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Daily Press Guidance

**Wednesday
July 2, 1997**

(For internal use only.)

updated 7/11/97
to G-drive

Press Guidance
Wednesday, July 2, 1997

Domestic

1. CBO estimates of Children's Health Insurance - **Health**
2. Bill Lann Lee - **Civil Rights**
3. NEA - **NEA**
4. Grand Escalante Monument/ Drilling - **Interior**
5. Welfare - **Welfare**

Events

1. Education PSA - **Education**
2. NATO Enlargement Veterans Event - **NATO**

Foreign

1. Boeing McDonnell Douglas Merger
2. Greece/Cyprus
3. Gulf War Weapons Performance
4. China
5. Ukraine
6. M/V KAPTIAN MAN incident
7. CIA report on Nonproliferation
8. Middle East Peace Process

EFFECTIVENESS OF CHILDREN'S HEALTH INITIATIVES

Q. TODAY'S *NEW YORK TIMES* REPORTED THAT NEITHER THE HOUSE NOR THE SENATE'S CHILDREN HEALTH INSURANCE PLANS WILL ACHIEVE MUCH COVERAGE. HOW DO YOU RESPOND?

A. We believe that CBO estimates are excessively low. CBO assumes that states will prefer to use the money to offset existing spending -- not to expand coverage. We believe this lack of trust in the states is unwarranted and not backed up by recent experience. Specifically:

- **Most states have expanded Medicaid for children well above the minimum levels required under current law.** Over 30 states have taken up a Medicaid option to cover more children.
- **More expansions proposed.** This year alone, over 15 states will expand Medicaid or state programs for children.
- **Strong response to private initiatives.** Private foundations (such as Robert Wood Johnson) report that they are flooded with responses from states interested in expanding children's coverage. This interest exists even though states would have more "strings" and have to put up real money to receive the private funding.
- **Non-political career policy experts at the Department of Health and Human Services believe that a carefully structured initiative will increase the number of children with health insurance well beyond CBO estimates.**

CBO analysis does underscore the importance of ensuring tight targeting of funds and state accountability. Although flawed, the analysis does reinforce the President's belief that the investment should be used wisely to ensure that as many uninsured children as possible receive meaningful health coverage. This is why we support:

- **New coverage not existing coverage.** The President supports strong provisions (called maintenance of effort requirements) to prevent the new funds from replacing existing funds for children's health coverage. States should use the new investment to leverage not reduce their current spending.
- **Deletion of provisions that provide for services rather than insurance coverage.** The House bill would allow states to spend all of their money on one service or to offset the reductions to disproportionate share hospitals (DSH). This will not translate into meaningful coverage for children that protects their families from excessive cost sharing.

THE NOMINATION OF BILL LANN LEE FOR ASSISTANT ATTORNEY GENERAL FOR CIVIL RIGHTS

President Clinton announced his intent to nominate Bill Lann Lee as Assistant Attorney General for Civil Rights at the Department of Justice. Lee would be the first Asian-American to serve in that position.

Over 20 Years Experience in Civil Rights

Mr. Lee has devoted his career to civil rights law; he has been active in a wide range of cases involving such as employment discrimination, health care accessibility, equal access to education, public transportation equity and prevention of lead poisoning in poor children.

Lee has authored briefs in many cases before the Supreme Court and has presented oral arguments before seven U.S. Circuit Courts of Appeal. He is admitted to practice in the U.S. Supreme Court, eight of the 13 federal circuit courts and the California and New York state courts.

Praised as an Excellent Litigator

He has won praise by his allies and adversaries alike as a pragmatic attorney and skilled coalition builder. As an advocate, Mr. Lee built a reputation for bringing cases to a close through effective and pragmatic settlements that serve the interests of all parties.

Mayor Richard Riordan of Los Angeles, a former opponent in a lawsuit over local transportation funding, commends Lee for his "practical leadership and expertise" in the settlement of the case.

A History of Commitment to the Issues

A first generation Chinese-American, Lee, 48, was born in New York City and grew up in Harlem, where his family owned a small laundry. He credits his late father, a veteran of the United States Army in World War II who experienced bigotry despite his proud service to his country, with providing him the inspiration to pursue a career in civil rights law. Lee attended public schools, graduated from Yale with honors and later earned his J.D. from Columbia Law School.

Lee lives with his wife, Carolyn Yee, in Los Angeles and has three children ages 15, 6 and 4 years old.



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

6-27-97
NEA

June 25, 1997

THE DIRECTOR

The Honorable David R. Obey
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Obey:

The purpose of this letter is to provide the Administration's views on the Department of the Interior and Related Agencies Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. However, as discussed below, the Administration will seek restoration of certain of the Subcommittee's reductions. We recognize that it will not be possible in all cases to attain the Administration's full request and will work with the Committee toward achieving acceptable funding levels. The Administration is committed to working with the Committee to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, unrequested funds have been provided to reimburse the Forest Service's Knutson-Vandenberg Trust Fund, and the Subcommittee has not rescinded Clean Coal Technology funds at the level proposed in the FY 1998 Budget. We urge the Committee to reduce funding for programs that would be adequately funded at the requested level or for lower priority programs, and redirect funding to programs of higher priority.

National Foundation on the Arts and the Humanities

The Administration strongly objects to the Subcommittee's drastic reduction in funding for the National Endowment for the Arts (NEA). The President's senior advisers would recommend that he veto the bill if this funding level were to remain. The proposed \$10 million appropriation, \$126 million below the President's request, would make it impossible for the NEA to continue to provide important cultural, educational, and artistic programs for communities across America. The Administration urges the Committee to approve funding for the NEA at the level proposed in the President's budget and to remain committed to the continuation of the agency.

In addition, we are concerned about the funding level proposed for the National Endowment for the Humanities (NEH), which is \$26 million below the President's request.

Department of the Interior

Land Acquisition. The Administration strongly objects to the Subcommittee's failure to provide \$700 million in FY 1998 budget authority from the Land and Water Conservation Fund to finalize priority Federal land acquisitions and exchanges as agreed to in the Bipartisan Budget Agreement (BBA) and provided for in the budget resolution. Congress must include the \$700 million request as the bill moves through the process in order to comply with the BBA.

The budget agreement specifies that up to \$315 million would be available from the Land and Water Conservation Fund to finalize priority Federal land exchanges. The Administration's top two priorities are protecting Yellowstone National Park by acquiring private lands associated with the New World Mine project and acquiring old-growth redwoods and adjacent lands in Headwaters Forest. Completing these two priority purchases was the main impetus for including additional land acquisition funds in the final agreement.

National Park Service (NPS): Everglades and Elwha River Restorations. The Administration appreciates the Subcommittee's efforts to provide the requested funding for Everglades (FL) land acquisition, but objects to the level provided for base NPS land acquisition (\$48 million below the level contained in the BBA). We specifically object to the elimination of both non-Federal acquisition funds for South Florida and advance appropriations, including up-front construction funding for restoration of the Elwha River (WA) Ecosystem and Fisheries. Acquisition of Elwha and Glines Canyon dams at Olympic National Park is an essential first step in the restoration of the ecosystem authorized by the Elwha River Ecosystem and Fisheries Restoration Act of 1992. Up-front funding for restoration activities is necessary to meet the 1992 Act's requirement that the Secretary of the Interior determine that funds are available for restoration before proceeding with acquisition of the dams. The Administration urges the Committee to reallocate funding for this priority restoration project within the amount requested by the Administration for base Federal land acquisition, and allow land acquisition funds provided for South Florida to include non-Federal acquisition of important water storage areas.

Native American Program Funding. The Administration commends the Subcommittee for funding essential, reservation-level Bureau of Indian Affairs (BIA) Tribal Priority Allocation programs at the President's requested level, the level included in the Bipartisan Budget Agreement. However, the Administration is concerned about reductions below the request to other programs critical to Indian country, such as school operations, construction of a criminal justice facility, water rights negotiations, and environmental cleanups, could result in serious and costly liability problems. In addition, the Administration is concerned that reductions to the Office of the Special Trustee for American Indians could delay implementation of needed trust fund management reform. The Administration urges the Committee to increase funding to the extent possible for these important trust responsibilities.

Native American Program Riders. The Administration understands that there may be an attempt to add a language provision to the bill in Committee that would prohibit the Secretary of the Interior from taking land into trust for any tribe that had not entered into a binding agreement with State and local governments regarding the tribe's collection and payment of State and local sales and excise taxes on retail purchases made on the land by non-tribal members. Similar to a provision rejected by Congress last year, this would undermine tribal sovereignty and the ongoing

government-to-government cooperation currently underway between a number of tribes and States that have voluntarily negotiated, or are currently negotiating, joint taxation agreements to accommodate the needs and rights of each party. The similar provision last year was among the problems that led the Secretary of the Interior to recommend a veto of the House-passed FY 1997 appropriations bill. The Administration strongly opposes this provision and urges the Committee not to include it in the bill.

The Administration also opposes section 316 of the Subcommittee bill, which would prohibit the development and implementation of any interim or final rule regarding jurisdictional issues pursuant to Title VIII of the Alaska National Interest Land Conservation Act (ANILCA). This moratorium would, in effect, for a third consecutive year override ANILCA without any congressional hearings, suspending public review and comments on the rule. It would prevent the Departments of the Interior and Agriculture from managing subsistence fishing programs on behalf of Alaska Natives, as required by a 1995 decision by the 9th Circuit Court of Appeals (the Katie John case). Ultimately, the Administration supports the transfer of the subsistence program back to the State of Alaska.

Department of Health and Human Services

Indian Health Service. The Administration appreciates the Subcommittee's efforts to fund much of the President's requested \$2,122 million for the Indian Health Service (IHS). To the extent possible, we urge the Committee to include an additional \$36 million to restore IHS funding to the requested level. This would provide \$12 million for Contract Support Costs and funding for special health initiatives such as child abuse prevention and women's health.

The Administration appreciates the Subcommittee's action to provide funding for beginning the construction of the health facility at Polacca, Arizona, for the Hopi Tribe. However, the Administration is very concerned about the lack of funding for the Fort Defiance hospital for the Navajo Tribe. Funding for the replacement health care facility at Fort Defiance would provide a comprehensive health program, including limited inpatient services for gynecological and general ambulatory surgery, intensive care, and adolescent psychiatry. The new hospital would replace the existing main hospital building, which was constructed in 1938 and is functionally inadequate to meet the needs of the current Navajo population. The Administration recommends, and urges the Committee to support, a full-funding commitment for both facilities.

Department of Energy

Energy Conservation. The Administration objects to the Subcommittee's reductions to the request for energy conservation and to the Subcommittee's consolidation of utility-scale gas turbine development activities into the Energy Conservation program. This transfer hides the true size of the Committee's reductions to the President's Energy Conservation budget. The nominal reduction in this account is \$71 million, but because the account includes \$31 million for gas turbine development previously funded in the Fossil Energy Research and Development account, the true reduction to requested energy conservation activities is \$102 million. The reductions to Building Technologies would hurt the Nation's international climate change commitments, and the cuts in Transportation would damage the efforts of the Partnership for a New Generation of

Vehicles (PNGV) to move to the next phase of technology development and systems integration. Within the transportation area, the Subcommittee has also included an increase of \$10 million over the request for heavy vehicle technologies. This add-on would disperse the program's scarce resources away from the highest-priority activities and contradicts the Committee's stated interest in making the programs more focused. These funds should be redirected toward the requested PNGV activities.

Strategic Petroleum Reserve. The Administration objects to the Subcommittee's proposed non-emergency sale of oil from the Strategic Petroleum Reserve in order to fund routine operations and maintenance at the Reserve. The President's budget requests \$209 million in new budget authority to fund these activities. The Strategic Petroleum Reserve is the cornerstone of the Nation's energy security and should not be used to raise revenues. The Administration is conducting a study of policy issues related to the Reserve, which should be completed this fall. The study will include analysis of the appropriate use of the Reserve in emergency and non-emergency situations.

Clean Coal Technology. The Administration recommends that the Subcommittee rescind \$153 million, as requested in the FY 1998 Budget. The Administration objects to the Subcommittee's decision not to advance appropriate \$50 million in FY 1999 funds for a demonstration project in China. This project would demonstrate a coal-based technology that can greatly reduce CO₂ and other pollutants, thereby limiting the environmental impacts of industrialization in developing countries with large coal reserves. The Administration requests that \$153 million in available balances be rescinded, and that \$50 million be advance appropriated for FY 1999 to fund the China project.

Fossil Energy Research and Development. The Administration objects to the Subcommittee's proposal to fund the Fossil Energy Research and Development fuel cell program at \$9 million less than the \$37 million requested to continue strong national programs to promote high efficiency molten carbonate and solid oxide fuel cell systems. The funds can be restored by reducing the Subcommittee's proposed increases to the coal and advanced turbine systems programs.

Department of Agriculture and Forest Service Micromanagement

The Administration objects to the micromanagement of Executive Branch authorities that the Subcommittee bill would impose upon the Forest Service and the Office of the Secretary. The Administration believes that this inordinate level of micromanagement is inappropriate and would impede the ability of the Department to operate effectively. For example, the Subcommittee bill includes highly objectionable language that would terminate the Secretary of Agriculture's authority to have a Western Director and a special assistant in the West, who facilitate the resolution of complex issues and provide important feedback to the Secretary about concerns of Western States and citizens. The Subcommittee bill would further micromanage the Forest Service with specific provisions prohibiting any reorganization, office closure, or other cost saving proposals without prior approval of the Committees. In addition, the Subcommittee Report would require the Forest Service to complete — most by January 1998 — over 15 different reports to the Congress.

Woodrow Wilson Center

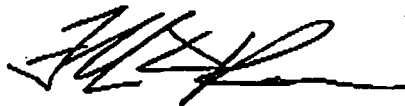
The Administration strongly recommends restoring the \$5.8 million requested in the President's budget for the Woodrow Wilson Center. The Center was established by Public Law 90-637 as the Nation's memorial to the twenty-eighth President. The law created a Board of Trustees to maintain and administer the Center, including the provision of facilities, staffing, and appointment of scholars, and where appropriate, to provide stipends, grants, and fellowships to such scholars, from the United States and abroad. The Administration and the Congress have supported the Center since 1968.

Smithsonian Institution

The Administration strongly recommends that the Committee provide the full \$58 million requested for construction of the Mall Museum of the National Museum of the American Indian. The National Museum of the American Indian was created by Public Law 101-185, which requires that two-thirds of the construction funds for the Mall Museum shall come from Federal appropriations and one-third from a national fund-raising campaign. As of January 1997, the national campaign had received cash and pledges for the \$36.7 million required to meet the non-appropriated portion. The FY 1998 Budget requests \$58 million for the Federal share for the construction of the Mall Museum.

We look forward to working with the Committee to address our mutual concerns.

Sincerely,



Franklin D. Raines
Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Ralph Regula,
and The Honorable Sidney R. Yates

Press Guidance
July 2, 1997

Grand Escalante Monument/ Drilling

The Washington Post today reports that the Interior Department is likely to allow exploratory oil drilling by Conoco Inc on the Grand Escalante Monument.

- The President's proclamation was completely clear on the protection of valid and existing rights and we stand by that. (This company has existing leases and environmental assessment was done on the company's proposal)
- However, this is one site and we intend to proceed very cautiously here.
- The environmental impact of such an exploratory drill is fairly small and does not impact that which the President sought to protect in creating the monument. (i.e. - near an existing road/on a damaged area)
- If they did find oil, we expect that we would do a full environmental impact statement if they sought to develop a field.

Note: It should be noted that some of these companies have had these leases for ten years and done nothing with them.

Mellody per Shelly Fiedler, CEQ and various officials at Interior

Press Guidance

July 2, 1997

WELFARE STUDY

- The Department of Health and Human Services is going to take a good look at the MDRC study to see what lessons it holds for welfare reform.
- Whatever the results of this study, the President and First Lady believe that it's important for all of us to send a consistent message to teens that they should stay in school and not have children until they've ready to accept that responsibility.
- The President and the First Lady have devoted much time and effort to the difficult issue of teen pregnancy. As a result of the President's leadership, and a challenge he made in his 1995 State of the Union, the bipartisan National Campaign to Prevent Teen Pregnancy was launched a little over a year ago and is working to turn the tide on this difficult problem.

Silverman
per Rice/ODP

**PRESIDENT CLINTON TO LAUNCH EDUCATION PUBLIC SERVICE
ANNOUNCEMENTS AT ORIOLE PARK AT CAMDEN YARDS**

July 2, 1997

Today President Clinton will travel to Oriole Park at Camden Yards in Baltimore, MD to launch public service announcements (PSAs) which dramatize the need to raise education standards in America's public schools. The PSAs, which encourage parents to support higher standards in their children's schools, feature major league baseball players Tony Gwynn (San Diego Padres), Brett Butler (Los Angeles Dodgers) and Tom Glavine (Atlanta Braves). The ads are sponsored by the Education Excellence Partnership and will be distributed nationwide by the Ad Council beginning July 14, 1997.

Upon his arrival at Oriole Park at Camden Yards, the President will greet players and coaches from the Baltimore Orioles and Philadelphia Phillies in the team locker rooms. In a brief pre-game ceremony at home plate, President Clinton; Cal Ripken, Jr., Baltimore Orioles' third baseman; Bud Selig, Chairman, Executive Council, Major League Baseball; Norman Augustine, CEO, Lockheed Martin Corporation and Chairman, Education Task Force of The Business Roundtable; and students from the Salvation Army Boys and Girls Club of Greater Baltimore will unveil the new PSAs (see attached fact sheet and story boards).

The pre-game program is as follows:

- * Bud Selig makes remarks.
- * The President makes remarks.
- * Public Service Announcement is played.



Education Excellence Partnership Fact Sheet/Background

The Education Excellence Partnership (EEP), a unique coalition of public officials, business and teacher organizations, is working to strengthen the academic future of America's children by encouraging parents to get more involved in their children's education and learn about and support higher academic standards.

The partnership includes The Business Roundtable, U.S. Department of Education, American Federation of Teachers, National Alliance of Business, National Education Association, National Governors' Association, and the U.S. Chamber of Commerce.

"Our coalition is founded on the bedrock belief that any school improvement effort must rest on a foundation of world-class standards," said Robert L. Wehling, Senior Vice President, Procter & Gamble Co., President, Education Excellence Partnership, and Chairman, The Advertising Council.

On July 2 at Camden Yards, President Clinton and the Education Excellence Partnership will unveil a new series of public service advertisements that feature three of Major League Baseball's standouts—Tony Gwynn (San Diego Padres), Brett Butler (Los Angeles Dodgers) and Tom Glavine (Atlanta Braves).

Viewers are encouraged to "be a big league parent" by calling a toll-free number (1-800-38-BE SMART) to receive a free copy of a booklet entitled "Strengthening Your Child's Academic Future." The booklet provides sample questions parents can use to begin a dialogue with their children's teachers and administrators about the academic standards in place at their school.

The trio of ads was created by the Leo Burnett Company and will be distributed by the Ad Council, the country's biggest producer of PSAs. They will begin airing in time for back to school.

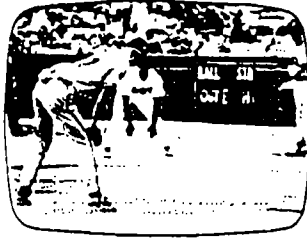
The public service announcements are part of a continuing effort to help Americans learn more about the urgent need for reform in America's schools, to raise academic standards, and to encourage parents to get more involved in their children's education.

The current emphasis on parental involvement results from the recognition that as states and local districts adopt and implement higher standards in the classroom, parental support and action is critical for success.

In 1989 President Bush called for CEOs to make a personal commitment to reform elementary and secondary education. The Business Roundtable answered that call by committing to a 50-state initiative to improve the quality of our schools. In 1992, the Roundtable invited other organizations to sponsor an advertising campaign to help the public understand the need for education reform.

Major League Baseball and the Major League Baseball Players Association are now working with the Education Excellence Partnership on the current series of ads featuring professional ballplayers.

"RUBBER ARM" :30 CNEE-7230

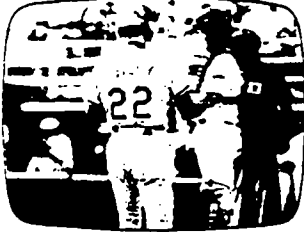


(SFX: CROWD NOISE) FAN: Pitcher got a rubber arm! Pitcher got a rubber arm! Pitcher got a rubber arm! MANAGER: Tom, where are you going? Hey, we've got a ball game here. GLAVINE: Pardon me. FAN: Pitcher got a rubber arm. GLAVINE: It's has. FAN: Huh?

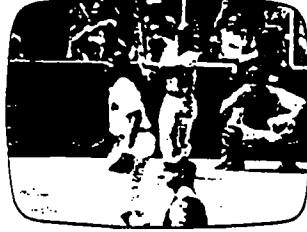


GLAVINE: Pitcher HAS a rubber arm. ANNCR VO: If education is important to you, talk to your child's school about raising academic standards. Call 1-800-38-BE SMART for a free booklet and be a Big League Parent.

"DINOSAUR" :30 CNEE-7330



ANNCR: Now batting, Brett Butler. CATCHER: Butler? He's a dinosaur. They should rename this place Jurassic Park in his honor. BUTLER: Dinosaur, huh? Did you know that Shunosaurus and Ankylosaurus dinosaurs were capable of delivering crushing blows with their bony tail clubs?



(SFX: WHACK!) ANNCR VO: If education is important to you, talk to your child's school about raising academic standards. Call 1-800-38-BE SMART for a free booklet and be a Big League Parent. BUTLER: Aw, even my third grader knows that. CATCHER: Smart kid.

"MAJOR LEAGUE MATH" :30 CNEE-7430



COACH: Out? Out? There's no way he's out! It's impossible. GWYNN: Actually coach, it's not. See, Jimmy had to travel a distance of 90 feet. He reached an average speed of 15 miles per hour. The ball left two seconds later than Jimmy and had to go one and a half times the distance...



ANNCR VO: If education is important to you, talk to your child's school about raising academic standards. Call 1-800-38-BE SMART for a free booklet and be a Big League Parent. GWYNN: ...thus enabling it to reach the destination at a much quicker rate. COACH: Did you factor in the wind speed?

THE WHITE HOUSE

Office of the Press Secretary

FOR PLANNING PURPOSES ONLY

Contact: 202/456-7150

July 1, 1997

PRESIDENT CLINTON TO ATTEND VETERANS EVENT ON NATO ENLARGEMENT

Washington, D.C. -- President Clinton will attend an event with veterans on the enlargement of NATO on Thursday, July 3 at 2:30 p.m. at the White House. Vice President Gore, Deputy Secretary of Veterans Affairs Hershel Gober, National Commander of the American Legion Joseph Frank, President of the Reserve Officers Association Herbert Harmon, and WWII veteran Judge Loughlin Waters will also participate in the event.

WHAT: The President to attend veterans event on NATO enlargement.

WHERE: The East Room, The White House.

WHEN: 2:30 p.m., Thursday, July 3, 1997.

COVERAGE: OPEN PRESS

Note: Press needing White House clearance should contact the Office of the Press Secretary at 202/456-7150.

-30-30-30-

NATO SUMMIT MESSAGE POINTS & KEY EVENTS

The NATO Summit is history in the making -- and President Clinton more than anyone has helped make it. Four years ago, President Clinton set out vision for a new Europe in a new century: a continent undivided, democratic and at peace for first time in history. Working closely with our European allies, he has helped realize that vision by opening NATO's doors to Europe's new democracies, forging NATO-Russia and NATO-Ukraine partnerships, creating the Partnership for Peace. Now, the main battleground for bloodiest century in history can become a citadel for freedom, democracy and security in the new century. Madrid represents a culmination of American and European leadership in building a new Europe -- a capstone for the 20th century and a cornerstone for the 21st.

KEY EVENTS

Independence Day Event -- Thursday, July 3 (Washington)

Message: Our own Independence Day is a symbolic launching point for Madrid, where we will help lock in Europe's freedom and security -- and strengthen our own. President will announce endorsements of enlargement by the American Legion and the Reserve Officers Association. By bringing in surviving Polish and American veterans of the Battle of the Falaise Gap -- in which Free Poles and American 90th Infantry joined forces to prevent Nazi panzer divisions from escaping into French countryside after D-Day -- President will highlight that new NATO allies are in fact old allies who will add to NATO's strength.

Arrival Statement -- Monday, July 7 (Madrid)

Message: Remarks at arrival ceremony at Madrid airport will set scene for the summit and highlight bipartisan support for enlargement (given presence of Congressional observer group.)

Press Conference Statement (T) -- Tuesday, July 8 (Madrid)

Message: Summit is a culmination of President's efforts to forge new NATO with new members, new missions, new partners. Enlargement will strengthen NATO to meet new challenges, help lock in gains of freedom and stability in Central Europe. Coupled with NATO-Russia Founding Act, NATO-Ukraine Charter, Euro-Atlantic Partnership Council and Partnership for Peace program, it will help bring together for 21st century a continent divided for much of 20th century.

Reception for CEE Leaders -- Wednesday, July 9 (Madrid)

Message: Reception for CEE leaders (new invitees and non-invitees alike) will put human face on enlargement -- and highlight how face of Europe has changed. A decade ago, these nations were our Warsaw Pact adversaries. Now, as a result of shared commitment to freedom and security, they are allies -- helping keep peace in Bosnia, settling old conflicts, strengthening foundation for freedom and stability in Europe. Remarks to be broadcast over Radio Free Europe -- once lone voice of freedom broadcast into CEE, now one of many voices of freedom broadcast from CEE.

BOEING-MCDONNELL DOUGLAS MERGER

July 1, 1997

- **The Federal Trade Commission announce today that it has completed its review of the proposed merger of Boeing and McDonnell Douglas and has concluded that the merger would not violate U.S. antitrust law -- that it would not substantially lessen competition that otherwise would have occurred in the aircraft industry.**
- **The European Commission (EC) is continuing its review of the transaction under EC merger law, and must reach a settlement later this month. In late May, the European Commission issued a "Statement of Objections" setting out its initial concerns that the merger would not be consistent with European merger law. We have on a number of occasions expressed concern about early statements from the European side that gave the appearance of prejudging the matter before the evidence was in. We have made clear our expectation that the decision on the European side must be made on objective antitrust grounds.**
- **The United States and the European Union share a commitment to sound antitrust enforcement. We have a solid record of antitrust cooperation with one another. This merger is a case involving global markets in which the fundamental antitrust concerns before our respective antitrust authorities should be the same -- whether the merger of these two American companies would harm consumers, in this case the airlines and military purchasers that buy the types of aircraft the companies produce. The FTC, after a lengthy and intensive investigation, determined that it would not. We hope the EC will give considerable weight to the U.S. antitrust authorities' conclusions.**

If asked:

Q: What would happen if the EU denied the merger?

A: It is premature to speculate.

GREECE/CYPRUS

July 1, 1997

Q: Who was the Greek Defense Minister meeting with on June 23rd? What was the content?

A: DAPNSA Don Kerrick and Sandy Vershbow met with him. They discussed regional issues, including our interest in helping the Greeks and Turks reduce tensions, as well as the upcoming negotiations on Cyprus and the President's commitment to a lasting settlement as reflected in the appointment of Holbrooke.

Q: Any comment on the Cyprus process?

A: Refer to State.

GULF WAR WEAPONS PERFORMANCE

July 1, 1997

BACKGROUND: An AP story, reported in this morning's Washington Post, regards a newly-declassified GAO Report that criticized a "pattern of overstatement" regarding the performance of precision weapon systems during the Gulf War. The report itself was released last year, and generated some coverage at the time. In a sense, this is "old news." However, Assistant Secretary of Defense Ted Warner did an interview yesterday to CBS and Hearst in response to the AP story.

Q: What is your response to the GAO Report which states that descriptions of the success of precision weapons used during the Gulf War were unverifiable or exaggerated?

A: Refer that question to DoD.

Q: Does the GAO Report support the Administration's opposition to purchasing more B-2 bombers?

A: The President based his decision not to ask for additional B-2 bombers on a series of Air Force and DoD studies that have consistently concluded the existing 21-plane force is sufficient. The most recent of those studies, the Deep Attack Weapons Mix Study, Phase II (or DAWMS II), completed in May, reached the same conclusion: that the current force is sufficient.

CHINA
July 2, 1997

Q: What is your comment on the reported statement by PRC President Jiang that China will now turn its attention from Hong Kong to reuniting Macao and then Taiwan with the mainland?

A: China has long had the goal of reuniting all Chinese territories, namely Hong Kong, Macao and Taiwan. Our position on Hong Kong is clear: we expect China to adhere to the one country, two systems principle. Macao, currently a Portuguese colony, will revert to China in 1999. We have long regarded the question of Taiwan as a matter for the two sides to resolve. Our strong interest is that the resolution be peaceful.

Lazarenko Resignation

- **Note President Kuchma accepted Prime Minister Lazarenko's resignation. Such decisions President Kuchma's to make. Do not have information on likely replacement.**
- **Look to President Kuchma and Rada leaders to work together to expedite appointment of team ready to implement reform agenda.**

(If raised -- is this good for anti-corruption campaign?)

- **Have no basis to comment on whether Lazarenko resignation affects anti-corruption efforts. Tackling corruption is high on President Kuchma's agenda; U.S. prepared to support concrete initiatives to promote open, competitive, transparent economy.**

M/V KAPITAN MAN INCIDENT

July 2, 1997

Background : On June 26 OSD released an unclassified summary of the DoD analysis of the M/V KAPITAN MAN incident. The basic conclusions were that the U.S. Navy Lieutenant's eye injury was most likely caused by a laser with a high pulse repetition rate, but that no evidence could be found linking the Lieutenant's injury to the M/V KAPITAN MAN or any other potential source of a laser. The classified report carefully points out the many discrepancies in the available evidence that preclude a more definitive conclusion. The unclassified summary points out those discrepancies as well.

Today's Gertz article is a rehash of numerous allegations he has made since his first article on May 14, updated to exploit and distort the discrepancies in the available evidence he gleaned from the classified report. Gertz juxtaposes several statements taken out of context to make it appear that OSD ignored or deliberately attempted to cover up the possibility of laser exposure, when in fact the DoD investigators went to great lengths to try and prove that there was laser exposure and that the laser came from the M/V KAPITAN MAN.

OSD has not closed its investigation of the incident. The US Navy Lieutenant will receive another eye examination in July and perhaps further examinations afterwards. The next eye examination will be important for determining if the laser exposure occurred on April 4 or at an earlier (possibly much earlier) date. One possibility that has not been ruled out (and is consistent with some of the evidence) is that the Lieutenant previously may have been exposed to a US military laser.

Because the analysis that led to OSD's conclusions involves arcane technical details on lasers, recommend questions on the discrepancies in the report be referred to DoD.

Questions and Answers

Q. Do you have any comments on the OSD report on the laser incident?

A. The Department of Defense concluded that the US Navy Lieutenant's eye damage was caused by a laser, but they found no evidence tying the eye injury to the American officer to a laser located on the Russian merchant vessel. Nor was OSD able to identify from the available evidence any other potential source of the laser. The DoD investigation remains open. Please refer questions on the details of the OSD report to the Defense Department.

Q. Was the Coast Guard ordered to limit their search of the ship in any way?

A. No. Confusion on that point arose because some Coast Guard safety inspections are normally limited to "common areas" of the ship being inspected. No such restriction was imposed on the search of the M/V KAPITAN MAN. The Coast Guard inspection team reported that the Russian crew was cooperative and agreed to grant them access to any area they asked to inspect.

Q. Did the US Government notify the Russian Government of this incident?

A. We informed the Russian Government of the incident and that the M/V KAPITAN MAN had been detained by the US Coast Guard for inspection.

Q. How did the Russian Government react to our actions?

A. The Russian Consulate in Seattle offered their services to assist the Coast Guard in their inspection of the ship. The Coast Guard expressed willingness to conduct the inspection with a Russian consular officer present. The Russian Consulate in Seattle elected not to participate. The Russian Government has indicated that it will cooperate in our investigation of this incident.

Q. Why was the Russian ship released?

A. The Coast Guard inspection team reported that they had satisfied the purpose of the inspection, which was to determine if hazardous materials or conditions were present on the vessel. The inspection team found no hazardous materials or conditions, and the Coast Guard informed the Master of the M/V KAPITAN MAN that the order detaining his vessel had been canceled.

Q. Was the Russian ship engaged in intelligence collection?

A. I have no information that it was. You should refer that question to the Department of Defense.

Q. Did the US Government protest this incident to the Russian government?

[This answer taken verbatim from State Dept. press guidance and talking points prepared for Amb. Collins confirmation testimony.]

A. On April 8, the State Department forcefully protested the incident to the Russian Government. We pointed out the hazards of lasers and urged that the Russian Government ensure that Russian commercial ships were aware that inappropriate use of laser range finders could cause injury.

Q. Do you have any comment on the allegations that there has been a cover up of the incident to avoid damaging US-Russian relations?

A. There has been no cover up. Period. If we did not want to upset US-Russian relations, we would not have detained the KAPITAN MAN in the first place. Shortly after the incident, a Russian Foreign Ministry spokesman issued a statement protesting our detaining and inspecting the Russian ship. Despite the fact we lacked evidence that the KAPITAN MAN was the source of the laser, we immediately acted on the possibility that KAPITAN MAN could have shined a laser at the helo. The State Department forcefully protested the incident to the Russian Government two days before we received the medical report concluding that the Lieutenant's eye injury probably had been caused by a laser.

That is not the behavior of a cover up or an effort to prevent the incident from damaging US-Russian relations.

For use only if asked:

Q. If the Russian ship did point a laser at the helicopter, would it be a violation of the ban on blinding laser weapons?

A. The Convention on Conventional Weapons Protocol on Blinding Laser Weapons prohibits only the employment of “laser weapons specifically designed, as their sole combat function, to cause permanent blindness to unenhanced vision, that is to the naked eye or to the eye with corrective eyesight devices.” Laser systems that are not covered by the Protocol are widely used by the armed forces of many nations, including those of the United States, for purposes such as detection, targeting, range finding, and communications. Lasers are also being used for an increasing number of commercial applications, which also are not prohibited by the protocol.

CIA REPORT ON NONPROLIFERATION

July 2, 1997

Q: According to an unclassified CIA report to Congress, Russia and China are the premier suppliers of proliferation-related technology around the world. How can you claim that your policy of engagement is working?

A: It's true that strengthening the export control systems of Russia and China is essential to deal with the supply side of proliferation. The CIA report lists a number of areas where we have continuing concerns about exports from China and Russia, but does not mention areas of progress. For example, we have substantially helped to strengthen controls over nuclear materials and equipment in both China and Russia. Our success in these areas shows that we can expect further progress if we continue working with Moscow and Beijing to deal with remaining areas of concern.

MIDDLE EAST PEACE PROCESS

July, 2, 1997

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

A: We regret the loss of life and injuries that have occurred in connection with these and other confrontations in the West Bank and Gaza.

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.