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Daily Press Guidance - June 18, 1997

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6/18/97

Daily Press Guidance

Wednesday
June 18, 1997

(For internal use only.)

Press Guidance
Wednesday, June 18, 1997

updated to
G-drive
~~under~~ 7/9/97

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- Senate Finance Cmte. Health Provision - Health
2. Welfare/ Minimum Wage - Welfare
3. Agency Internet Costs - Internet / WH
4. Land Acquisition Money - Environment
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Background on Chairman Roth's Tax Plan

June 18, 1997

The Clinton Administration's goal is to increase the amount of tax relief going into the pockets of working families. Chairman Roth's plan strays from that goal. It provides too little tax relief for working families in order to provide unnecessary tax cuts to those who least need them:

- *Two thirds of the tax cut in the Roth plan go to twenty percent of families with the highest incomes.*
- *By contrast, sixty percent of families, families in the middle and below, would receive less than fifteen percent of the Roth tax cut.*
- *Just like the Archer plan, the top one percent's share of the tax cut is larger than the share going to the bottom sixty percent of families.*

Completely Denies the Child Tax Credit to 4 Million Working Families. Under the Roth plan, the child tax credit is figured only after the earned income tax credit is taken against a family's tax bill. Unlike even the Republican 1995 budget, it is specifically designed in a way to deny the credit to 4 million families. For example: A family of four with two children and \$25,000 of income would receive no child tax relief under the Roth plan, despite the fact that this family pays over \$1,900 a year in federal payroll taxes. The President strongly believes these hardworking families deserve a tax cut to help them raise their kids too. Under the President's plan, this family would get \$1,000 -- just as much as a family earning twice that much. The President favors a refundable tax credit, indexed for inflation, that better targets low and middle income families and which, when phased in, will cover children under age 18.

Fails to honor the budget agreement's \$35 billion commitment to higher education. As part of the budget agreement, the Republicans in Congress agreed to tax relief of roughly \$35 billion consistent with the President's tax credit and deduction for postsecondary tuition and fees. The Roth plan falls short in both the size of the education investment and its design. It includes just \$20 billion of the President's education tax cuts as envisioned in the budget agreement. The absence of the President's deduction would mean that working Americans pursuing lifelong learning would not get this tax cut.

We're pleased that a version of the President's HOPE scholarship is included and that the Senate Republican version improves on the House Republican version. The House version of the Hope scholarship is very unfair to community college students. Under the House bill, a student from a working family who goes to a community college with a \$1,200 tuition would receive a \$600 HOPE scholarship. Under the Senate Republican bill, that same student would receive a \$900 scholarship. While this is a step in the right direction, it is still below the full \$1,200 the student would receive under the President's proposal.

Ignores pledge to seek to include the President's Welfare-to-Work tax credit and expansion of Empowerment Zones and Enterprise Communities. The Roth plan does include a scaled down version of the President's brownfield initiative, which as U.S. Conference of Mayors' President Mayor Richard Daley has written, "*joins together the need for sound environmental policy and job creation.*"

Roth plan does exclude some of the more egregious provisions in the Archer plan:

- 1) Excludes the component of the Archer child credit that, by reducing their tax cut, penalizes 6 million families who pay for child care.
- 2) No indexing of capital gains, which would explode in cost down the road.
- 3) Does not gut the corporate alternative minimum tax.

Q: What is your response to the Roth tax plan?

- A: The Senate Republican plan, like the House Republican plan, does not meet the test of fairness.** It provides too little tax relief to working families. Two-thirds of the both the House and Senate Republican proposals go to the top 20 percent of families, while less than 15 percent goes to the 60 percent of families in the middle and below.
- **It completely denies the child tax credit to 4 million working families.** Under the Roth plan, the child tax credit is figured only after the earned income tax credit is taken against a family's tax bill. Unlike even the Republican 1995 budget, it is specifically designed in a way to deny the credit to 4 million families. These are hard working families who deserve a tax cut to help them raise their kids too.
 - **The Roth plan fails to honor the budget agreement's \$35 billion commitment to higher education.** As part of the budget agreement, the Republicans in Congress agreed to tax relief of roughly \$35 billion consistent with the my HOPE scholarship tax credit and deduction for postsecondary tuition and fees. The Roth plan provides only \$20 billion for this critical purpose.
 - **The Roth plan does exclude some of the most egregious provisions that were in the House plan proposed by Chairman Archer:**
 - It excludes the component of the Archer child credit that, by reducing their tax cut, penalizes 6 million families who pay for child care. I said that this proposal will not stand and it is good to see the Senate removed it. This is a step in the right direction.
 - Unlike the Archer plan, the Roth plan does not include indexing of capital gains, which would explode in cost down the road as the baby boom generation edges towards retirement.

Q: Why are the Senate Democrats on the Finance Committee supporting the Roth plan and not sticking with you?

- A: The Democrats on the Finance Committee are doing what they should be doing -- trying to improve the tax cut at every stage of the process. And they have had some positive impact:**
- The House plan penalized working families who pay for child care by reducing their child tax credit. That provision is not in the Roth plan.
 - Capital gains indexing is also not in the Roth plan. That's a vast improvement over the Archer bill, because indexation explodes the deficit in the out years -- just as the baby boomers near retirement.
 - The HOPE Scholarship is better than the House plan for students going to Community College. It's still not perfect, and I will keep working to make sure that our tax cuts help make the 13th and 14th year of college accessible to everyone.
 - I expect that Democrats will do all they can to improve the tax bill at the next stage when the bills are debated on the floors of both Houses.

• • • • • We will do the same when the bills go to conference. We will continue to work to ensure that the final tax bill meets the tests I have set out:

- (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
- (5) Must not explode the deficit and make it more difficult to meet the fiscal challenges we face when the baby boom nears retirement.

Q: Will you veto the tax bill?

A: It is premature to talk about a possible veto.

- From the start I have made perfectly clear that any tax bill I sign must meet the test I laid out last week:

- (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
- (5) Must not explode the deficit and make it more difficult to meet the fiscal challenges we face when the baby boom nears retirement.

Q: Republicans have said that granting the child tax credit to people who have no federal income liability -- because of the EITC -- amounts to welfare. Why should we give money to people who pay no federal taxes?

A: First of all, I am very proud of what we did to expand the Earned Income tax Credit in 1993. That tax cut has helped more than 15 million hard-working American families have some more money to pay in their pockets. That tax credit, championed by President Reagan, helps many families meet the costs of raising their children and to stay off welfare.

We should not penalize the hardest-pressed working families by denying them the benefits of tax relief that goes to people who make significantly more money. That measure is unnecessarily punitive and was not even included in the 1995 Republican budget that I vetoed.

The people who benefit from the EITC work hard and they can \$25,000 or more. They pay the state and local taxes that fund our schools. They pay payroll taxes; and generally contribute to make our society better. These families should not be excluded from the benefits if the child tax credit -- just because they don't earn enough..

SENATE FINANCE COMMITTEE HEALTH PROVISIONS

June 18, 1997

Q. DO YOU BELIEVE THAT THE VOTE AGAINST THE CHAFEE-ROCKEFELLER CHILDREN'S AMENDMENT WAS A REJECTION OF THE PRESIDENT'S HEALTH CARE PRIORITIES AND ARE YOU UPSET?

A. While we were disappointed with the vote, the Senators made important improvements to Chairman's proposal. They added greater accountability to ensure that the \$16 billion investment will be more effectively targeted to uninsured children. They adjusted the incentives to make Medicaid a financially sound option for states. And, they added a benefits plan to the block grant, which is a major improvement over both the Commerce Committee's proposal and earlier versions of the Chairman's plan.

We are encouraged by these improvements and will continue to work to insure that low-income children have adequate cost sharing protections. The fact is that the \$16 billion is still the greatest investment in children's health since the enactment of Medicaid, as the President pointed out yesterday.

Q. THE SENATE MOVED TOWARD LONG-TERM STRUCTURAL REFORM BY MEANS TESTING MEDICARE. WOULD YOU SUPPORT THIS?

A. While we don't oppose an income-related premium in principle, the leadership of both parties decided not to include it in the budget agreement. The savings are not necessary, and there currently is not a viable way to administer this premium that the majority of Congress can support.

Q. DOES THE ADMINISTRATION SUPPORT THE MEDICARE REFORMS PASSED IN THE SENATE FINANCE COMMITTEE LAST NIGHT?

A. We are all looking for ways to reform the Medicare program. The Senate Finance Committee did limit the number of beneficiaries enrolled in the Medicare MSA demonstration to 100,000. This is an important step in the direction of limiting the size and scope of this demonstration.

However, we are concerned with some of the other provisions. One provision would allow private fee-for-service plans in Medicare managed care. This would undermine Medicare since the healthier, wealthier beneficiaries will choose such options, leaving Medicare to take the sickest most expensive beneficiaries.

We are also concerned that the Senate Finance Committee is not seriously considering competitive pricing in Medicare. The President and the Secretary of Health and Human Services have urged Congress to give Medicare more authority to adopt private sector, competitive strategies.

Silverman per Bianchi

Talking Points on FLSA
5/16/97

- The Labor Department has concluded that the Fair Labor Standards Act (FLSA) applies to welfare recipients in workfare or other subsidized employment programs in the same way as that law applies to all other employees.
- This means that many, if not most, welfare recipients in these programs will receive at least the minimum wage for their work activities.
- Welfare recipients in these programs will not have to be paid the minimum wage if they fall within the FLSA's exception for "trainees." Some states will probably try to structure their workfare programs so that recipients fall within the "trainee" exception.
- In most cases in which the minimum wage is required, both cash assistance and food stamps will count toward the minimum wage. The Department of Agriculture will take necessary administrative action to ensure that food stamps can be counted to the greatest degree possible.
- This will not affect the work requirements of the welfare law. States will still be able to meet those requirements, not only by putting recipients in workfare, but by placing people in private sector jobs (where the minimum wage already applies). With both cash assistance and food stamps counting toward the minimum wage, very few states will have to increase their assistance payments. In fact every state but one (Mississippi) can comply with the welfare law's current work requirements (now 20 hours per week for a welfare recipient) and pay minimum wage without increasing their current benefit level.
- The Labor Department will provide guidance within the next week or two on the specifics of this policy and will engage in extensive consultation with states on how to apply this policy with the least disruption.
- The Treasury Department is still exploring how the tax laws apply to welfare recipients in workfare programs. We hope to be able to give states an answer to that question very shortly.

Q&A

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

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

Question: Are most welfare recipients who are working going to be considered "employees"?

Answer: Most welfare recipients participating in the work activities described in the new welfare law probably will count as "employees," entitled to the minimum wage, under the FLSA. But some individuals, engaged in such activities as job search, vocational education, and secondary school, may count as "trainees" instead. The Labor Department will advise states on how the FLSA applies to particular programs and individuals engaged in them.

Question: What's the difference between a trainee and a worker under FLSA?

Answer: An individual is in training if:

- Training is similar to that given in a vocational school;
- Training is for the benefit of the trainee;
- Trainees do not displace regular workers;
- The employer derives no immediate advantage from the trainees' activities;
- Trainees are not entitled to a job after training is completed; or
- The employer and trainee understand that the trainee is not paid.

Question: Can Food Stamps count as wages?

Answer: We believe that through waivers or other mechanisms such as the Simplified Food Program option now in law, states will be able to count food stamps toward the minimum wage for all those required to work under the new welfare law.

Question: Does this mean welfare recipients in workfare and other subsidized employment programs can unionize?

Answer: No -- that is a different question entirely. Whether and when workers can unionize is a function of the National Labor Relations Act. The National Labor Relations Board, an independent entity that administers that Act, has not ruled on the unionization question.



THE DIRECTOR

June 5, 1997

The Honorable Sander Levin
Ranking Member
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Representative Levin:

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.

We have reviewed the Subcommittee's draft markup document, however, and we have found a number of provisions that are inconsistent with the budget agreement in these and other areas. Consequently, if the Subcommittee 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 has a mark that includes several provisions 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 included provisions that meet many of the Administration's priorities. Specifically, we are pleased that the mark provides funds for jobs where they are needed most to help long-term recipients in high unemployment-high-poverty areas; directs funds to local communities with large numbers of poor people; awards some funds on a competitive basis, assuring the best use for scarce resources; and gives

communities appropriate flexibility to use the funds to create successful job placement and job creation programs.

Though your mark does not address a performance fund, we appreciate your 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. 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 has included 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.

In a number of areas, however, we have serious concerns with provisions that do not reflect the budget agreement. The Administration has separately transmitted draft legislation 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 mark 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. Instead of enacting the budget agreement, the Subcommittee would grandfather immigrants who were on the SSI rolls on August 22, 1996, thus protecting 75,000 fewer immigrants than the budget agreement by 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 contrast with the budget agreement, which was designed to restore benefits, the markup document would provide SSI and Medicaid benefits to immigrants now on the rolls only if the immigrant has no sponsor, the sponsor has died, or the sponsor has income under 150 percent of the poverty level. The Administration strongly opposes this provision, which would cut off about 100,000 severely disabled legal immigrants who would receive benefits under the budget agreement. We understand that the Subcommittee may drop this provision, and we hope that is true.

As noted above, the agreement provided for both SSI and Medicaid eligibility for disabled legal immigrants. The mark, 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 to continue receiving Medicaid. To conform to the policy in the budget agreement, the Subcommittee should include a provision in its bill to explicitly guarantee Medicaid coverage to disabled legal immigrants who continue to receive SSI.

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 proposal would provide that extension for refugees and not for asylees and others. Such asylees and others should receive the additional two years to naturalize.

In addition to the provisions in the Subcommittee markup related to immigration, the Administration has the following concerns:

Unemployment Insurance Integrity -- The Subcommittee draft does not include 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 Subcommittee 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 mark, however, does not accomplish another aspect of the agreement, because it only "authorizes" \$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 Subcommittee to address this issue.

The Subcommittee mark also includes 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 Subcommittee's proposal on the minimum wage and welfare work requirements.

First, the proposal goes beyond the scope of the budget agreement and, thus, should not be included in the reconciliation bill.

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 of welfare or not. The proposal does not meet this test.

Worker Protections in Welfare to Work -- We are deeply disappointed in the Subcommittee draft's lack of adequate worker protection and non-displacement provisions. We strongly urge the Subcommittee 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 -- Historically, the Administration has strongly opposed the repeal of maintenance-of-effort requirement because it would let States significantly cut, or even eliminate, benefits to nearly 2.4 million poor elderly, disabled, and blind persons. Congress instituted the maintenance-of-effort requirement in the early 1970s to prevent States from transferring Federal benefit increases from SSI recipients to State treasuries. The proposal also could cause some low-income elderly and disabled individuals to lose SSI entirely and to lose Medicaid coverage as well. The Administration opposed this proposal in last year's welfare reform debate.

Other TANF Provisions -- The Administration is concerned with several provisions in the mark 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 letter to the Honorable E. Clay Shaw, Jr.

Q: WHAT IS YOUR RESPONSE THE REPUBLICAN ATTEMPTS TO DEVIATE FROM THE OUTLINE OF THE BUDGET AGREEMENT?

A: We expect the Republicans in Congress to honor the agreement we reached just last month.

- **They should keep their word just as the President has honored his word -- even when it has been difficult. The Kennedy-Hatch proposal is a perfect example. The President is very sympathetic to what that proposal. Nontetheless, the President recognized that it was outside the agreement and honored his word. Now, Republicans in the House are explicitly violating provisions in the actual text of the agreement.**
- **To the extent Republicans put forth provisions that betray the agreement, we will call them on it and expect them to move quickly to correct these deviations. From the start, there have been good faith efforts on both sides. The President and the congressional leadership entered into an honorable agreement that was passed with strong bipartisan majorities in both Houses. We and the American people fully expect that they will honor that agreement.**

FOLLOW-UP

Q: WILL THE PRESIDENT VETO THE RECONCILIATION IF, FOR EXAMPLE, THE IMMIGRANT PROVISIONS ARE NOT CHANGED?

A: It is premature to throw the word "veto" around. We are at the early stage of the reconciliation process.

- **We expect that the Republicans in Congress to honor the agreement. That is fairly straight forward.**

Q: IT IS BECOMING CLEARER EVERY DAY THAT THERE IS NO SUPPORT IN EITHER PARTY FOR THE PRESIDENT'S EDUCATION TAX CUT PROPOSALS. WILL THE ADMINISTRATION ACCEPT ALTERNATIVE EDUCATION PROPOSALS?

A: I do not think that's right. First of all, and most importantly, there is strong support for the President's education tax cuts among parents and students. We also have support in Congress, and most importantly, the agreement we reached specifically sets aside \$35 billion for the President's education tax cuts.

It is hardly surprising that members of Congress will focus on pushing this or that pet project, but the agreement calls for the President's education tax proposals, not theirs.

- It is instructive to go back and read what is part of the agreement, what the Speaker and Senate Majority Leader put in writing to the President: *"it was agreed that the package must include tax relief of roughly \$35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle class parents?"*
- We have responded to constructive criticisms of our proposals. We have adjusted the scholarship to ensure that more lower income students will benefit from it. And we have dropped the B average requirement. These changes have improved the proposals in the eyes of many and enhanced the support of these important tax cuts that make it easier for parents to send their kids to college.

Q: WHAT IS YOUR RESPONSE TO THE ATTEMPT BY THE HOUSE REPUBLICANS TO CHANGE THE IMMIGRANT PROVISIONS?

- A: The provisions on affecting immigrants being advanced by Republicans on the House Ways and Means Committee, as the Vice President said, "violate the terms of the balanced budget agreement."**
- These provisions were negotiated in painstaking detail and were put in writing. In black and white, the agreement on Page 22 clearly states, "Restore SSI and Medicaid for all disabled legal immigrants who are or become disabled." It's right there, "are or become." The House leadership might want to show this agreement to some of their chairmen.
 - We expect the Republicans in Congress to honor the agreement. We expect them to fix these provisions.

Press Guidance

June 18, 1997

AGENCY INTERNET SPENDING

Background: Yesterday, GAO released a report that documents Internet spending by 42 departments and agencies. GAO found that, from fiscal 1994 through 1996, the departments and agencies spent \$349 million on Internet-related activities. GAO also found that annual Internet spending by the White House and OMB increased from \$38,000 in fiscal 1994 to \$443,000 in fiscal 1996. *FYI Briefer —We can't confirm the figures because we currently don't have a process for tracking agency Internet spending.*

- We don't find anything particularly objectionable about the report.
- Agency use of the Internet has increased substantially over the past several years, and it will undoubtedly continue to do so as agencies conduct more business electronically. The Internet has enabled agencies to share more information with the public and cut costs associated with many business transactions (e.g., procurement).
- This summer, OMB hopes to issue guidelines on Government-wide Internet use. These guidelines will probably call for the agencies to better account for their Internet costs and ensure that they keep these costs within their overall strategic plans.

Silverman
per Haas/OMB

Talking Points

House Action on the Land Acquisition Fund

June 18, 1997

- The budget agreement called for a \$700 million increase in 1998 for the Land and Water Conservation Fund, for land acquisition.
 - The fund is run by four land management agencies (including the Park Service and the Forest Service).
- More specifically, the budget agreement calls for using the \$700 million for "priority federal land acquisitions and exchanges."
 - In the negotiations, Administration officials made it clear that we planned to spend the money on, among other things, acquiring Headwaters Forest in California and New World Mine in Montana (which is on the border of Yellowstone Park).
 - Up to \$315 million of the \$700 million would go for these two priorities.
- Yesterday, the Interior Subcommittee, of the House Appropriations Committee, voted not to include any of the \$700 million.
 - This is a clear violation of the budget agreement, and we expect Congress to fix it before sending us a bill.

Hags/jms

Press Guidance

June 17, 1997

NEA

Q: What does the President think about House Republican efforts to shut down NEA?

A: The President demonstrated his strong commitment to the Arts Endowment in his 1997 State of the Union Address, and his FY98 budget request of \$136 million for the agency, a 37% increase over current levels.

At the present time, the National Endowment for the Arts enjoys growing bipartisan support among members of both the full House and the Senate. However, once again ignoring the will of the American people, the House Leadership and conservative House members continue their efforts to eliminate the agency. The Senate remains strongly supportive of the Arts Endowment.

Silverman
per Steve Silverman

Slavery Apology - Race Initiative

Press Guidance

June 16, 1997

- * The President only became aware of the congressional apology resolution over the weekend and wants the chance to fully think through the issue. Under the right circumstances, i.e. Tuskegee, the President believes formal apologies can serve a useful purpose.
- * The President did say that the symbolic effect of a formal apology can not replace the concrete actions we should be taking to enforce civil rights laws and work to breakdown racial barriers in America.
- * Given the importance we have placed on dialogue in issues of race it would be counterproductive to dismiss any issue, however symbolic, without allowing for a full discussion of the issue.

Lockhart per Mathews and Moore

Press Guidance

June 18, 1997

The President Addresses the People of Colorado

The President's speech in Littleton, CO on Thursday at 1 pm (MDT) is a scene setter for the Denver Summit of the Eight. This is a moment of opportunity to organize the community of democracies to meet the challenges and seize the opportunities of globalization. He will focus on three goals:

- Strengthening economies for the 21st century;
- Meeting new transnational threats like crime, drugs, terror, proliferation, disease, environment;
- Bringing new members like African nations into the community of free market democracies.

The President's main emphasis will be how America's economic success was a product of clear strategy (cutting the deficit; investing in people with education and training; opening markets) that can be a model for our partners. He will make a strong push back on protectionism.

The setting for the speech is the National Digital Television Center. NDTC converts analog television signals to digital format and retransmits them via satellite for international and domestic network clients. This is the largest facility of its kind in the world.

The President will be preceded on the program by Denver Mayor Wellington Webb, Colorado Governor Roy Romer and a business leader (TBD).

This event is open to the public. The Mayor's and Governor's offices distributed 2,500 tickets yesterday between 10 am and 2 pm (MDT) at the Colorado Convention Center in Denver.

FOR THE BRIEFER: NDTC is an independent subsidiary of TCI.

Murchinson

per guidance from Blinken/NSC

Press Guidance

June 18, 1997

U.S. Conference of Mayors Annual Meeting

The President's will address the 65th annual meeting of the U.S. Conference of Mayors in San Francisco on Monday, June 23 at 9:30 am (PDT). 300 mayors are expected to be in attendance when the President addresses the conference at the Fairmont Hotel. The Vice President and Secretaries Cuomo, Herman and Slater are also speaking at the conference.

The President will announce the findings of a HUD report on the state of cities. The report is a major review of the history of American cities from the '70s to the early 90s and examines the resurgence they have experienced over the last 3 years.

The President will focus on the effectiveness of the Administration's urban strategy and on the need to work even harder to help cities benefit from the breadth of the economic resurgence that the rest of the nation has enjoyed. The President will make policy announcements pertaining to empowerment zones, community development banks, home ownership, law enforcement and brownfields.

Murchinson
per conversation w/Prince

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

June 18, 1997

MEMORANDUM FOR MICHAEL MCCURRY

FROM:

JEFFREY A. FRANKEL



SUBJECT:

Productivity and Costs, First Quarter 1997
(revised), Labor Department Release,
Wednesday, 10:00 a.m.

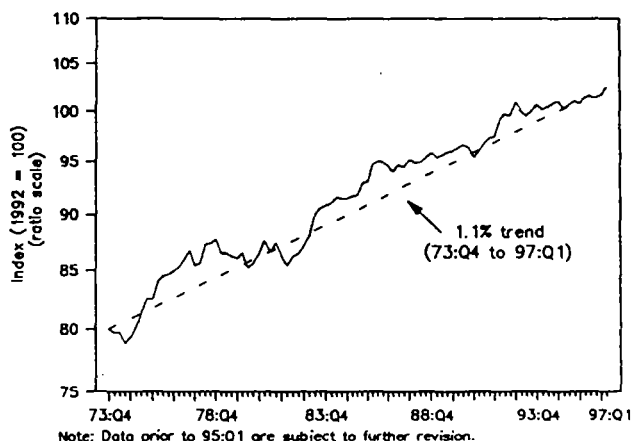
Productivity in the nonfarm business sector (output per hour worked) increased 2.6 percent at an annual rate in the first quarter, revised up from the preliminary estimate of 2.0 percent. (Output grew 7.0 percent, while hours worked rose 4.2 percent.)

- This official measure of productivity (derived from the product-side measure of output) grew 1.0 percent over the past four quarters, and has grown at a 0.6 percent annual rate since 1993:Q1.
- In contrast, figures computed from an income-side measure (which was the official measure until January 1996) show growth of 1.9 percent over the past year, and 1.5 percent annual growth since 1993:Q1. Neither measure is perfect; the truth probably lies in between.
- Since the business-cycle peak in 1990:Q3, the official productivity measure has grown at a 0.9 percent annual rate--slightly below the trend that has prevailed during the entire post-1973 period (chart at lower left).

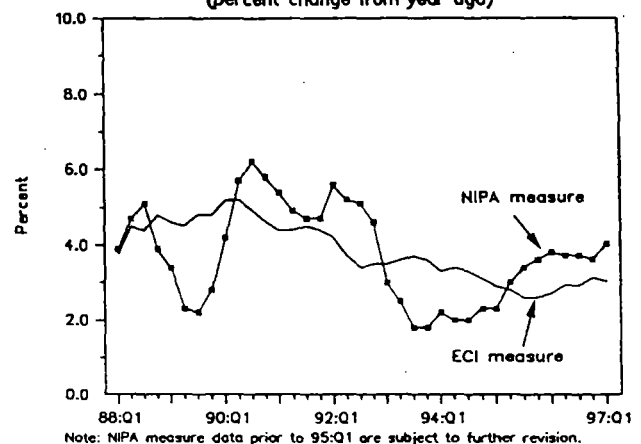
Hourly compensation as reported in this release increased 4.0 percent over the past four quarters--up slightly from the year-earlier pace.

- Another measure of hourly compensation, from the employment cost index (released April 29), increased at a slower 3.0 percent pace over the past year (chart at lower right).

PRODUCTIVITY: NONFARM BUSINESS



COMPENSATION PER HOUR: NONFARM BUSINESS
(percent change from year ago)



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.

Talking Points on Japan Trade Surplus

Date: June 18, 1997

From: Jay Ziegler, USTR

o The Administration has used every opportunity to express our concerns about the rising Japanese trade surplus, and we will do so again in Denver. We have delivered a consistent message: Economic recovery in Japan must be driven by domestic demand-driven forces and that requires comprehensive deregulation of the Japanese economy.

o The twenty-five trade agreements negotiated under this Administration with the Government of Japan have all underscored the principle of domestic deregulation in Japan to provide for fair competition in the Japanese marketplace. Whether it covers services such as insurance and telecommunications or products like autos, computers, and glass the principle is the same: Japan must open their market and deregulate in all areas to effectively increase competition.

o As recently as the U.S.-Japan summit, President Clinton expressed the U.S.' concern about the rising imbalance in U.S.-Japan Trade with Prime Minister Hashimoto. That message has been forcefully reinforced a number of times by Secretary Albright, Secretary Rubin, and Ambassador Barshefsky.

Background Points

- Clinton Administration trade agreements made a substantial difference in lowering the U.S.-Japan trade imbalance from a high of more than \$65 billion in 1994 to approximately \$47.7 billion in 1996.

- The Clinton Administration has already won two cases against Japan at the WTO for unfair trade practices affecting intellectual property (sound recordings) and discriminatory tax structures (distilled spirits). We have important cases underway on market distribution issues (film & photographic supplies) and agricultural products.

Q: What is your reaction to the return and arrest of the suspect in the 1993 CIA shootings?

- Express my deep appreciation to the FBI, CIA, and the Departments of State, Justice and Defense for their extraordinary work in bringing Mir Aimal Kansi to the United States.
- The men and women who participated in the effort to bring Kansi here showed great courage in carrying out this mission.
- The success in apprehending Kansi demonstrates that we are determined to do what is necessary to track down terrorists and bring them to justice.
- The United States will not relent in the pursuit of those who use violence against Americans to advance their goals -- no matter how long it takes, no matter where they hide.
- Today, our thoughts are also with the families of the victims. Although nothing can restore their loss, we hope that the prospect of justice in this case will bring them a measure of comfort.

Q: What about the Sayegh story?

A: The Canadian government has decided to deport Hani el Sayegh to the United States. The deportation is based on the fact that the United States was the last country he had been in prior to entering Canada.

He has arrived in the U.S. and has been taken into custody. I cannot comment further on this matter.

[On Background : We are aware that press reports and Canadian court documents have associated Mr. Sayegh with the Khobar bombing case. I can tell you that we do not anticipate a major breakthrough or announcement concerning Khobar in connection with Sayegh's arrival.]

June 18, 1997

Guidance on Gingrich and Radio Free Asia:

[Note to briefer -- Not for public release yet: NSC has been working a letter to Gingrich from the President (not yet approved by POTUS), in which we indicate our willingness to work with Congress to expand Radio Free Asia to 24-hour per day broadcasting.

Similarly, Berger and the President have publicly indicated our willingness to work to expand international broadcasting. Thus, at this point, guidance can be forward-leaning, but not explicitly endorse 24-hour per day as such.]

- **Sandy Berger and the President have both indicated our willingness to work with Congress to expand international broadcasting to China.**
- **We believe that the free flow of information and ideas is critical, and is an important component of our human rights policy.**

Thus we are prepared to work closely with Congress on plans to expand international broadcasting to China, including Radio Free Asia.

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/ State Department Authorization Bill

Q: What is your reaction to Senate passage of the Foreign Affairs Reform and Restructuring Act?

A: There is much in the bill that the Administration supports. The agreement to pay more than \$800 million in U.S. arrears to the UN is a major step forward. The administration appreciates the good faith efforts that Chairman Helms, Senator Biden, and others have made to work with us on this issue.

That said, the bill contains provisions that cause us concern. As the legislative process moves ahead we will work with Congress on them.

Q: What is your response to Secretary General Annan who said Tuesday that the Senate bill is a dangerous precedent, unwise, and a tough sell to the rest of the international community?

A: Like the Secretary General, we have concerns with some specific provisions of the bill as it now stands. But we believe that overall the bill is an important step in the right direction.

We know that persuading other UN member states to embrace these reforms 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: 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.

**Q: What is the U.S. doing to restore the democratically elected government in Sierra Leone?
Will we use force or seek authorization for the Nigerians to do so?**

A: We continue to work through diplomatic channels to facilitate a peaceful, negotiated restoration of the democratically elected government.

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.

CONGO: REPORTED HUMAN RIGHTS ABUSES

Q: What is the U.S. doing about reports of human rights abuses in Congo (ex-Zaire)?

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

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 underscored these points during their mission to the Congo earlier this month.

The U.S. Government has given a clear and consistent message that abuses must stop and that a UN investigative team due to arrive in Congo shortly 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. We welcome this pledge and expect President Kabila to honor this commitment.

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.

-- working for growth and partnership with Africa for 21st century (Binational Commission w/South Africa, trade initiative)

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.

REPUBLIC OF THE CONGO (BRAZZAVILLE)

June 18 1997

Q: Have all official Americans departed? How did they get out?

A: The United States suspended Embassy operations in Brazzaville effective today.

All twelve official Americans, along with a Congolese Peace Corps doctor, departed via private charter and are in Kinshasa.

Our 12-member ESAT team and its equipment, along with Embassy equipment, and one a Peace Corps volunteer, departed at roughly the same time via C130 for Libreville, Gabon.

We are setting up a temporary observation post at Embassy Kinshasa to monitor events in Brazzaville and maintain contact with any remaining American citizens in the Republic of Congo.

Our Peace Corps Director, along with volunteers in Kinshasa, will go to Libreville via charter tomorrow.

Ambassador Hooks will return to Washington for consultations, along with remaining Embassy staff.

Q: Situation/fighting update? Cease-fire agreement?

A: Brazzaville was relatively calm throughout the night. Embassy personnel heard sporadic automatic weapons, but the 72-hour cease-fire agreed to yesterday for the most part seems to be holding.

Q: Status of French troop withdrawal?

A: The French troop withdrawal is proceeding according to schedule and is still expected to be complete on Saturday.

Q: Status of peace negotiations?

A: Mediation efforts in Brazzaville and Libreville continue. No further progress reported.

NIGERIA: POLICY REVIEW

June 16, 1997

Q: Is the Administration reviewing its policy toward Nigeria? Are we seeking engagement and improvement in cooperation with Nigeria rather than further sanctions?

A: We continuously fine-tune our policy to ensure it is appropriate to developments in Nigeria with the aim to pursue U.S. interests as effectively as possible. The State Department has ongoing internal discussions on the direction of our policy and these continue.

We always look at the normal array of diplomatic and other tools we have used and might use to promote our long-standing objectives on a wide range of political and technical issues.

Denver Summit

Q: Will you raise the trade surplus issue with Hashimoto at the Denver Summit?

A: We remain concerned that Japan's current fiscal plans will contribute to a continuing rise in Japan's current account surplus and may lead to an increase in U.S.-Japan trade tensions.

The President discussed this with Prime Minister Hashimoto last month. Recent numbers are troubling. If Japan's surplus continues to increase significantly, the problem will likely strain relations.

As they said in April, the President and Prime Minister share a common objective of promoting strong, domestic demand led growth and avoiding a significant increase in the current account surplus. I expect the President and Hashimoto to discuss this during their meeting in Denver.

Civair

Background: NEC principals decided on Friday that our objective remains open skies, but that we are willing to discuss a transition agreement that results in open skies. Japan has steadfastly opposed an open skies agreement, and has resisted a transition agreement as well. Northwest, holding the largest share of the U.S.-Japan passenger market, wants the USG to stand firm for a pure open skies agreement. Other U.S. carriers, including United, Delta, American and Continental, do not want to await a pure open skies accord if it means foregoing a deal that significantly expands opportunities for them in the near term.

We are taking a firm position on violation of FedEx rights. The Department of Transportation had threatened sanctions in July of 1996, but had not imposed them. Principals feel it is important to send a clear signal that we will not wait forever for this to be resolved.

Q: What is the U.S. position in civil aviation negotiations with Japan?

A: We expect talks between the United States and Japan will resume shortly. The United States continues to seek a fully liberalized open skies civil aviation regime with Japan in a reasonable time frame.

Q: What does this mean for Federal Express? Are their rights being violated?

A: The U.S. position has not changed. We continue to believe that Japan has violated FedEx rights under our 1952 aviation agreement with Japan. It is important that this issue be resolved soon.

Meeting with Bishop Belo of East Timor

[Background for Briefer's Information only: Sandy Berger will see Nobel laureate Bishop Belo of East Timor on Wednesday, and the President is expected to drop by. Some questions may be asked as to why the President would see Belo but not see Jose Ramos-Horta, Belo's co-recipient of the Nobel Prize. (Ramos-Horta's representative requested a meeting with the President last year, and was told that such a meeting would not be possible.) To be sure, a Presidential meeting with Ramos-Horta is more difficult than a meeting with Belo. Ramos Horta has been a prominent member and spokesperson for an insurgent group involved in armed conflict with the Government of Indonesia. Thus, a Presidential meeting could risk conveying U.S. support for political goals that go beyond human rights, democratic reform and reconciliation.]

Q: Why is the President seeing Bishop Belo of East Timor?

A: Bishop Belo has been steadfast in his support for human rights, peace and reconciliation, and the President wanted to meet with this prominent spiritual leader to express support for his efforts to promote these goals in East Timor.

Q: Why see Bishop Belo but not Ramos-Horta?

A: While President cannot possibly see everyone who requests a meeting, he saw the Belo visit as a special opportunity to convey U.S. support for the efforts of those working to bring human rights, peace and reconciliation to East Timor.

Would note that Mr. Ramos-Horta has seen several senior U.S. officials, including, most recently, Under Secretary of State Timothy Wirth.

We share Mr. Ramos-Horta's concerns about human rights in East Timor, as well as the need for reconciliation, and we recognize his 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.

Q: Would President consider seeing Ramos-Horta in the future?

A: Not prepared to speculate about President's schedule.

Q: Is the White House boycotting Ramos Horta?

A: No. 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.

[Note to Briefer : Do not refer to him as the Foreign Minister, call him by name.]

Q: Is Taiwan Foreign Minister John Chang visiting the U.S.? What is he doing?

A: John Chang is visiting the Western United States for programs with two private organizations.

It has been our practice to allow Taiwan authorities to visit the U.S. for private activities. Mr. Chang's predecessor Fred Chien also visited the United States at the invitation of private organizations.

Mr. Chang will not visit Washington.

We consider this to be a routine element of our unofficial relationship with Taiwan.

Q: Did the Chinese protest Chang's visit or his activities in the U.S.?

A: The Chinese government has expressed concern over Mr. Chang's visit. We have explained our policy.

Q: Has Chang been here before?

A: Mr. Chang last transited the U.S. in December.

If pressed:

Q: Will he be meeting with USG officials?

A: We have no plans to meet with Mr. Chang.

Q: What is your position on the Republican package of non-trade incentives to push China toward democracy? Why hasn't the Administration come up with similar proposals?

A:

Our position on renewal of normal trading status for China is clear: We favor a clean, straight renewal of MFN status. MFN is not a referendum on China policies; other tools are available to us to address concerns such as human rights and support for democracy.

We, in fact, have taken several steps to encourage China to improve its human rights practices. For example, we instituted the 'best business practices' award to encourage American firms to support human rights improvements in China; we worked with Congress to establish Radio Free Asia, which is now broadcasting to all of China objective programs on world events; and we have imposed sanctions when needed (intellectual property rights, seizures of guns, rifles).

Of course, beyond the MFN debate, we always are ready to work with Congress to craft a consensus on our China policy objectives. For example, and as we have indicated, we are prepared to work with Congress on expansion of international broadcasting to China and on development of programs to promote the rule of law and civil society.

Q: Human rights activists plan protests for July 1, a New Hong Kong Voice of Democracy group will be formed, and a poll shows 60% of Hong Kong citizens fear erosion of rights. Will this affect our China policy, MFN?

A:

It matters to us that the people of Hong Kong retain their civil liberties and open economy -- because we hold these principles in common with them. China has made important commitments to maintain Hong Kong's freedom and autonomy. Our nation has a strong interest in seeing those commitments kept.

The United States is doing its part to keep faith with the people of Hong Kong. We have negotiated agreements that will safeguard our presence and continue our cooperation. We will work with the new Hong Kong government to maintain a productive relationship that takes into account both its changed relationship with China and its promised autonomy. We will closely monitor the transition process and the preservation of freedoms that the people of Hong Kong have relied on to build a prosperous, dynamic nation.

The transition process did not begin and will not end on July 1. But as it unfolds, one thing we must not do is take any measures that would *weaken* Hong Kong just when it most needs to be strong. And no step would more clearly harm Hong Kong than reversing the course we have followed for years by denying normal trading status to China.

Many do expect demonstrations and protests to take place at the time of the transition ceremonies. We and others in the international community have expressed our hope these demonstrations will be peaceful and that the Hong Kong police will exercise restraint in monitoring the demonstrations.

The view of many in Hong Kong is that the likelihood of violent demonstrations is low and that the intent of the demonstrators is to signal to all that Hong Kong people will stand up to preserve their political and civil liberties. We share these concerns, and strongly believe that the people of Hong Kong should be permitted to express their views freely.

China-Iran Missile Sales

Q: Secretary Albright has confirmed that China has sold C-802 anti-shiping missiles to Iran. Why hasn't the administration imposed sanctions against China under the Iran-Iraq Arms Nonproliferation Act of 1992 (aka the Gore-McCain Act)?

A: We take these arms transfers very seriously because they pose a direct threat to our interests and allies in the region. We have raised our concerns with China on numerous occasions.

The law requires economic sanctions against countries that provide “destabilizing numbers and types of advanced conventional weapons” to Iran. At this point, we have not concluded that the C-802 missiles provided to Iran from China meet the standard of “destabilizing.” We will continue to review the situation to determine whether the requirements of the law have been met.

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 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 cross-Strait contacts and dialogue and further reduce tensions.

If asked about Washington Times story saying we are close to lifting our Latin America arms embargo:

- Our policy remains under review.
- No decisions have been made.

Latin American arms transfer policy

Q: Has the President decided to permit the sale of advanced fighter aircraft to Chile?

A: The President has decided to authorize the state department to issue marketing licenses in order to allow companies who wish to compete for Chile's prospective purchase of advanced fighter aircraft to participate in the process. A decision has not yet been made, however, on whether to permit such sales to Chile.

Q: Does this mean the policy on arms transfers to Latin America is still under review?

A: Yes. In light of the changes underway in Latin America, the administration has been taking a very careful look at its policy on advanced arms transfers to Latin America and whether it should move to a case-by-case review of requests to transfer advanced arms to Latin America. That policy remains under review. However, Chile's process for deciding which fighter aircraft to purchase has already begun. In order not to prejudice U.S. companies from competing for the sale while the policy review continues, the president decided to authorize companies to at least participate in the current technical stage of the bidding process.

Q: What were the president's reasons for this decision and how does it fit in the administration's overall policy toward Latin America?

For many years, the United States has exercised a policy of restraint related to arms transfers to Latin America, particularly of advanced weapons systems. This policy of restraint was imposed at a time when military governments dominated Latin America and when there was considerable tension between some Latin American states. The policy reflected U.S. desire to reduce conflict and avoid an arms race in the region.

Now democracy is taking hold in all but one country in the hemisphere, a remarkable achievement, and economic integration and political cooperation are making great advances. As a result, tensions have diminished and the risk of inter-state conflict among neighbors is lower than it has been in decades.

Our main goals in Latin America are to promote and strengthen these democracies, to support the economic and social development of the hemisphere's citizens, to encourage growth, expand trade and assure access for American exports, and to cooperate on

counternarcotics and other fields. We are also committed to promoting restraint in arms purchases, confidence-building and transparency measures among countries in the region.

Q. When will the president make a decision on whether US companies can actually sell fighter aircraft to Chile?

A. The administration will continue reviewing the matter and will ultimately make a decision based on several factors, including the sale's impact on regional stability and restraint and consolidation of democracy.

Cuba/Leach-Solorzano Proposal to Ease Sanctions Against Cuba

[Background: Leach and Solorzano have proposed a bill that would ease sanctions on food and medicine supplies to Cuba. We have not seen it yet, and have no official position. Its prospects for success are extremely low.]

- **Have not had opportunity to study the proposal.**
- **Our position on embargo is clear: Economic embargo is designed to exercise pressure on the regime to reform. U.S. will not lift it until there are significant democratic reforms and respect for human rights in Cuba.**
- **It is not the embargo that is hurting the Cuban people; it is the failed policies of the Cuban regime.**
- **As we have repeatedly said, there is no embargo on sale or donation of medicine to Cuba. Only restriction is on end-use monitoring, to ensure supply will benefit Cuban people.**
- **U.S. people also sent over \$150 million worth of humanitarian donations to Cuba over past 4 years -- far more than any other country. Majority of it was food and medicine. Moreover, Cuba is free to obtain food from all other suppliers.**

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.

Nuclear Reductions

Q: What is your reaction to the report by the National Academy of Sciences on the Future of U.S. Nuclear Weapons Policy.

A:

- **As the President said at the United Nations, the United States looks forward to a new century where the roles and risks of nuclear weapons are reduced, and ultimately, eliminated.**
- **Have made substantial progress in reducing the nuclear threat during the past four years. Detargeting; the entry into force of START I and the denuclearization of Ukraine, Belarus and Kazakstan; indefinite extension of the Nuclear Nonproliferation Treaty; and signature of the CTBT.**
- **All these steps have made our people safer. The joint statement on future reductions in nuclear forces we issued with Russia at Helsinki in March represents a significant step in the direction of reducing the nuclear danger. Will substantially reduce U.S. and Russian nuclear arsenals to 2,000-2,500 strategic nuclear warheads and work to control warheads and fissile material.**
- **While we may differ on some of the specific recommendations outlined in the Report by the National Academy of Sciences, many of their recommendations are consistent with and supportive of Administration policies, in particular, the need for further bilateral U.S.-Russian reductions.**

[If asked: why does the United States need to retain a nuclear deterrent?]

- **While we go forward with measures to further reduce the nuclear danger, we must also be conscious of the fact that such a danger will be with us for some time to come. That is why we plan to retain nuclear forces sufficient to deter any future hostile foreign leadership with access to nuclear forces from acting against our vital interests and to convince it that seeking a nuclear advantage would be futile.**

Q: Is it true as reported in today's [June 18] Washington Post that the Administration is considering changing the "mix" of nuclear warhead deployments.

A:

- **Consistent with our policy and existing law, we will remain at START I levels until START II has entered into force.**
- **As part of the QDR process, began reviewing alternative force structures for maintaining START I levels until START II enters into force, consistent with our security requirements and conscious of our very real fiscal constraints. Still looking at this.**

Q: What about reports that the export control system has become so politicized that it is undermining U.S. national security?

- **The views expressed in the Washington Times article were those of a Defense Department employee who testified as a private citizen. His allegations reflect his personal opinion, not the view of Defense or of the Clinton Administration. We do not agree with his statements.**
- **If I may respond to one issue raised in the WT article, to suggest that the Defense Department has been marginalized in the dual-use export licensing process is completely wrong.**
- **The Clinton Administration has done more than any previous Administration to ensure that all relevant agencies, including Defense, have a full voice in export licensing decisions.**
- **In 1995, the President directed by Executive Order an unprecedented action that permits Defense, and any other relevant agency, to review any export license application they wish to see.**

This was a *very* unpopular action with the exporting community. The result has been, however, a stronger system and one which is far more predictable for U.S. exporters.

NATO ENLARGEMENT

Q: Why the big push for NATO enlargement if the citizens of the potential new members are ambivalent, as the Washington Post reported?

- In Poland, by far the largest country in the region, 90 percent support NATO membership. Polish support has remained consistently high for years and has tended to grow as knowledge of NATO increases.
- In Hungary, the latest (Gallup) poll shows that 61 percent support NATO membership. We don't know why the Post didn't note this latest, significant information. Support in Hungary is growing as awareness of NATO's implications deepens.
- In the Czech Republic, a clear plurality supports NATO membership, though support there is less than in the other two countries. We believe, as do Czech leaders, that support for NATO will grow as the debate progresses.

Q: Some Allies have reacted very negatively to your decision on NATO enlargement. Do you think you will have trouble convincing them of your decision and reaching consensus?

- 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. I am sure that by the time of Madrid we will have a consensus on 3.

Q: How do you answer critics who say Romania and Slovenia should be included too?

- 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. Impressed with the efforts of Slovenia and Romania, want to keep the process going so that they too will be in a position to join. 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.. 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.

Q: But why not Slovenia/Romania?

- **They have made good progress, and we look to them to consolidate these gains.**

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Spolar article

Q: Any response to Spolar's article? --

A: We have looked carefully at the Polish military as well as the other CEE countries that want to join NATO.

We have found that while the Polish military must take additional steps to meet NATO standards, it is well-disciplined, highly motivated and its equipment generally well maintained. Its army is capable of mounting an effective defense against a range of threats.

-- We look forward to discussing these issues in detail, including with the Congress, as the process of NATO enlargement proceeds.

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.

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.

Anti-Personnel Landmines

- The President is deeply committed to promptly achieving a comprehensive, global ban on landmines. He has taken a number of important steps to help move the world closer to that goal.
- In September, 1994, at the UN General Assembly the President called for the eventual elimination of anti-personnel landmines -- the first world leader to do so.
- In May, 1996, the President publicly called for a worldwide agreement to ban the use, production, stockpiling, and transfer of anti-personnel landmines, with a view to completing the negotiation as soon as possible.
- In the fall of 1996, following up on this call, the U.S. sought to gain the support of other nations for the same goal. The 1996 U.S.-initiated resolution called for an international agreement banning the use, stockpiling, production, and transfer of anti-personnel landmines. Following aggressive lobbying by then-UN Ambassador Albright, the resolution passed the General Assembly in December by a vote of 156-0.
- We are pursuing negotiation of a comprehensive, global APL ban through the Conference on Disarmament.
- We are also consulting with the Canadians to seek to ensure complementarity of the CD and the Ottawa process tracks.
- The United States has taken a number of important unilateral steps as well:
 - In January, 1997, the President announced that the United States will observe a permanent ban on export and transfers of APL.
 - In May, 1996, the President announced that the U.S. would destroy all of its non-self-destructing (dumb) APL by 1999, except those needed for training or for use in Korea. About 3 million of these APL are now in the process of being removed from our stockpiles and destroyed.
 - The United States has also said we would cap our APL stockpiles at current levels. (If asked, only: The current stockpile is about 11,000,000.)
- The United States led the effort to strengthen the amended Protocol on Mines in 1996. That Protocol significantly tightens international restrictions on the use of APL, even as countries work toward the goal of an APL ban. It has been signed by a number of the countries which have said they will not participate in the Ottawa process and, if observed, can save many lives.

- Except for those reserved for use in Korea, all U.S. APL are self-destructing/self-deactivating to a reliability rate of 99.9%.
- Last year the President directed the Department of Defense to undertake a program of research, procurement, and other measures needed to end our reliance on APL as soon as possible. Research programs are now underway.
- 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.

Leahy Legislation

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.

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 have 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.

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.

Middle East Peace and Stability Fund

Q: Why does Jordan need more aid?

A: King Hussein's leadership has been a very important force for peace and reconciliation in the Middle East, especially over the past difficult year.

The King has also taken tough steps on the economy, cutting subsidies, reducing tariffs, and reducing the budget deficit.

Jordan's economy, however, remains vulnerable to external shocks; its debt burden remains heavy, and its people have not experienced the material benefits of peace.

We, and Jordan's partners in the region, have a strategic interest in seeing Jordan's model of peace and economic reform succeed.

Q: Is this the end of the Camp David earmarks for Israeli and Egyptian aid? Have they both agreed to this? What about the Congress?

A: For FY97, \$50 million each of the allocation of aid to Egypt and Israel will be re-directed to Jordan. We are consulting with the Congress on the appropriate way to extend this fund into the next several years.

What's important to recognize here is that both Egypt and Israel have recognized their own interest in responding to new needs in the region, and supported this initiative to create a regional fund drawing on a small percentage of the resources that have traditionally been allocated to them.

We have had discussions with the Congress on this initiative and will work closely with the Congress as we proceed.

Q: Will Israel be compensated for giving up part of its economic support funding?

A: As you know, our joint programs and assistance devoted to Israel reach far beyond U.S. provision of Economic Support Funds.

We have had discussions with the Israeli Government on easing the burden this initiative places on its budget. We have also agreed recently on very substantial enhancements of

our joint defense R&D. Obviously this initiative serves Israel's strategic interest in having Jordan as a stable, prosperous neighbor in the region.

Q: Do you expect other countries to contribute to this fund?

A: This is not an international fund, but we hope and we will ask that others increase their own assistance to respond to Jordan's needs. The President plans to raise this in Denver with our G-7 partners.

Q: Why not just take the whole amount out of Egypt's unspent aid pipeline?

A: We oppose singling out one of the Camp David parties for reduction. It is important to recognize that both Israel and Egypt have responded positively to the President's call to create a fund to meet new regional needs. This joint response needs to be encouraged. Singling out Egypt would not serve U.S. interests.

Q: Will the Palestinians get any of this new fund?

A: The fund, in its first years, will be aimed at addressing Jordan's needs. Over time, the fund could be used to meet other needs. We would consult closely with the Congress as we proceed.

MIDDLE EAST PEACE PROCESS

June 17, 1997

Q: Your announcement on aid for Jordan seems to be the only U.S. activity related to the peace process. Have you decided to step back from active engagement?

A:

- The United States has a fundamental interest in pursuing a just, lasting and comprehensive peace in the Middle East. That has been our consistent objective over many years. During difficult moments, it is easy to forget that some very significant progress toward that goal has been made.
- The framework in which that success was achieved has been a credible, direct negotiating process between the parties. That is what is lacking we lack now, and what we, the Egyptians, and the parties themselves are working to restore.
- Obviously, for such a process to succeed, there must be a 100% effort to discourage and prevent terrorism. It is essential that the Palestinian Authority leave no doubt that it is committed to fighting terror and that it neither encourages nor tolerates it.
- The parties need to return to the serious give and take of negotiations. We can help them with that, but we cannot do it for them.
- They need to take each others' interests into account and they need to avoid actions which preempt negotiation, especially on those difficult permanent status issues that they have agreed to deal with in negotiations.
- We have done a lot in recent weeks and months to help them understand each others' interests and needs. They will need to take the tough political decisions that can put them back on the road to credible negotiations.

Q: So you are essentially ruling out an American initiative in which you would present your own ideas on how to deal with the tough issues?

- We are going to stay involved in this process as one of the highest foreign policy priorities of the Administration. We cannot and will not impose solutions -- that approach just doesn't make sense. This is not an academic project. It's one thing to write studies and papers that reflect a certain view of a new reality; it's quite another to carry out the painstaking diplomacy necessary to effect change.
- I'm not ruling out the notion of the United States presenting ideas to the parties on how to treat certain issues. That has been part of our role and it will continue to be. But the focus still has to be on the parties themselves nurturing a credible negotiating process in

which it is possible to address difficult issues constructively and have some decent chance of reaching agreement.

Q: Do you believe Israeli intransigence on Har Homa and its efforts to expand settlements should be viewed as the main problem holding up progress now?

- We've made our views very clear about actions that tend to preempt negotiations on permanent status issues.
- We are not going to spend a lot of effort blaming one party or the other. We frankly need to see less focus on blame and more focus on efforts to restore serious engagement by the parties.

Q: What is your reaction to the confrontation between IDF soldiers and Palestinian youths in Hebron?

A: Our position is very clear that no benefit can be gained in the peace process through violence.

For concrete progress to be made in the process both the Palestinian and the Israeli leadership should return to the negotiating table to discuss their differences.

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

A: The Egyptian initiative to intensify Israeli-Palestinian dialogue is continuing.

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

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

A: We're staying in close touch with the Egyptians, as well as 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.

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 detracts.

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.

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.
- Will still discuss economic, financial matters at Seven, but this involves only one meeting.

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.

U.S./ROK/DPRK Talks

Q: Can you provide a readout of the U.S. and ROK efforts to obtain DPRK agreement to begin the four party talks?

A: Working-level meetings between the U.S., ROK, and DPRK continue periodically in New York to discuss the details of setting up the four party process, to which the DPRK has agreed in principle. These working level talks are useful and we expect them to continue.

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.

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

- **HRH Crown Prince el Hassan bin Talal of Jordan at the White House on Wednesday, June 18 re Middle East developments and U.S./Jordanian economic cooperation.**
- 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.

Croatian Elections/Annexation of Bosnia?

- We are concerned that the recent elections in Croatia were not democratic and fair. Clearly, Croatia still has a way to go before it can be considered a democracy.
- Croatia will continue to have only limited access to international assistance and international institutions until it demonstrates a commitment to democracy and fully cooperation with the efforts toward peace and reconciliation in Eastern Slavonia and Bosnia.
- Many Bosnian Croats who are dual citizens with Croatia voted in the election at consulates as was their legal right. This is not an infringement on Bosnia's sovereignty or a violation of Dayton.

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.

Murder of Policemen in Lurgan June 16

- We are outraged by the callous murder of two policemen in Northern Ireland and extend our deepest sympathy to the families of the two slain officers.
- The IRA has claimed responsibility for this brutal act of terrorism. There can be no reason, no excuse, no apology for these heinous crimes.
- The vast majority of the people of Ireland, North and South, have repudiated violence and murder. They know that a just and lasting peace can only come about through painstaking dialogue and negotiation. The true heroes and patriots are the many people of both communities who work tirelessly and peacefully for reconciliation and understanding.
- We will continue to do all we can to support their efforts and the efforts of the political leaders participating in the Belfast peace talks.

Peace Process

- **The British Government has taken strong steps to make clear its desire for an inclusive talks process leading to lasting settlement of the conflicts. We fully support the position the British and Irish Governments have taken that Sinn Fein cannot participate in the talks until the IRA declares and implements an unequivocal ceasefire.**
- **Belfast peace talks chaired by Senator Mitchell, which reconvened June 3, offer only way to achieve just and lasting settlement to conflict. Change can only come through dialogue and negotiation, not violence.**

Contact with Sinn Fein.

- **The President has many times called on the IRA to end the violence and declare an unequivocal ceasefire. Committed to remain actively engaged in search for just and lasting peace.**
- **The U.S. maintains contact with all parties to reinforce this message and to support the two governments' efforts to move the process forward.**
- **Also keep in direct, frequent touch with British and Irish officials.**
- **We do not go into detail on our diplomatic contacts in support of the peace process..**
- **If pressed:: We will keep open channels of communication to Sinn Fein as long as we believe that is helpful to the peace process.**

PEARSON DEPORTATION

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

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

MITCHELL RESIGNATION AS SAPASS FOR ECONOMIC INITIATIVES IN IRELAND

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

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

ON WHETHER IRA NEEDS TO DISARM BEFORE JOINING TALKS

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

GULF WAR ILLNESSES

June 17, 1997

Q: What is your reaction to the recent GAO report criticizing the government's Gulf War illnesses-related research efforts and specifically suggesting that health problems experienced by Gulf War veterans may have been caused by exposure to chemical or biological weapons?

A:

- The GAO report you refer to is a draft, not yet released, that has been circulated for interagency comment.
- GAO raises important, substantive issues many of which have already been reviewed by the Departments of Defense, HHS, and VA, as well as the Presidential Advisory Committee.
- I'd like to clarify that, to our knowledge, the draft does not conclude that the health problems of Gulf War veterans have in fact been caused by exposure to chemical or biological weapons, nor does it conclude that any of the possible risk factors identified -- and currently under study -- are in fact the cause of Gulf War illnesses.
- The main thrust of the draft report, as we understand it, is that a shift in research emphasis and better use of collected data is called for.
- Once the report is finalized and released, the Departments will be in a position to comment more specifically on its conclusions -- all of which will in any case be carefully factored in to the ongoing research and medical care programs.
- Finally, the President's commitment to Gulf War veterans is clear. If evaluation of the GAO report indicates that a shift in emphasis and/or additional research are needed, these decisions will be taken.

Q: During yesterday's Pentagon press conference, comments by DOD's Special Assistant for Gulf War Illnesses (Dr. Rostker) seemed to indicate that GAO, DOD and the Presidential Advisory Committee have significant differences of opinion on the causes of Gulf War illnesses. What does this mean to veterans?

A:

- First and foremost, the President supports all efforts -- by the agencies involved, by his independent advisory committee, and by Congress -- to investigate the historical and scientific facts and to evaluate and improve the effectiveness of the ongoing government efforts to meet the needs of our Gulf War veterans.
- In terms of any differences of opinion at this stage, we have to remember that the causation issues involved are numerous and complex, and the research available to date is limited -- which is precisely why the ongoing government research program encompasses

more than 90 projects.

- Finally, once the GAO report is finalized and released, the agencies and the independent advisory committee will be in a position to comment more specifically on its conclusions -- all of which will in any case be carefully factored in to the ongoing research and medical care programs. If evaluation of the GAO report indicates that a shift in emphasis and/or additional research are needed, these decisions will be taken. The President's commitment to Gulf War veterans is clear.

Landmines UNGA Resolution

- On November 4, 1996 at the UN First Committee, then-UN Ambassador Albright introduced the U.S.-initiated resolution entitled "An Agreement to Ban Anti-Personnel Landmines," with 84 original co-sponsoring countries. (The number of co-sponsors grew to 115 following introduction.)
 - That resolution urged states "to pursue vigorously an effective, legally-binding international agreement to ban use, stockpiling, production and transfer of anti-personnel landmines, with a view to completing the negotiation as soon as possible."
- On December 10, 1996, this U.S.-initiated resolution was passed in the full UN General Assembly by a vote of 156-0.
 - (If asked: There were 10 abstentions, including Russia and China.)

Deportation of Nicaraguans

Background: U.S. District Judge King heard oral argument on a preliminary injunction that would bar the deportation of Nicaraguan and other immigrants affected by the recent immigration law. The law significantly limited the availability of a remedy known as "suspension of deportation" and could lead to the deportation of thousands of immigrants. However, the judge did not issue a decision; as a result, the temporary restraining order that was in place since May 20 has now expired and the INS theoretically is now free to resume its deportations. The judge said he hoped the INS would use its discretion to halt deportations for the time being.

[NOT FOR PUBLIC USE]: INS is working on guidance to its field officers that would temporarily hold off the deportations of Nicaraguans and other immigrants who do not have a criminal background and were adversely affected by changes in the law governing suspension of deportation.

Points

- Ruling from the judge is anticipated in the near future.
- In meantime, Administration is considering impact of expiration of temporary restraining order on INS operations, including deportations.
- At same time, as President indicated, we remain concerned about aspects of recently enacted immigration law that could have serious humanitarian implications for families here.
- We hope we can begin an Executive-Congressional dialogue that looks at ways to ameliorate these harsh measures without undermining immigration control.

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.

Pleiades

Q: Is the U.S. Government aware that a group of investors called Pleiades has expressed an interest in buying the U.S. Enrichment Corporation?

A: 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.

Q: Is the U.S. Government aware of allegations that the Pleiades group has close ties to the Russian Federation, specifically MINATOM?

A: 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).

Q: Would the U.S. Government allow the sale of USEC to be made to any group with close ties to a foreign government?

A: 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.

Q: 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?

A: 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.

Q: 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?

A: 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."

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

A: 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.

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

Q: How do you intend to sell USEC?

A: 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.

WHY IMPORTANT? WHY NOW?

- Africa is on doorstep of new era of growth, promise and opportunity. Most hopeful period in Africa since just after independence. Economies growing, democracy spreading, many conflicts ending.
- Major Administration goals for Africa:
 - 1) U.S. committed to defending US against threats to our national security i.e.: regional instability, terrorism, crime, narcotics, weapons proliferation, environmental degradation, disease.
 - 2) promote Africa's full integration into the global economy by:
 - galvanizing sustainable development through private sector-led growth and continued development assistance;
 - working to resolve conflicts
 - promoting and sustaining democracy.
- Among top priorities for Africa is promoting implementation of reformed policies that will accelerate growth and economic development in Africa.

BIPARTISAN EFFORT

- President welcomes leadership of many members of Congress on integrating Africa into the global economy.
- Event tomorrow will affirm commitment to work w/Congress to pass swiftly comprehensive, forward-looking new legislation to promote increased trade and investment in Africa.
- This unified bipartisan effort represents unprecedented agreement within USG on importance of Africa and need to work with African governments in a substantive and collaborative partnership to build economic and human potential of the continent.
- This domestic effort is tied closely to the efforts we will undertake later this week at the Denver Summit -- Africa major agenda item.
- Indicative of continuing commitment by the President to the continent:
 - committed to trip to Africa in Second term
 - continuing engagement on conflict resolution (African Crisis Response Force Initiative, Liberia, Angola)

-- working for growth and partnership with Africa for 21st century (Binational Commission w/South Africa, trade initiative)