

FOIA MARKER

**This is not a textual record. This is used as an
administrative marker by the William J. Clinton
Presidential Library Staff.**

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Press Secretary

Series/Staff Member: General Files

Subseries:

OA/ID Number: 10858

FolderID:

Folder Title:

Daily Press Guidance - June 13, 1997

Stack:

S

Row:

93

Section:

1

Shelf:

1

Position:

1

Daily Press Guidance

Friday
June 13, 1997

(For internal use only.)

updated
to G-drive
7/10/97

Press Guidance
Friday, June 13, 1997

Domestic

1. Race - *Race*
2. Budget - Ways and Means letter - *Budget*
3. FAA Controllers - *FAA*
4. Tobacco - *Tobacco*
5. Disaster Relief - *Disaster*
6. Flag burning - *Flag*

Economic

1. PPI

Foreign

1. Denver Summit - *Summit*
2. UN
3. DROC (Ex-Zaire)
4. Republic of the Congo (Brazzaville)
5. Sierra Leone
6. Kenya
7. China
8. Cuba
9. Haiti
10. NATO
11. Landmines
12. Turkey
13. Germany
14. Middle East
15. India
16. Libya/Pan Am
17. Canada
18. Ralston
19. Cyprus
20. Kazakstan/Iran
21. France
22. Russia/NIS
23. Iran
24. Korea
25. Indonesia
26. Algeria
27. Saudi Arabia
28. Fast Track
29. Trips and Visitors
30. Burma
31. Bosnia
32. Ireland
33. Northern Ireland
34. Gulf War Illness
35. Gingrich and Nicaraguans - *foreign*
36. USEC

PRESIDENT WILLIAM J. CLINTON
TALKING POINTS FOR CLOSED MEETING WITH ADVISORY BOARD ON RACE
Friday, June 13, 1997

- Want to thank this highly distinguished and diverse group for agreeing to serve on our Advisory Board.
- We have a big job ahead of us: ensuring that America remains one nation and one people with one common destiny -- even as we become the world's first truly multi-racial democracy. Within three decades, the whole country will almost have no majority race. We have five school districts in America today with kids from over 100 different racial and ethnic groups; we'll soon have 12. We know what we will look like as a country; the question now is, what will we be like?
- What is important about this effort is that we are not going to predetermine its outcome. It will be a frank, honest, and open examination of the issues surrounding race, and the things we must do together to ensure that we move forward together, across all difference and diversity.
- I believe our work can be enormously productive, and can help to change not just government policies but people's attitudes as well. That must be our goal: no government program or policy can take the place of a true appreciation that our diversity is our greatest strength, and an understanding that despite our differences we are all Americans, bound together by common values.
- I will be depending on your honest advice and counsel -- and your efforts to include others in this important national dialogue.
- Let's work together to make this initiative an important turning point in the history of our country.

u / " / "

RACE INITIATIVE TALKING POINTS – 6/10/97
(Surrogates)

The charge the President set is to shape an initiative that will use policies and people to respect each others' differences and yet be a united America.

Why Now?

Unlike previous presidential efforts, this initiative is not the result of a crisis. The theme of racial reconciliation has been present throughout the Administration's first term and into its second.

The President has consistently said he had three goals in running for the office:

- to keep the American Dream alive for everyone who wanted to work for it;
- to keep America a force in the world for peace and democracy; and
- to keep us one America, a nation coming together instead of coming apart.

The Administration has made real progress on issues of economic opportunity, strengthening families, reducing crime rates, and foreign policy (the first two goals). The time is right to move forward more aggressively on the third.

The President believes that we should take stock of the progress we have made in race relations and take action to improve the ability of all Americans to succeed in the 21st century.

- We face a very different America in the next century. There are four school districts in the country, including one right across the river from here (in Virginia), with children from more than 100 different racial and ethnic groups in the single district. We should embrace such diversity.
- Unfortunately, there are some new and disturbing examples of going backward: the lack of economic progress among Hispanic Americans and the greatly reduced number of black and Hispanic students in California and Texas universities.

Overview

The effort will be a balance of study, dialogue and action -- including fact finding and policy.

We will seek to promote honest dialogue on the issues of race and to develop real solutions that can be implemented by individuals, communities, religious congregations, educational and non-profit organizations, businesses, state and local governments, and other groups.

Elements of the proposal:

1. Advisory Board - This seven-person group will advise the President and assist him in outreach efforts and consultations with experts. (Examples of those we have consulted already include Taylor Branch, Henry Cisneros, Chris Edley, Deval Patrick, Chancellor Tien, Warren Christopher and Bill Galston.) Advisory board members will also reach out as surrogates for the President to various communities, provide guidance and analysis on topics concerning race and recruit more leaders to implement solutions that will improve race relations.

2. Presidential Events - The President will do a series of events to encourage dialogue and help focus people on the tough issues around race. These events will include four town halls, a White House conference on hate crimes, three meetings with the advisory board and other activities like the Tuskegee ceremony.
3. Presidential Report - The President will present a report to the American people next summer. The report will:
 - lay out the President's vision of a just America, including an illustration and assessment of the growing diversity of our nation;
 - report on how the nation has evolved on the issue of race over the past 30 years; and
 - provide tools and recommendations that help individuals, communities, corporations and government address the difficult issues.
4. Executive Director and Staff - The President will appoint an executive director and a small staff responsible for working closely with White House staff on policy, outreach, legal and communications efforts; helping advisory board members to fulfill their duties; surveying individuals and organizations for best practices and model programs; and analyzing existing studies on matters of race.

Personal Conviction and Commitment

The President's experiences with discrimination are rooted in the South's legacy of slavery.

- His grandfather had a grade-school education and ran a grocery store in Hope, Arkansas. Most of the customers were poor, black, working people. As a child in that store, President Clinton learned to treat people of different races with respect and dignity.
- His grandparents were in the minority — being poor, Southern whites who were pro-civil rights — and they taught the President a lesson that he has carried with him through life: Discrimination is not just morally wrong, it hurts everyone.

The President has been consistent and steadfast throughout his life and professional career in his pursuit of equality and opportunity for all.

President Clinton's personal history and conviction to lead this country in finding strength in our diversity make him well-suited to help forge alliances and reconcile differences among us.

The President will be actively involved in the initiative and will help provide its intellectual leadership. He will also involve the American people in an unprecedented way.

Study/Dialogue/Action

We will undertake fact finding (e.g.: what are the stereotypes and what are the facts), dialogue and policy/action (e.g.: best practices, positions on minority enrollment in higher education) concurrently and through an iterative process.

Study

Through the initiative, we will review and analyze existing data on race relations including: reports by bodies such as the Truman Commission, the Kerner Commission, the Johnson Council and the US Commission on Civil Rights; works by today's leading scholars; information collected at the President's town hall meetings; and future demographic trends. This material will be provided to the Advisory Board and the White House and will serve as the foundation for the President's report to the American people.

Dialogue

The President has long maintained that the evil of racism is rooted in our separateness. He believes that greater dialogue between individuals of differing races will reveal the similar interests and values all Americans share. The President will encourage tough, bold dialogue to address the difficult racial issues that we too often avoid.

The President has been a constant voice in pressing racial healing and unity, for instance:

- speeches in Memphis, Tennessee, in 1993 and Austin, Texas, in 1995;
- inaugural and State of the Union addresses this year; and
- remarks at the Jackie Robinson anniversary commemoration.

When public officials are not open to discussion of racial issues, or through their silence allow negative depictions of racial minorities to go unchecked, such postures significantly affect national attitudes and policy.

- *Willie Horton Ad*: Presidential campaign ads featuring Willie Horton, an African-American parolee found guilty of another heinous crime, lent national legitimacy to the perception of African-American men as violent criminals.

Positive changes have followed when presidents have spoken openly about race.

- *Civil Rights Movement*: The Kennedys outreach to the King family, particularly when Martin Luther King Jr. was in jail, helped legitimize Reverend King's use of civil disobedience at a time when supporters of segregation were attempting to paint him and other civil rights leaders as criminals.
- *Tuskegee*: President Clinton's public apology to the victims of the "Tuskegee Experiment" prompted numerous positive discussions in the media and elsewhere on race and health care in America.

Action (Best Practices / Policy)

Best Practices: This initiative will attempt to identify and create solutions for improving race relations and the circumstances of Americans of all races. Those solutions will be designed for individuals, communities, religious congregations, educational and non-profit organizations, businesses, state and local governments, and other groups to implement.

Policy: The Administration will develop wholly new policy and refocus or better target existing policy. Some policies will respond to information arising as the initiative moves forward. Other policies will attempt to address longstanding problems in new and creative ways. The

Administration's actions and policies will be announced over the course of the year-long initiative.

Race Broadly Defined

The initiative is directed at race, broadly defined: White, Hispanic, Asian, African American, etc. Every American must understand that improving race relations and preparing to enter the 21st century as one America is important to him or her and to our children's future.

Of course, the initiative will recognize the unique history of African Americans in this country.

Future Focus

While it will review the current problems that we face as a nation and the history that has brought us here, the intent of the initiative forward looking. We will consider where the nation is going in terms of demographics and the complexity of race issues.

Timing

The initiative will be a year-long effort. We hope it will stimulate honest dialogue, improved policy and better relations that will continue to live and grow after the year is over.

This issue has been with us throughout our nation's history. We certainly cannot expect to resolve it in one year.

Spending (if asked)

This initiative is about policy that makes a difference. We will look at policy ideas that call for reprioritization of our current spending.

(For Thursday media outreach, we will add points on how/why advisory board members were selected; criteria for choosing executive director; and goals and specifics of the initiative.)

DRAFT-- RACE INITIATIVE Qs & As -- 6/10/97

Initiative

Q: Is systemic racism and bigotry still a crucial problem for the United States? Is race still an impediment to opportunity and progress in America?

A: America is moving closer to fulfilling its fundamental promise of equality and the opportunity of advancement for all. President Clinton has worked to restore the American dream by expanding the economy, investing in education and making our communities safer. However, more needs to be done. We face new challenges and a very different America in the next century.

For instance, there are four school systems in the country right now, including one across the river (in Virginia) with children from more than 100 different racial and ethnic groups in a single district. We should embrace such diversity.

Unfortunately, there are some disturbing examples of going backward: the lack of economic progress among Hispanic Americans; the greatly reduced number of black and Hispanic students in California and Texas universities; and the young, African-American boy in Chicago who was dragged from his bicycle and beaten just because of his color.

Q: How was this initiative developed? Who did the President call on among the White House staff?

A: The President charged Erskine Bowles and Sylvia Mathews with developing the parameters of an initiative that would move to fulfill America's promise of opportunity and fairness for all Americans, and that would promote unity while preserving cultural differences.

Sylvia convened an internal working group of approximately 25 individuals from different offices within the White House and from different races. The group met regularly starting in March, and daily for the past few weeks. Erskine and other members of the senior staff participated periodically in the working group meetings. The President received regular updates on the group's direction and progress.

- **Offices:** Domestic Policy, Public Liaison, Intergovernmental, Legislative, Cabinet Affairs and Communications.
- **Individuals:** Elena Kagan, Maria Echaveste, Doris Matsui, Mickey Ibarra, Lynn Cutler, Janet Murgia, Tracey Thornton, Thurgood Marshall Jr., Ann Lewis, Minyon Moore.

The group also has consulted with individuals outside of the White House: Taylor Branch, Chris Edley, Henry Cisneros, Chancellor Tien, Warren Christopher, Bill Galston.

Q: Civil rights groups have expressed dissatisfaction that they have not been consulted and dismay at the lack of substance to the initiative. How do you respond?

A: In the process of defining this initiative, we sought comments and ideas from numerous individuals and organizations. More importantly, we have created plenty of chances for future consultation. This is only the beginning of an initiative that will be a uniquely inclusive and broad-ranging year-long effort. We encourage those willing to engage in tough, honest dialogue to join us.

The President is prepared to design wholly new policy and to refocus existing policy. We will look for and implement solutions in areas such as economic opportunity, housing, health care, crime and the administration of justice. We have said all along that we will not outline a full set of proposals and recommendations at the outset. The Administration will unfold policy changes and developments over the course of the year.

Q: How can the President ask others to “get their houses in order” on this subject, when the White House itself lacks diversity, especially in its upper ranks?

A: [Insert Bob Nash info.]

Q: Isn't this just the President's reactionary position after the Administration has neglected to take stronger stances on behalf of minorities?

A: The President has consistently said he had three goals in running for the office: to keep the American Dream alive for everyone who wanted to work for it; to keep America a force in the world for peace and democracy; and to keep us “One America,” a nation coming together instead of coming apart.

The Administration has made real progress on issues of economic opportunity, strengthening families, reducing crime rates, and foreign policy (the first two goals).

- The unemployment rate for Hispanic Americans in May was about 7 percent, down from 11 percent when President Clinton took office.
- The African-American poverty rate has dropped to its lowest level in history – 29 percent in 1995.
- The Administration has approved more than \$2 billion in Small Business Administration loans to Asian Americans.

The time is right to move forward more aggressively on the President's third goal. Already the President has taken action in this area with his apology, on behalf of the federal government, to the victims of the Tuskegee experiment, his commitment to a White House conference on hate crimes and already an interagency group is exploring how to persuade colleges to adopt new tools to achieve racially diverse student bodies.

President's Commitment

Q: The President seems to waiver in his commitment to this issue. One day he asks the Supreme Court not to hear an affirmative action case and the next day he announces an initiative on improving race relations. How serious is he about this initiative?

A: The President is very serious about this initiative. He has been steadfast throughout his life and professional career in his pursuit of equality and opportunity for all.

- The President's experiences with discrimination are rooted in the South's legacy of slavery.
- As a candidate, the President has consistently said one of his main goals in running for the office was to keep the American Dream alive for everyone who wanted to work for it and to keep us "one America," a nation coming together instead of coming apart.
- As President, he has been a constant voice in pressing racial healing and unity. For instance: speeches in Memphis, Tennessee, in 1993 and Austin, Texas, in 1995; inaugural and State of the Union addresses this year; and remarks at the Jackie Robinson anniversary commemoration.

President Clinton's personal history and conviction to lead this country in finding strength in our diversity make him well-suited to help forge alliances and reconcile differences among us. The President will be actively involved in the initiative and will help provide its intellectual leadership.

Q: Does the President really expect this initiative to make a difference or is it just a way for him to get more media attention?

A: This initiative will attempt to identify and create solutions for improving race relations and the circumstances of Americans of all races. Those solutions will be designed for individuals, communities, religious congregations, educational and non-profit organizations, businesses, state and local governments, and other groups to implement. The Administration will develop wholly new policy and refocus existing policy. Some policies will respond to information arising as the initiative moves forward. Other policies will attempt to address longstanding problems in new and creative ways.

Expectations

Q: Will this initiative address the serious imbalances in opportunity that can be attributed to race?

A: This initiative will study the imbalances in opportunity that can be attributed to race, open channels for discussion about those imbalances and create or refocus policy to address those imbalances.

We will strive to identify and create solutions for improving race relations and the circumstances of Americans of all races. Those solutions will be designed for individuals, communities, religious congregations, educational and non-profit organizations, businesses, state and local governments, and other groups to implement.

Q: How can the President hope to improve race relations and the lot of minorities without dedicating significant funds to the problems that arise from racism?

A: Different times call for different solutions. The choice is not between massive programs and nothing. Much can be done within the confines of tighter federal spending that we face today and going forward. Funds can be reallocated, as they were, in the balanced budget agreement, to provide health cover to five million uninsured children. And we can seek creative ways to generate new funds, not just from federal and state spending.

Q: What can we expect to see change as a result of this initiative?

A: We will promote a better understanding of and a greater respect for both the similarities and differences between people of different races.

We will challenge leaders and “doers” will step forward, in communities throughout the nation, to find and put into practice ideas to improve race relations and stimulate opportunity for all.

We will identify and disseminate proven practices for promoting racial harmony.

We will analyze critical issues affecting race relations in this country and propose government actions and policies to address these issues.

Q: How does the President intend to keep this from becoming just a big talk fest?

A: The effort will be a balance of study, dialogue and action — including fact finding and policy.

We will seek to promote honest dialogue on the issues of race and to develop real solutions that can be implemented by individuals, communities, religious congregations, educational and non-profit organizations, businesses, state and local governments, and other groups. We will undertake fact finding (e.g.: what are the stereotypes and what are the facts), dialogue and policy/action (e.g.: best practices, positions on minority enrollment in higher education) concurrently and through an iterative process.

Logistics

Q: When will the advisory board hold its first meeting? When will it conclude its work?

A: The advisory board will meet for the first time in the next six weeks or so. An exact date has not yet been determined. At this point, the board will likely disband after the President submits his report to the American people.

Q: When can we expect to see the first action or policy recommendations from the advisory board?

A: As a result of this initiative, we expect the President to implement wholly new policies as well as to reshape existing policies. The Administration's actions and policy changes will take place over the course of the year-long initiative. We cannot say when the first announcement will be. It will be several weeks before the advisory board, the initiative staff and Administration representatives start working together.

Advisory Board

Q: Why did the President appoint an advisory board rather than an independent commission?

A: This initiative is designed to use presidential leadership to prepare the American people for the next century. President Clinton's personal history and conviction to lead this country in recognizing the strength in our diversity make him well-suited to help forge new alliances among citizens. The President will be actively involved in the initiative and will help provide its intellectual leadership. He will also involve the American people in an unprecedented way.

The seven members will serve as partners in the initiative by reaching out to various communities, amplifying the President's efforts and recruiting more leaders on this issue. The advisory board members were selected based on the concept that they would excel in these responsibilities and be respected, if not well known, in what is a Presidentially-led effort.

Q: Wouldn't you have been better off with individuals with name recognition?

A: In identifying an advisory board, the working group sought individuals who could reach out as surrogates for the President to various communities, provide guidance and analysis on topics concerning race and recruit more leaders to implement solutions that will improve race relations.

We also looked for a group of individuals who would provide diversity on a number of fronts, be respected in their fields and be team players exemplifying the relationships we

hope the whole initiative will engender.

Many of the advisory board's members are familiar ones, especially in their communities or areas of expertise.

Q: Why are there no Native Americans on the advisory board?

A: The advisory board consists of seven individuals. These individuals represent diversity in race, age, gender, background and political perspective. There will be many, many opportunities (for example: staff appointments, Presidential town hall meetings, advisory board outreach) over the course of the initiative for the President and the advisory board to work with and hear from individuals whose diversity is not reflected on the board.

Guidance on Tax Bill
June 13, 1997

- **House.** Tax Bill was passed by Ways and Means last night on a straight party line vote. Democrats failed in effort to strip out provisions that penalize lower-income working Americans -- provisions the President criticized in yesterday's Business Roundtable speech:
 - (1) The Republican provision that excludes four million low-income working families from receiving the \$500 a child tax credit.
 - (2) The Republican provision that cuts the child tax credit for families that receive the benefits of the child care incentives.
- **Senate.** Roth will begin mark-up next week. Outline of Chairman's mark attached for your review. Preliminary analysis indicates that it shares many of the faults of the Archer plan, but it is preliminary enough that we should probably refrain from comment under than:

Certainly hope that the Senate will correct some of the more egregious provisions of the House Republican bill and meet the President's four-part test.

- (1) Must be faithful to the bipartisan agreement;
- (2) Must help the economy grow;
- (3) Must be fair to middle class families;
- (4) Must target our top priority -- education; and
- (4) Must not explode the deficit and make it more difficult to meet the fiscal challenges we face when the baby boom nears retirement.

NEC, Jake 65316



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

THE DIRECTOR

June 12, 1997

The Honorable Robert F. Smith
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on an historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

The Bipartisan Budget Agreement includes \$1.5 billion in additional funding for the Food Stamp Program to increase support for work and provide States with flexibility to exempt individuals from the Food Stamp time limits due to hardship. I am writing to express the Administration's deep concerns with the Committee's plans to implement the Food Stamp provisions in the agreement and to provide our views on two amendments that may be offered during mark-up.

We appreciate the Committee's draft language to implement the 15 percent hardship exemption, which is consistent with the Administration's approach. However, we have deep reservations about the Committee's proposal for employment and training (E&T) funds for able-bodied childless adults aged 18-50. The agreement specifically states that existing Food Stamp E&T funds will be redirected and new capped mandatory funding added "to create additional work slots for individuals subject to the time limits." The agreement provides \$1 billion for this purpose. The Administration's legislative proposal creates 350,000 additional work slots over five years for individuals who want to work and would otherwise lose benefits if a work opportunity were not available. The Committee's planned approach does not achieve this end; it would create fewer than one-half the additional work opportunities for individuals facing the time limit.

The Committee proposal is seriously flawed for the following reasons:

- o **The proposal lacks performance standards and accountability to ensure that the new Federal funding creates additional work slots.** The Committee proposal gives States hundreds of millions of dollars without any meaningful provisions to ensure that they put forth additional efforts to provide work opportunities for persons facing the time limit. Without such performance measures, States can absorb the additional funds by

changing cost allocation schemes among current E&T activities or increasing the average cost of a slot.

- o The lack of maintenance-of-effort provisions in the preliminary Committee bill would result in States using new Federal money to reduce significantly their spending on E&T.** Adequate maintenance-of-effort provisions are necessary to ensure that the legislation provides maximum work opportunities. In FY 1996, States provided \$73 million to fund E&T services for Food Stamp recipients. These existing State contributions are matched dollar for dollar at the Federal level. With the structure of the Committee's proposal for the new 100 percent Federal money, States can simply replace their funds with the new Federal money. We urge the Committee to strengthen the maintenance of effort requirements.
- o The proposal funds work slots that do not meet the welfare reform statute's tough work requirements for Food Stamp recipients.** The Committee provisions allow States to spend unlimited amounts of the new 100 percent Federal money on work activities that don't create workfare slots or provide 20 hours of employment. The Committee provisions would allow all the money to be spent on job search. The Administration's proposal targets funds to work activities that meet the tough standards for 18-50s -- and provide opportunities for individuals willing to work.
- o The provisions are out of line with performance requirements for other Federal work programs for welfare recipients.** The new Temporary Assistance for Needy Families (TANF) block grant includes explicit participation targets to ensure that States use block grant money to create work opportunities. States that do not achieve participation targets forfeit a portion of their grant. The Administration's proposal is consistent with this approach; the Committee proposal is not.

The Administration's proposal addresses accountability concerns, while giving States wide flexibility. It permits States to use 100 percent Federal funds to support work activities for individuals in areas waived from the time limits due to high unemployment or too few jobs. It also funds activities, such as job search. The Administration proposal, however, includes measures to ensure that the 100 percent Federal funding for these activities reimburses States at a rate that reflects the lower cost of providing these services. Better targeting of reimbursement rates, as well as the Administration's more accountable maintenance-of-effort requirements or measures with equivalent results, are essential to ensure that additional Federal funding for work slots yields additional opportunities rather than just supplanting State spending.

Amendments

The Administration understands that amendments may be offered that would allow Food Stamp operations to be privatized. While certain program functions, such as computer systems, can currently be contracted out to private entities, the certification of eligibility for benefits and

related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. The Administration believes that changes to current law would not be in the best interest of program beneficiaries and would strongly oppose such amendments.

We understand that an amendment may be offered in the Committee mark-up, the purpose of which is to prevent costs from increasing in Food Stamps due to cost-shifting for common functions from the new TANF block grant, which places a cap on TANF administrative costs. We understand the CBO baseline includes costs of over \$5 billion in FYs 98-02 because CBO assumes administrative cost shifting from TANF to Food Stamps and Medicaid. This proposal would reduce the extent of the cost-shift to the Food Stamp Program, yielding substantial savings against CBO's baseline, although it would not prevent cost-shifting to Medicaid and might even increase Medicaid costs. While the Administration is generally supportive of this effort -- to prevent States from changing cost allocation plans in order to shift greater administrative costs from the capped TANF block grant to the open-ended Food Stamp and Medicaid administrative costs that are matched by the Federal government -- we would need to carefully review the specific mechanism proposed. In particular, we would have serious reservations about proposals that would cap Food Stamp administrative costs.

The budget negotiators discussed the Food Stamp Program at considerable length and agreed to a \$1.5 billion restoration in funding. An amendment reducing Food Stamps and directing savings to other programs was neither raised nor included in the budget agreement. The Administration has strong reservations about such an approach.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Franklin D. Raines', with a stylized flourish at the end.

Franklin D. Raines
Director

Identical letter sent to the Honorable Charles Stenholm



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

THE DIRECTOR

June 9, 1997

The Honorable E. Clay Shaw, Jr.
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

With regard to welfare, the budget agreement called for restoring Supplemental Security Income (SSI) and Medicaid benefits for immigrants who are disabled or become disabled and who entered the country before August 23, 1996; extending from five to seven years the exemption in last year's welfare law for refugees and asylees for the purposes of SSI and Medicaid; and making other important changes.

A number of provisions approved by the Subcommittee on Human Resources on June 5th for inclusion in the FY 1998 budget reconciliation bill are, however, inconsistent with the budget agreement in these and other areas. Consequently, if the Committee were to proceed with its legislation in this form, we would be compelled to invoke the provisions of the agreement that call on the Administration and the bipartisan leadership to undertake remedial efforts to ensure that reconciliation legislation is consistent with the agreement.

We appreciate the fact that the Subcommittee approved several provisions that were part of the budget agreement that the Administration supports, such as in the areas of welfare to work and State SSI administrative fees.

Welfare to Work -- We are pleased the budget agreement includes the President's \$3 billion welfare-to-work proposal and that the Subcommittee approved provisions that meet many of the Administration's priorities. Specifically, we are pleased that the Subcommittee's action provided funds for jobs where they are needed most to help long-term recipients in high unemployment-high poverty areas; directed funds to local communities with large numbers of poor people; awarded some funds on a competitive basis, assuring the best use of scarce resources; and gave communities appropriate flexibility to use the funds to create successful job placement and job creation programs.

Though the Subcommittee did not address a performance fund, we appreciated their willingness to consider a mechanism to provide needed incentives and rewards for placing the hardest-to-serve in lasting, unsubsidized jobs that promote self-sufficiency. We hope the Committee will be open to an amendment to establish such a fund. In addition, we stand ready to continue to provide assistance in refining targeting factors.

State SSI Administrative Fees -- The Administration is pleased that the Subcommittee approved a provision, consistent with the budget agreement, to increase the administrative fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for Social Security Administration (SSA) administrative expenses.

With regard to immigrants, however, we have serious concerns with provisions that do not reflect the budget agreement. The Administration has separately transmitted draft legislative language on June 4th that reflects the budget agreement's provisions on benefits to immigrants.

Continued SSI and Medicaid Benefits for Legal Immigrants -- The Administration strongly opposes the provision that denies coverage to many legal immigrants who were in the United States when the welfare law was signed but who become severely disabled after that date. The budget agreement explicitly states, "Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who enter the U.S. prior to August 23, 1996." The Subcommittee's action fails to reflect that agreement by only grandfathering those now receiving SSI, therefore dropping those who would become disabled in the future and would be eligible for benefits under the agreement. A policy that grandfathers immigrants who were on the SSI rolls on August 22, 1996, protects 75,000 fewer immigrants than the budget agreement in the year 2002. By contrast, the agreement targets the most vulnerable individuals by providing a safety net for all immigrants in the country when the welfare law was signed who have suffered - or may suffer in the future -- a disabling accident or illness. In addition, the Administration believes the budget agreement assumed that all legal immigrants currently receiving SSI benefits would continue receiving benefits during the disability review, as has always been the practice.

In contrast with the budget agreement, which was designed to restore benefits, the Subcommittee's action would deny SSI and Medicaid benefits to immigrants who have a sponsor with income of over \$40,000. The Administration strongly opposes this provision, which would cut off thousands of severely disabled legal immigrants who would receive benefits under the budget agreement. Last year, the President signed into law immigration reform legislation that makes sponsors legally responsible for immigrants they sponsor. Immigrants currently in the country, however, do not have this protection. The Subcommittee's action would deny critical assistance to a disabled immigrant who has a sponsor unable or unwilling to provide support.

As noted above, the agreement provided for both SSI and Medicaid eligibility for disabled legal immigrants. The Subcommittee's action, however, also fails to guarantee

Medicaid coverage for all disabled legal immigrants who continue to receive SSI. For States in which SSI eligibility does not guarantee Medicaid coverage and for States that choose not to provide Medicaid coverage to legal immigrants who were in the U.S. prior to August 23, 1996, legal immigrants who receive SSI would not be guaranteed continued Medicaid coverage. To conform to the policy in the budget agreement, the Committee should explicitly guarantee Medicaid coverage to disabled legal immigrants.

Refugee and Asylee Eligibility -- The budget agreement would extend the exemption period from five to seven years for refugees, asylees, and those who are not deported because they would likely face persecution back home. However, the Subcommittee's action would provide that extension for refugees and not for asylees and others. Such asylees and others should receive the additional two years to naturalize.

We are concerned by reports that the Committee may consider provisions which add further restrictions to immigrants access to public benefits. Many of the potential provisions were considered during last year's immigration reform debate and were removed from the final legislation after negotiations between Congress and the Administration because they were unacceptable to the Administration. The Administration strongly opposes these punitive provisions, which would introduce known controversies into the budget reconciliation process.

Finally regarding immigrants, the Administration urges the adoption of a provision to protect the benefits of those who have been on the SSI rolls prior to 1979. Generally these are elderly citizens over the age of 90 who do not possess the required birth certificates or other documents necessary to establish eligibility.

In addition to the provisions in the Subcommittee's action related to immigration, the Administration has the following serious concerns:

Unemployment Insurance Integrity -- The Subcommittee did not approve the provision of the budget agreement that achieves \$763 million in mandatory savings over five years through an increase in discretionary spending of \$89 million in 1998 and \$467 million over five years. These savings are a key component of the budget agreement. The discretionary spending that the agreement assumes, and which would be subject to appropriation, would support the necessary additional eligibility reviews, tax audits, and other integrity activities that, the evidence demonstrates, will yield the savings. We urge the Committee to adopt this provision to achieve the specified savings.

The Federal Unemployment Account -- The Administration supports the proposed increase in the Federal Unemployment Account ceiling, which reflects the budget agreement. The Subcommittee's action, however, did not accomplish another aspect of the agreement, because it only "authorized" \$100 million to the States in 2000-2002 for Unemployment Insurance administrative funding, rather than making the payments mandatory as the agreement provides. We look forward to working with the Committee to address this issue. The

Administration has separately transmitted draft legislative language on June 6th that reflects the budget agreement's provisions on both unemployment insurance provisions above.

Local administration of Welfare-to-Work funds. We understand that an amendment may be offered at the full committee markup to provide for local administration of the Welfare-to-Work funds by the State TANF agency. The Administration strongly believes that chief local elected officials, working with the Private Industry Councils, are the appropriate local administrative entities to ensure that Welfare-to-Work funds are targeted to long-term recipients in communities with large numbers of poor people.

The Subcommittee's action also included a number of provisions that were not specifically addressed in the budget agreement, and about which the Administration has serious concerns. They include the following:

Minimum Wage and Workfare --The Administration strongly opposes the Committee's proposal on the minimum wage and welfare work requirements.

The proposal is not part of the budget agreement and, had it been raised during negotiations, we would have strongly opposed it.

Second, the proposal would undermine the fundamental goals of welfare reform. The Administration believes strongly that everyone who can work must work, and those who work should earn the minimum wage --whether they are coming off welfare or not. The proposal does not meet this test. In addition, under this proposal, working welfare recipients will be deprived of the protection of laws addressing employment discrimination, unsafe workplaces, child labor, overtime, and family and medical leave.

Worker Protections in Welfare-to-Work --We remain deeply disappointed in the lack of adequate non-displacement provisions in the Subcommittee's action. We strongly urge the Committee to adopt, at a minimum, the provisions included in H.R. 1385, the House-passed job training reform bill.

Repeal of Maintenance of Effort Requirements on State Supplementation of SSI Benefits -- The Administration strongly opposes the repeal of the maintenance-of-effort requirement because it would let States significantly cut, or even eliminate, benefits to nearly 2.8 million poor elderly, disabled, and blind persons. Congress instituted the maintenance-of-effort requirement in the early 1970s to prevent States from effectively transferring Federal benefit increases from SSI recipients to State treasuries. The proposal also could put at risk low-income elderly and disabled individuals who could lose SSI entirely and thereby lose Medicaid coverage as well. The Administration opposed this proposal during last year's welfare reform debate.

Other TANF Provisions -- The Administration is concerned with several provisions approved by the Subcommittee that were not in the budget agreement. For example, the

agreement did not address making changes in the TANF work requirements regarding vocational education and educational services for teen parents. The Administration opposes the provision allowing States to divert TANF funds away from welfare-to-work efforts to other social service activities.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. D. Raines', with a stylized flourish at the end.

Franklin D. Raines
Director

Identical letters sent to the Honorable Bill Archer, the Honorable Charles Rangel,
and the Honorable Sander Levin



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.
June 11, 1997

SECRETARY OF THE TREASURY

The Honorable Charles B. Rangel
Ranking Democratic Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Charlie:

I want to commend you and the other Democratic members of the Ways and Means Committee and the caucus for your tax proposal.

If we are going to continue to invest in education and the rest of our successful economic strategy, any tax cut package must meet four basic tests. First of all, it must reflect the terms of the bipartisan budget agreement. Second, the tax cuts must be designed to help the economy continue to grow. Third, the tax cut must not disproportionately benefit upper-income families. Fourth, a tax cut must genuinely expand educational opportunities for Americans of all ages. Your overall package meets those tests. The Republican House proposal does not.

We are particularly pleased that your proposal gives American families the help they need to make investments in education and lifelong learning. The decision to include a HOPE scholarship proposal mirrors our initiative to make education more affordable and to make the 13th and 14th grades universal. You have improved our initial proposal by allowing students who receive Pell Grants and still pay tuition to receive the HOPE scholarship. We fully endorse that change. Although our tuition deduction plans differ in some particulars, we are pleased that your proposal incorporates the full \$10,000 tax benefit for tuition paid -- regardless of its source. Like our proposal, your tuition plan will help families who are not wealthy enough to pay for the entire amount of tuition out of savings and are therefore forced to borrow. It would also help Americans undertake lifelong learning so that they can take advantage of the opportunities -- and meet the challenges of the new economy.

We are pleased that your proposal includes a refundable child tax credit which will help millions of working families raise their children. We are extremely encouraged that your proposal would allow a low-income family to receive both the child credit and their full Earned Income Tax Credit.

At the same time, your proposal includes several of the President's priorities that were part of the budget agreement -- including an expansion of Empowerment Zones and Enterprise Communities, the Brownfield tax incentives and the Welfare-to-Work tax credit. Your proposal also addresses many of the President's other priorities -- including a permanent extension of the exclusion for employer-provided educational assistance and tax credits for investment in Community Development Financial Institutions.

In sum, your tax cut plan is a welcome and important proposal. While we continue to analyze specific provisions, we support the overall structure of the plan. We hope that members of both parties will give it careful consideration and will work with us to enact a tax cut package that meets our four tests.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. Rubin', with a stylized flourish above the 'R'.

Robert E. Rubin



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

June 11, 1997

SECRETARY OF THE TREASURY

The Honorable Bill Archer
Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515-4005

Dear Bill:

I have reviewed the Chairman's Mark you released earlier this week, providing the details of the tax portion of the bipartisan budget agreement. The President is eager to sign legislation implementing the agreement into law, but in its present form, the proposal you have put forth does not meet the test of fairness to working families and has other serious problems. I have included preliminary Treasury distribution tables for your package after this letter. Our major concerns are listed below.

Your bill will reduce the value of the \$500 child credit for millions of low income families by requiring a family to take the child credit only after the earned income tax credit is taken against their tax liability. A family with two children and \$25,000 of income, for example, would receive no tax relief from the child credit under your proposal. Under the President's plan, this family would get \$1,000, the same as a family that earned twice as much. We would favor a refundable child credit that better targets low and middle income working families. The credit should be indexed for inflation. We would also permit taxpayers to place their child credit into a tax-favored savings account to finance their children's college education. In combination with our tuition deduction, this proposal would allow families to save and pay for college tax-free.

The proposed legislation singles out six million families who pay for child care and gives them a smaller tax cut. Beginning in 2002, families who receive a tax credit for their child care expenses would lose 50 cents for each dollar of their child credit. This provision unfairly reduces tax relief for working parents who are struggling to maintain a decent standard of living and to pay for child care. For example, a family with two working parents making \$45,000 who pay for child care for their two children would seemingly be eligible for a \$1,000 child tax credit. But under the proposed legislation, they would also lose \$480 of their child tax credit, beginning in 2002.

The education package falls nearly \$13 billion short of the agreed goal of \$35 billion in tax cuts for education, which are consistent with the HOPE scholarship and tuition deduction proposals in the President's FY98 Budget. Furthermore, as compared to the President's proposals, it directs more benefits toward upper-income families while reducing the benefits to lower-income families. It introduces serious administrative complications and is less effective at easing the burden of college attendance for working families.

- The HOPE credit would be cut to 50 percent of tuition expenses, halving the value of education benefits for millions of students attending community colleges and other low-cost institutions.
- Unlike the broadly available tuition deduction in the President's package, the tuition deduction in your proposal would be available only if education expenses are paid from certain education savings plans. Hence, no help is given beyond the first two years of higher education to low-income students and students who must borrow to pay tuition. In addition, your proposal does much less to encourage lifelong learning, one of the central objectives of the President's package.
- Tax-free savings offered through new education investment accounts and the opportunities for tax-deferred saving through private prepaid tuition plans are overly generous to upper income families, since they have neither income limits nor contribution limits. This would give high-income taxpayers an incentive to use these vehicles to save tax-free, even if they never intend to use the savings for education expenses. In the early years, the benefits for education will only be available to those who already have large reserves of cash to deposit in these accounts, not to others who can contribute only modest amounts each year.

The American Dream IRAs are not sufficiently targeted. Contributions could be made to these back-loaded IRAs without any income limits, which would surely result in a substantial shifting of existing savings into tax-preferred investment vehicles by high-income taxpayers, rather than creating new savings.

The proposal to index certain capital assets and lower the rate of tax on capital gains provides a double benefit to taxpayers, substantially overcompensating them for the effects of inflation. The package would disproportionately benefit the wealthy over lower- and middle-income wage earners. The package also has an explosive revenue cost in years after 2007, possibly jeopardizing all our important work to balance the budget. In addition, the indexing proposal is enormously complex and difficult to administer. To quote the New York State Bar Association, indexing is "fundamentally flawed" and would create problems that would "overwhelm taxpayers and the IRS."

In addition, we are concerned about the proposal to reduce the corporate capital gains tax rate. We would propose expanding the existing exclusion for long-term equity investments in smaller businesses. The expansion of the capital gains incentive for small businesses will help more start-ups get off the ground, and ensure that America continues to lead the world in high technology.

At a time when business conditions are strong and profits are at their highest share of GDP in two decades, you have proposed to spend \$34 billion over 10 years to eliminate the corporate alternative minimum tax. This provision would return us to the days when some large and profitable corporations could pay little or no tax.

Your plan contains other provisions that raise serious concerns. The safe-harbor for independent contractor status would permit employers to avoid essential worker protections. At a time when we are trying to expand health and pension coverage, this proposal could lead to widespread shifting of employees to independent contractor status, resulting in loss of worker protections such

as pension and health coverage, and consequently wage and hour protections, unemployment insurance benefits and compensation for work-related injuries.

Under your proposal, Indian tribes would be subject to the unrelated business income tax on all income earned from commercial activities. Contrary to long-established U.S. policy, this tax fails to respect the sovereignty of Indian tribes and their special status as domestic dependent nations. This lack of respect for sovereignty is particularly apparent in the difference the proposal would create between tribes and States. In addition, the proposal would be extremely difficult to administer.

We are very disappointed that your proposal excluded a number of important initiatives for the President's FY 1998 Budget that were included in the budget agreement. For example, the Nation's mayors and urban and rural communities have been extremely supportive of the President's brownfields provision, which provides a tax incentive for environmental cleanup and encourages economic development in formerly contaminated areas. Your proposal excludes this provision. And while tax relief is provided for the District of Columbia, no additional Empowerment Zones or Enterprise Communities for the rest of the country are provided.

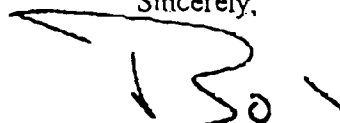
In addition, no provision is included to stimulate investments in Community Development Financial Institutions to revitalize distressed neighborhoods around the country. No provision is included for equitable tolling, which protects a taxpayer's rights when he or she is incapacitated, or for restructuring our Nation's affordable housing portfolio.

Your bill also includes a provision to raise the debt ceiling. We believe that it should be included in the other reconciliation bill.

In summary, we think this package disproportionately benefits the most well off in society at the expense of working families. Given the tough choices that need to be made within this tax package, we think it is unwise, for example, to eliminate the corporate AMT, while at the same time denying tax relief provided by the child credit to millions of hard-working taxpayers with children who receive the earned income tax credit. Moreover, the provisions in the package that drive up costs beyond the ten year budget window, are those that most advantage high-income taxpayers.

We look forward to working with the Congress to design a tax package that helps working families pay for education, buy and sell homes, and raise their children. We are committed to achieving a tax package that is fair to all Americans.

Sincerely,



Robert E. Rubin

Enclosures

Honorable Richard A. Gephardt
U.S. House of Representatives
1226 Longworth House Office Building
Washington, DC 20515-2503

Draft letter
on Ethanol

Dear Dick:

The Clinton Administration's is committed to the continued growth and development of the U.S. ethanol industry and ~~strongly~~ ^{firmly} opposes efforts currently underway in Congress to repeal the Federal excise tax exemption for ethanol. While repealing the excise tax exemption would increase the monies available to the highway trust fund, it would cost this Nation's farmers billions of dollars in lost income and displace thousands of jobs. Rural areas that depend on farming would be particularly hard hit by the loss in farm income and employment.

In 1980, the ethanol industry used only 35 million bushels of corn to produce 88 million gallons of ethanol. Since then, the ethanol industry has grown over ten-fold, now using an estimated 450 million bushels of corn and producing 1.1 billion gallons of ethanol. Assuming continuation of the Federal excise tax exemption, the Department of Agriculture (USDA) projects the ethanol industry will continue to grow, using 640 million bushels of corn and producing 1.6 billion gallons of ethanol by 2005. However, if the excise tax exemption is eliminated, USDA estimates that investment in the ethanol industry will come to an abrupt halt and ethanol production will decline to 40 percent or less of current levels by 2005. The resulting reduction in corn use would lower net farm income by \$6-\$10 billion during 1998-2005 and require 7,000-14,000 workers to find other employment. Removing the Federal excise tax exemption for ethanol would also make us more dependent on foreign oil. If the exemption is removed, USDA estimates that imports of petroleum-derived oxygenates would increase by \$-\$9 billion during 1998-2005, though this would be partially offset by increases in agricultural exports of \$1 billion and probably other trade flow changes that were not explicitly modeled.

In summary, continuation of the Federal excise tax exemption for ethanol is good for farmers and good for rural areas. The exemption ^{also} furthers the goal of increasing our use of renewable sources of energy for the future and reducing energy imports. For these reasons, I am steadfastly committed to continuing the Federal excise tax exemption for ethanol and look forward to working with you and your colleagues in this regard.

Sincerely,

DAN GLICKMAN
Secretary



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

THE DIRECTOR

June 11, 1997

The Honorable Tom Bliley, Jr.
Chairman
Committee on Commerce
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to express the views of the Administration on the Medicare, Medicaid, and children's health provisions that were approved by the Subcommittee on Health and the Environment on June 10, for inclusion in the FY 1998 budget reconciliation bill.

Overall, the Administration finds much to support in the bill. It incorporates many of the proposals from the FY 1998 President's Budget and is generally consistent with the Bipartisan Budget Agreement. It proposes Medicare structural reforms that constrain growth, extends the life of the Hospital Insurance Trust Fund for at least a decade, and improves preventive care benefits. All of these changes will help strengthen and modernize Medicare for the 21st century. It also allocates the full \$16 billion for children's coverage policies within the Commerce Committee's jurisdiction, and thus, none of this important investment is dedicated to an inefficient tax approach.

However, as I noted in my letter to the Chairman and Ranking Member of the Health and the Environment Subcommittee, the Administration has concerns with several of the Medicare, Medicaid, and children's health provisions that your Committee will consider, including the following:

Medicare

MSAs

While we have agreed to work to develop a demonstration of this concept for the Medicare population, we have concerns about the size and scale of the demonstration in the mark. The Subcommittee's bill provides for a demonstration with 500,000 participants at a cost of approximately \$2 billion over five years, which is much larger than any other Medicare demonstration. In addition, the Subcommittee approved an amendment that extends the MSA demonstration from 4 years to 5 years. Moreover, the demonstration exposes beneficiaries to any additional charges providers choose to levy without limitation. We strongly believe that the current law limits on balance billing should be applied to this demonstration. We have suggested

limiting the demonstration to two states for a three-year period. We believe the demonstration should be limited geographically for a trial period, which will enable us to design the demonstration to answer key policy questions.

Medical Malpractice

We believe that the malpractice provisions in the Subcommittee's bill are extraneous to the agreement. As you know, the Administration opposed the malpractice provisions in the vetoed Balanced Budget bill, as well as those adopted in the House version of the Health Insurance Portability and Accountability Act (HIPAA). We find these provisions highly objectionable, and we oppose them.

Preventive Benefits

While the preventive benefits are largely the same as those advanced in the President's Budget, we bring to your attention the failure to waive coinsurance for mammograms. As you know, mammography saves lives, yet many Medicare beneficiaries fail to use this benefit. Research has found that copayments hinder women from fully taking advantage of this benefit. Thus, we continue to support waiving copayments for mammograms.

Prudent Purchasing

As you know, the Medicare program is governed by a strict set of provider payment rules that limit the ability of the Federal government to secure the most competitive terms available to other payers in the marketplace. We have advanced a set of proposals to allow Medicare, the nation's largest health insurer, to also take advantage of lower rates providers offer to other payers. At a time when we all agree that Medicare spending has been growing too quickly and the Federal budget faces increasing pressures for scarce resources, we do not understand why the Subcommittee would not want to take advantage of all these proposals to allow Medicare to be a more prudent purchaser. We propose adopting practices that work in the private sector. We should let them work in the public sector as well. These practices can work well to save taxpayers money and promote quality.

We are pleased that our proposal to expand the "Centers of Excellence" program is included in the bill, but we urge the inclusion of the other proposals. We also note that the Subcommittee has added a durable medical equipment competitive bidding demonstration to the bill. However, we continue to believe that the rapid escalation of costs in this area would be more appropriately addressed by the President's proposal to authorize competitive bidding on a permanent basis across the country.

Commission

We note that the Subcommittee's bill includes a Medicare commission. Establishing a process that is mutually agreeable is essential to successfully address the challenges facing Medicare. We look forward to working with you on the development of the best possible bipartisan process to address the long-term financing challenges facing Medicare while simultaneously ensuring the sound restructuring of the program to provide high-quality care for our nation's senior citizens.

Medicaid

Investments

After extended negotiations that preceded the Bipartisan Budget Agreement, the Administration and the Congressional leadership agreed to specified savings and investments in the Medicaid program over five years. The agreement clearly calls for a higher Federal matching payment for the Medicaid program in the District of Columbia and inflation adjustments for the Medicaid programs in Puerto Rico and the territories, but the Subcommittee failed to include these provisions. We strongly urge the Committee to include these proposals.

The bill does include a provision to ease the impact of increasing Medicare premiums on low-income beneficiaries as specified in the agreement. However, we are concerned that because of the way the proposal in the bill was drafted, low-income Medicare beneficiaries are not likely to be protected, as was intended in the agreement. The proposal in the Subcommittee's bill for the Federal government to pay 100 percent of the "extra" amount of premium due to the home health reallocation is too administratively complex for the value of the benefit provided. The cost of this provision, according to preliminary reports, is \$600 million, approximately one-third of the \$1.5 billion investment specifically included in the agreement. The Committee should include the full \$1.5 billion investment to ease the impact of higher Medicare premiums on low-income beneficiaries.

Disproportionate Share Hospital Savings

We have concerns about the allocation of the disproportionate share hospital (DSH) payment reductions among States included in the bill. Although we agree that there have been abuses of this program in the past, taking such large reductions in certain states whose Medicaid programs are particularly dependent on DSH spending will likely affect their ability to cover services. We recommend that you revisit the FY 1998 President's Budget proposal, which ensures that the States with the highest DSH spending are not bearing most of the impact of the savings policy.

We are very concerned that your bill does not include retargeting of DSH funds. As the Administration has stated previously, we believe that significant savings from DSH payments

should be linked to an appropriate targeting mechanism. It is for this reason that we support proposals that assure that some DSH funds are directed to hospitals that serve a high proportion of low-income and uninsured patients.

Boren Amendment

The Subcommittee bill does not repeal the Boren Amendment. The Nation's Governors have supported repeal of the Boren Amendment for many years, and the repeal was included in both the FY 1998 President's Budget and in the agreement. We are concerned that the Subcommittee's failure to include the repeal of the Boren Amendment will result in higher DSH cuts that could harm hospitals that serve a high proportion of low-income and uninsured patients. We want to work with the Committee to develop an acceptable compromise on this important issue.

Children's Health

We believe that the \$16 billion investment in children's health should be used for health insurance coverage. It is for this reason that the Administration does not support the direct services option in the Subcommittee bill. We are concerned that a State could spend all of its money on one benefit or to offset the effects of the DSH cuts on certain hospitals, and children would not necessarily get meaningful coverage.

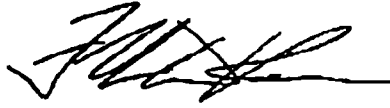
We are also concerned that the bill may not be the most cost-effective manner possible to expand coverage to children, as required by the agreement. The bill includes both a Medicaid and a grant option; however, the incentives in the bill could discourage States from choosing the Medicaid option. We believe that Medicaid is a cost-effective approach to covering low-income children, and would like to work with you on strengthening this option. We also believe that the grant program should be designed to be as efficient as possible. The provision that allows States to use funds for "other methods specified under the plan" with no details on what this means implies that States may use funds for purposes other than the intent of the agreement (e.g., to offset States' share of Medicaid). We would oppose this.

As the Administration has stated many times, we do not support limiting access to medically necessary benefits, including abortion services. We would like to work with the Congress to resolve this issue.

The Bipartisan Budget Agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. It is critical that we do so on a bipartisan basis.

I look forward to working with you to implement this historic agreement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Franklin D. Raines', with a stylized, flowing script.

Franklin D. Raines
Director

Identical letter sent to the Honorable John Dingell

Addendum

MedicarePlus

The Subcommittee's bill permits beneficiaries to be locked into a MedicarePlus plan for as long as 9 months, after a lengthy transition period. We continue to support the monthly disenrollment option as an important safety valve for managed care enrollees who are dissatisfied with their managed care plan. Moreover, we would support the ability of these enrollees to opt to purchase any Medigap plan of their choice upon disenrollment.

Medigap Reforms

The President's bill advanced a number of important Medigap reforms including annual open enrollment (as well as including information about Medigap plans in the annual open enrollment season informational materials), community rating, open enrollment for disabled and ESRD beneficiaries when they become entitled to Medicare, and portability protections similar to those enacted last year in HIPAA for the under 65 population. Many of these important protections were also advanced by bipartisan bills including those sponsored by Representatives Johnson and Dingell. We urge your reconsideration of the merits of these proposals. They ensure that Medicare beneficiaries are able to purchase affordable Medigap policies to fill in the many areas not covered by Medicare. Medicare beneficiaries should be able to choose which Medigap plans to purchase, or MedicarePlus plans to enroll in, without artificial constraints.

Survey and Certification User Fee Proposal

The Subcommittee bill does not contain a provision allowing HCFA to require state survey agencies to impose fees on health care providers for initial surveys required as a condition of participation in the Medicare program. This provision would authorize states to collect and retain fees from health care providers to cover the cost of initial surveys. Under the agreement, the discretionary funding level for HCFA Program Management assumes enactment of this mandatory, government receipt fee proposal.

Medicare Secondary Payer (MSP)

The Subcommittee's bill limits the time period that Medicare can recover mistaken primary payments from the primary insurer to three years. Unfortunately, because we must utilize information from tax returns which is then matched against information from the Social Security Administration, by the time we receive data it is already one year, and sometimes two years, old. We must then match this information against Medicare files before a questionnaire can be sent to identified employers to determine if a Medicare beneficiary (or their spouse) had coverage through the group health plan of an employer. Thus, a three year limit on when Medicare could recover mistaken payments would effectively mean that no mistaken primary payments could be collected.

Hospital Outpatient Department (OPD) Coinsurance Waiver

While we support allowing hospitals to reduce coinsurance for beneficiaries without being charged with a kickback violation, we would urge the Committee to include language barring such hospitals from charging the Medicare program for bad debt for such waived coinsurance. We suggest that hospitals make an election with the Secretary where they choose on an across-the-board basis for all beneficiaries to waive coinsurance and consequently do not bill Medicare for the waived coinsurance. Such a policy will permit proper monitoring on bad debt.

Mark-up of Drugs

The Administration package contains a proposal to eliminate physician and supplier mark-ups for covered Medicare drugs. We made this proposal to eliminate excessive Medicare payments -- Medicare often pays 15 to 20 percent more than the physician's acquisition cost for the drug -- and to protect beneficiaries from excess charges. We appreciate the Subcommittee's interest in this issue, but we believe that the bill does not go far enough to eliminate excessive Medicare payments and does not contain the beneficiary protections that we believe are essential.

U.S. DEPARTMENT OF TRANSPORTATION
Talking Points on Air Traffic Control Tower Staffing
June 13, 1997

- Safety is the top priority, and the airspace in the New York area is safe. The FAA would meter air traffic through traffic management procedures rather than compromise safety.
- Staffing shortfalls at the New York Center which handles long distance flights and the New York TRACON, which handles planes flying to and from New York/New Jersey airports, have been addressed in an MOU between the FAA and the union representing controllers. The FAA will attain those jointly agreed upon goals in FY 98 or sooner.
- The FAA is working aggressively to recruit controllers for the NY/NJ area locally, with programs at local educational institutions. There also is incentive pay for many controllers in that area.
- The Newark tower will hit its target standard by the end of this year. The towers at Kennedy and LaGuardia have already reached the agreed upon target levels.
- The FAA already has begun hiring 100 new controllers for the five facilities in the area (3 towers and the center and approach/departure control unit for the area).
- Nationally, the FAA is hiring 500 controllers this year, and another 800 next year.

Talking Points on Tobacco Settlement Talks

- o The Administration is closely monitoring the settlement talks among the tobacco industry, state attorneys general, public health groups, and private lawyers. Any agreement would have to be passed by the Congress and signed by the President.
 - o We will carefully review any settlement that emerges from the discussions, and we will seek the advice of the public health community. As the President has said, in reviewing any settlement proposal, our focus will stay squarely on protecting kids and the public health.
- Q: Would you support a settlement that caps punitive damages? That seems to be the key stumbling block.
- A: I'm not going to speculate on any particular aspects of a potential settlement. The Administration proposed the toughest measures ever to protect children from tobacco, and we are fighting in the courts to see that those restrictions take effect. Our focus in reviewing any settlement will stay on protecting kids and the public health. The President has made it clear he is not going to agree to anything with respect to tobacco that jeopardizes the public health.
- Q: Senator Lott and others are urging quick closure to the talks. They say that the window of opportunity is closing. Is the Administration trying to help close the deal?
- A: No. Because any settlement will have a profound and lasting impact on the public health, the Administration will have to consider a settlement in a careful and thorough manner. There will be no rush to judgment and no precipitous action. We are not going to take a position on a proposal until the Administration and the public health community have fully reviewed it.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 12, 1997

**STATEMENT BY THE PRESIDENT
ON SIGNING THE DISASTER RELIEF BILL**

I am pleased to sign into law tonight the disaster relief bill that Congress has just sent to me.

This bill provides the desperately needed resources for hundreds of thousands of people who have suffered terribly from the flooding and other natural disasters in the Dakotas, Minnesota, California, and 29 other States. It also includes the necessary funds for the Department of Defense in connection with our peacekeeping efforts in Bosnia and Southwest Asia. It does not include the unacceptable political provisions of the bill I vetoed that had nothing to do with the goal of providing disaster relief.

When our people are in need, we Americans come to their assistance as one nation. I applaud the Congress for heeding my call to remember that fundamental principle.

-30-30-30-

Flag Burning

- The President abhors those who burn the flag and thereby show disrespect to our national symbol.
- The President has a long and vocal record in support of protecting the flag.

As governor, he supported legislation that would have outlawed all intentional desecration of the flag.

He also initiated a state-wide flag respect program designed to encourage a better understanding and appreciation of flag.

- The President cannot however support a flag-burning amendment to the Constitution. Such an amendment would change that part of our Constitution, the first amendment, which expressed the nation's best and deepest values. It would change the part of the Constitution that we should, at all costs, protect and preserve.

The freedom of speech protected by the first amendment is the freedom that has made this nation great and has earned the respect of all other nations aspiring to liberty.

The ability of Americans to speak their mind -- however reprehensible their views, however abhorrent their ways of expressing them -- is the defining freedom of this country. It is the freedom that protects all others.

We entertain changes to this Amendment at our peril. We should do so only in cases of real emergency. This is not such a case. Flag-burning is reprehensible, but it is also uncommon. We can deal with people who engage in such speech by disparaging them and their actions. We should not change the very foundation of this nation's greatness, to deal with these sad individuals.

How can you reconcile this with your support of the Victim's Rights Amendment?

First of all, Victims' Rights does not alter the First Amendment. The President believes that victims' rights is an issue which needed to be addressed and the most appropriate way to do this is through a constitutional amendment. As we said at the time, victim's of violent crime are the most deserving of protection in the criminal justice system and yet have no Constitutional rights.

Mellody per past guidance
approved by Bill Marshall, Counsel

Press Guidance

June 13, 1997

APRIL MELLODY'S WEDDING

- There is going to be a Pennsylvania Avenue wedding tomorrow that I thought you all should know about.
- Many of us here at the White House have been looking forward to this fairy tale wedding for some time.
- Tomorrow at 2:30pm, Ms. April Melody will marry her High School sweetheart, Mr. Christopher Gillespie, at St. Paul's Church on Pennsylvania Avenue, Scranton, PA.
- The wedding will be open press -- or maybe pooled -- The proposal was to have you shoot through the stained glass windows.

Silverman

Approved by Lockhart

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

June 13, 1997

MEMORANDUM FOR MICHAEL MCCURRY

FROM: ALICIA H. MUNNELL *AM*

SUBJECT: Producer Price Indexes for May, Labor Department
Release, Friday, 8:30 a.m.

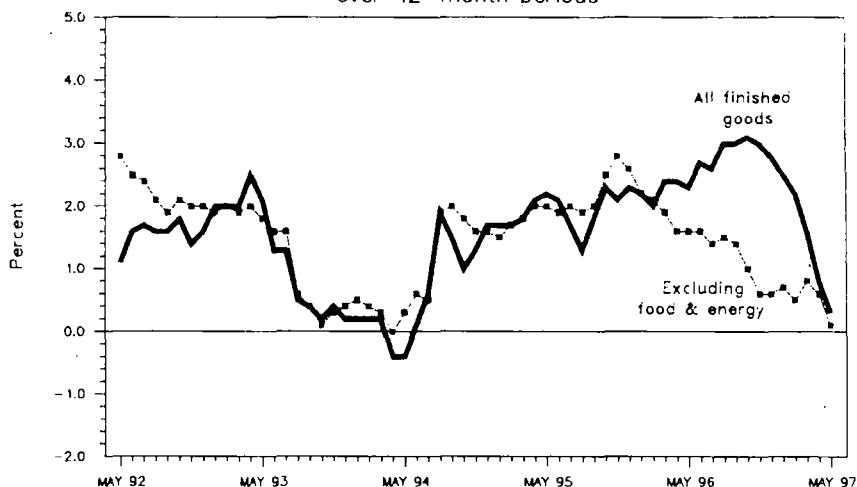
The producer price index for finished goods dropped 0.3 percent in May--the fifth consecutive month of decline. The market had expected a small increase. So far this year, producer prices have fallen 1.6 percent.

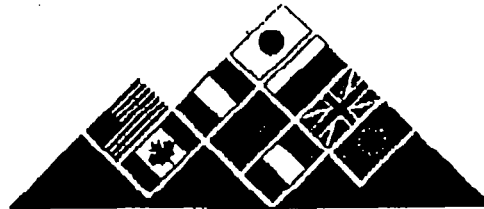
- Food prices rose 0.4 percent--reversing their decline in April. Coffee prices jumped sharply, and have increased 25 percent in the last 3 months.
- Energy prices continued to drop, falling 2.1 percent in May. So far this year, energy prices have fallen 9 percent.

The core PPI (finished goods less food and energy) fell 0.3 percent in May; the market had expected a slight increase. Price declines were broad-based, with an especially large decline (1.1 percent) posted for motor vehicles.

This PPI report shows a remarkable degree of price stability. The core PPI is essentially unchanged over the last 12 months-- compared to an increase of 1.6 percent over the year-earlier period. The fall in energy prices has brought the overall PPI back into line with the core. Next week's CPI will present a more complete picture.

PRODUCER PRICE INFLATION
over 12-month periods





Denver Summit of The Eight
June 20-22

cc: McHugh
Toiv

*****MEDIA ADVISORY*****

FOR IMMEDIATE RELEASE
June 5, 1997

Contact: Dana V. Shelley
(303) 825-4888 -- office
(800) 465-1930 -- pager

Natalie Wymer
(303) 825-4888 -- office
(800) 465-1845 -- pager

DENVER SUMMIT OF THE EIGHT EVENTS ANNOUNCED

President Clinton will host President Boris Yeltsin of the Russian Federation, President Jacques Chirac of the French Republic, Chancellor Helmut Kohl of the Federal Republic of Germany, Prime Minister Jean Chretien of Canada, Prime Minister Ryutaro Hashimoto of Japan, Prime Minister Romano Prodi of the Italian Republic and Prime Minister Anthony Blair of the United Kingdom of Great Britain and Northern Ireland at the Denver Summit of the Eight in Denver, Colo., June 20, 21 and 22. In addition, Prime Minister Willem Kok of the Netherlands, who serves as President of the European Union Council, and Jacques Santer, President of the European Commission, will represent the European Union at the Summit. The following constitutes the planned activities for the leaders, the foreign and finance ministers and the leaders' spouses.

LEADERS:

Friday, June 20, 1997:

- A welcoming reception for the leaders will be held at the Governor's Mansion in Denver. Built as a private home in 1908, the mansion was donated to the state in 1959 to be used exclusively as the governor's home. Gov. Roy Romer and Colorado's First Lady, Bea Romer, currently reside at the mansion.
- The leaders will gather for dinner at the University of Denver's Phipps House, located in Denver's Belcaro neighborhood. The Georgian-style mansion, built in 1933, now is part of the Lawrence C. Phipps Memorial Conference Center.

---more---

Communications Department, 140 West 6th Avenue, Denver, CO 80204
Phone: 303-825-4888 Fax Phone: 303-446-5010

Saturday, June 21, 1997:

- The leaders will meet at the Denver Public Library, Central Library. The leaders' meetings will take place in the General Reference Room, located on the first floor. The leaders' working lunch will take place in the Vida Ellison Gallery, which is on the seventh floor.
- The leaders will enjoy dinner with their spouses at The Fort Restaurant in nearby Morrison, Colo. The restaurant, modeled after Bent's Fort, a mid-19th Century Southeastern Colorado trading post, is well known for its cuisine, such as buffalo, elk and beef.
- The leaders and their spouses will attend a night of uniquely American entertainment at the National Western Complex. "Saturday Night at the Summit" will allow the United States to highlight its culture, entertainment and hospitality to the leaders. In addition, foreign and finance ministers, ambassadors and Denver Summit of the Eight Host Committee members will attend.

FOREIGN MINISTERS:**Friday, June 20, 1997:**

- The foreign ministers will attend the welcoming reception held at the Governor's Mansion in Denver.
- The foreign ministers will dine at the Museum of Western Art, which houses one of the largest collections of Western art in the nation.

Saturday, June 21, 1997:

- The foreign ministers will gather at Denver's Top of the Rockies for meetings. The ministers will meet on the 37th floor and will take a working lunch on the 38th floor.
- The foreign ministers will dine with the finance ministers at Denver's exquisite Buell Mansion. The Georgian Revival, 14,000-square-foot house, built between 1912 and 1925, was home to architect Temple Hoyne Buell.
- The foreign ministers will attend "Saturday Night at the Summit" at the National Western Complex.

FINANCE MINISTERS:**Friday, June 20, 1997:**

- The finance ministers will attend the welcoming reception held at the Governor's Mansion in Denver.
- The finance ministers will dine at a private residence in Denver.

Saturday, June 21, 1997:

- The finance ministers will gather at Denver's Top of the Rockies for meetings. The ministers will meet on the 37th floor and will take a working lunch on the 38th floor.
- The finance ministers will dine with the foreign ministers at the Buell Mansion in Denver.
- The finance ministers will attend "Saturday Night at the Summit" at the National Western Complex.

---more---

LEADERS' SPOUSES:**Friday, June 20, 1997**

- The leaders' spouses will attend the welcoming reception held at the Governor's Mansion in Denver.
- The spouses will dine at a private residence in Denver.

Saturday, June 21, 1997:

- The spouses will take the Winter Park Ski Train to Denver's Winter Park Resort. They will lunch at the Lodge at Sunspot, located at the 10,700-foot summit of Winter Park mountain.
- The spouses and the leaders will dine at The Fort Restaurant.
- The spouses and the leaders will attend "Saturday Night at the Summit" at the National Western Complex.

#####

KEY ELEMENTS OF AGENDA:

Economic

- Efforts to promote growth and reduce social risks in world economy; encourage reduction of deficits, investment in people and export-led growth. Increase efforts to fight corruption and money-laundering.
- Push for sound macroeconomic and financial policies and structural reforms to allow markets to function effectively in the global economy.
- Encourage strengthening of small and medium-sized businesses.

Aging

- Focus on “active aging” populations, including strengthening pension and healthy systems and encouraging medical and behavioral research.

Security

- Confront global security threats including money-laundering, cyber-crime, drug traffic, terrorism, weapons of mass destruction, nuclear smuggling.

Health

- Accelerate work on AIDS vaccine research.

Environment

- Facilitate transfer of environmentally sound technologies, promote child survival and sustainable development, take action to address greenhouse gas concentrations, advance efforts on environmental health and reform of U.N. environmental programs.

Russia

- Further efforts to integrate Russia into international financial institutions, including Paris Club, WTO and OECD.

Africa

- Africa Trade Initiative: Improve market access in industrialized countries for African producers, strengthen assistance to promote economic reform and trade liberalization, target assistance to public administration and civil society programs, enhance food security, strengthen peacekeeping capabilities.

Democracy

- Launch year-long effort to advance and coordinate human rights and democracy programs.

RUSSIA AND THE DENVER SUMMIT

- The Denver Summit of the Eight is a milestone in Russia's new role as an international partner committed to democracy and competitive international markets.
- Russia's role at Denver builds on several years of successful cooperation among the Eight:

Munich 1992 -- Yeltsin joins for one meeting;

Tokyo 1993 -- Yeltsin joins for a discussion on Russia;

Naples 1994 -- Yeltsin joins regional political discussion;

Halifax 1995 -- Yeltsin joins political and global discussions;

Moscow 1996 -- Russia hosts Nuclear Safety and Security Summit;

Lyon 1996 -- Russia joins political and global discussions.

- At Denver, the Eight will review key international political issues and strengthen cooperation on global challenges such as combating international crime, drugs, terrorism and infectious diseases and protecting the environment.
- Denver will mark the first time Russia participates in Summit discussions on economic issues such as the economic consequences of the aging of our populations, the role of small and medium enterprises in job growth and the impact of globalization on our societies.
- While at Denver, the G-7 will hold one meeting on certain financial and economic matters such as international monetary policy and will provide guidance to the International Financial Institutions.
- We expect the trend of Russia's increased cooperation with the Eight will continue after Denver. Prime Minister Blair has indicated he plans to use the Denver model next year at Birmingham.

(If raised -- G-7 continue to meet separately?)

- We expect the G-7 leaders will meet as necessary on core economic and financial issues.

(If raised -- is there a full G-8?)

- The role of the Eight continues to evolve and will grow in the future. You should also expect that the Seven will meet as necessary on core economic and financial issues.

Appointment of Mary Robinson as UN High Commissioner for Human Rights

- U.S. welcomes the appointment of Mary Robinson as UN High Commissioner for Human Rights.
- Robinson has been tireless and effective advocate for human rights throughout her career.
- U.S. has long sought to strengthen international mechanisms to promote human rights, principally the UN Human Rights Commission. Secretary General Annan's selection of a high-profile personality to lead UNHRC sends an important signal.
- Look forward to working closely with Mrs. Robinson to promote respect for human rights around the world.

UN Arrears

Q: What is your response to Annan who said Thursday that the United States has a tough job ahead of it to convince the rest of the world to go along with its demands for UN managerial and financial reforms, especially lowering its assessment rates?

A: We agree with the Secretary General; this will be a challenge for U.S. diplomacy. But we are confident that once the UN member states look at all the details of the final plan that will emerge from Congress, once they see that a reformed UN will be stronger, more effective, and more relevant, they will support this initiative.

Q: Have you reached agreement with Chairman Helms on UN Arrears?

A: The bill the Senate Foreign Relations Committee is scheduled to mark up this week represents a major breakthrough in our discussions with the Congress on UN arrears. We are continuing to work with the committee on the details. The administration appreciates the good faith effort that Chairman Helms, Senator Biden, and other members of Congress have made to work with us on the issue. We should keep in mind, however, that today's Senate action is only one step in the legislative process.

Q: What are the terms of the agreement?

A: The Senate bill would authorize the payment of \$819 million in arrears to the UN and other international organizations over the course of the next three fiscal years (FY98 - FY00).

The release of the arrears payments would be conditioned on meeting a reform benchmarks in each of the three fiscal years. These benchmarks include reducing U.S. assessments from 25% to 20% and cutting the budgets of the UN and other international organizations.

Q: Doesn't the Senate figure fall short of the President's FY98 request?

A: The SFRC's bill provides most of what the President requested. Most important, the bill would enable us to pay off our arrears to the UN regular budget and to UN peacekeeping.

Q: Can the Administration deliver the reforms the deal calls for?

A: The bill contains some very tough reform conditions. We are concerned with some of the provisions and are continuing to discuss them with the Committee. Like Congress, however, we believe that the United Nations needs to embrace extensive reforms if it is to remain relevant in meeting the challenges of the next century.

On House Bill:

- Had good discussions with members on both sides of aisle on State bill now being considered by House.
- Encouraged by efforts to come to agreement on reorganization language.
- There are other problems with the bill (Mexico City family Planning language and foreign policy micromanaging). But if the reorganization language is good -- i.e., it gives the President the flexibility he needs -- and there are adequate funding levels (close to President's budget), then we hope to be able to support the bill moving along the legislative process.

On Senate Bill:

- Major step forward on UN reform. Still working with committee on details.
- Negotiations continue on reorganization language. No deal yet.
- Devil is in the details. President needs flexibility to implement an effective reorganization plan.

DEMOCRATIC REPUBLIC OF THE CONGO

June 11, 1997

UN HR INVESTIGATION

Q: What is the status of the UN investigative team going to the Democratic Republic of the Congo?

A: The officer in charge of the UN human rights center in Geneva has met with his senior staff. They are organizing the advance team. The team will consist of human rights officers, Secretariat officials, investigators and forensic experts.

Q: Who will be on the team?

A: We don't have the names yet. We refer you to the UN Human Rights Center for the list of names.

Q: When will the team leave?

A: An advance team expects to deploy in the DROC by June 20. The full investigative team expects to deploy by July 7.

Q: (if asked) What is the U.S. doing about reports of massacres in Eastern Zaire?

A: The allegations are of grave concern to the United States. There are many seemingly credible reports from various sources that serious human rights violations have been, and continue to be, committed in eastern Congo against civilians.

For several months, we have been pressing our concerns with the Alliance leadership and at the highest levels with neighboring governments.

Ambassador Richardson, Assistant Secretary for Human Rights Shattuck, and other U.S. Government officials have been in the region recently meeting with DROC Government officials, representatives of civil society, non-governmental organizations and others. The U.S. Government has given a clear and consistent message that killings must stop and that a UN investigative team must be allowed to do its work.

President Kabila committed June 7 to admit a UN team to investigate allegations of killings of refugees by July 7, with an advance team to enter by June 20. He stated that DROC forces would abide by international humanitarian law and that transgressors would be prosecuted. He also agreed that the UNHCR and ICRC would have full access throughout the country to do their work.

We welcome this pledge and expect President Kabila to honor his commitments.

Q: (If asked) Who has committed the excesses? Is it Kabila's forces or is it the Rwandans?

A: We don't know. That is what the UN investigative team will try to find out.

REFUGEE UPDATE

Q: Would you provide an update on access and assistance to refugees remaining the Democratic Republic of the Congo?

A: We remain extremely concerned about the well-being of the Rwandan refugees who remain in the DROC.

With the airlift of the more than 50,000 refugees who were found in areas accessible to the international community, the refugee relief effort is shifting to a search and rescue mode.

It is essential that UNHCR and other relief agencies be allowed immediate access to all areas where refugees have been reported, particularly in light of allegations that the killing of refugees may be continuing.

It is imperative that the new government of the DROC ensure the protection of the refugees as well as of humanitarian workers.

President Kabila assured Ambassador Richardson on June 7 that he would grant full access throughout the country to UNHCR and the International Committee of the Red Cross (ICRC).

While we welcome this assurance, we wish to state once again that words are not enough and that immediate action is needed.

Q: How many refugees have been airlifted back to Rwanda and what information do you have on the whereabouts of others?

A: The airlift of refugees as they emerge from the forest is continuing.

Over 50,000 Rwandan refugees have now been airlifted back to Rwanda:

39,700 refugees from Kisangani
7,150 from Mbandaka on the border with Congo (Brazzaville)
3,288 from Tingi-Tingi/Amisi, Punia, and Kindu

A number of humanitarian search teams and refugee collection points have been set up south and southeast of Kisangani, in the Mbandaka area, and west of Goma.

UNHCR plans to begin searching in the Boende area, east of Mbandaka, where there are reports of several thousand refugees and in Ikela, 200 miles southeast of Kisangani.

While this access is welcome, it is not enough. There are other areas where refugees have been reported where UNHCR and others are still not allowed to travel.

Q: What is happening to the refugees who fled to Congo (Brazzaville) given the present fighting there?

A: Approximately 30,000 Rwandan refugees had crossed into Congo (Brazzaville).

With the outbreak of fighting, UNHCR has been unable to gain access to the refugees since June 5.

There are reports of DROC refugees, who fled to Congo Brazzaville, and Congolese citizens crossing the river into the DROC. We do not have any numbers at this time.

Q: Progress in peace talk negotiations?

A: After a relatively quiet night, Ambassador Hooks participated in a mediation committee meeting this morning at the residence of the French Ambassador. In attendance were chief mediator Brazzaville Mayor Bernard Kolelas (KO-LAY-LA) and representatives of President Lissouba and Sassou, the two combatants in fighting that began last week.

Ambassador Hooks reports some progress has been made. Representatives of the two sides considered a list of practical measures designed to restore order and build confidence in the city.

Ambassador Hooks credits the French Ambassador (Cesar) with playing an extremely positive role in assisting in achieving agreement in principle on the following points:

- Each side would be asked to name 3 representatives to go to Libreville to brief Gabonese President Bongo who would lead international mediation efforts.
- To form mixed patrols to include representatives from government and Sassou forces along with French military.
- To open some main arteries in the city.
- To keep armed elements closer to control posts.
- To restore phone service.
- The 3 representatives from each side are to meet with the mediation committee, the French Ambassador and Ambassador Hooks again tomorrow at 0900 local time.

We welcome this initial progress and hope both sides will continue to search for a negotiated solution.

Q: Any more Amcits departed?

A: No more official Americans have departed. There are currently 12 official Embassy employees and a 12 member ESAT at the Embassy.

Most of the private Americans who have requested assistance to leave Congo have departed, and we hope the remainder will be able to leave this weekend.

There are about five private Americans and about 10 Peace Corps volunteers remaining who have requested assistance.

Q: How are USG employees faring?

A: Our official Americans are largely confined to the Chancery building, but morale remains high.

Q: Are they still working? Are they communicating with the Department of State?

A: They are working harder than ever, as you can see from our Ambassador's report, and they are in constant communication with the Department.

SIERRA LEONE: UPDATE

June 11, 1997

Q: What is the U.S. reaction to reports of the coup leaders demanding \$46 million to stop down? Who will pay this demand?

A: We do not know whether the coup leaders in Sierra Leone have made any demands for payment to return authority to the democratically-elected government. The Armed Forces Ruling Council (AFRC) spokesman has reportedly denied that any such request was made.

The United States supports the position taken by the Organization of African Unity (OAU) in Harare calling on the international community to refrain from recognizing the new regime or lending support in any form to the perpetrators of the coup d'etat.

KENYA: ELECTIONS

June 12, 1997

Q: The New York Times reported today that Amnesty International has announced that national elections in Kenya, due later this year, will not be free in the absence of constitutional reforms and the repeal of repressive public order laws. What is your reaction to that?

A: We are following the current electoral campaign in Kenya with interest and concern. We urge both the government and political and human rights leaders to choose dialogue over confrontation in order to avoid the violence which has marred several recent public rallies. We call on the Kenyan government to take steps without delay to ensure that both the campaign and the balloting are conducted in accordance with international standards and can be judged as free and fair the international community.

COSCO/LONG BEACH

- The Treasury-lead Committee on Foreign Investment in the United States (CFIUS) is still conducting a national security review of COSCO/Long Beach. We expect the review will be completed shortly.

CHINA/TAIWAN

Q: Can you comment on reports that China and Taiwan will stage exercises in the Taiwan Strait, risking an increase in tension during the Hong Kong transition?

A: We think those reports should be checked for accuracy with Taipei and Beijing. We have no evidence of any large-scale military exercises scheduled by either Taiwan or the PRC. We believe Taiwan's plans are modest in scale and non-provocative. We have no indications that the PRC is planning large-scale exercises similar to those carried out last year.

We believe both sides have shown restraint in military deployments the Taiwan Strait, and urge them to continue efforts to improve dialogue and further reduce tensions.

U.S. HIGH PERFORMANCE COMPUTERS TO CHINA

Q: What has the Administration determined about the reported shipments of 46 "supercomputers" to China?

A: I cannot discuss business proprietary information on specific export cases.

In late 1995, the President decided to streamline computer export controls to allow exports of certain computers to civil end-users in countries like China, without prior U.S. Government review.

The systems eligible for this treatment are those that perform at a level between 2,000 and 7,000 MTOPS - Millions of Theoretical Operations per Second.

When the regulatory change became effective, companies became responsible for keeping specific records of such shipments, so that they could report on such sales as requested by the U.S. Government. We have been examining these records.

Our review of such exports to China that have occurred under this policy has thus far revealed no diversions to end-users of concern. We will continue to review the issue.

Q: Well, press reports indicate that some computers have gone to end-users engaged in missile development work. Doesn't this show that the President's 1993 and 1995 computer decisions were wrong?

A: As I noted, we have not identified such problems.

The President's decisions in 1993 and 1995 to streamline export licensing requirements for computers were based on interagency-agreed recommendations from Defense, State, Energy, the Arms Control and Disarmament Agency and Commerce.

The 1993 decision modernized an outdated set of controls that were focused on denying a wide range of low level computer technologies to the Soviet Union. The 1995 decision recognized the growing worldwide availability (or, uncontrollability) of computers. It also recognized that U.S.-origin computers should not be shipped to certain end users without explicit U.S. authorization.

This was, and is, a reasonable balance to our security and economic interests that was carefully considered and supported by all of the national security agencies involved in the export policy development process.

Q: What about the report today that Silicon Graphics also exported computers to China's Academy of Sciences last year?

A: We have been aware of this report. The Commerce and Justice joint investigation into the reported exports to Russia is examining the range of Silicon Graphics' exporting practices.

Q: In early 1996, the Administration liberalized its controls on computer exports. What level of computers were liberalized to China?

A: In January 1996, the Administration implemented the following computer export policy for a group of countries that includes China:

Computers at any level require an export license when the exporter knows, or has reason to know, that the shipment is being made to a facility engaged in, among other activities, the design, development, production or stockpiling of nuclear weapons.

Computers up to 2000 MTOPS may be sold to all other end users in Russia and China, including military end-users, without a license.

Computers up to 7000 MTOPS may be sold to strictly civilian end users for civilian uses, without a license.

Computers above 7000 MTOPS, for all end users/end-uses, require a license.

Q: Isn't it difficult for a company to know in every case whether an end-user is civilian, or military, or engaged in proliferation activities?

A: It can be. That is why U.S. exporters have been clearly instructed to contact the government (i.e., the Commerce Department) when they are uncertain about an end-user.

If an exporter had any doubts about the activities of an end-user, however, that company has an obligation to resolve those doubts or to contact the government for assistance.

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. jobs depend on exports to China. U.S. exports to China have more than tripled over the past decade and China is now our fifth largest trading partner, accounting for \$12 billion of U.S. exports. Revocation would derail the talks on China's entry into the World Trade Organization, under which China would reduce its trade barriers substantially, creating new export opportunities for U.S. companies and workers. Revocation would 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.

Lobbying on Helms-Burton

Background: Cuban Vice President Lage, Foreign Minister Robaina, and Deputy Foreign Minister Allende and others have been visiting various Latin American and European countries over the past week to encourage opposition to the Libertad Act and several proposed amendments to the Foreign Assistance Act under consideration in the Congress.

Q: What does the USG think about Cuban efforts to lobby our friends and allies against Helms-Burton?

A: Latin American and EU position on Cuba is clear -- while they may disagree with aspects of Helms-Burton, they believe that the time for peaceful democratic transition in Cuba has come.

- The EU established a Common Position last December conditioning any improvement in relations on concrete improvements in human rights and movement toward democracy in Cuba.
- The Latin American heads of state, meeting at the Ibero-American Summit in Chile last November, signed a strong declaration calling for democracy and human rights throughout the hemisphere, including Cuba.

Cuban lobbying, particularly at a time that the Castro regime is cracking down on human rights activists and independent journalists, is a sign of the regime's insecurity and growing isolation. We do not believe that these efforts will alter the international consensus for change on the island.

[If asked] The proposed legislative amendments, if passed and signed into law, will not have a significant impact on our friends and allies. They deal with withholding U.S. contributions to the IAEA for Cuba programs, earmarking funds for projects in support of the Cuban people, and requiring new internal USG reports on Helms-Burton implementation.

Haiti Reforms

Q: Is Aristide's party taking over Haitian politics? Is economic reform doomed?

A: Haiti continues its difficult process of political and economic transition. We strongly support the continuation of economic reform in Haiti, which is essential to creating the climate for long-term growth. We believe President Preval shares this commitment to reform, as demonstrated by his leadership in building Parliamentary support for civil service reductions, modernization of state owned enterprises and a fiscally restrained budget.

The international community in Haiti (including the OAS, UN and U.S. Embassy) has discussed with the Haitian election council a number of steps to enhance the integrity of the run-off elections and encourage the broadest possible participation. We hope such measures will be implemented, regardless of when the run-off elections take place.

Resignation of Prime Minister

Q: What do you make of Haitian Prime Minister Smarth's decision to resign?

A: Haiti continues its difficult process of political and economic transition. We strongly support the continuation of economic reform in Haiti, which is essential to creating the climate for long-term growth. We are also working to strengthen Haiti's democracy; in this regard, I would note that this latest change in government is taking place in accordance with the relevant provisions of the Haitian Constitution and in a way that reflects respect for the institutions of Haitian democracy. We urge all elements of Haitian society to continue to work within the framework of Haiti's constitutional, democratic institutions.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

June 12, 1997

STATEMENT BY THE PRESIDENT

NATO Enlargement

After careful consideration, I have decided that the United States will support inviting three countries -- Poland, Hungary, and the Czech Republic -- to begin accession talks to join NATO when we meet in Madrid next month.

We have said all along that we would judge aspiring members by their ability to add strength to the Alliance and their readiness to shoulder the obligations of NATO membership. Poland, Hungary, and the Czech Republic most clearly meet those criteria -- and have currently made the greatest strides in military capacity and political and economic reform.

As I have repeatedly emphasized, the first new members should not and will not be the last. We will continue to work with other interested nations, such as Slovenia and Romania, to help them prepare for membership. Other nations are making good progress -- and none will be excluded from consideration.

We look forward to working with our NATO allies to reach agreement on this important issue.

###

NATO Enlargement "Who" Decision

- Madrid NATO Summit will take historic decisions to adapt NATO to challenges of next century while preserving its strength as military Alliance.
- President convinced that admitting new democracies of Central and Eastern Europe to Alliance, while forging long-term partnership with Russia, is best way to promote vital U.S. interest in stable, undivided Europe.
- After careful study and consultations with Congress, including a meeting with some key Senators last night, President has decided to support inviting a small initial group — Poland, Czech Republic and Hungary — and to press hard for a strong NATO position on future enlargement, the "open door."
- Secretary Cohen is conveying our position to Allies today in Brussels at the NATO Defense Ministers' meeting. We are also conveying our position to the countries seeking NATO membership.
- President favors small group because:
 - (1) invitations should be restricted to countries meeting highest standards in terms of their military, political and economic reforms. This will ensure we maintain credibility and effectiveness of Alliance as it expands;
 - (2) smaller group will be easier for NATO to absorb militarily. This is the view of U.S. military leadership; and
 - (3) smaller group will help keep costs down.
- Of the candidate countries, Poland, Czech Republic and Hungary are the most ready, economically, politically and militarily.
- President judged that two other candidates — Romania and Slovenia — are clearly on right track and simply need more time.
- Both countries could be ideal candidates for second enlargement decision if reforms continue. This is one reason we favor strong NATO commitment to "open door" process making clear first will not be last and providing continuing process that enables countries not in first group to continue to prepare for membership.
- "Open door" will dispel concerns by some in Slovenia, Romania and other aspirants, e.g., Baltics, that enlargement will leave them in an insecure "gray zone." All European democracies are eligible for NATO membership; none is excluded.

- Will be working to develop Allied consensus around our position. Will seek to work through some differences (e.g., French support for Romania) before Madrid. Final NATO decision will reflect consensus of all 16 NATO members.
- What was Senate reaction to the President's decision?

Last night's meeting was a consultation in which the President and participating Senators discussed the substance of these issues. While views varied, there was wide-spread understanding and support for enlargement and for the direction of the President's thinking. The President made his decision only after hearing the Senators' views.

- Why not Slovenia/Romania?

Romania has made great strides in recent months -- economically, politically and with its neighbors Hungary and Ukraine -- and we look for Romania to consolidate these impressive gains.

Slovenia lags behind others militarily and until recently has been somewhat inward looking, perhaps as expected in a new country. We anticipate Slovenia will continue to advance its reforms and demonstrate its potential to make a contribution to NATO.

- Have Slovenia and Romania been informed/consulted about this decision?

Yes. We have worked closely with both governments for many months, hearing their views and expressing ours. Both governments have been informed of our decision.

- How long will current NATO differences last over which countries to invite?

NATO is a consensus organization. Initial differences of perspective are natural and we will develop a strong NATO position in the days and weeks ahead.

- What about Kissinger's charges that the NATO-Russia accord has weakened NATO?

NATO remains the strong, uncompromised core of European and Transatlantic security. Russia does not have any veto over NATO actions. It hardly weakens NATO to develop a regular, cooperative relationship with Russia; in fact, such cooperation strengthens U.S. and Transatlantic security and our goal of building a stable and undivided Europe.

- Doesn't NATO enlargement to a small group redivide Europe?

No, because NATO's doors will not close after the first group and because NATO will deepen its partnership with all of Europe's democracies.

- Doesn't NATO enlargement weaken NATO, turning it into the U.N.?

Bringing in willing and committed new members will strengthen NATO. The new members will be as committed to NATO's purposes as the current members, not least because they know the price of losing freedom and security.

- Will the new members carry their share of NATO's burdens?

Yes. The countries the U.S. supports for membership have a track record of supporting the U.S. diplomatically and militarily, and we have confidence that they will do so in the future.

Poland and the Czech Republic sent combat forces (battalions) to Bosnia, serving alongside NATO; Hungary sent an engineering unit and provided the bases that greatly eased the U.S. IFOR/SFOR deployment. Poland and the Czech Republic sent forces to the Gulf (Czechs sent a chemical weapons protection unit; the Poles sent medical units). The Poles sent their Delta Force to Haiti -- one of the few European nations to join us there.

Accession Talks

Q: Any comment on press reports that Germany and the majority of other allies support including Romania in the first group to be invited to begin accession talks (as opposed to the U.S. preference to restrict the first group to Poland, the Czech Republic and Hungary)?

A: We do not believe it would be prudent to comment on press reports on this subject. The question of whom to support is being discussed within the Alliance and the final decision will only come when NATO heads of state and government meet on July 8 in Madrid.

We have not yet made a decision on the number of new entrants we would support. This matter is being discussed within the Administration, in consultation with the Congress, and with our NATO allies.

Since NATO is a consensus organization, the final NATO decision on this issue must and will reflect the consensus of all 16 members.

Gilman on NATO Enlargement

Q: Does the Administration support the Gilman on NATO enlargement?

A: The Administration supports and welcomes Congressional support for NATO enlargement. The Gilman bill, as amended by Representative Hyde, is consistent with our policy that NATO's door must remain open, and that the first new members to be named at Madrid shall not be the last.

Hyde's amendment names Romania, Estonia, Latvia and Lithuania as eligible for assistance under the NATO Participation Act. (Poland, the Czech Republic, Hungary and Slovenia were named in earlier versions of this bill.) It does not force the Administration prematurely or unilaterally to name countries as ready for NATO membership, but advances our policy of maintaining a steady and consistent policy of NATO's enlargement to countries ready to assume the responsibilities of NATO membership, when their membership will benefit NATO.

Kissinger Op Ed Attacking NATO-Russia

Q: Any response to Kissinger's attack on the NATO-Russia Founding Act from the Sunday "WP"?

A: We are pleased by Kissinger's continued support for NATO enlargement, which he reaffirmed in his Op-ed piece of last Sunday. Unfortunately, Kissinger's piece also misunderstands and mischaracterizes the NATO-Russia Founding Act.

The Founding Act establishes a constructive partnership between NATO and Russia, even as NATO continues to take in new members. It neither replaces, weakens or dilutes NATO. Kissinger appears to have confused the NATO Alliance with the NATO-Russia arrangements. But the distinction is clear to every member of the Alliance.

NATO will take its own decisions -- and respond in cases of emergencies or threats to any of its members. The Founding Act says so explicitly (none of its provisions, "infringe upon or restrict the rights of NATO...") When all NATO members, including the U.S., agree, NATO may choose to take joint decisions with Russia. But as even FM Primakov has observed, Russia does not have a seat in the North Atlantic Council, which remains NATO's sole policy-making body.

Kissinger has called for the Senate to reaffirm the primacy of the NAC in setting NATO policy. We would welcome the Senate reaffirming a long-established position strongly and repeatedly affirmed by this Administration.

Kissinger charges that NATO's collective defense mission will somehow be weakened by NATO-Russia cooperation. Nonsense. NATO and the United States have repeatedly stated that NATO's prime mission will remain the collective defense of all its members.

Sintra NATO Foreign Ministers Meeting

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.

Madrid Summit

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 and 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.

06/13/97 10:30 AM

NATO ENLARGEMENT

After careful consideration, I have decided that the United States will support inviting three countries -- Poland, Hungary, and the Czech Republic -- to begin accession talks to join NATO when we meet in Madrid next month.

We have said all along that we would judge aspiring members by their ability to add strength to the alliance and their readiness to shoulder the obligations of NATO membership.

Poland, Hungary and the Czech Republic most clearly meet those criteria -- and have currently made the greatest strides in military capacity and political and economic reform.

As I have repeatedly emphasized, the first new members should not and will not be the last. We will continue to work with other interested nations, such as Slovenia and Romania, to help them prepare for membership. Other nations are making good progress -- and none will be excluded from consideration.

We look forward to working with our NATO allies to reach agreement on this important issue.

Why a small group?

I favor a small group because:

- invitations should be restricted to countries meeting highest standards in terms of their military, political and economic reforms. This will ensure we maintain credibility and effectiveness of Alliance as it expands;

- smaller group will be easier for NATO to absorb militarily. This is the view of U.S. military leadership; and

- smaller group will help keep costs down.

Of the candidate countries, Poland, Czech Republic and Hungary are the most ready, economically, politically and militarily.

I judged that two other candidates — Romania and Slovenia — are clearly on right track and simply need more time.

Both countries could be ideal candidates for second enlargement decision if reforms continue. This is one reason we favor strong NATO commitment to “open door” process making clear first will not be last and providing continuing process that enables countries not in first group to continue to prepare for membership.

“Open door” will dispel concerns by some in Slovenia, Romania and other aspirants, e.g., Baltics, that enlargement will leave them in an insecure “gray zone.” All European democracies are eligible for NATO membership; none is excluded.

Will be working to develop Allied consensus around our position. Will seek to work through some differences (e.g., French support for Romania) before Madrid. Final NATO decision will reflect consensus of all 16 NATO members.

What was Senate reaction?

Wednesday night’s meeting was a consultation in which the we discussed the substance of these issues. While views varied, there was wide-spread understanding and support for enlargement and for the direction of the our thinking. I made my decision only after hearing the Senators’ views.

Why not Slovenia/Romania?

Romania has made great strides in recent months -- economically, politically and with its neighbors Hungary and Ukraine -- and we look for Romania to consolidate these impressive gains.

Slovenia lags behind others militarily and until recently has been somewhat inward looking, perhaps as expected in a new country. We anticipate Slovenia will continue to advance its reforms and demonstrate its potential to make a contribution to NATO.

Have Slovenia and Romania been informed/consulted about this decision?

Yes. We have worked closely with both governments for many months, hearing their views and expressing ours. Both governments have been informed of our decision.

How long will current NATO differences last over which countries to

invite?

NATO is a consensus organization. Initial differences of perspective are natural and we will develop a strong NATO position in the days and weeks ahead.

What about Kissinger's charges that the NATO-Russia accord has weakened NATO?

NATO remains the strong, uncompromised core of European and Transatlantic security. Russia does not have any veto over NATO actions. It hardly weakens NATO to develop a regular, cooperative relationship with Russia; in fact, such cooperation strengthens U.S. and Transatlantic security and our goal of building a stable and undivided Europe.

Doesn't NATO enlargement to a small group redivide Europe?

No, because NATO's doors will not close after the first group and because NATO will deepen its partnership with all of Europe's democracies.

Doesn't NATO enlargement weaken NATO, turning it into the U.N.?

Bringing in willing and committed new members will strengthen NATO. The new members will be as committed to NATO's purposes as the current members, not least because they know the price of losing freedom and security.

Will the new members carry their share of NATO's burdens?

Yes. The countries the U.S. supports for membership have a trackrecord of supporting the U.S. diplomatically and militarily, and we have confidence that they will do so in the future.

Poland and the Czech Republic sent combat forces (battalions) to Bosnia, serving alongside NATO; Hungary sent an engineering unit and provided the bases that greatly eased the U.S. IFOR/SFOR deployment. Poland and the Czech Republic sent forces to the Gulf (Czechs sent a chemical weapons protection unit; the Poles sent medical units). The Poles sent their Delta Force to Haiti -- one of the few European nations to join us there.

LANDMINES: LEAHY LEGISLATION

June 12, 1997

Q: Senator Leahy has announced that he is introducing legislation further curbing U.S. use of anti-personnel landmines. What is the State Department's position on this new legislation?

A: The President has committed the United States to aggressively pursue an international agreement to ban use, stockpiling, production and transfer of APL, with a view to completing the negotiation as soon as possible.

We are pursuing that goal in the Conference on Disarmament (CD) in Geneva, working to establish a negotiating mandate as soon as possible.

The CD offers the most practical alternative for achieving a global ban. Its membership is broad and geographically representative. It has a proven track record. The CD includes most of the countries which are historically the world's landmines producers. It is precisely these countries which need to be part of a ban to ensure the ban will be effective.

The proposed legislation would prohibit funding for new U.S. deployment of anti-personnel landmines (APL) beginning January 1, 2000.

This would be inconsistent with U.S. APL policy, which seeks a global agreement to ban APL and reserves the option for the U.S. to use self-destructing/self-deactivating APL in military hostilities to safeguard American lives and hasten the end of fighting.

The United States views the security situation on the Korean Peninsula as a unique case and in the negotiation of a global APL ban will protect our right to use APL there until alternatives become available or the risk of aggression has been removed.

We note that the legislation does take into consideration a key element of U.S. APL policy in allowing for the possibility of an exception for U.S. deployment of APL on the Korean Peninsula, provided the President submits an annual report to Congress certifying that new deployments are "indispensable to the defense" of South Korea.

However, this recognition of our security requirement in Korea does not outweigh the disadvantages of the proposed legislation, especially in undermining our strategy of seeking negotiated global ban rather than a unilateral measure.

Anti-Personnel Landmines

- We welcome the Ottawa process, but continue to believe Conference on Disarmament provides best way forward for negotiating a ban on landmines that is global, which is necessary if it is to be effective.
- The CD includes most of countries which are historically the world's major landmine producers. It is precisely these countries which need to be part of a ban to ensure the ban will be effective.
- We have always been keenly aware of the magnitude of the challenges we face in the CD. We are very disappointed in the Mexican position. We and others in Geneva are continuing our consultations with the Mexicans and are actively working to resolve our differences.
- The CD offers the most practical alternative for achieving a global ban.

-- Its membership is broad and geographically representative.

-- It has a proven track record: The Comprehensive Test Ban Treaty and the Chemical Weapons Convention were successfully negotiated there and have been signed by the vast majority of nations.

- Some of the key producing states have already made clear they will not participate in the Ottawa process.

-- Russia, for example, should be part of a ban negotiation. The Russians have indicated they will not participate in the Ottawa process, but can support work in the CD on APL.

NYT Editorial

- As the President made clear in his announcement of our policy a year ago, the United States is prepared to give up self-destructing landmines in the context of a global ban. We seek to conclude a global ban as soon as possible.
- A year ago, the Pentagon was also directed to aggressively pursue research and development on alternatives to APL so we

can end our reliance on them as soon as possible. DoD studies are underway.

Growing Political Instability

Q: Would the U.S. support a NATO member led by a military regime, if it came to that?

A: U.S. is firmly committed to both secularism and democracy in Turkey. Position we repeatedly make in discussions with all elements of Turkish political establishment.

Not productive to speculate about hypothetical situations. We expect Turkey to continue to be a bulwark of democratic secularism in its turbulent region..

Turkish Incursion into Iraq

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

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

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

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

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

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

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

We do not have any independent confirmation of these estimates.

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

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

SURVEILLANCE OF SCIENTOLOGISTS IN GERMANY

June 13, 1997

Q: What is the USG's reaction to Germany's decision to place Scientology under surveillance?

A: Our understanding is that Germany's state and federal interior ministers decided late last week to gather information on the Scientology movement. This decision was apparently based on the recommendation of an experts group.

We will certainly examine the details of this decision closely as more information become available.

The U.S. Government has in the past expressed concern about discrimination against Scientologists in Germany, specifically raising this issue in the annual State Department Human Right Report. **We are particularly concerned that individuals, including American citizens, have been subject to officially-sanctioned discrimination due only to their association with the Scientology movement, and not in connection with any actions they have taken.**

Q: Will the decision involve intrusive methods such as wiretaps, etc.?

A: We do not yet know the details of the decision, including what methods of observation will be used by law enforcement agencies, so it would be inappropriate to speculate on that.

MIDDLE EAST PEACE PROCESS

June 13, 1997

Q: Do you have any update on the peace process?

A: Egyptian Presidential advisor Osama El-Baz met with both PM Netanyahu and Chairman Arafat Thursday to discuss a resumption of Israeli-Palestinian discussions.

As we have said before, we welcome this Egyptian initiative to intensify Israeli-Palestinian dialogue, as direct meetings between the parties are a key to advancing the peace process.

We are in close contact with Egyptian as well as the Israeli and the Palestinians on the Egyptian initiative.

Q: What exactly will El-Baz propose to the parties? Is he pushing a particular plan.?

A: We've made it clear that we don't get into details on these kinds of efforts.

Q: The U.S. role is marginal at this time? When will you become more active?

A: We're staying in close touch with the Israelis and Palestinians. We support the Egyptian efforts. Keep in mind that it's the parties themselves who need to restore the kind of confidence and trust necessary to move this process forward.

Q: Any reaction to the Netanyahu plan on dividing up the West Bank? Do you view this as a serious proposal?

A: Not going to comment on particular ideas or proposals. The key is for the parties to get back to a credible negotiating process.

ID Cards

Q: Do we accept the Israeli program to take away residents' permits from Arabs in East Jerusalem? At what level have you raised it with the Israeli government? Are you satisfied with the response?

A: We have raised it with the Israeli government at the highest levels and are very troubled by the continuation of the practice.

This is not the kind of practice that will build the trust and confidence that we need to be a chance for the peace process to succeed.

As we have said before, the American consulate in Jerusalem is aware of about 100 cases of American citizens resident in Jerusalem who have been asked by Israeli authority to surrender either their US Passports or their Jerusalem ID Cards.

Our Consulate General has told these dual nationals that they do not have to surrender their passports and that they cannot lose their US citizenship involuntarily

House Resolution on Jerusalem as Capital of Israel

Q: Any reaction to the House resolution reaffirming the view that Jerusalem is the capital of Israel?

A: Our views on this issue are of course very well known. The President has made it clear on numerous occasions that we are simply not going to be drawn into a public discussion of this sensitive issue, an issue which the parties themselves have agreed to deal with in their permanent status negotiations.

The focus needs to be on getting the Palestinians and Israelis back to the negotiating table to deal with their differences in a credible and constructive way. This sort of resolution doesn't help, it simply distracts.

Q: What is the U.S. response to the India missile situation?

A: We have been in frequent contact with India as well as Pakistan on non proliferation issues.

Both are fully aware of our position on the development and deployment of ballistic missiles.

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.

Q: What is the status of the missiles? Are they deployed?

A: The Indian Prime Minister has said that the missiles have not been deployed. We do not dispute that assertion.

Q: What do you think prompted India's action on the missiles?

A: You'll have to ask the Indian government.

LIBYA/PAN AM FAMILIES

Re letters Libya has been sending to Pan Am victims' families:

- There is nothing new here except for the new level of audacity demonstrated by such a cynical approach to the victims' families.
- His claim that he has renounced terrorism is belied by Libya's continued support for it, and Qadhafi's expressions of satisfaction with every bomb that kills innocent Israelis and damages the peace process.
- Qadhafi knows what he has to do to comply with his obligations under the resolutions of the UN Security Council.
- First and foremost, he has to surrender the two suspects in the bombing of PA 103 bombing to either the UK or US, both of which have legal jurisdiction over the case.
- Second, he must stop flouting UN prohibitions on Libyan flight activity.
- And third, he must renounce terrorism.

CANADA -- PACIFIC SALMON

Background: Every summer since 1994 we have had dispute with Canada over how to implement provisions of the Pacific Salmon Treaty of 1985. This year for the first time the stakeholders (fishing interests) on both sides have gotten together for talks; they made some progress but have not reached agreement. Canada walked out of government-to-government negotiations several weeks ago (during the Canadian election campaign) and Canada began enforcing regulations on U.S. fishing vessels-- four were pulled into port but all four have now been released. In a related move, British Columbia Premier Clark has said he is going to cancel the lease for our submarine testing facility at Nanoose Bay

- U.S. postponed talks set to resume May 30 because of Canadian seizures of U.S. fishing boats; created wrong climate for productive talks.
- Need to tone down rhetoric and reestablish talks in atmosphere of good faith.
- Working with our stakeholders so we can move forward when appropriate; no date set yet for resumption of talks.
- If asked: Clark's actions on Nanoose Bay are actually an issue between B.C. and Canadian government. Have received no official notice of termination of lease. No further comment.

RALSTON
June 9, 1997

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 9, 1997

STATEMENT BY THE PRESIDENT

Withdrawal of General Ralston from Consideration for Nomination
as Chairman of the Joint Chiefs of Staff

I respect General Joe Ralston's decision to remove his name from consideration as Chairman of the Joint Chiefs of Staff.

I am pleased that General Ralston has agreed to Secretary Cohen's request to continue in his current post as Vice Chairman. For thirty-two years, in war and in peace, General Ralston has served our nation with uncommon distinction. As Vice Chairman, he is a valued advisor to me and he has played a key role in the Pentagon's review of its post-Cold War mission. The Joint Chiefs and our country will benefit from his continued service. He is an outstanding officer.

I also welcome Secretary Cohen's action to forthrightly and thoroughly review the military's standards and procedures involving personal conduct. It is essential that our system is reasonable, consistent and fair for those who serve our country and that it is perceived to be so by the American people.

I look forward to receiving Secretary Cohen's recommendation for the Chairmanship of the Joint Chiefs.

#

HOLBROOKE: FULL TIME?

Q: Will Ambassador Holbrooke work on Cyprus full time?

A: Ambassador Holbrooke will be actively engaged on Cyprus and will keep fully informed of all developments. He will not, however, serve in his new position to the exclusion of his other commitments.

HOLBROOKE: REJECTED JOB

Q: Didn't Holbrooke turn down the Cyprus job before? Why did he change his mind?

A: There has been repeated speculation about the composition of our Cyprus team for some time. What is important here is that with Ambassador Holbrooke's appointment, we are underscoring the commitment of the Administration to pursue a settlement to this historic conflict.

HOLBROOKE AND THE UN

Q: Does Holbrooke's appointment mean the U.S. will pursue its own initiative on Cyprus? Or will Holbrooke back what the UN is doing? If so, will he participate in the upcoming UN talks this July?

A: Ambassador Holbrooke's appointment reflects the priority which this Administration accords the Cyprus issue.

As our announcement noted, we fully back UN-sponsored mediation. The UN Secretary-General enjoys the UN Security Council's mandate on the facilitation of Cyprus negotiations. Ambassador Holbrooke will support the Secretary General's efforts to reconcile the two Cypriot communities.

We understand the UN is still undertaking preparations for the face-to-face talks currently expected to start in July. How the U.S. will interface with these talks cannot be said before final UN arrangements.

HOLBROOKE TRAVEL

Q: Do you have any idea when Holbrooke will travel to the region?

A: I have nothing further on that beyond what is in our announcement.

HOLBROOKE AND DAYTON

Q: Will Holbrooke impose a Dayton-style settlement on Cyprus? Will Cyprus be a "Dayton-II?"

A: All conflicts are unique. The Dayton process was designed specifically for Bosnia.

Cyprus has a very different history, set of issues and players. For any mediation to be successful, these peculiarities must be taken into account. The UN and the U.S. fully appreciate this fact.

Furthermore, we do not believe a solution should be "imposed" on Cyprus. The U.S. seeks a durable political settlement that is acceptable to all parties.

KAZAKSTAN MISSILE SALES TO IRAN

- We do not comment on alleged intelligence information or reports.
- We remain concerned about Iranian efforts to acquire advanced weapons systems and technology; we will continue to work with other countries to prevent destabilizing arms transfers to pariah states.

FRANCE: ELECTIONS

Q: Do you expect any changes in French policy toward NATO as a result of the recent parliamentary elections?

A: We believe it would be premature to speculate on any policy changes.

We continue to welcome active French participation in NATO and would warmly welcome a French decision to join the NATO integrated military structure.

The U.S. strongly supports increased European responsibility within NATO including ongoing NATO efforts to develop a distinct European defense and security identity (ESDI) within the Alliance.

We foresee agreement on key elements of ESDI as one of the major accomplishments of the upcoming NATO summit in Madrid.

Q: What about the AFSOUTH command issue?

A: While we support increased European responsibility within NATO, we continue to believe that command of NATO's southern region (AFSOUTH) should remain in U.S. hands due to the strategic importance of the region, the current potential for instability there and the preponderance of U.S. forces in the region, including the 6th Fleet.

We are continuing discussions on these issues with the French and other NATO allies.

Q: Any comment on Socialist victory? Possibility of communists in government?

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.

Current Items

General

NATO-Russia

- 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.
- 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.

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.

Prospects for START II Ratification by Russian Duma

- Believe Yeltsin committed to START II ratification by Duma -- without conditions. Note that in May 20 meeting with Duma leaders 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 (see special section on Denver/Russia, above)

- 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-FRANCE: TOTAL DEAL

Q: What is your reaction to reports of a signed deal between Total and the Iranians to develop Iranian offshore oil?

A: As you know, we oppose significant investment in Iran's energy sector.

We have made clear our opposition to the proposed TOTAL deal to the French government. We remain engaged with Paris on this subject.

FYI--despite press reports, we can not confirm TOTAL has signed a deal)

REACTION TO IRANIAN STATEMENTS

Q: What is your reaction to new and apparently accommodating statements by Iranian President Khatami?

A: We look for indications that Iran is moving toward a more responsible approach to the region and the world community.

As we have often said, we have no animosity toward the Iranian people or an Islamic government per se.

Our concern is about the actual policies and practices of the Iranian regime.

The core of those concerns, as you know, are Iran's support for terrorism, Iran's pursuit of weapons of mass destruction, Iran's efforts to destabilize neighbors, and Iran's abuse of human rights.

We will judge Iran by its actions.

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.

U.S./ROK/DPRK Talks

Q: Can you provide a readout of the U.S./ROK/DPRK meetings in New York June 4, 5 and 9?

A: Working-level meetings between the U.S., ROK, and DPRK took place June 4, 5 and 9 in New York.

The lead participants were working-level officials from the South Korean Embassy in Washington (Counselor Soo Kyuck Lee), the Deputy Permanent Representative to North Korea's UN Mission (Ambassador Li Gun), and the Department's Office of Korean Affairs (Director Mark Minton) and the NSC (Asia Director Jack Pritchard).

We believe these meetings were useful and expect to continue such discussions. But I have nothing more regarding scheduling of any further meetings at this time.

As in the past, we do not wish to get into the details of our diplomatic discussions.

Q: Can you provide some more general background about these working-level trilateral talks?

A: The U.S., ROK, and DPRK agreed in April to continue working-level discussions aimed at realizing the U.S.-ROK proposal for four party peace talks.

The purpose of these meetings is to continue discussions at the working level to realize four party talks. The North Koreans are interested and willing to discuss it, but we have not yet reached an agreement to actually enter these talks. We will work patiently to realize this goal, through working meetings and other contacts. These diplomatic contacts are moving in the right direction, but we do not expect to have something new to report after each meeting.

[NOTE TO BRIEFER: The previous working-level meeting was May 30 in New York. That was the first such meeting involving the U.S. and North and South Korea since the April talks, though the three sides had remained in communication.

The encounter between South Korean military ships and a North Korean patrol boat in ROK territorial waters off the coast of South Korea never came up in our discussions in New York. The ROK down played it and there is little interest in it.]

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.

Elections

- We commend the government of Algeria for holding parliamentary elections and for inviting international observers to monitor them. We praise the Algerian people for their courage in voting. They are the best judge of how the election results will contribute to the process of national reconciliation in Algeria. A multi-party assembly holds the potential to move this process a step forward.
- We urge the government to address the issues raised by the international observers and political parties as Algeria prepares for municipal and local elections. The election campaign also marked a commendable increase in the openness of Algerian television and radio. We hope that the increased openness will continue as Algeria moves toward the peace, stability and democracy that so many Algerians have demonstrative they wish to achieve.

Q: Were the election results free and fair?

A: We are not going to characterize these elections except to say that it is up to the Algerian people to determine whether and how the elections can contribute to the process of national reconciliation.

Q: What about all these charges of fraud? Where do you come out on the truth?

A: I refer you to the report of the international election observers. It is an honest treatment. Further, we understand that a number of political parties have submitted complaints to the constitutional council of Algeria for resolution. It would not be appropriate for us to comment on those individual issues before the Constitutional Council has a chance to give its decision.

Q: How can you find anything positive in elections so marked with fraud?

A: We recognize that the process was not perfect. However, opposition parties across the spectrum are saying in public that there are positive elements in this process that they want to enforce. We urge the Algerian government and parties to work seriously on resolving problems that have arisen.

Q: Doesn't the low turnout invalidate the results of Algeria's June 5 election?

A: No the 65% level of participation is within the range of previous Algerian elections: municipal elections of 1990 - 62.17%; legislative elections of 1992 (first round) - 52.2%; and presidential elections of 1995 - 75%.

Q: Does the Absence of the FIS invalidate the elections?

A: We believe Algerians had a broad range of political choice in the elections, extending from two legal Islamist parties, through the opposition parties, to those supporting the government.

Q: Doesn't the President hold all of the power?

A: No. The elected assembly will have the power to propose legislation and to vote up or down the President's political program.

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.

UN SANCTIONS

Q: What is your reaction to reports that support for UN sanctions on Iraq is eroding?

A: We are determined to see the sanctions regime remain until Iraq complies fully with all the UN Security Council resolutions.

The Security Council has met 37 times since 1991 to review the sanctions and each time has unanimously decided to keep them in place. We will continue to work with our coalition partners to keep sanctions in place and we are confident we will be successful.

The US Navy and our coalition partners continue to effectively enforce sanctions compliance in the Persian Gulf.

Q: What is your view of oil companies signing new agreements with Iraq to exploit its oil?

A: We oppose such deals as a violation of the sanctions. We have made clear to appropriate governments our opposition to such arrangements. We believe there is a good chance that a future government in Iraq after Saddam will not live up to any deal made by Saddam.

RENEWAL OF UNSCR 986 PROGRAM

Q: Any thoughts on the renewal of UNSCR 986?

A: We hope that this decision will help ease the suffering of the people of Iraq. Our disagreements are not with the people of Iraq, but with their leaders.

Renewing 986 is important for meeting the urgent needs of the Iraqi people. As Ambassador Richardson said yesterday, we still have some reservations about the implementation of the resolution. We want the Iraqis and the Secretariat to provide more timely and accurate information. Addressing these concerns will be important for future decisions on 986.

If asked:

Q: Has the U.S. held up contracts under 986 and has this delayed the provision of humanitarian commodities to Iraq?

A: Our goal in this process has always been to ensure that the urgent humanitarian needs of the Iraqi people be met.

The contract approval process exists for one reason: to make sure that the money from the oil sales is used properly and that the food and medicine get to those who need it most.

This system would not have been necessary were it not for the Iraqi regime's long, well-documented record of evading its UN obligations and disregarding the needs of its own people.

I refer you to the UN Secretary General's report on the first six months of the program, which cites some examples of Iraq's attempt to evade proper monitoring of 986. There are others, but the point is the record of Iraq's intention to evade sanctions rather than the details of particular evasions.

Khobar Bombing

Q: What about the Sayegh story?

A: This is an ongoing investigation.

I am not going to comment on this issue.

The Administration's international trade agenda is on track and moving forward at full speed. In APEC, the Free Trade Area of the Americas, and in the WTO, the United States and the Clinton Administration are setting the agenda to open markets, expand trade, and increase domestic prosperity. More than 25% of our economic growth in the past four years has been driven by export growth.

- In the last six months, the U.S. led the world to conclude trade agreements in information technology and telecommunications which covered more than \$1 trillion in global trade. We just led the developed countries of the world to conclude an historic anti-corruption agreement among the 29 developed nations in the OECD. We are moving forward in financial services talks at the WTO.
- The President was personally involved in securing the ITA agreement, working with APEC leaders last Fall to build support for this agreement. APEC has already embarked on "ITA II" to expand the reach of this agreement and will consider other sectoral trade agreements this year.

The President and the Administration are actively engaged with the Congress on the trade agenda.

- We are now working in Congress to preserve MFN trade status with China -- normal trade relations -- a critical measure to protect the economic health of Hong Kong because half of U.S.-China trade goes through Hong Kong.
- We have secured commitments from the congressional leadership to address "fast track" on an expedited basis this Fall and conclude this year. This effort will involve the President, the Vice President, and the resources of the White House.

We would like to see Congress approve "fast track" in the Fall to ensure that we can gain the best possible trade terms on a reciprocal basis for U.S. companies and workers. The trade agenda has not been held back by the absence of "fast track" negotiating authority. We are moving forward in the FTAA, within APEC, and in the WTO on a wide range of negotiations including financial services.

- Fast track is important because trade barriers in the fastest growing markets in the world are much higher than ours, and fast track will increase our leverage to bring those barriers down and open markets.
- We will work with the Congress this summer to build consensus on the scope of fast track and how to address labor and environmental issues.

TRIPS AND VISITORS

- 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 May 10, 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.

Visit of President Shevardnadze

Background: VOA informs us that the Georgian state news agency is reporting that Shevy is coming here in August to see Clinton.

- The President wrote to Shevardnadze on May 31 (letter presented on June 2 by Amb. to Shevy) inviting him to DC for a meeting sometime in August (date to be tied down in near future). Shevy accepted the invitation on the spot.

Q: 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?

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

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.

War Criminals/NATO Discussions? (WP)

- **Detention of war criminals was not on the agenda for the NATO Defense Ministers' meeting and was not discussed.**

War Criminals/General

- 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.

If asked whether we can withdraw in mid-98 without apprehending war criminals

- **We are trying to reinvigorate implementation of Dayton across the board so that conditions for self-sustaining peace can be established before end of SFOR's mission.**
- **Bringing indicted war criminals to justice is one of our chief priorities among the many challenges we face. We are increasing pressure on the parties to comply with their obligation under Dayton to cooperate with the Tribunal.**

Cohen-Albright Split? (NYT)

- The President and his foreign policy team recently agreed on a plan to reinvigorate implementation of the peace process -- quite the opposite of any split within the Administration on Bosnia.
- As part of this effort, SFOR will continue to play a key role within its current mission, both in implementing the military aspects of the peace and in support of civilian implementation.

- Civilian and military officials will continue working together on how SFOR can best continue to support civilian implementation efforts within its resources and capabilities.
- As the President said, the best way to build a self sustaining peace is to focus on the current implementation effort in Bosnia rather than speculation about what happens after SFOR's mission ends in June 1998.

Bosnia Implementation Plan/European Trips

- 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 recent travel to the region 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.

IFC Loan to Croatia

- We have made clear to the Croatians that U.S. support for multilateral lending and assistance will be conditioned on Croatian cooperation on Dayton implementation issues.
- The U.S. did not object to the \$13 million International Finance Corporation loan to Croatia (considered on June 9) because of the recent positive actions taken by the Croatian Government in this regard, including opening the Brcko bridge and commitments on inter-ethnic reconciliation, including full implementation of the amnesty law.
- We expect to see follow-through on these and other obligations commitments, such as better cooperation on war criminals, in advance of other IFI votes on Croatia.

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.

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.

IRISH ELECTION

Q: Any reaction to Irish election? Will results have any impact on peace process?

A: Though composition of new government not yet final, appears that composition of Ireland's governing coalition will change as a result of last Friday's election.

Had excellent, productive relationship with government led by Prime Minister Bruton.
Look forward to continued cooperation on peace process as well as European and other issues.

Congratulate Bertie Ahern, leader of the Fianna Fail (FEENA FOIL) party, for his party's strong showing. (Ahern will almost certainly be the next PM.)

NORTHERN IRELAND

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.

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 study published today in the New England Journal of Medicine showing no evidence that Persian Gulf veterans face increased risk of having children with birth defects?

- We welcome publication of this first-rate study addressing an important concern of the men and women who served our nation in the Persian Gulf.
- The study compared the birth records of children born at military hospitals to virtually all active duty military members who served in the Persian Gulf (a total of nearly 580,000 men and women) with those of a parallel group of 700,000 service members who were not deployed to the Persian Gulf. The results should reassure all Persian Gulf veterans, whether or not they personally have experienced possible Gulf War-related illnesses, that their family planning can proceed without worry about second-generation health problems related to Persian Gulf service.
- We also note that this study is just one element in a large and comprehensive research program being conducted by many researchers in coordination with DOD, HHS, and VA. Additional research designed to address other important Persian Gulf-related health concerns in as thorough and credible a manner remains in progress, and we look forward to communicating future results to Persian Gulf veterans and others as soon as they become available.

How do you respond to criticism that because the study omitted some populations, it may have overlooked evidence of increased risk of birth defects?

- My understanding is that the New England Journal of Medicine is a well-respected publication with high standards for the quality of the research published.
- Beyond that, I would have to refer you to the study authors and their peers in the scientific community who are qualified to discuss the details and evaluate the merits of this study.

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 Khamisivah; and (2) that there was "substantial mismanagement and lack of communication" between the military and intelligence community on this information?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GINGRICH AND NICARAGUANS

Background: Rep. Gingrich reportedly wrote to AG Reno on behalf of thousands of Nicaraguans who are here illegally and are subject to deportation. During the Reagan Administration, AG Meese ordered that these deportation of illegal Nicaraguans be suspended, and that order was in effect rescinded some years ago (during the Clinton Administration). However, during an interim period, INS has continued to permit Nicaraguans here illegally to obtain work authorization, but this will end this month. At the same time, the new immigration law makes it much harder for these illegal Nicaraguans -- as well as all illegals -- to make hardship applications to stay in the U.S.

The President has expressed concern about changes in the law that make these hardship applications harder to file for a range of people (beyond Nicaraguans); thus -- without focusing on Nicaraguans per se -- we should note that Gingrich's sentiments are similar to our own.

Points

- We have not seen the Gingrich letter, but will study it carefully.
- We have seen the Speaker's comments, and -- as the President has indicated -- we very much share the Speaker's concerns about certain aspects of the recently enacted immigration law that could have serious humanitarian implications for families here.
- Thus, we were encouraged by the Speaker's sentiments, and hope that they can form the basis for an Executive-Congressional dialogue that looks at ways to ameliorate these harsh measures without undermining immigration control.

Response to Potential Questions Regarding Pleiades

- Question: Is the U.S. government aware that a group of investors called Pleiades has expressed an interest in buying the U.S. Enrichment Corporation?
- Answer: Yes, we are aware that Pleiades has expressed an interest in USEC as have some other organizations. However, since the Government has not yet determined the method by which USEC will be privatized and has not, therefore, received bids from potential purchasers, we have not evaluated any organization interested in purchasing the Corporation.
- Question: Is the U.S. Government aware of allegations that the Pleiades group has close ties to the Russian Federation, specifically MINATOM?
- Answer: Yes, we are aware that the Pleiades group has ties to Russia. While we have made no determination as to how these ties would impact the viability of a Pleiades bid for USEC, any prospective buyer of the Corporation will be evaluated to ensure that USEC is not "owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government" per the restrictions of the Energy Policy Act, Section 1502 (a)(2).
- Question: Would the U.S. Government allow the sale of USEC to be made to any group with close ties to a foreign government?
- Answer: Having close ties to a foreign government would not automatically disqualify a group. As required by the USEC Privatization Act, any prospective purchaser would have to prove they are not "owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government" per the restrictions of the Energy Policy Act, Section 1502(a)(2). If Pleiades or any other organization ultimately makes a bid to purchase the Corporation, many USG agencies will be involved in determining whether the bidder is qualified to purchase USEC. The National Security Council, the Departments of Defense, State, Treasury, and Energy, the Nuclear Regulatory Commission, and others will be involved in evaluating potential bidders.
- Question: Would the buyer of USEC also own the rights to the AVLIS technology and other potentially sensitive technology? How would the U.S. Government ensure that such information was properly safeguarded?

Answer: Any organization purchasing USEC would also purchase the rights to the AVLIS technology and they would be involved with other sensitive technologies. As a result, prospective buyers must be able to hold the necessary security clearances. Before any classified information could be transferred to a purchaser of USEC, facility and individual security clearances would be required. Failure to receive such clearances would preclude prospective purchasers from acquiring USEC.

Question: What are the requirements which will be placed on a prospective buyer of USEC with respect to the maintenance of a domestic uranium enrichment capability?

Answer: The USEC Privatization Act, in Section 3116, added a limitation to the Atomic Energy Act which states the NRC cannot issue a license or certification of compliance to USEC or its successor if it is determined that the "Corporation is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government" or that "the issuance of such a license or certificate of compliance would be inimical to the common defense and security of the United States or the maintenance of a reliable and economical domestic source of enrichment services."

Question: What is the status of privatization? Why has it taken so long?

Answer: The Administration has nearly finished a comprehensive review of all aspects of the privatization. This includes completing actions such as the stabilization of the important Russian HEU contract. Presidential authorization for the USEC to implement the recommended privatization process is expected in the near future.

- Once the process has commenced, the sale could be consummated in about six months.

Question: How do you intend to sell USEC?

Answer: The privatization plan recommended by USEC to the President involves a dual path process, with each path pursued in parallel.

1) The *Merger -Acquisition (M&A)* path will evaluate offers from qualified companies or groups to buy USEC.

2) The *Initial Public Offering (IPO)* path will evaluate the sale of USEC securities to the public.