibility of terrorist attacks there. That announcement remains in effect until July 15.

PALESTINIAN AUTHORITY: DEATH PENALTY FOR SALE OF LAND

Q: What can you say about reports that another alleged Palestinian landowner was abducted for sale of land to Israeli Jews?

A: As we have repeatedly said, we have made very clear to the Palestinians that we condemn in the strongest manner any extrajudicial action including alleged retaliation for land sales.

Q: What about Israeli allegations that they now have proof of a direct PA link to the weekend abduction of a Palestinian landowner on suspicion of such land sales?

A: We are looking into these reports. We are in touch with both the Palestinians and the Israelis regarding this claim.

Q: What is your reaction to statements by Israeli PM Netanyahu's media advisor (David Bar-Illan) that Israel must consider carefully if it should continue talks with the Palestinians because of their "Fascist" murdering of Palestinians who sell land to Jews?

A: We have made clear to the highest levels of the PA our condemnation of any extrajudicial actions by Palestinian officials, specifically the allegations regarding the killing of reported land dealers. With respect to the overall Israeli-Palestinian dialogue, we continue to believe that direct exchanges between the parties are essential to moving the peace process forward.

MUBARAK-NETANYAHU MEETING

Q: What is your reaction to the meeting between PM Netanyahu and President Mubarak in Egypt last Tuesday? Should Arafat be included in the next meeting?

A: We welcome the meeting as a sign that the Egyptians and the Israelis are looking for ways to advance the peace process.

We have long held that contacts such as these between leaders in the area can be helpful in fostering the peace process.

We are also pleased that the two leaders plan to work for a follow-on meeting in the near future.

The inclusion of Chairman Arafat in a meeting is a matter for the three leaders to decide.

Q: Didn't the meeting lack any concrete results? Why are you so positive?

A: We favor all efforts to put the process back on track, and this is such an effort.

Q: Were you consulted on the meeting?

A: We were in close touch with both sides prior to the meeting.

MUBARAK-ARAFAT MEETING

Q: Do you have any details for us on the meeting between President Mubarak and Chairman Arafat before the Mubarak-Netanyahu meeting?

A: I have nothing for you on the meeting.

PALESTINIAN AUTHORITY: UPDATE ON DETAINED PALESTINIAN-AMERICAN JOURNALIST

Q: Do you have an update on the status of journalist Daoud Kuttab, who had been detained by the Palestinian Authority?

A: We welcome his release on Tuesday.

We urge the Palestinian Authority to protect freedom of expression and freedom of the press.

Q: Is it true that you have begun denying visas to Palestinian Authority officials as punishment for Kuttab's detention?

A: This is not true.

Q: Is it true that you denied Faisal Husseini a visa in retribution for the PA's detention of Kuttab?

A: Mr. Husseini received his visa on May 23.

PALESTINIAN AUTHORITY: GOVERNMENT MISUSE OF PUBLIC FUNDS

Q: What is your reaction to a Palestinian Authority report that five Palestinian Authority "ministers" have misused $326 million in public funds?

A: We have seen the press reports and are looking into the matter.

Q: Will the U.S. suspend its aid to the Palestinian Authority as a result of this report?

A: It is premature to make any judgments about the impact of these allegations for U.S. aid to the Palestinians, which is beneficial to the search for peace in the region.

U.S. assistance to the Palestinians is carefully monitored and we can account for the way it is used, which is largely for specific projects.

Q: UNRWA is asking for more international assistance for its programs for Palestinians. Is UNRWA money - including that coming from the USG - being mismanaged?

A: As I said, we are looking into this just-released report.

PALESTINIAN AUTHORITY: ALLEGATIONS OF TORTURE

Q: What is your reaction to a Palestinian human rights group's allegations that the Palestinian Authority routinely employs torture against detainees and prisoners?

A: The U.S. opposes any use of torture against detainees or prisoners.

Our views on the human rights situation in the territory administered by the Palestinian Authority are contained in our annual human rights report.

We regularly discuss human rights issues with the Palestinian Authority.

We have not yet seen the text of this report, but will review it closely.

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 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: <u>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?</u>

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.

Khobar Bombing

Q: What about the Sayegh story?

A: This is an ongoing investigation.

I am not going to comment on this issue.

- 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: <u>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?</u>

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.

- 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.

- Australian Prime Minister John Howard to meet with President Clinton at the White House on June 27.

- 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.

Q: <u>What is the USG's reaction to the ASEAN foreign ministers' decision to admit Burma, Laos, and Cambodia into ASEAN during that organization's July 25-26 ministerial meeting in Kuala Lumpur, Malaysia?</u>

A: Our concerns about the SLORC's (State Law and Order Council) policies are well known. It has violated the rights of its own citizens and taken actions that undermine stability in the region by producing refugee flows and allowing Burma to remain a major source of narcotics.

ASEAN shares these concerns and, like the U.S., wants to see them addressed.

We have acknowledged that decisions about ASEAN's membership are for ASEAN member nations to make.

We nonetheless regret that ASEAN appears to have invited Burma to join its organization at this time.

We will look to ASEAN to urge the SLORC to seriously address our mutual concerns by entering into a productive dialogue with democratic forces in Burma and by ceasing its actions that damage stability in the region.

Q: <u>Doesn't this decision constitute a rejection of U.S. and Western pressure to keep Burma out of ASEAN?</u>

A: The U.S. relationship with ASEAN spans a range of important political, security, and economic issues of joint concern.

We look forward to continuing to work with this key group of nations to further our mutual interests in stability and economic growth in Southeast Asia.

At the same time, we now look to ASEAN to persuade the SLORC to enter into a productive dialogue with democratic forces in Burma and to cease its actions that have undermined stability in the region.

Bosnia Implementation Plan/European Trips

- The President engaged our European Allies on the way ahead on Bosnia in his meetings in Europe last week. At the President's direction, we have recently conducted an extensive policy review and developed a Bosnia implementation plan aimed at reinvigorating U.S. and international efforts to bring self-sustaining peace to Bosnia. A key conclusion of our review is that Dayton remains the only viable framework for long-term peace.
- Secretary Albright briefed our re-energized approach to our Contact Group partners and the parties at the Peace Implementation Council Steering Board Ministerial on May 30. She followed up on her travel to the region over the weekend by further pressing the parties hard on their obligations.
- Both Allies and the parties welcomed our renewed efforts to ensure timely, concrete progress on implementation. Secretary Albright was particularly firm and specific in her meetings with the parties on the need for improved performance in areas such as war crimes, public security, refugee returns and joint institutions.
- Dayton's continuing success 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;
  - securing consistent progress on the return of refugees and displaced persons and the ability of all Bosnians to move freely throughout the country; and
  - enhancing economic reconstruction, inter-entity commerce and accelerated distribution of economic assistance to all areas of Bosnia;.
- 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 link cooperation with Dayton with all aspects of our implementation effort using economic, political and every other form of leverage we have available.**

- 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.
- 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 take heart in all that we have accomplished and re-focus our efforts in order to finish the job.

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.

High-Level Talks with Sinn Fein

- The United Kingdom has taken strong steps in pursuit of a cease-fire in Northern Ireland that would lead to inclusive peace talks.

- We have been urging the IRA to declare an unequivocal cease-fire as a precondition for Sinn Fein's participation in such talks.

- Those discussions have been ongoing since the previous cease-fire was broken.

- The U.S. has had contacts at high levels with all of the parties to reinforce this message. Some of these contacts have been well-publicized, such as last week's meeting between British Northern Ireland Secretary Mowlam and National Security Advisor Berger.

- We have not, however, chosen to publicize all of our contacts.

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.

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.

<u>What has the Administration done for Gulf War veterans who are sick?</u>

- 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.

Q: Why are we not inviting African leaders to Denver, given that we are talking about Africa in Denver?

A: It is the general practice of the G-7 leaders not to meet with other heads of state and government at their annual meetings. Every year, a large number of such requests are received and it would fundamentally change the nature of the meetings if participation in the meetings were to be expanded significantly.

(IF ASKED): Russia's special circumstances and its status as a major industrialized democracy have led the G-7 to invite Russia to participate on a regular basis in recent years.