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Daily Press Guidance - July 3, 1997

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Daily Press Guidance

Thurssday
July 3, 1997

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Press Guidance
Thursday, July 3, 1997

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1. NATO Enlargement Veterans Event - NATO

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37. DROC (Ex-Zaire)



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

THE DIRECTOR

July 2, 1997

The Honorable John R. Kasich
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As the Conferees begin to consider this year's budget reconciliation bill, I am writing to transmit the Administration's views on the House and Senate versions of the spending bill on reconciliation, H.R. 2015. The Administration will separately transmit its views on the tax provisions.

We are pleased that the House and Senate adopted many provisions that are consistent with the Bipartisan Budget Agreement, reflecting the continuing bipartisan cooperation that we will need to fully implement the agreement and balance the budget. In several areas, however, the House and Senate bills violate the agreement. In other areas outside the scope of the agreement, we have very strong concerns about the reported provisions. We have raised a number of these issues in letters to you and to the authorizing committee chairmen and ranking members throughout House and Senate consideration of the separate reconciliation spending bills.

On the pages that follow, we have outlined noteworthy provisions of the House and Senate bills with which we agree, others that we believe violate the budget agreement, and still others about which we have concerns.

We expect and will insist that the final budget legislation conform to the budget agreement. In addition, we look forward to working with you to craft a final conference report that is free of objectionable provisions, resolves the other major policy differences between us, and balances the budget by 2002 in a way that we can all be proud of. We hope to meet that goal before the August recess.

We look forward to working with you.

Sincerely,

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

Franklin D. Raines
Director

Enclosure

cc: Senate Conferees
House Committee Chairmen and Ranking Members

Identical letter sent to Honorable Pete V. Domenici,
Honorable John M. Spratt Jr., and Honorable Frank R. Lautenberg

THE ADMINISTRATION'S DETAILED VIEWS:

THE HOUSE AND SENATE RECONCILIATION BILLS ON SPENDING

Medicare

We applaud the House and Senate for reporting bills that largely conform to the underlying principles of the budget agreement. Both bills achieve the necessary level of Medicare savings — although we still await final scoring of the Senate provisions from the Congressional Budget Office (CBO) — and would extend the life of the Hospital Insurance Trust Fund by at least 10 years; provide structural reforms that will give beneficiaries more informed choices among competing health plans; establish prospective payment systems for home health agencies, skilled nursing facilities, and hospital outpatient departments; incorporate prudent purchasing reforms; and provide the funds to establish a wide array of cost-effective preventive benefits, including mammography and colorectal screening. We look forward to working with your staffs on the many technical issues related to ensuring that these provisions are implemented correctly.

We are pleased that the Senate has included provisions in its bill to require managed care and fee-for-service demonstrations of Medicare reimbursement to the Departments of Defense (DOD) and Veterans Affairs — a concept known as Medicare subvention. We are encouraged that these provisions are similar to our own Medicare subvention legislation, which we transmitted to Congress on February 7, 1997. We look forward to working with the Conferees to develop a bill that addresses Administration concerns about the fee-for-service and payment rate components of the DOD demonstration.

Notwithstanding these achievements, both the House Ways and Means and Senate bills contain a provision that we believe is inconsistent with the budget agreement. During our negotiations over the agreement, we discussed at great length the reallocation of home health expenditures to Medicare Part B. All sides clearly understood that the reallocation would be immediate. Both bills, however, phase in the reallocation, which costs two years of solvency in the Part A trust fund — two years that we can ill afford to lose. We urge the Conferees to incorporate the provisions in the House Commerce Committee title of the House bill, reallocating home health spending consistent with the budget agreement.

The Administration has significant concerns with other provisions of the two bills, concerns that we urge the Conferees to address.

Beneficiary Contributions to a Balanced Budget. We worked very hard during the budget negotiations to set a beneficiary contribution to a balanced budget that was fair and equitable — applying the Part B premium, over several years, to the home health reallocation and maintaining the Part B premium equal to 25 percent of program costs. Other provisions of the Senate bill, however, would go beyond the budget agreement and introduce new, inadequately developed proposals.

- *Raising the Medicare Eligibility Age.* The Senate bill raises the eligibility age for Medicare from 65 to 67 over a period of years. Raising the eligibility age is not necessary to balance the budget, and consideration of this policy should be part of a bipartisan process to address the long-term financing challenges facing Medicare. Moreover, early retirees between 65 and 67 may not be able to obtain affordable insurance in the private market. The Administration is concerned about the potential loss of coverage for any American, and we urge the Conferees to drop the provision as part of this bill.
- *Imposing Home Health Copayments.* The Senate bill would impose a Part B home health copayment of \$5 per visit, capped at an amount equal to the annual hospital deductible. Most home health users who lack Medigap or Medicaid protections are poor and will face financial burdens that may result in reduced access to needed care. Those beneficiaries who have Medigap or Medicaid will have no real incentive to reduce utilization. We do not need to impose a home health copay to balance the budget, and any further consideration of this policy should be part of a bipartisan process to address the long-term financing challenges facing Medicare. We urge the Conferees to drop this provision as part of this bill.
- *Income-relating the Part B Premium.* The Senate bill would income-relate the Medicare Part B premium. While we do not oppose income-relating Medicare in principle, we have a number of concerns about this proposal. First, we do not need income-related beneficiary contributions to Medicare to balance the budget. Second, we have serious concerns about how an income-related premium will be administered. Administration by the Department of Health and Human Services (HHS), which has no access to individual beneficiary income data, would be impractical and very expensive, and we have previously said that only the Treasury Department could administer such a policy in the short run. Moreover, the administering agency would require substantial additional resources to undertake this new responsibility. Finally, we believe that this provision, which completely eliminates any Part B premium subsidy for the highest-income beneficiaries, could lead these beneficiaries to drop Medicare coverage, thus leaving poorer, typically less healthy, beneficiaries in the Medicare risk pool and thereby increasing their premiums. While we have serious concerns about this proposal as drafted, we remain interested in discussing it, or proposals like it, in the broader context of reforms to address the long-term financing and structural challenges facing the program.

Threat to Beneficiary Protections. The Administration strongly supports the introduction of new options for Medicare beneficiaries in both the fee-for-service and managed care sectors. We also believe, however, that any new options must both provide value beyond that offered by the traditional Medicare program and include beneficiary protections. The Senate bill includes several provisions that violate these principles, and we urge the Conferees to drop them.

The first provision allows beneficiaries to choose a so-called "private fee-for-service" option under the Medicare Choice program. We are concerned that private fee-for-service plans in Medicare Choice represent bad policy, particularly given the fact that these plans will be subject to no balance billing or quality protections. We are also concerned that this option will attract primarily healthy and wealthy beneficiaries and leave sicker and poorer beneficiaries in the more expensive, traditional Medicare program. In addition, it could disproportionately attract rural beneficiaries if the few providers in their area choose to leave traditional Medicare and form private fee-for-service plans.

The second provision would allow physicians to obtain private contracts from beneficiaries whereby the beneficiary would agree to pay whatever the physician charged (i.e., waive balance billing limits) and agree not to submit a bill to or collect anything from Medicare. The beneficiary would be totally responsible for out-of-pocket expenses for the physician's entire bill, even though the service would be covered by Medicare if the bill were submitted to Medicare. As a result, we are concerned that private agreements could become licenses for physicians to coerce beneficiaries, exposing beneficiaries to unlimited liability and making meaningless the Medicare coverage they have paid for.

The third provision would allow Durable Medical Equipment (DME) suppliers to bill Medicare beneficiaries for amounts beyond cost-sharing for "upgraded" DME items, while still accepting assignment. Beneficiaries already have the option of choosing upgraded DME under current law. We are concerned that this new option undermines limits on beneficiaries' out-of-pocket payments and, as a result, could permit suppliers to take advantage of beneficiaries.

Medical Savings Accounts. We believe that any demonstration of this concept should be limited in order to minimize potential damage and costs to Medicare. We commend the Senate for limiting the demonstration to 100,000 participants, but we believe a successful demonstration could be structured with fewer participants. In any case, we want this demonstration to be as small as possible. We also commend the Senate for limiting cost-sharing and deductibles to amounts enacted under the Health Insurance Portability and Accountability Act (HIPAA). But, we still prefer a geographically-limited demonstration that applies current law limits on balance billing to protect beneficiaries from additional provider charges. We urge the Conferees to limit this demonstration numerically (within the numbers outlined above) and geographically for a trial period (two States for three years), enabling us to design the demonstration to answer key policy questions.

Preventive Benefits. We are pleased that the preventive benefits in the House and Senate bills are largely the same as those in the President's budget. Unlike the budget, however, the House and Senate bills do not waive all cost sharing (coinsurance and deductibles) for mammograms. Research shows that copayments hinder women from fully taking advantage of this benefit. We urge the Conferees to modify the House and Senate provisions to waive all cost sharing for mammograms.

Medigap. The President's budget advanced a number of important Medigap reforms, including annual open enrollment, community rating, initial open enrollment for disabled and kidney dialysis beneficiaries, and various portability provisions. We are disappointed that neither the House or Senate adopted certain of these reforms. The Senate bill took the largest strides toward these important reforms, providing for an initial open enrollment period for disabled beneficiaries and a trial period for managed care enrollees. We urge the Conferees to adopt at least the Senate provisions, and to fully consider the President's suggested additional reforms.

Medical Malpractice. The House bill includes malpractice provisions that are extraneous to the budget agreement. The Administration has consistently made it clear that we find these provisions objectionable, and we urge the Conferees to delete them.

Provider Sponsored Organizations. Another step forward in both bills is their inclusion of provider sponsored organizations (PSOs) as Medicare options. We are concerned, however, about the lack of minimum private enrollment requirements and aspects of the PSO definition, and we look forward to working with the Conferees on these issues.

Managed Care Payments. We agree that the current unjustifiable geographic variation in payments to managed care plans should be remedied as part of the reconciliation bill. We prefer the House proposal, which mitigates the geographic variation in payments and maintains the link to fee-for-service payments, along with an adjustment for adverse selection. Various payment provisions in the Senate bill, some of which are individually justifiable, together have a significant negative impact on areas with a high managed care enrollment and could lead to abrupt changes in additional benefits now provided to Medicare enrollees. The Senate proposal also ties growth in managed care payments to growth in gross domestic product (GDP). We prefer a less disruptive payment proposal and one that ties growth in payments to growth in fee-for-service Medicare. Limiting managed care payment growth to GDP effectively creates two growth rates for Medicare payments, leading to an erosion of the value of the Medicare Choice benefit package and exposing beneficiaries to increased premiums.

Managed Care Risk Adjustment. The Senate bill includes immediate implementation of an untried, "new enrollee" risk adjustment methodology that would be applied in an inequitable manner (exempting some plans) and that would be replaced by a different revised

methodology two years later. We prefer to implement a managed care risk adjustment methodology once -- and sooner. Therefore, we support the House provisions on risk adjustment, modified to authorize the collection of hospital discharge data immediately and to authorize implementation of the risk adjustment methodology in 2000.

Medical Education/Disproportionate Share (DSH) Carve-out. The President's 1998 budget proposed to move medical education (indirect and direct) and DSH adjustments out of managed care payment rates and redirect them to eligible hospitals that provide services to Medicare managed care enrollees. This important proposal would ensure that the Nation's teaching hospitals and those that serve low-income populations receive the Medicare payments to which they are entitled. The Senate and the House Commerce Committee adopted these provisions, and we urge the Conferees to adopt them as well.

Managed Care Enrollment. We urge adoption of the Senate provisions with regard to open enrollment. The House bill permits beneficiaries to be locked into a MedicarePlus plan for as long as nine months, after a lengthy transition period. We continue to support the monthly disenrollment option as an important safety valve for managed care enrollees who are dissatisfied with their managed care plan.

Managed Care Quality. Both the House and Senate bills go far to ensure quality in Medicare managed care. The House bill, however, has an objectionable provision allowing external quality review requirements to be met through accreditation. The House bill also contains a similar provision in its Medicaid title. We prefer maintaining a true requirement for external quality review to protect beneficiaries in this rapidly changing marketplace, as the Senate bill provides.

Medicare Commission. Both the Senate and House bills would establish a Medicare commission. We believe strongly that a mutually agreeable, bipartisan process is essential to successfully address the long-term financing challenges facing Medicare. We look forward to working with you to develop the best possible bipartisan process to address those challenges while simultaneously ensuring the sound restructuring of Medicare to continue to provide high-quality care for our Nation's senior citizens.

Office of Competition. The Senate bill would create an Office of Competition within HHS to administer competitive pricing demonstrations. We believe this provision would create unnecessary duplication of staff and resources within HHS and become a potential source of confusion for Medicare beneficiaries and plans. We are also concerned about certain aspects of the competitive pricing demonstration, and we look forward to working with the Conferees to ensure that the demonstration authority would lead to valid and verifiable results.

Hospital Payment Systems. We have several concerns with various House and Senate provisions relating to hospital payments, including: the Senate provision to move the hospital update to a calendar year basis while leaving all other changes to PPS payments on a fiscal year basis, thus requiring two separate payment rules; the Senate provision on hospital transfers, which does not include home health agencies and which we believe creates a strong, unjustified payment bias to use home health services for post acute care; and the Senate provision to provide large bonus payments for certain PPS-exempt facilities, which could lead to a significant redistribution of funds among PPS exempt facilities.

Medicare Disproportionate Share Payments (DSH). We look forward to working with Congress to develop a new adjustment for hospitals that serve a disproportionate share of low-income individuals. We want to improve the current adjustment to create a better measure of services to indigent populations so that we can better target DSH payments. But, we oppose any cuts to the current DSH adjustment in the interim. We have proposed to freeze the adjustment for the next two years to ensure that vulnerable hospitals serving large numbers of uninsured and under-insured patients are not burdened with excessive cuts.

Medicare Secondary Payer (MSP). Both the House and Senate bills limit the time period for MSP recovery to three years after the date of service. We urge the Conferees to adopt a five-year time limit, consistent with the President's proposal. The IRS/SSA data match does not provide information in a timely enough manner to be able to recover overpayments within a three-year window. We also urge the Conferees to adopt our insurer reporting proposals.

Implementation Issues. We are concerned about how the full scope of the House and Senate provisions would affect HHS' administrative abilities and resources necessary to implement them. We urge the Conferees to consider changes in the effective dates of the provisions so they are consistent with the funding levels that the budget agreement provided to the Health Care Financing Administration (HCFA).

Medicaid

We commend the House and Senate for reporting bills that conform to many of the Medicaid reform principles of the budget agreement. Both achieve savings through lower disproportionate share hospital payments (DSH) and greater State flexibility. Both bills give States more flexibility to manage their Medicaid programs by repealing the Boren amendment, allowing managed care without Federal waivers, and eliminating unnecessary administrative requirements. We also commend the Senate for including managed care quality standards that are consistent with the President's consumer protection framework.

Nevertheless, the House and Senate bills contain provisions that are inconsistent with the budget agreement.

First, the budget agreement includes a provision to restore Medicaid for current disabled children losing Supplemental Security Income (SSI) because of the new, more strict definition of childhood eligibility. The Senate bill does not include this proposal. The House bill allows, but does not require, States to provide Medicaid benefits for about 30,000 children who could lose their health care coverage in fiscal 1998. We strongly urge the Conferees to conform to the budget agreement by including the provision from the President's budget that would guarantee coverage to these children, and allocate the necessary funds for this purpose.

Second, the budget agreement includes a 70 percent Federal matching payment for Medicaid in the District of Columbia. We are pleased that the Senate bill includes a higher matching payment, but we are concerned that it is not sufficient; it sunsets at the end of fiscal 2000 and is 10 percentage points lower than the 70 percent that the budget agreement called for. A 60 percent matching rate would still leave the District paying a higher share of its Medicaid program than any other local government. We urge the Conferees to include the provision from the agreement.

The budget agreement also includes adjustments for the Medicaid programs in Puerto Rico and the territories. We are pleased that the Senate includes adjustments for those programs, but we would prefer that the Conferees include the language in the President's 1998 budget.

The Administration has significant concerns with other House and Senate provisions that we urge the Conferees to address.

Assistance for Low-Income Medicare Beneficiaries. The Senate bill includes \$1.5 billion in premium assistance for low-income beneficiaries through a Medicare block grant to States. The House provides \$1.5 billion to expand eligibility to Medicaid but does so, in part, through an administratively complex formula subsidizing only a portion of the Part B premium. We prefer a simpler approach that would finance the cost of the full Part B premium through Medicaid. In addition, we object to the Senate provision that sunsets this assistance in 2002; low-income senior citizens will still need this assistance after that date.

Medicaid Cost Sharing. The Senate bill would allow States to require limited cost sharing for optional benefits. We are pleased that a Senate amendment would bar States from imposing cost sharing on children under 18 in families with incomes below 150 percent of poverty. But, we are still concerned that the bill may compromise beneficiary access to quality care. Low-income elderly and disabled Medicaid beneficiaries may forgo needed services if they cannot afford the copayments.

Disproportionate Share Hospitals -- Allocation to States. We have concerns about the House and Senate allocations and levels of DSH payment reductions among States. As in the DSH policy of the 1993 budget reconciliation bill, this year's policy should address past abuses without causing undue hardship on any State. We are seriously concerned, however,

that the House and Senate bills may have unintended distributional effects among States. We urge the Conferees to adopt the President's 1998 budget proposal, which takes an equal percentage off of States' total DSH spending up to an "upper limit," ensuring that States with the highest DSH spending do not bear most of the impact.

Disproportionate Share Hospitals -- Targeting to Hospitals. The House bill does not retarget DSH funds. The Senate bill would require States to develop DSH targeting plans, but it does not include a Federal DSH targeting standard. As we have said previously, we believe that significant DSH savings should be linked to a Federal standard for targeting the remaining DSH funds to needy hospitals. Without such standards, providers with high-volume Medicaid and low-income utilization may not be sufficiently protected from DSH reductions.

In addition, the House bill would require States to make DSH payments directly to qualifying hospitals, and would not allow States to make DSH payments through capitation payments to managed care organizations. The Senate bill does not include this provision. We urge the Conferees to adopt the House provision, ensuring that all eligible hospitals receive a Federal DSH payment regardless of their contract, or lack of a contract, with a particular HMO.

§1115 Extensions and Provider Tax Waiver. The House and Senate bills would extend expiring §1115 Medicaid waivers. The Senate would deem approved §1115 waivers without regard to whether they will increase spending. In addition, the Senate bill would deem provider taxes as approved for one State. We have serious concerns about these provisions and would like to work with the Conferees to address the underlying problems.

Return to Work. We are pleased that the Senate bill would allow States to allow workers with disabilities to buy into Medicaid. But we urge the Conferees to adopt the version of this proposal from the President's 1998 budget, which would not limit eligibility for this program to people whose earnings are below 250 percent of poverty. We believe that the Senate-proposed limit would not give States enough flexibility to remove disincentives to work for people with disabilities.

Criminal Penalties for Asset Divestiture. The Senate bill would amend Section 217 of the Health Insurance and Portability and Accountability Act 1996 (HIPAA) to provide sanctions against those who help people to dispose of assets in order to qualify for Medicaid. We prefer to repeal section 217 because we believe that the Medicaid laws in effect before HIPAA are sufficient to protect Medicaid against inappropriate asset divestiture.

Management Information. The President's 1998 budget included a major reduction in unnecessary administrative burdens on the States, but ensured that States collect sufficient information to effectively manage their Medicaid programs. The House approach would require States to show that their State-designed systems meet outcome-based performance

standards and would permit the collection and analysis of person-based data. The Senate did not include this provision. We urge the Conferees to adopt the House provision.

Alaska FMAP Change. The Senate bill would increase Alaska's Federal Medical Assistance Percentage (FMAP) above the level of the current law formula. While we have consistently supported efforts to examine alternatives to the current Medicaid matching structure, we believe that changing the FMAP for Alaska alone is unwarranted and does not address the underlying inequities in the current system.

Children's Health

We are pleased that the children's health initiative is in both the House and Senate bills. In fact, the Senate bill goes beyond the \$16 billion that the budget agreement provides, adding another \$8 billion, which is a portion of the revenue from a 20-cent increase in the tobacco tax.

We support a 20-cent increase in the tobacco tax — we agree that it complements the budget agreement — and we endorse the idea of using all of the revenues raised by such an increase for initiatives that focus on the needs of children and health. We urge the Conferees to invest all of these funds wisely in order to ensure meaningful coverage for millions of uninsured children. In addition, we especially support the Senate provisions for benefits and cost sharing.

Notwithstanding these achievements, we have serious concerns about the following House and Senate provisions, which we urge the Conferees to address.

Sunset of Tobacco Tax Revenue for Children's Health. Although we commend the Senate for supporting the use of the tobacco tax for children's health, we urge the Conferees to continue this funding after 2002. A sudden drop in funding in 2003 would cause many of the newly-insured children to lose their coverage.

Meaningful Benefits, Cost Sharing/Direct Services. The budget agreement calls for the children's health investment to go for health insurance coverage. Thus, we support the Senate's definition of benefits and its limits on cost sharing, the latter of which will ensure that low-income children do not shoulder unrealistically high costs that could lead to reduced access to needed health care. We do not support the direct services option of the House bill because we are concerned that a State could spend all of its money on one benefit or to offset the effects of the DSH cuts on certain hospitals, and that children would not be assured appropriate coverage. In our view, this provision does not fulfill the commitment of the budget agreement to provide "up to five million additional children with health insurance by 2002."

Funding Structure. We support the straightforward funding structure of the House bill. But its proposal for different matching rates for Medicaid and the grant option could discourage States from choosing Medicaid. We believe Medicaid is a cost-effective approach to covering low-income children, and we support using the same matching rates for both options. In addition, we support the House provision that gives States the flexibility to spend their grant money on Medicaid, a grant program, or a combination of the two. The Senate bill requires States to choose between Medicaid and a grant option.

Eligibility. The Senate bill includes a ceiling of 200 percent of poverty. We agree that the funds should first go for insurance coverage for low-income uninsured children, but we believe income ceilings would limit States' flexibility to design programs that best fit their needs.

Use of Funds. We want to ensure that the investment in children's health goes to cover children who currently lack insurance, rather than replace existing public or private funds for children's health insurance. Thus, we support a strong maintenance of effort provision and the prohibition on using provider taxes and donations to fund the State share of the program. In addition, we want to ensure that the funds are used in the most cost-effective manner to provide coverage to as many children as possible. Therefore, we do not support provisions that allow States to pay for family coverage or pay the employee's share of employer sponsored insurance.

Expansion of the "Hyde Amendment"

Both the House and Senate bills would expand the Hyde Amendment prohibitions on Medicaid payment for abortion services to include spending on the children's health initiative, and to codify these prohibitions in permanent law. This provision could deny access to abortion services to poor women to the extent that States choose to use the children's health funding to offer family coverage, as the House bill would permit. As we have repeatedly said, we do not support limiting access to medically necessary benefits, including abortion services.

In addition, the Senate bill contains a provision that redefines the term "medically necessary services" in the context of managed care sanctions to exclude abortion services except under certain circumstances. We oppose this attempt to further constrain the availability of abortion services through this provision, and we strongly urge the Conferees not to begin writing into the Medicaid law permanent, restrictive definitions of what are "medically necessary" services — an issue that is more appropriately decided by health professionals.

Multiple Employer Welfare Arrangements (MEWAs)

The House bill allows for Multiple Employer Welfare Arrangements (MEWAs) by including language from H.R. 1515, the "Expansion of Portability and Health Insurance Coverage Act of 1997," while the Senate bill includes no such provisions. We strongly oppose including provisions from H.R. 1515 because the bill has inadequate consumer protections and could lead to premium increases for small businesses and employees who may bear the burden of adverse selection. H.R. 1515 would transfer the regulation of a large health insurance market away from the States by preempting State laws under the Employee Retirement Income Security Act ("ERISA"). This far-reaching proposal demands much greater analysis and discussion. We also oppose the provision of the House and Senate bills that would allow a religious fraternal benefit society plan to establish a Medicare Choices plan; it would set a precedent for allowing association health plans (such as those allowed under the House MEWA language) to become Medicare Choice providers.

Continued SSI and Medicaid Benefits for Legal Immigrants

We are pleased with several provisions in the House and Senate bills. Both bills would grandfather immigrants who were receiving SSI benefits as of August 22, 1996, as the President indicated he would support in a June 20 letter to Budget Committee Chairman Kasich and Ranking Member Spratt. Both bills also 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.

We are pleased that the Senate bill, which restores SSI and Medicaid eligibility for all legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996, implements the budget agreement. The House bill, however, does not. It fails to fully restore SSI and Medicaid benefits for all legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. As the President stated in his June 20 letter, he will not sign legislation that does not include the policy, as the budget agreement calls for, that protects disabled immigrants. Compared to the budget agreement, the House bill would protect 75,000 fewer immigrants by 2002. We strongly urge the Conferees to adopt the Senate approach.

In addition, if resources are available, we urge the Conferees to support several other Senate provisions. The Senate bill restores Medicaid coverage for future immigrant children; provides SSI and Medicaid to immigrants who are too disabled to satisfy the requirements to naturalize; and provides the same exemption period for Amerasian and Cuban Haitian immigrants as for refugees. We look forward to working with you on these matters.

Additional Work Slots for Individuals Subject to the Food Stamp Time Limits

The budget agreement included \$1.5 billion in additional Food Stamp funding to encourage work and give States the flexibility to exempt individuals from Food Stamp time limits due to hardship. The agreement specifically states that existing Food Stamp Employment and Training funds will be redirected and new capped mandatory funding added "to create additional work slots for individuals subject to the time limits," and it provides \$1 billion for this purpose.

We appreciate that the House and Senate bills would implement the 15 percent hardship exemption, consistent with the agreement. But, we are concerned that both bills create significantly fewer job opportunities than the five-year target of 350,000 slots -- 70,000 a year -- that the negotiators discussed. We are particularly concerned about the House bill, which would create 100,000 fewer slots than the President's proposal and about 40,000 fewer than the Senate approach over five years. The House bill also does not reflect the agreement because it does not target the funding to work slots for individuals facing the time limits. We believe the final bill should follow the Senate approach in targeting funds to work slots that meet the welfare reform law's tough requirements for Food Stamp recipients, and establishing performance standards to reward States that create additional work opportunities. We urge the Conferees to follow the Senate approach, with the House maintenance of effort provision, to make it fully consistent with the budget agreement.

Welfare to Work

We are pleased that the House and Senate bills would address many of our priorities for the welfare-to-work program to some degree, including: the provision of formula grant funds to States based on poverty and adult welfare recipients; a sub-State allocation of the formula grants to ensure targeting on areas of greatest need; appropriate flexibility for grantees to use the funds for a broad array of activities that offer the promise of permanent placement in unsubsidized jobs; some funds awarded on a competitive basis; and a substantial set-aside for evaluation. We look forward to working with the Conferees to refine these provisions.

We continue to be concerned, however, about several priority issues. In some cases, only one Chamber has adequately addressed our concerns; in others, neither has. The issues that concern us the most are highlighted below, and we urge the Conferees to address them.

Targeting Welfare-to-Work Funding to Cities and Counties with Large Poverty Populations. The challenge of welfare reform -- moving welfare recipients into permanent, unsubsidized employment -- will be greatest in large urban centers, especially those with the highest number of adults in poverty. Recognizing this fact, the budget agreement provided that funds be allocated and targeted to areas with high poverty and unemployment. While

both the House and Senate bills include formulas to target funds to these areas to some degree, of the three provisions in conference, the Ways and Means provision of the House bill best accomplishes this goal through its division of funds between formula (50 percent) and competitive (50 percent); its formula grant sub-State allocation factors and method of administration; and its reserving of 65 percent of competitive grants for cities with large poverty populations. We urge the Conferees to adopt the Ways and Means proposal.

Local Program Administration. The budget agreement provided not only that welfare-to-work funds be targeted to high-poverty and high unemployment areas, but that a share of them go to cities and counties. We strongly believe that cities and other local areas should manage a substantial amount of all welfare-to-work funds. These entities can most effectively move long-term welfare recipients into lasting unsubsidized employment that cuts or ends dependency. Recognizing this fact, the House provisions use existing structures to help accomplish this goal. We urge the Conferees to adopt these provisions.

Federal Administering Agency. Both bills would require consistency with Federal TANF strategies and focus resources on achieving the goal of moving long-term welfare recipients into lasting jobs. We agree with the need for consistency and with the goal, and we believe we can most effectively achieve it if we closely align welfare-to-work activities with the workforce development system that the Secretary of Labor oversees. Thus, we believe the Secretary should administer this program in consultation with the Secretaries of HHS and HUD, as included in titles V and IX of the House bill.

Performance Fund. We are pleased that the Senate recognized the value of a performance bonus concept. The Senate performance approach, however, simply augments the existing TANF performance fund in 2003, with no link to the performance that welfare-to-work funds achieve. We want to work with the Conferees to develop an effective mechanism to provide needed incentives and rewards for placing more of the hardest-to-serve in lasting unsubsidized jobs that promote self-sufficiency. A possible approach could include requiring the Governors to use a share of their discretionary funds to reward high-achieving welfare-to-work programs.

Distribution of Funds by Year. The House provides for a two-year program, with \$1.5 billion in 1998 and in 1999. The Senate bill provides for a three-year program. We want to work with the Conferees to ensure that the final bill includes an outlay pattern consistent with an estimate of zero outlays in fiscal 2002, as the budget agreement calls for. Congress could modify the Senate proposal, for instance, by requiring that no resources are spent after fiscal 2001.

Minimum Wage and Workfare

We applaud the Senate for not modifying current law with respect to applying the minimum wage and other worker protections for working welfare recipients under TANF. The minimum wage and welfare work requirement proposals in the House-passed bill were not part of the budget agreement and, had they come up in the negotiations, we would have strongly opposed them. We believe strongly that everyone who can work must work, and everyone who works should earn at least the minimum wage and receive the protections of existing employment laws — regardless of whether they are coming off welfare.

As a result, we continue to have serious concerns that certain welfare recipients would not enjoy the status of employees under the House bill and, thus, would not receive worker protections. Although the House bill moves toward ensuring that welfare recipients in work experience and community service receive the minimum wage, it fails to provide an effective enforcement mechanism. Also, while the House bill contains some protections against discrimination and threats to health and safety, we believe that its limited grievance procedures are inadequate to ensure welfare recipients receive the same protections as regular employees, and regular employees receive protection against displacement. In addition, the Administration strongly believes that we must retain the welfare law's strict emphasis on work and oppose provisions to permit States to count additional time spent in activities such as job search toward the work requirements.

We urge the Conferees to adopt the Senate position on the minimum wage, which makes no changes to current law, and to extend the Senate provisions on grievance procedures and worker protections to all working welfare recipients under TANF.

Non-Displacement

While we support the Senate provisions that include worker displacement language from H.R. 1385 (the House-passed job training reform bill), we urge the Conferees to apply these enhanced non-displacement protections to all welfare recipients moving from welfare to work, as the House does, not just to welfare-to-work funds. In addition, we urge the Conferees to accept the House provision that ensures that the Federal Government will not pre-empt State non-displacement laws that provide greater worker protections than Federal law.

Unemployment Insurance

We are pleased that the House and Senate have included the Unemployment Trust Fund ceiling adjustment and special distribution to the States that were part of the budget agreement.

The House bill also includes the provision of the agreement that achieves \$763 million in mandatory savings over five years by authorizing an increase in discretionary spending for unemployment insurance "program integrity" activities of \$89 million in 1998 and \$467 million over five years. We urge the Conferees to adopt the House language. In addition, we are seeking budget process provisions to allow for discretionary funding for these activities and the resulting savings.

Repeal of Maintenance of Effort Requirement on State Supplementation of SSI Benefits

We are pleased that the Senate bill does not repeal the maintenance of effort requirement on State supplementation of SSI benefits. We strongly oppose the House provision, which would let States significantly cut, or even eliminate, benefits to nearly 2.8 million poor elderly, disabled, and blind persons. Congress instituted the maintenance of effort requirement in the mid-1970s to prevent States from effectively transferring Federal benefit increases from SSI recipients to State treasuries. The House proposal also could put at risk low-income elderly and disabled individuals who could lose SSI entirely and possibly then lose Medicaid coverage. We opposed this proposal during last year's welfare reform debate, and we urge the Conferees to follow the Senate approach and not repeal the State maintenance of effort requirement for State supplementation of SSI benefits.

Spectrum

We support a number of the spectrum-related provisions in the Senate and House bills. We believe, however, that the Senate bill is more consistent with the goals and targets in the budget agreement, and we urge the Conferees to use it as the basis for conference negotiations. Specifically, the Senate bill provides for reimbursing Federal agencies for the costs of relocating to new spectrum bands, so that the Federal Communications Commission (FCC) can auction, for commercial use, the spectrum that they are now using. This key provision is essential to prevent agencies from making future multi-billion dollar requests for additional discretionary funding.

We have other significant concerns with both bills. First, they fall over \$6 billion short of the savings targets of the budget agreement. They both fail to include two proposals that the agreement specifies -- the auction of "vanity" toll-free telephone numbers (which would raise \$0.7 billion) and the spectrum fee (which would raise \$2 billion). In addition, neither bill contains a firm date for terminating analog broadcasting (as the budget agreement assumed), which reduced the CBO's scoring of the House bill by \$2.9 billion, and of the Senate bill by \$3.4 billion. Any delay in returning analog broadcast spectrum will likely impede the rapid build-out of digital technology, delay job creation and consumer benefits, and reduce revenues from spectrum auctions. We urge the Conferees to conform the final bill to these provisions of the budget agreement.

We also request that the Conferees delete the House language that specifies spectrum bands and bandwidth for reallocation; repeals the FCC's fee retention authority; waives the duopoly/newspaper cross-ownership rules; and accelerates payments from the universal service fund. These provisions conflict with good telecommunications policy, and with sound and efficient spectrum management policy. We also urge the Conferees to amend the overly expansive definition of "public safety" of the bills; to delete mandated minimum bid requirements; and to include provisions that would authorize the FCC (1) to revoke and reassign licenses when an entity declares bankruptcy, and (2) to use economic mechanisms (such as user fees), other than auctions. We support Senate provisions requiring the FCC to explain its rationale if it cannot accommodate relocated users in commercial spectrum and to consult with the Secretary of Commerce and the Attorney General on assigning new spectrum made available for public safety.

TANF Transfers to Title XX

We oppose the House provision to allow States to divert TANF funds away from welfare-to-work efforts to other Title XX social service activities. The Senate bill includes no such provision. The budget agreement did not address making changes in the Title XX transfers provisions, and we strongly urge the Conferees to drop these provisions.

Vocational Education in TANF

We are concerned with the House and Senate provisions on vocational education in TANF. The House bill includes two sets of provisions — one from the Ways and Means Committee, the other from the Education and Workforce Committee — which narrow the base of eligible recipients against which the cap on vocational education applies. The Ways and Means Committee excluded teen parents in school from the cap, and set the cap at 30 percent of the narrower base. The Senate bill maintains the existing base, but removes teen parents who attend school from the 20 percent cap on vocational education. The budget agreement did not address changes in TANF work requirements regarding vocational education and educational services for teen parents, and we urge the Conferees to drop these provisions.

State SSI Administration Fees

The House bill includes a provision, consistent with the budget agreement, to raise the fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for SSA administrative expenses. This proposal would collect about \$380 million over five years, to be spent upon receipt for this purpose. The Senate bill does not reflect this provision of the budget agreement, and evidently assumes that the Appropriations Committee will implement

the proposal. The agreement, however, anticipated revenue from this proposal over the full five years and, as part of the reconciliation bill, Congress should raise the fees and make the increased revenue available, subject to appropriations. Consequently, we urge the Conferees to adopt the House provision.

Housing

We are pleased that the House and Senate bills include provisions to produce savings by reforming the FHA Assignment program and making appropriate reductions to Section 8 annual adjustment factors. We are concerned, however, about two additional provisions of the Senate bill.

The Senate bill would not transform FHA multifamily housing restructuring in the most efficient, effective fashion. By ruling out the possibility of portable tenant-based assistance, the bill would limit tenants' ability to find the best available housing and prevent projects from developing a more diverse mix of income levels. By establishing a preference for delegating restructuring tasks to housing finance agencies, the bill places an unnecessary constraint on HUD's ability to design the most effective partnerships. Finally, since Congress did not address tax issues explicitly, the Senate bill does not resolve impediments that could discourage owners from participating in a restructuring process.

We oppose the inclusion, in the reconciliation bill, of Section 2203 of the Senate bill, which repeals Federal preferences for low-income or disadvantaged individuals for the Section 8 tenant-based and project-based programs. We have supported such repeals only if they come with income targeting that would replace the Federal preferences. That targeting would ensure: (1) that the tenant-based program continues to mostly serve extremely low income families, with incomes below 30 percent of the area median income, and (2) that all developments in the project-based program are accessible to a reasonable number of extremely low-income families. We are working with Congress on this issue in the broader context of separate public housing reform legislation.

Privatization of Welfare Programs

The House bill would allow for privatizing eligibility and enrollment determination functions in Medicaid and Food Stamps. While certain program functions, such as computer systems, can now be contracted out to private entities, the certification of eligibility for benefits and related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. Thus, we strongly oppose the House provision, and we urge the Conferees to drop it.

Student Loans

We are pleased that both bills include \$1.8 billion in outlay savings, including \$1 billion in Federal reserves recalled from guaranty agencies, \$160 million from an end to the fee paid to institutions in the Direct Loan program, and \$603 million in reduced Federal student loan administrative costs. All of these provisions are consistent with the budget agreement, and the savings are achieved without raising costs on, or reducing benefits to, students and their families.

But, we oppose a provision in both bills, unrelated to the budget agreement, requiring administrative cost allowances (ACAs) to guaranty agencies in the Federal Family Education Loan (FFEL) program at a rate of .85% of new loan volume -- paid from mandatory funding authorized under Section 458 of the Higher Education Act of 1965 (HEA) from 1998 to 2000. This provision would create a new Federal entitlement, and it would inappropriately limit the funds available to the Secretary to effectively manage the FFEL Program. Any allowance to these agencies should bear some relationship to the costs these agencies incur, and should not be based on an arbitrary formula. This is an issue more appropriately left for the Higher Education Act (HEA) reauthorization.

We strongly prefer the House language for cutting student loan administrative costs. It specifies that the Education Department may use administrative funds authorized under section 458 of the HEA to operate the FFEL program and the Direct Loan program. Under the Senate language, the Secretary would lack adequate funds to administer the FFEL program effectively.

We also oppose a House provision that would stipulate that an 18.5 percent guaranty agency retention allowance on default collections that result from defaulted loans reentering repayment through loan consolidation. This provision, now specified in regulation and letters as "up to" 18.5 percent, would codify this share at 18.5 percent without regard to the actual expenses that the guaranty agencies incur. This issue also should be resolved in the upcoming HEA reauthorization.

Smith-Hughes

We are pleased that the House bill would repeal the Smith-Hughes Act of 1917 and is consistent with the budget agreement. The Senate bill does not include such a provision, although it finds the agreed-upon \$29 million savings from the student loan programs. In light of the \$1.2 billion annual appropriation under the Carl D. Perkins Vocational and Applied Technology Education Act, we see no justification for \$7 million in mandatory spending a year under Smith-Hughes. We urge the Conferees to adopt the House provision.

Budget Process

On budget process, the House and Senate bills generally follow the budget agreement. We appreciate the provisions to extend the discretionary caps to 2002 at the levels in the agreement, to create a firewall between defense and non-defense spending for 1998-99, to provide an adjustment for international arrears and for an IMF quota increase and the New Arrangements to Borrow, and to otherwise extend and update the Budget Enforcement Act along the lines of the budget agreement.

In some respects, however, the House or Senate bills are not fully consistent with the budget agreement. For instance, both bills provide that only net deficit increases in the prior year, rather than both increases and decreases, would count under the paygo "lookback" procedure. In addition, the House bill is inconsistent with the agreement (and with the Senate bill) with regard to "paygo" requirements.

In other respects, the bills include provisions about which we have serious concerns. For instance, the House bill does not provide for the transportation reserve funds that the budget resolution established for highways, Amtrak and transit. Also, one or both of the House and Senate bills do not include several technical changes to fully extend the Budget Enforcement Act. These changes include a budget authority allowance for technical estimating differences between CBO and OMB, as current law provides; a reserve fund for unemployment integrity to carry out the mandatory savings of the agreement; and a technical change to the existing Continuing Disability Reviews (CDR) adjustment to account for the conversion of obligation limitations to budget authority. In addition, the House bill would require a cumbersome notification procedure for the detailed scoring of each paygo or appropriations bill.

Press Guidance

July 3, 1997

INTERNET RATINGS

Background: Today's Los Angeles Times reports that the White House has decided that an Internet ratings system "is the most feasible way" to address last week's SCOTUS CDA decision.

- Last Week at the Electronic Commerce event, President Clinton challenged the private sector to display leadership in developing new ways to use technology to give parents the tools to protect their children from indecent material on the Internet.
- We are looking forward to the meeting later this month with industry leaders, educators and parents groups where we expect the industry to come to the table with several options.

If pressed on Internet ratings: This looks as though it could be a good option especially with some Internet technologies that seem to show real promise.

Silverman

Conversation with Kohlenberger/OVP

Press Guidance
July 3, 1997

America's Heritage Rivers

The Washington Post Federal Page ran a piece highlighting (and making some fun of) the concerns of some right wing conservatives about the Administration's Heritage Rivers policy. Basically right-wing property rights advocates believe that our program to clean-up rivers opens the door to U.N. global domination of our national resources.

Note: Sarah McClendon, who may have an interest in this story, will likely be at the briefing since she plans to attend the veterans event.

- The American Heritage Rivers program is about reducing bureaucratic interference, not increasing it.
- The program is fully voluntary and is designed to increase communities' access to federal resources and programs to revitalize rivers.

Note: The program is still under development. No rivers have yet been named.

Mellody with Brian Johnson, CEQ

Press Guidance
July 3, 1997

Religious Freedom Constitutional Amendment

Washington Post ran an op-ed by Nathan Levin, a Washington lawyer who has argued five religious liberty cases before the Supreme Court, calling for a constitutional amendment on religious freedom. The editorial notes President Clinton's support of the law which was struck down by the Supreme Court.

Would the President support an amendment to the Constitution on religious freedom?

- As the President indicated in his statement, he was *deeply disappointed* that the Supreme Court held that state and local governments are not bound by the protections of religious liberty afforded by the Religious Freedom Restoration Act.
- As he stated, in the four years that he has served as President, nothing has given him greater joy than the efforts of this Administration to support freedom of religion and *we will continue to work to protect religious liberty to the fullest extent the Constitution allows.*
- At the same time, the President obviously believes that amendments (particularly those affecting the First Amendment) to the Constitution should be made in only the rarest of circumstances and when all other avenues have been explored.

More from the statement on SCOTUS decision:

- We have worked in tandem with an unprecedented coalition of people with diverse backgrounds and beliefs in support of religious liberty. Our work with this coalition led not only to the passage of RFRA, but also to the issuance of guidance to public school districts on the extent of permissible prayer and other speech of religious character.

Mellody per Bill Marshall, Counsel

Press Guidance

July 3, 1997

CONSTITUTIONAL CHALLENGE TO TELECOMMUNICATIONS BILL

Background: Yesterday, SBC Communications filed a lawsuit in Texas challenging the constitutionality of last year's telecommunications Bill. They contend that it unfairly hinders the six Bell Companies to enter the long-distance telephone business.

- While I don't believe the Justice Department has an opportunity to completely review this suit -- I can say that this appears to be another attempt by the telephone companies to delay the industry competition that was the promise of the telecommunications Bill.
- This bill was one of the biggest bi-partisan success stories and we are confident that Congress acted within the bounds of the Constitution in passing the telecommunications act.

Silverman

Conversation with Kohlenberger/OVP



Federal Emergency Management Agency

Flash Report

SUBJECT: Severe Weather in Southeast Michigan
July 3, 1997

- Six fatalities confirmed
- Unconfirmed reports of nine deaths
- Dozens injured
- Five tornadoes confirmed; unconfirmed reports of 12 twisters
- National Weather Service issued 16 tornado warnings and several severe thunderstorm warnings during the afternoon
- Detroit suburbs of Hamtramck and Highland Park declared local disaster areas
- FEMA liaison team has been identified and will deploy ASAP
- FEMA Region V is preparing to field a Preliminary Damage Assessment team in anticipation of the governor's request
- 250,000 homes in Detroit without power; 40,000 additional homes across the state without power
- Shelters are open in Hamtramck, Detroit and Macomb County – both American Red Cross and local associations
- Detroit officials have established a 10 p.m. curfew
- Off-duty law enforcement personnel called in to guard against looting
- 40 homes destroyed in Wayne County; 100 businesses damaged
- 12 to 15 mobile homes destroyed in Oakland County, 60 others damaged
- 20 mobile homes destroyed in Macomb County, 132 others damaged
- 3 homes destroyed in Arenac County, 2 others damaged
- Michigan Emergency Operations Center was partially activated at 10:30 p.m. July 2
- Storms continued into Ohio and Indiana, although damage there was minor and there were no injuries reported

Sources: FEMA Region V, Michigan Emergency Management Agency, media reports

PRESIDENT CLINTON ATTENDS VETERANS EVENT ON NATO

July 3, 1997

Today, President Clinton will attend an East Room event with veterans on the enlargement of NATO.

The Vice President will make welcoming remarks and be followed on the speaking program by Acting Secretary of Veterans Affairs Hershel Gober, National Commander of the American Legion Joseph Frank and President of the Reserve Officers Association of the United States Herbert Harmon. Judge Laughlin Edward Waters, a decorated veteran of the Battle of Falaise Gap, will make remarks and introduce the President.

Attached are a fact sheet on NATO enlargement, letters of support from the American Legion and Reserve Officers Association, biographies of the speakers and a fact sheet on the Battle of Falaise Gap.

The American Legion

★ WASHINGTON OFFICE ★ 1608 K STREET, N. W. ★ WASHINGTON, D. C. 20006 ★
(202) 861-2711 ★



OFFICE OF THE
NATIONAL COMMANDER

June 30, 1997

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

The American Legion is proud to support NATO Expansion. As the nation's largest Veterans organization, The American Legion has long recognized that European security and preservation of the NATO Alliance are critical to America's vital national security interests.

Thousands of Americans fought and died in World War I and World War II. Many thousands more served in the U.S. armed forces during the Cold War. NATO, the most successful military alliance in history, prevented Americans having to fight a third world war.

That is why The American Legion wholeheartedly supported the 1994 U.S.-sponsored Partnership for Peace (PFP) Program which has established strong links between NATO and its new democratic partners, many of whom were previously part of the Soviet Block. Today many of these nations have been drawn closer together because of PFP.

That is also why today, the 3 million members of The American Legion believe that expanding the NATO Alliance represents a major step forward for the security of Europe as well as the security of America.

Expanding NATO will enhance the alliance by making it stronger. It will provide a more constructive relationship between the alliance and its former adversary. It will help build an undivided Europe and it will help protect against another war in Europe.

We urge you, Mr. President, to continue to consult fully with the Congress and the American people throughout the process of NATO Expansion, to address and resolve all issues in a bipartisan manner, and to welcome the new states to the NATO Alliance in a prompt and timely manner.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joseph J. Frank".
JOSEPH J. FRANK
National Commander

Enclosure



Reserve Officers Association of the United States

"PRESERVING THE NATION'S DEFENSE FOR 75 YEARS"



28 June 1997

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mister President,

On behalf of the nearly 100,000 members of the Reserve Officers Association I commend you and your Administration for your vigorous support of the North Atlantic Treaty Organization's (NATO) expansion to meet the challenges of the post-Cold War world. This Association is firmly convinced that NATO is fully capable of expanding its membership and refocusing its commitment to ensure that it remains a strong and viable force for European stability in the twenty-first century.

As a key member of the Interallied Confederation of Reserve Officers, an international organization representing more than 800,000 NATO-country reservists, this Association has for several years now been involved in the process of forging new relationships and dialogues with Central and Eastern European countries seeking to develop their own reserve forces. We have also been actively working in the Partnership for Peace program, and we believe that such dialogues can play a major role developing the role of the citizen-soldier in the new democracies of Europe. Within that framework, we see NATO expansion as an essential element in strengthening European stability and reinforcing the democratization process that has so changed the face of the former Soviet Union.

You are on the right course, Mister President. Please be assured that you have our support on this vital issue. If the Reserve Officers Association may be of assistance to you in this regard, please do not hesitate to call upon us.

Sincerely,

Herbert N. Harmon
Colonel, USMCR
National President

Army ★ Navy ★ Air Force ★ Marine Corps ★ Coast Guard ★ Public Health Service ★ NOAA

One Constitution Avenue, N.E., Washington, DC 20002-5655

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E-mail: 71154.1267@compserve.com

Why NATO Enlargement is in America's National Interest:

Enlargement will make NATO stronger and better able to address Europe's security challenges for the 21st Century.

- 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 and address conflicts that threaten peace.
- 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.

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. 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.

Enlargement 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; helped Italy, Germany and Spain reintegrate into the democratic community; 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).

Enlargement will erase Europe's artificial dividing line.

- 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; the first to join shall not be the last. Enlargement, combined with other arrangements like the Partnership for Peace, will yield security benefits beyond NATO's own borders, and support for NATO enlargement is very broad. Ukraine, for example, which has not expressed interest in NATO membership for itself, nonetheless supports NATO membership for Poland and other Central European democracies. 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.

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PERSPECTIVE ON NATO

Expansion Does Not Stop Here



We are only saying 'not yet' to nations not invited this time; we will help them be ready for the next round.

By MADELEINE ALBRIGHT

When President Clinton took office, the future role of NATO and the strength of America's partnership with Europe were being questioned. The war in Bosnia was at its height. Russian democracy was under strain. Virtually everyone agreed on the need to bring the new democracies of central Europe into our transatlantic community, but we had agreed on no mechanism to actually do it.

Next week, President Clinton will attend a NATO summit in Madrid with these questions resolved. NATO has ended the carnage in Bosnia. It has launched a relationship with a Russia that has itself renewed its commitment to democracy and reform. And in Madrid, NATO's leaders will invite the first group of Europe's new democracies to join our alliance. The United States believes this group should consist of the Czech Republic, Hungary and Poland.

NATO enlargement is not a step we take lightly. It involves the most solemn commitments that we can make to another country. It will not happen without the advice and consent of the U.S. Senate.

The first reason why expansion serves American interests is that it will make NATO stronger and more cohesive. Our future allies share our most fundamental values and aspirations for Europe and the world. Many shared risks with our soldiers in the Persian Gulf. Without hesitation, each provided troops to NATO in Bosnia, and Hungary provided the bases that allowed our troops to deploy safely.

These nations will bear the cost of defending freedom because they know the price of losing freedom. They are

ready, willing and able to contribute to our common agenda for security, from the fight against terrorism and weapons proliferation, to the quest for stability in Europe and beyond.

The second reason is that enlargement lessens the chance American soldiers will ever again have to fight in Europe.

Twice in the first half of this century, we sent our troops across the Atlantic to fight and sacrifice in defense of Europe's freedom. NATO was created to unify and bolster the forces of freedom and thereby make a third war less likely. Throughout the Cold War, NATO gave evidence that we were prepared to fight if necessary, by so doing, the alliance made it unnecessary to fight. What NATO did then for Europe's west it can do now for Europe's east, where this century's two World Wars and the Cold War began.

The third reason is that NATO enlargement will help us defend Europe's gains toward democracy, peace and integration. Just the prospect of enlargement has given central and eastern Europe greater stability than seen in this century. As nations align themselves with NATO, old disputes between countries like Poland and Ukraine, Hungary and Romania, Germany and the Czech Republic are melting away. Democratic reforms are advancing. Country after country has made sure soldiers take orders from civilians. They are fixing the problems that could have led to future Bosnias.

The final reason for enlargement is to right the wrongs of the past. Three years ago, we decided that if NATO was no longer a Cold War institution aimed at Russia, then it would no longer make sense to limit NATO to its Cold War membership. We recognized that if we were creating NATO today, we would not even consider making the old Iron Curtain its permanent eastern frontier. We would not say to any new democracy that having been subjugated in the past, it must be excluded in the future.

Yet that would be the unconscionable result if NATO decided to stand still, and a prospect no critic of enlargement has been able to justify.

As the Senate takes up these issues, legitimate new questions will be raised.

Some will wonder why we are enlarging NATO when we face no immediate military threat. NATO is not a Wild West posse that we trot out only when danger appears. It is a permanent presence designed to prevent a threat from ever arising and to promote common endeavors, such as the mission in Bosnia.

Others will worry that enlargement might derail Russia's advance toward democracy and integration. In fact, reformist leaders in Russia are ascendant, not because of anything NATO is or is not doing, but because they are addressing the domestic issues the Russian people care about most. What more. Presidents Clinton and Yeltsin have agreed to cut our nuclear arsenals even further. Russia was our full partner at the Summit of the Eight in November last month. Russia and NATO have signed the Founding Act of a partnership that will bring Russia closer to the West than at any time in its history.

Finally, some will ask why we settle on the Czech Republic, Hungary and Poland as the first new members. The countries have cleared the highest hurdles of reform. They have resolved even outstanding border and minority disputes. They are ready to meet the military responsibilities of NATO membership.

We favor inviting a small group of countries now because we want the first round of enlargement to be a solid success. And we want to make certain the first round will not be the last.

What we are saying to the new European democracies that will not be invited to join in Madrid is not "no" but "not yet." And while we insist on high standards for new members today, we will also have a process that encourages others to meet those standards tomorrow.

Madeleine Albright is U.S. secretary of state.

BATTLE OF FALAISE GAP

Falaise, France:

Falaise is a small, market town in the Basse-Normandie region of northwestern France. Known as the birthplace and capital of William the Conqueror (the Duke of Normandy who crossed the English Channel in 1066 and became King of England by defeating Harold of Hastings), Falaise was also the site of one of the most strategically important battles fought during the liberation of Europe at the end of World War II.

Operation Overlord:

Launched by the Allies on D-Day, June 6, 1944, Operation Overlord had two principle objectives: getting Allied troops on the Continent and winning them sufficient area and strength to allow the Allies to advance into Germany. More than 150,000 soldiers from the United States, England and Canada, and tens of thousands of Polish, French, Czech and other Allied troops were involved, supported by more than 900 warships, 3,000 land crafts and 11,000 aircraft.

During the weeks that followed, Allied troops gradually gained ground and pushed German positions back. By the end of July, the Allies were poised to break through German lines. Adamant that they not lose more ground, Hitler ordered a strong but unsuccessful German counterattack on August 7, 1944. The counterattack was supposed to pierce the American First Army's position, separate them from other Allied troops and disrupt their communications and supply networks. Instead, the counterattack was repelled and the Germans were left depleted and nearly caught between the American First and Third Armies, the Second British Army and the First Canadian Army.

Argentan - Falaise Gap:

The resulting troop positions presented the Allies with a unique opportunity to encircle and trap a substantial number of the German forces in France. The upper jaw of the trap would be closed by the Second British and First Canadian Armies pushing down from Tichebray east to Falaise; the lower jaw of the trap would be closed by the First and Third American Armies, pushing up from Flers east to Argentan. By closing the gap of fifteen miles or so between the two easternmost towns, the Allies hoped to create a pocket that would capture the Germans. This area later became known as the Argentan-Falaise pocket.

By August 16, the Battle of Falaise Pocket had begun. The Germans, consisting of the Fifth Panzer Army, the Seventh Army and Panzer Group Eberbach fought desperately to keep an escape route open to the East. But devastating Allied air raids and a steady Allied advance began to shrink the pocket and take a toll on the Germans. As the pocket became more narrow, escape became harder.

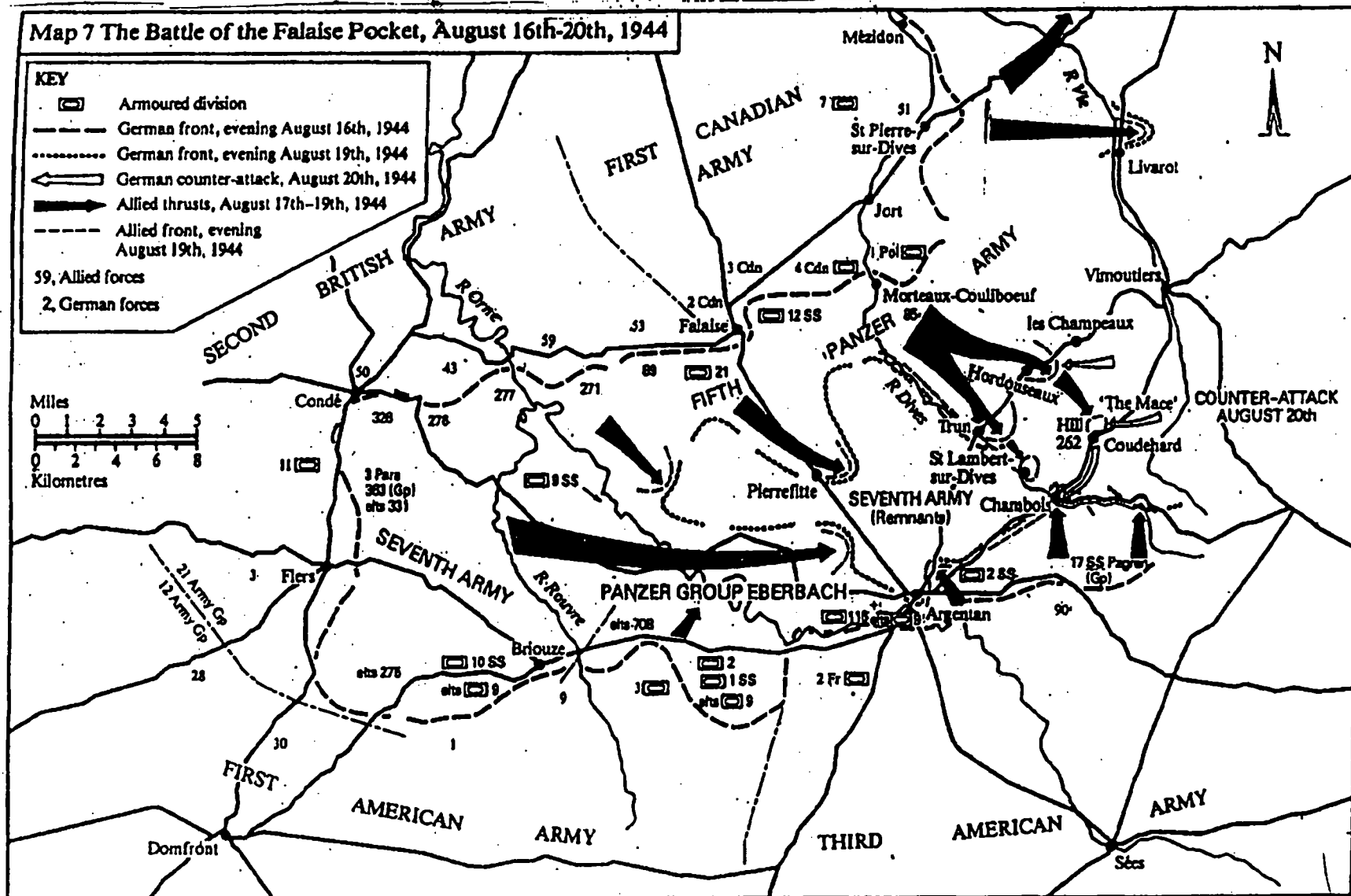
First Polish Armored Division:

On August 18, General Bernard Montgomery, Operational Commander of Allied land forces, ordered the First Polish Armored Division, then serving with the First Canadian Army, to move forward and complete the encirclement of the Falaise Pocket, entirely cutting off the German escape route. One Polish force advanced and, on August 19, the First Armored met the men of the 395th U.S. Infantry Regiment of the 90th Infantry Division and successfully closed the Falaise pocket, thus sealing the German escape route.

Even though the Allies successfully trapped the Germans on August 19, the story of the Falaise pocket was not completed until the 21st. For three days, the German troops launched several desperate counterattacks from inside and outside the pocket at the Polish-held positions from Chambois to Hill 262, eventually surrounding one of the Polish battle groups. Ordered to "hold at all costs," General Maczek and the First Armored valiantly held the Germans at bay. By the night of August 20, the Poles had only 14 shells remaining for their tanks and the machine gun crews had only enough ammunition to last 10 minutes. The Poles had lost 325 killed. But they held the ground. In a touching tribute, Allied engineers erected a sign on the pinnacle of Mount Ormel that read simply: "A Polish Battlefield."

The heroic efforts of the Polish and other Allied forces at the Battle of Falaise Gap remind us that our new NATO allies are in fact old allies who fought and sacrificed for freedom by America's side. They will add to NATO's strength. Just as they closed the Falaise Gap fifty years ago, now we are closing a wider gap that divided Europe and fulfills the promise of their sacrifice.

Map 7 The Battle of the Falaise Pocket, August 16th-20th, 1944



COLONEL HERB HARMON
President, Reserve Officers Association of the United States

Colonel Herb Harmon is a member of the United States Marine Corps Reserve and has accumulated 30 years of military service. For the past 20 years, as a civilian, Herb Harmon has practiced law. He is the managing partner of Harmon & Wilmot, L. L. P., a Washington, D. C. based law firm. He specializes in civil litigation and general commercial and corporate matters. He is a former president of the Bar Association of the D.C. and is a past National President of the Marine Corps Reserve Officers Association.

Colonel Harmon holds a B.A. in Psychology from the University of Detroit and a Juris Doctor of Law from Georgetown University.

Harmon served on active duty during the Vietnam War where he received the Purple Heart in 1968 for wounds received in action. He also earned the Combat Action Ribbon, and as a member of the First Marine Division, received the Presidential Unit Citation with Ribbon Bar.

In his civilian associations Harmon is a past Treasurer of the Barristers and past President of the Counselors. He is a member of the Exchange Club of Capitol Hill and past President of the Metropolitan Police Boys and Girls Club. He also the immediate past President of Serra International, the downtown Washington, D. C. Chapter.

Colonel Harmon's professional military affiliations include past National President of the Marine Corps Reserve Officers Association and past National Officer of the Marine Corps League. He also serves as National Judge Advocate General for the Marine Corps Aviation Association, of which he is a life member. He is also a Life Member of the Purple Heart Society, the Civil Affairs Association, The Retired Officers Association, the American Legion, the PSYOP Association and the Naval Reserve Association.

His bar admissions include the U. S. Supreme Court, the U. S. Court of Appeals for the District of Columbia, the U. S. Court of Appeals for the Federal Circuit, the U. S. District Court for the District of Columbia, the Court of Appeals for the District of Columbia, the United States Tax Court, the U. S. Court of Military Appeals, and the Superior Court for the District of Columbia.

Colonel Harmon is married to the former Diane Wright of Nutley, New Jersey. They live in Alexandria, Virginia.



Joseph J. Frank *National Commander*

Joseph J. Frank, of St. Louis County, Mo., was elected national commander of The American Legion at the close of its 78th National Convention on Sept. 5, 1996 in Salt Lake City. He has been a member of The American Legion since 1968.

Frank was born and raised in St. Louis County, one of seven children of Joseph L. Frank and Delores Frank. Frank is a U.S. Army Vietnam veteran. While serving his country as a combat engineer with the 39th Engineer Battalion, a land mine explosion caused Frank permanent disability.

Frank is a life member and founder of Crestwood Memorial American Legion Post 777, now Joseph L. Frank Memorial Post 777, renamed in memory of his father.

Frank has served in several leadership capacities for The American Legion on the National level including: national vice commander from 1987 to 1988; chairman of the National Economic Commission from 1988 to 1993; and chairman of the Foreign Relations Commission from 1993 to 1994. He was also vice chairman of the National Legislative Commission, of which he had been a member for nine years, 1979-1988. He has also served in many positions in his post, district and department.

An active member of several civic and veterans organizations, Frank is a former employee of the Veterans Administration, now the U.S. Department of Veterans Affairs. He has received presidential certificates for service to the nation and the Selective Service System (1976) and for community achievement (1979). Frank currently serves on the Executive Board of the President's Committee on Employment of People With Disabilities (PCEPD) and the Missouri Governor's Council on Disability.

Frank and his wife, the former Barbara Ann Wallace of Granite City, Ill., reside in St. Louis County. They have one daughter and two granddaughters.

Laughlin Edward Waters

255 E. Temple St. Suite 850, Royal Bldg.
 Los Angeles, CA 90012
 213-894-2660

Senior Judge, United States District Court for the Central District of California. Appointed by President Gerald R. Ford on July 7, 1976. Took senior status on July 6, 1986.

Born on August 16, 1914 to Frank J. and Ida Bauman Waters in Los Angeles, California. Married Voula Davanis on August 22, 1953. Children: Laughlin E. Jr.; Maura Waters Brady; Deirdre Mary; Megan Waters Pierson and Bridget Waters Landan. Republican; Roman Catholic.

Graduate of the University of California at Los Angeles, receiving B.A. degree in 1939 and the University of Southern California, receiving J.D. degree in 1946. Admitted to practice California 1946.

During World War II, served as an Infantry Captain in the United States Army, 1942-46. Commanded L Company, 359th Infantry, 90th Division and landed on Utah Beach, Normandy on D-Day, June 6, 1944. Awarded Combat Infantry Badge; Bronze Star with Cluster; Purple Heart with Cluster; Polish Order of Merit with Swords; Honorary member of 10th Polish Dragoons; Honorary Citizen of Chambois, Trun, France.

Commanded G Company, 359th Infantry, 90th Division which met the 10th Polish Dragoons at Chambois, France on August 19, 1944. This was the first meeting of United States and Polish troops on the field of battle. This meeting closed the Falaise Gap on General Guenther von Kluge's 7th Army retreating out of Normandy. (See Martin Blumenson, United States Army in World War II: The European Theater of Operations. Breakout and Pursuit 541 U.S. Army Center of Military History 1961.)

Served as Deputy Attorney General of California at Los Angeles 1946-47; Member of the California Legislature 1947-53; Vice-Chairman of Republican State Central Committee 1950-51; Chairman of Republican State Central Committee 1952-53; United States Attorney for the then Southern District of California 1953-61; Partner, Nossaman, Waters, Krueger & Marsh 1961-76;

Consultant to the United States Department of State in London, 1970; Member of the United States Delegation to the Conference on Environmental Problems in Prague, 1971; Member of the White House Conference on Aging, 1970-71; Chairman, American Bar Association Committee on Housing and Urban Development, 1977-79 and Board of Directors of Legal Aid Foundation, 1954-60.

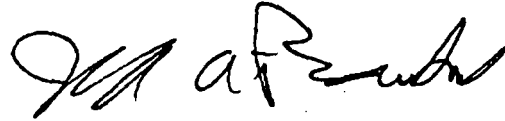
Senior District Judge Representative; Member, Judicial Council; Judge, Attorney General's Advocacy Institute; Architects Conference, Courthouse Design, Williamsburg; Member, U.S. Supreme Court Historical Society; Fellow, American College of Trial Lawyers; Founder and Past President of Los Angeles Chapter; Federal Bar Association; Member, American Judicature Society; Association of Business Trial Lawyers; California State Bar; and Los Angeles County Bar Association; Member and Fellow, American Bar Foundation; Member, American Bar Association; Past President and Member of the Society of the Friendly Sons of St. Patrick; Recipient of the Medallion of Merit Award from the Society of the Friendly Sons of St. Patrick; Member, Knights of Malta; American Legion; Anchor Club; California Club; and Past President of Catholic Big Brothers and the Los Angeles Club.

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

July 3, 1997

MEMORANDUM FOR MICHAEL MCCURRY

FROM: JEFFREY A. FRANKEL



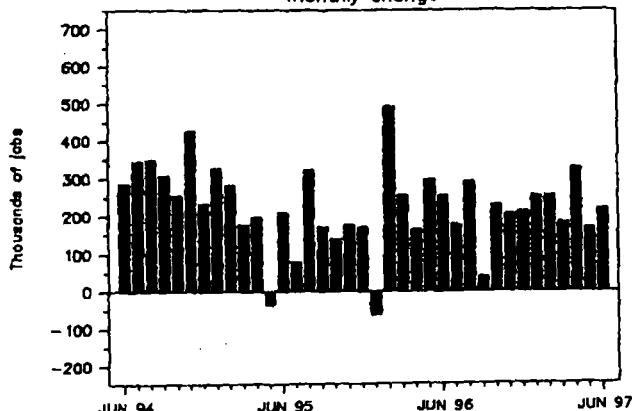
SUBJECT: Employment and Unemployment in June, Labor
Department Release, Thursday, 8:30 a.m.

The unemployment rate rose 0.2 percentage point in June to 5.0 percent--a bit above market expectations. The unemployment rate for the second quarter, at 4.9 percent, was the lowest quarterly rate since 1973.

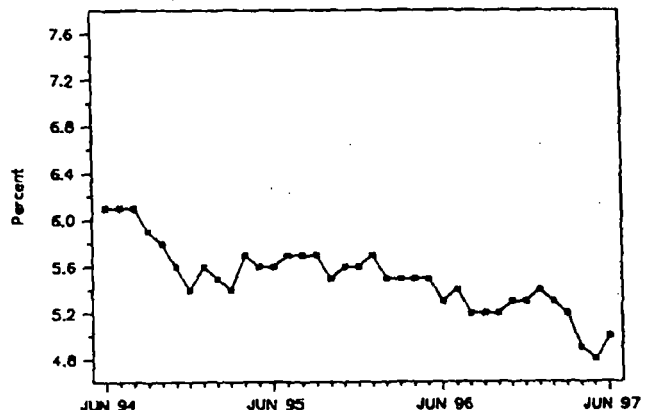
Nonfarm payroll employment rose 217,000 in June--close to market expectations. Since January 1993, payroll employment has increased 12.5 million.

- Private employment rose 151,000--well below the 225,000 per month pace during the first 5 months of the year. A smaller-than-usual gain (63,000) occurred in the services industry as a whole. Nevertheless, robust job gains continued in several service industries: computer and data processing, engineering and management, and amusement and recreation. Employment growth was relatively strong in retail trade (58,000) and manufacturing (14,000).
- Average hourly earnings rose 0.3 percent in June--slightly below market expectations. Earnings have increased 3.5 percent over the past 12 months--about the same as the year-earlier period.
- Aggregate production-worker hours rose 0.4 percent. For the second quarter as a whole, these hours increased 1.9 percent at an annual rate. Together with fragmentary information on spending, these hours are consistent with real GDP growth of about 2½ percent at an annual rate in the second quarter.

NONFARM PAYROLL EMPLOYMENT
monthly change



CIVILIAN UNEMPLOYMENT RATE



The Economy Remains On The Right Track: Low Unemployment and Strong Job Growth

July 3, 1997

TODAY'S DATA SHOWS CONTINUED JOB GROWTH WITH LOW UNEMPLOYMENT AND LOW INFLATION. THE UNEMPLOYMENT RATE FOR THE SECOND QUARTER WAS THE LOWEST SINCE 1973. AND THE ECONOMY HAS CREATED 12.5 MILLION JOBS SINCE JANUARY 1993.

- **Unemployment during the second quarter was the lowest since 1973.**
 - The June unemployment rate was 5.0% -- its 34th consecutive month below 6%. The unemployment rate for the second quarter as a whole was just 4.9% -- the lowest for any quarter since 1973. In 1992, the unemployment rate was 7.5%. [Source: BLS.]
 - The combined rate of unemployment and inflation has been lower under President Clinton than any other Administration since Lyndon Johnson was President. [Source: Based on data from BLS.]
- **12.5 Million New Jobs.**
 - During the Clinton Administration, the economy has added 12.5 million new jobs -- a faster annual rate of job growth (2.5 percent per year) than *any* Republican Administration since the Roaring 1920s. [Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.]
 - The economy has added 2.5 million jobs over the past year.
- **Strong Private-Sector Job Growth.**
 - Over the past year, the private sector has added 2.3 million jobs -- much more than during the entire four-year period before President Clinton took office. [Source: Based on data from BLS.]
 - 93 percent of the 12.5 million new jobs under President Clinton have been in the private sector. [Source: Based on data from BLS.]
- **Turning The Corner In Basic American Industries.**
 - After losing 667,000 jobs in construction during the previous four years, 1.1 million new construction jobs have been added since January 1993 -- that's a faster annual rate than any other Administration since Harry S Truman was President.
 - After losing 35,000 jobs in the auto industry during the Bush years, we have 123,000 new auto jobs since President Clinton took office. [Source: Bureau of Labor Statistics, Current Employment Statistics survey.]

LAST WEEK, WE LEARNED THAT THE ECONOMY GREW BY 5.9 PERCENT AT AN ANNUAL RATE IN THE FIRST QUARTER -- THE FASTEST IN A DECADE -- WHILE INFLATIONARY PRESSURES REMAIN LOW.

EXPERTS AGREE THAT THE AMERICAN ECONOMY IS STRONG:

- **David Berson, chief economist, Fannie Mae, 6/14/97:** "What we have now is the best combination of sustained growth and low inflation that we have had in at least a decade."
- **Bruce Steinberg, chief economist, Merrill Lynch, 6/7/97:** "The best of all possible economies just keeps rolling along."
- **Fortune, 6/9/97:** "Business is booming, inflation is falling, jobs are plentiful, and American industry is way out in front. The U.S. economy is stronger than it's ever been before."
- **Allen Sinai, one of America's top economic forecasters, 4/30/97:** "Job growth is good. Real income is rising. Sentiment is high. Unemployment is the lowest in years. Times are good for American consumers."
- **Mickey Levy, chief economist, NationsBank, 2/1/97:** "It's really the best of all worlds. Growth at a healthy pace, but with the economy not overheating and continued very favorable news on inflation."

HONG KONG
July 1, 1997

Message point: This is a historic occasion taking place pursuant to an agreement made by China and Great Britain in 1984. We note with satisfaction that the transition was carried out in a dignified manner, without incident. China has agreed to apply the principle of "one country, two systems" to Hong Kong and to assure that Hong Kong retains a high degree of autonomy and its basic way of life. We expect China to live up to this commitment, and we will be active and engaged in watching the way in which China provides for basic civil liberties and rule of law.

Q. Are you concerned about the arrival of 4,000 troops and the use of armored vehicles?

A. We are not only interested in China's *formal* commitments but also the signals it sends to the people of Hong Kong. A decision to so visibly deploy the incoming troops may not have been the best approach. Nonetheless, the transfer of the garrison in Hong Kong from British to PLA forces occurred without incident and we commend PLA forces for their smooth assumption of their new role..

Q. Albright did not attend the opening session of the new legislative council, but the US Consul General did; did this send a mixed signal to Hong Kong and Beijing?

A. Albright's non-attendance at the swearing in of the provisional legislature (PM Blair also not attending) sent a strong political signal to both Hong Kong and Beijing that the United States expects the basic civil liberties of the people of Hong Kong to be respected. We believed the provisional legislative council was an unnecessary creation and we welcome C.H. Tung's commitment to hold elections by May of next year; we also welcome President Jiang reassurances on this point. American national interests - 1,000 companies, 40,000 citizens - need to be protected on a day-to-day basis, and that's the job of our Consul General; that's why he is attending the ceremony.

Q: There are concerns that press freedom will be curtailed in Hong Kong. What would the USG do if that proves to be the case?

A: There exists now a substantial web of protections for civil liberties in Hong Kong including press freedoms, freedoms of speech and association and the right to strike. China has agreed that Hong Kong's way of life will be preserved after July 1, and these freedoms are integral to Hong Kong's economic and social vitality. We will watch closely how these civil liberties are preserved over time.

Other factors that contribute to Hong Kong's high degree of autonomy include the independence of the court system, the continuation of the very professional and independent civil service, the independence of the monetary system and Hong Kong's ability to participate in certain international organizations such as the WTO.

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?

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 of constructively engaging China.

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.

Q: What are you doing about reports that Wei Jingsheng is being beaten in his Chinese jail?

A: We have asked the Chinese Foreign Ministry for a report on Wei's condition, based upon the stories cited in the press. We have not yet received a response to our request. Obviously, Wei's health and well-being are of concern to this Administration, as to many in the United States. We expect he will be treated properly, as stipulated by Chinese law.

Q: Any reaction to the recent TIME story regarding Chinese missile assistance to Pakistan?

A: We're extremely concerned by reports of Chinese missile assistance to Pakistan, which may be inconsistent with China's 1994 commitment to abide by the Missile Technology Control Regime.

We continue to raise our concerns with China.

If we determine that a violation has occurred under U.S. law, we will make the appropriate sanctions determination.

Q: What is your view of the AFL-CIO report on China's military exports to the United States?

A: We continue to study the report and compare it to other available information.

These military enterprises represent only a small percentage of China's overall exports to the United States, however. The large majority of China's exports are produced by non-military enterprises, many of which are affiliated with foreign corporations.

We have legislation that prohibits Chinese military enterprises from exporting various kinds of weapons to the United States, and we enforce that law vigorously. In 1994, the Clinton Administration also imposed an embargo on Chinese sale of "sport" weapons to the United States.

In a more general sense, however, PLA enterprises are not violating U.S. law by exporting to the U.S. Most of the products identified in the AFL-CIO report are consumer items of the sort produced for export by many of China's enterprises, state-owned owned and otherwise. These products are indistinguishable from the exports of non-military enterprises, consisting of a broad range of products from foods to textiles to camping equipment.

We have considered broader restrictions on the exports of Chinese military entities, but have found them impractical. Efforts to single out military enterprises for exclusion from the U.S. market are extremely difficult and costly to enforce.

We are aware that the Chinese government does not favor military units engaging in commercial business, as it leads to corruption and detracts attention from routine military responsibilities. It has been not been able to control these activities, however. One Hong Kong-based researcher recently estimated that only a small percentage of the total profits of military enterprises actually went into central military budget funding. The charge that these exports fund China's development of advanced weapons that will ultimately threaten the United States is therefore open to question.

We intend our military-to-military engagement to bring about, among other benefits, more transparency in reporting about China's military budget and commercial activities. Efforts to curtail these by cutting exports would only drive the activities further underground and make them harder to document.

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.

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.

DON'T ASK DON'T TELL

July 3, 1997

Coverage is reasonably accurate and informative of legal challenges to the DoD "don't ask, don't tell" policy. OSD General Counsel predicts that Justice/DoD will appeal, but that Justice does not want any public statements made about the appeal until it is filed. (Apparently, that is a general policy at Justice because they have been embarrassed in the past when final decisions on whether or not to appeal contradicted prior public statements.) For that reason DoD asked that questions on the appeal be directed to Justice.

Talking Points

- * We believe that the current policy is appropriate and working well. It balances an individual's right to privacy with the military's need to maintain unit cohesion and readiness. The Administration's policy has also been endorsed by Congress.
- * The case will work its way through the courts. We note that the policy has been upheld in a series of court decisions at the Federal appellate level.

Questions and Answers

Q. Will the Administration appeal the ruling?

A. The Justice Department and Defense Department are studying the ruling. We will wait for a recommendation from the Department of Justice before making a decision.

DENMARK
July 3, 1997

Q: Why is the President going to Denmark?

A: President Clinton will be the first American president to visit Copenhagen while in office.

Denmark is one of our oldest, most valued friends and allies. Denmark has stuck by us, and we by Denmark, in the best and worst of times, going back to the earliest days of our independence.

Americans have not forgotten Denmark's heroic opposition to Nazi occupation in World War II, and its rescue of its Jewish population from certain death in the Holocaust. The Danish people and the Danish royal family were beacons of hope at a time of terrible darkness.

Through the worst days of the Cold War, Denmark was a staunch ally in NATO and a crucial voice for freedom and tolerance.

Today, the U.S. and Denmark are working closely together on crucial issues such as bringing peace to Bosnia, fully integrating the Baltic nations into the European family, and constructing a new framework for European security in the 21st century.

Denmark this year became chairman-in-office of the OSCE at a time of great challenges in places like former Yugoslavia, Albania and Nagorno-Karabakh. OSCE has played a crucial role in the recent Albanian elections and is in charge of organizing municipal elections in Bosnia this September.

Q: Chirac has complained that the U.S. wants to run every show, from NATO to Africa and the Middle East. Are U.S.-French relations in bad shape? Do you see relations with France as more of a burden than a benefit for the U.S.?

A: Absolutely not. France is a major power that naturally brings its own perspective to world problems, just as we do. It is precisely France's global stature and influence that make it such an important partner for the U.S.

Our relationship with France is built on shared values, historical partnership. These endure even when we do not see eye-to-eye on issues of the day. The President was privileged to experience this abiding tie at the D-Day commemoration in Normandy in 1994.

We do disagree on some issues; that is to be expected. But we also cooperate closely in many areas. Bosnia is key example of importance of U.S. French cooperation: President Chirac's leadership and support for strong NATO action in 1995 were crucial in achieving Dayton Accords.

President Chirac and President Clinton have also worked hard together to create a new relationship between NATO and Russia. They consult closely on the Middle East. France has played a valuable role in Haiti. France and the U.S., together with Russia, are co-chairs of the Minsk Group to find a solution to Nagorno-Karabakh dispute.

We are grateful to the French for evacuating Americans recently from Brazzaville, just as we evacuated French citizens from Sierra Leone. Just the most recent examples of cooperation when it counts most.

Our relationship with France is deep as well as broad. It is a major trading partner for us, we enjoy rich cultural exchanges, our military services train each other's officers, our students study in each other's universities. All this is the fabric of a strong and enduring relationship.

LOCKHEED-NORTHROP MERGER

July 3, 1997

Background :

The LM-NG merger is likely to generate controversy on two points:

- (a) Excessively reducing competition in the defense industry. The Boeing-McDonnell deal generated such concern here and abroad (both had subsidiaries overseas), although FTC approved it in the end. Because the LM-NG merger will require FTC approval, the White House should not comment on it so as to avoid the appearance of improperly influencing the regulatory process.
- (b) Payment of consolidation costs. Although DoD claims this program is saving taxpayers millions of dollars, it is becoming increasingly controversial on the Hill, having been labeled "payoffs for layoffs." Questions on this program should be referred to DoD.

Points to be Made

- Given the deep reductions in defense spending in the US and many other nations since the end of the Cold War, consolidation of the defense industry is desirable as well as unavoidable. Consolidation preserves the strength of the defense industrial base and enhances the international competitiveness of the remaining companies.
- Because the merger requires FTC approval, the White House cannot comment on this particular merger.

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.

NATO and Bosnia

- The NATO Summit at Madrid is another key opportunity this spring (following the President's meetings in The Hague and Denver and Secretary Albright's meetings in Sintra) in our effort to reinvigorate the international effort to implement the Dayton Accords.
- Bosnia was NATO's first challenge and its first success. Only with NATO's military credibility and capability were we able to achieve the substantial progress we have made since implementation has begun: stopping the fighting, separating the warring factions, holding successful national elections, creating joint institutions, making great strides in economic reconstruction, and maintaining momentum on freedom of movement and return of refugees and displaced persons.
- The job is not finished, however, and the stability of Europe and the credibility of the Alliance remain at stake. We must rededicate ourselves to implementing the peace agreement, successfully completing SFOR's mission, and creating a just and self-sustaining peace.
- We are seeking a renewed commitment to Dayton both in terms of resources and political will. Will be asking Allied counterparts to help solve resource shortages in training and equipping police to democratic standards and in meeting OSCE needs to successfully conduct the September municipal elections in Bosnia.
- We would also like to send a strong unified message to the parties underscoring that only those who support Dayton will get our support. That goes for Serbia and Croatia as well. Ultimately, implementing the peace is the responsibility of the Parties themselves.
- We have a long term commitment to peace in Bosnia. Rather than speculate about what happens after SFOR, we intend to focus our efforts on the implementation challenges in the months ahead. That is the best way to help build a self-sustaining peace by the end of SFOR's mission.
- We continue to believe that SFOR should complete its mission in June 1998. Over the next year, we can create conditions that will allow the peace to sustain without the presence of an outside military force.

GAO Report on NATO Enlargement Costs

Q: The GAO criticized cost assumptions which NATO and DoD have developed on NATO enlargement. What's your reaction?

- A: GAO concluded that our key assumptions in developing an estimate of NATO enlargement were "reasonable." In other words, we're on the right track.

These estimates that will be refined after Madrid once know more about the specific needs of the countries nominated.

GAO noted what we have acknowledged all along: that there are many variables which will affect the cost of enlargement, including future levels of U.S. security assistance and the pace of future accessions by NATO.

Enlargement costs are manageable. The U.S. share is expected to be \$150-200M in incremental costs per year according to the Pentagon. The cost of inaction is much higher.

Enlargement will make NATO stronger and better able to address Europe's future security challenges. Through U.S. leadership, we have already seen progress towards strong democracies in Central and Eastern Europe, market reforms, the resolution on border and ethnic issues, and a new relationship between NATO and Russia.

FROM HELSINKI TO MADRID

In State of Union, President Clinton set out roadmap for American leadership in 21st century. First of six core strategic objectives was building undivided, democratic, peaceful Europe. The period from Helsinki (March) through Paris (May) to Madrid (July) represents milestone of American leadership in building new Europe -- a capstone for 20th century, cornerstone for 21st.

Helsinki -- Laying Foundation for U.S.-Russia Relationship in 21st Century

- Building Undivided Europe: Clinton and Yeltsin agreed on broad outlines for NATO-Russia partnership. Vindicated President Clinton's approach of bringing Central Europe's new democracies into NATO while building strong ties between NATO and Russia.
- Reducing Nuclear Danger: Yeltsin agreed to seek prompt Duma ratification of START II. Both agreed to guidelines for more cuts under START III once START II ratified: by 2007 reduce by 80% arsenals from Cold War height. Agreed to preserve ABM Treaty that restricts strategic missiles while allowing defenses vs. theater missiles.
- Help Russia Complete Transformation to Market Economy: As Yeltsin takes steps to reform economy, U.S. will free up funds to help finance billions of dollars in trade and investment with Russia -- bringing more jobs, prosperity to both. As evidence of Helsinki commitments, Russia took part in Denver Summit of Eight from start, joined Paris Club of creditor nations.

Paris -- The NATO-Russia Founding Act

- A New Era of Possibility: NATO-Russia Founding Act joins a great nation with history's most successful alliance in common cause for building undivided, peaceful, democratic Europe. Through Founding Act, NATO and Russia will consult and coordinate regularly. Where both agree, they will act jointly -- as in Bosnia.
- European Security Not Zero Sum: NATO's gain no longer Russia's loss, Russia's strength NATO's weakness. By reducing rivalry and fear, strengthening peace and cooperation, facing common threats to security of all democracies, NATO will promote stability in all of Europe.
- Fulfilling Marshall's Legacy: As President said in Marshall Plan and West Point speeches, we have historic opportunity to complete job Marshall generation began by extending to Europe's East stability, prosperity enjoyed by West and strengthening this generation's security.

Madrid -- Milestone of American Leadership

- Realizing President Clinton's Vision: In Brussels in 1994, Clinton put enlargement on table to strengthen NATO, lock in gains of democracy in CEE. In Madrid, first of Europe's new democracies will be invited to join: Hungary, Poland, Czech Republic. Door will remain open to all those able to meet responsibilities of membership.
- Capstone of 20th Century -- Cornerstone of 21st: The President's leadership from Helsinki to Madrid has laid a strong foundation for the new Europe of the 21st century. Europe can go from main battleground of bloodiest century in history to the citadel for values America promotes: freedom, democracy, security.

NATO SUMMIT MESSAGE POINTS & KEY EVENTS

The NATO Summit is history in the making -- and President Clinton more than anyone has helped make it. In Brussels in 1994, 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, in a new century, a citadel for the values America promotes: freedom, democracy and security. Madrid represents a milestone of American and European leadership in building a new Europe -- a capstone for the struggles of the 20th century and a cornerstone for the achievements of 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 NATO 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 trap and destroy Nazi

panzer divisions in France after D-Day -- President will highlight that new NATO allies are in fact old allies who will add to NATO's strength.

Arrival Statement and Meeting with CODEL -- Monday, July 7 (Madrid)

Message: Remarks upon arrival at Madrid airport and in pool spray with Congressional Observer Group will set scene for the summit and highlight bipartisan support for NATO enlargement.

Remarks to American Community -- Tuesday, July 8 (Madrid)

Message: Summit is a milestone in President's efforts to forge new NATO with new members, new missions, new partners. NATO enlargement will strengthen alliance to meet new challenges, help lock in gains of freedom and stability in Central Europe. 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 during much of 20th century.

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

Message: Press conference opening statement will highlight that Madrid is history in the making - a decisive step toward President's goal of building a democratic, peaceful, undivided Europe. 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, 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.

Speech to People of Poland -- Thursday, July 10 (Warsaw)

Message: For four and half decades, we challenged people of Central and Eastern Europe to cast away shackles of communism. Now, we are making good on our commitment to bring them into community of democracies. President will praise great strides they have taken since 1989 to build democracy, open economies, settle old disputes and highlight peacekeeping partnerships they already have established with us in Bosnia. He also will emphasize that membership in NATO carries responsibilities. NATO's first invitees must continue to strengthen democracies, reform economies and militaries. As political, economic and security integration into West liberates them from old fears, they must forge new ties with a democratizing Russia and build undivided Europe.

Speech to People of Romania -- Friday, July 11 (Bucharest)

Message: President will reassure Romania and others nations left out of the first round of invitations that NATO's doors remain open to all those willing to meet the responsibilities of membership. He will state plainly that he has come to Bucharest not because of what the Romanian people have not done -- but because of what they have done and what he believes they will continue to do (strengthen democracy, open economy, prepare military) on path to NATO.

Speech to People of Denmark -- Saturday, July 12 (Copenhagen)

Message: In praising an enduring ally -- Denmark -- President will sum up a week that began the process of bringing new allies into the alliance and a period -- from Helsinki through Madrid -- that put in place foundation for a new Europe in a new century.

STATEMENT BY THE PRESS SECRETARY

President Clinton to Visit Poland, Romania and Denmark

President Clinton will travel to the Republic of Poland, Romania and the Kingdom of Denmark immediately following the NATO Summit in Madrid, at the invitation of the Presidents of Poland and Romania and Her Majesty the Queen of Denmark.

These visits, like the Madrid Summit, are part of the President's efforts to help build an undivided, democratic and secure Europe in the next century. This will be the President's first trip to Romania -- and the first visit by a U.S. President in over twenty years -- and his second trip to Poland. It will be the first visit to Denmark by a sitting U.S. President and an opportunity to highlight this NATO ally's important role in contributing to European security and stability, including in the Baltic/Nordic region.

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Q: Did the Administration ask Moscow's permission for the President to travel to Warsaw?

A: No.

We informed our key allies and important partners, including Russia, of our plans. This is both prudent and courteous.

It would not occur to us to ask Moscow's "permission" for the President to visit another country.

NATO ENLARGEMENT

Q: Any response to recent critics of enlargement?

A: We welcome a vigorous debate about NATO enlargement and are confident that our reasons for supporting enlargement will prevail.

We have long considered the arguments repeated in the open letter to the President issued by a group of foreign policy experts, led by Susan Eisenhower.

(If pushed) NATO enlargement does not block good relations between NATO and Russia, as demonstrated by the new NATO-Russia partnership outlined in the recently concluded Founding Act.

(If pushed) NATO enlargement does not strengthen the hand of Russian communists and nationalists, as demonstrated by the growing strength of reformers in President Yeltsin's government. Russians do not care much about NATO enlargement either way, as demonstrated by the tiny turnout at the anti-NATO demonstrations in Russia last May 9.

(If pushed) The likely new NATO new members -- Poland, Hungary, the Czech Republic - - are strong democracies without significant minority problems or unresolved border issues. They have proven themselves willing to take on the responsibilities of NATO membership.

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

A: 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?

A: 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?

A: 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?

A: They have made good progress, and we look to them to consolidate these gains.

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.

ARREST OF WEAPONS SMUGGLERS

July 1, 1997

Weapon Smugglers Arrested In Miami

Background: Two Lithuanians were charged in Miami after being arrested Friday trying to sell weapons to FBI agents. While the initial "sale" was for surface to air missiles, they also mentioned nuclear weapons as a follow-on deal. No weapons actually changed hands.

Q: What can you tell us about the arrest of two Eastern Europeans for attempting to sell nuclear and other weapons in Miami?

A: Since the matter is before the courts, it's inappropriate for me to comment directly on the case.

Federal agents discovered these individuals before any sale was made.

However, the fact that these individuals mentioned the sale of nuclear weapons is another reminder of the need to work closely with the states of the former Soviet Union to safeguard the technology, know-how and fissile material involved in nuclear weapons.

We continue to encourage the Congress to fully fund cooperative threat reduction measures, the so-called Nunn-Lugar programs, which have proven valuable in reducing proliferation threats like this.

SUPERCOMPUTERS

July 1, 1997

Q: The Administration has just published a list of entities in Russia, China, India, Pakistan, and Israel that require a license for U.S. exports because of potential involvement in nuclear weapons-related activities. Isn't this list too little, too late?

A: Of course not. We have a responsibility to ensure that U.S. technology does not assist foreign nuclear weapons programs. Even where proliferation has already taken place, limiting the flow of technology can limit further development. At the same time, we recognize that the growth and spread of high technology, such as computers, make absolute controls impossible. The list we published is designed to inform U.S. exporters of particular end-users of concern, thereby facilitating other legitimate commercial transactions with these countries.

Q: Why does the Administration oppose Congressional efforts to tighten computer export controls?

A: The President's 1995 decision to streamline computer export controls was based on an assessment of technological trends and national security concerns. In particular, we focused controls on high powered computers to end users of concern. Overall, this new system has worked well. It has facilitated U.S. computer exports for peaceful purposes, while blocking exports to proliferation programs.

Of course, no export control system is perfect. We are already responding to the small number of problems that have been detected. Legal investigations are underway. We have raised the issue with foreign governments at very senior levels. We are taking administrative measures to tighten controls, such as the recently published list of entities.

Additional controls as proposed by some in Congress would not be helpful in maintaining the balance in our current policy between national security interests and economic competitiveness.

U.S. High Performance Computers/China

Q: Is it true that the U.S. is investigating the transfer of a U.S. supercomputer to a Chinese military research and development facility?

A: Yes. This matter is being investigated by the Commerce Department, and we have already raised our concerns with the Chinese government. Obviously, I can't go into the details, but we are taking the appropriate steps to deal with this situation.

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

The Administration revised export controls on computers in early 1996, consistent with our national security and nonproliferation concerns. Systems between 2,000 and 7,000 MTOPS (Millions of Theoretical Operations per Second) may be exported to civil end-users/uses in countries like China without prior permission.

We require companies to keep specific records of all such exports, which we are reviewing. If problems are identified with any of these shipments, we have the legal and administrative means to address them and I can assure you we will use that authority.

Q: Can you comment on the report that a Chinese government weapons development facility has acquired a U.S. supercomputer?

The matter is being investigated by the Department of Commerce. Because there is an active investigation, however, further comment at this time would be inappropriate.

Q: What are the export controls on computers destined for China?

In January 1996, the Administration implemented the following computer export policy to, among other countries, China:

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

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

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

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

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

It can be. That is why U.S. exporters have been clearly instructed to contact the Commerce Department when they are uncertain about an end-user.

Q: Doesn't this shipment show that the Administration's computer decision has allowed a serious breach to our national security - namely that a U.S. supercomputer is now helping the Chinese government build weapons?

The Administration's computer policy recognizes the growing worldwide availability of high performance computers. It also recognizes that U.S.-origin computers should not be shipped to certain end users without explicit U.S. authorization.

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

An unauthorized shipment of a U.S.-origin computers is a matter for our enforcement officials, and as I noted, an investigation into this matter has been initiated.

Q: Why has the United States sold supercomputers to China to aid in the development of their nuclear weapons program?

The Administration announced in 1995 that it would revise its controls on supercomputers, recognizing that they were becoming more powerful and increasingly available worldwide.

But in liberalizing these controls, the Administration made special provision for licensing supercomputers to China--as well as other countries of proliferation concern--so as to ensure against sales for military end uses.

As a result, we require licenses for military-related computer sales to China for computer in the 2,000-7,000 MTOPS (millions of theoretical operations per second) range.

We also seek to ensure that supercomputers are not diverted to military uses through continuous Commerce review.

We continue to believe that our policy appropriately takes into account that significant changes in computer technology while protecting our non-proliferation goals.

With respect to the development of nuclear weapons, the Chinese have joined the other nuclear powers in a moratorium on nuclear testing. We believe it would be very difficult through computer modeling to acquire confidence in the redesign of nuclear weapons without testing.

Q: According to the Washington Post, the Russians are providing nuclear and missile assistance to Iran contrary to their high-level assurances to us. What are you doing about it?

A: You've got to separate these issues out.

We've had a long-standing disagreement with the Russians about nuclear cooperation with Iran. Although the Russians have agreed to limit nuclear cooperation to certain non-sensitive areas, we remain concerned that Iran will attempt to misuse this Russian-provided technology for military purposes. We are also concerned that Iran is seeking to expand the areas of cooperation. We will continue to raise these concerns with Moscow.

In the missile area, we have clear commitments from the Russian leadership that the Russian government does not support any ballistic missile assistance to Iran. We will continue to work with Moscow to ensure that these commitments are implemented.

Sestanovich Appointment as Ambassador at Large for the NIS

- In past, (not while in government) Steve suggested potential problems with NATO enlargement. Key issues he raised then we have now addressed through NATO-Russia Founding Act, commitment to open door policy on future NATO members, plans for dynamic Euro-Atlantic Partnership Council.
- Steve fully supports Administrative policy, will be strong part of team.

Ukraine: Prime Minister Lazarenko resignation

- Note President Kuchma accepted PM Lazarenko's resignation; such decisions Kuchma's to make. As yet, no information on likely replacement as PM.
- Look to Kuchma and Rada (parliament) leaders to work together to expedite appointment of team ready to implement reform agenda.

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

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

Yeltsin names daughter as advisor

- Understand that Yeltsin's daughter Tatiana Dyachenko to serve as an advisor to President -- obviously these are personnel decisions for Yeltsin, Russian government.

Russian Duma passes restrictive new law on religion

- Understand new law on religion passed by Duma; now goes to Federation Council (upper house of parliament). In all contacts with Russians, we will reiterate our conviction that guarantee of freedom of religion essential to democratizing society..
- In Denver bilateral with Yeltsin, President expressed our concern about implications of new law, stressed our view that freedom of religion should not be restricted; Yeltsin indicated he would look into issue.

General

NATO-Russia

- Founding Act signed by NATO heads of state and government and President Yeltsin in Paris May 27 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 -- he reiterated that to President Clinton at Denver.
- 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.

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S/NIS Press Guidance
July 3, 1997

Sestanovich Appointment

drafted by Tarta
cleared by
Sestanovich

Q: Why are you appointing Steve Sestanovich as Ambassador-at-Large for the NIS given his opposition to NATO enlargement? Does the Secretary stand by him?

A: -- THE SECRETARY HAS EVERY CONFIDENCE IN
STEVE SESTANOVICH AND BELIEVES HE WILL DO
A TERRIFIC JOB AS AMBASSADOR-AT-LARGE.

-- IT IS TRUE THAT STEVE HAD BEEN A SKEPTIC OF
NATO ENLARGEMENT AND HAD RAISED A
NUMBER OF QUESTIONS ABOUT IT IN HIS
WRITINGS. HOWEVER, STEVE HIMSELF BELIEVES
THE ADMINISTRATION HAS DONE AN IMPRESSIVE
JOB OVER THE PAST SIX MONTHS IN ADDRESSING
THOSE CONCERNS VIA THE NATO-RUSSIA
FOUNDING ACT, THE NATO-UKRAINE CHARTER,
OUR COMMITMENT TO AN OPEN DOOR POLICY
AND OUR PROPOSALS FOR A DYNAMIC EURO-
ATLANTIC PARTNERSHIP COUNCIL.

-- HE IS FULLY SUPPORTIVE OF ALL ASPECTS OF
THE ADMINISTRATION'S APPROACH TO EUROPE
AND THE NIS AND LOOKS FORWARD, IF
CONFIRMED, TO WORKING TO ADVANCE
ADMINISTRATION POLICY.

Q: Isn't he a Russo-centrist?

A: THE EVANS AND NOVAK PIECE COMPLETELY
DISTORTS THE MEANING OF STEVE'S WRITINGS
AND HIS RECORD.

-- HE BELIEVES THE U.S. HAS A PROFOUND
INTEREST IN SUPPORTING THE SOVEREIGNTY
AND TERRITORIAL INTEGRITY OF ALL 12 NIS, AND
THERE IS NO BETTER EXAMPLE OF THAT THAN
THE PROGRAM HE HAS LED AT THE CARNEGIE
ENDOWMENT.

-- CARNEGIE HAS BEEN A LEADER NOT JUST IN
SUPPORTING RUSSIAN REFORM BUT ALSO IN
BOLSTERING UKRAINIAN SOVEREIGNTY AND
ECONOMIC HEALTH, AND IN PROMOTING BETTER
RELATIONS BETWEEN THE U.S. AND THE STATES

**OF THE CAUCASUS AND CENTRAL ASIA THROUGH
CONCRETE PROGRAMS AND EXCHANGES.**

PRESIDENT CARTER'S VISIT

IF ASKED:

Q: Did Jimmy Carter visit Nigeria as a USG envoy? Does the Administration agree with his recommendations that the U.S. should (1) lift its visa restrictions; (2) allow direct flights; and (3) certify Nigeria for narcotics cooperation?

A: President Carter visited Nigeria as a private citizen, not a U.S. envoy. As such, his comments do not reflect Administration policy.

Following General Abacha's coup in 1993, we banned visa issuance for high-ranking government officials, military officers, and civilians who formulate, implement or benefit from policies that impede Nigeria's transition to democracy, and members of their immediate families. That policy remains unchanged.

The Secretary of Transportation suspended air carrier service between the United States and the Lagos International Airport in August 1993, after the airport failed to meet international standards for aviation security. The Administration will continue to address this issue only on its technical merits.

With regard to narcotics certification, Nigeria has not been certified since April 1994. U.S. Government officials have outlined for the Nigerian Government specific areas in which we seek improved cooperation on counter-narcotics. Although the Government of Nigeria has made some progress, such as in attacking corruption from within the ranks of Nigeria's national drug law enforcement agency, it has failed to cooperate in other key areas, such as in extraditions of narco-traffickers. The decision not to certify Nigeria for narcotics cooperation reflects these factors.

Q: Where are we one year after the Khobar bombing?

One year ago a terrorist bomb exploded in front of Khobar Towers in Dhahran, Saudi Arabia, killing 19 Americans. We share the special grief this day brings to the families of the airmen who died a year ago.

Since then, we have made every possible effort to bring those responsible to justice, a process that is still ongoing. As we have pursued this investigation, we have received cooperation from the Saudi authorities. We have enhanced our military security by moving our facilities in Saudi Arabia, with substantial Saudi cooperation and funding.

We will continue to give this investigation top priority. We have reached no conclusion regarding responsibility for Khobar. Just as we have in other terrorist cases, we will take all the time necessary to complete a thorough investigation. Because this is an ongoing criminal investigation, I cannot comment on the details of our current activities.

Q: Many reports are pointing the finger at Iran. Is this where your investigation is leading? If Iran or those under Iranian influence prove responsible will we react militarily?

As this is an ongoing criminal matter, I cannot comment on our investigations. Nor will I comment on what action we may or may not take in a hypothetical situation.

Q: One year later, not one commanding officer has been court-martialed or even fired for their negligence in allowing 19 of those under their command to be killed. Where is the accountability?

These matters are still under review by the Secretary of Defense, who said just two weeks ago that he is in the process of going through the Downing report, the General Record report and the IG report. I refer any further questions to the Defense Department.

Q: Will U.S. forces in the region be on increased alert during the anniversary period?

USCENTCOM continues to monitor and enhance force protection measures to minimize potential risk to U.S. forces in the region.

Q: What is status of Sayegh?

Mr. Sayegh was deported from Canada to the U.S. He is in custody. I cannot comment any further.

Q: Was Sayegh working for Iran?

We will not comment on an ongoing investigation.

Q: Can you confirm that Sayegh is linked to Khobar? Did you make a deal for his extradition?

A: The Canadian government decided to deport Sayegh to the U.S. The deportation was based on the fact that the U.S. was the last country he had been in prior to entering Canada.

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

Q: What is our assessment of the voting in Albania?

A: The U.S. delegation, led by Assistant Secretary for Democracy and Human Rights, John Shattuck found the elections to be relatively orderly with high voter turnout.

Our judgment was based on observations over 400 other OSCE observers, including 55 Americans, deployed throughout the country.

Reports of instances of violence and other incidents did not appear to indicate widespread problems affecting the overall process.

The Italian-led multinational protection force (MPF), led by Commander Luciano Forlani, did a superb job protecting and escorting observers and international media.

The Italian government deserves special praise for its leadership role in conceiving, assembling and commanding the MPF, which greatly contributed to the overall success of the OSCE effort.

Q: Who won the elections?

A: We are awaiting official results.

Q: Were the elections free and fair?

A: We will await an evaluation by the OSCE. It is our hope that the Albanian people and international community will find the elections to be a credible reflection of the will of the Albanian people.

Q: There are press reports that Berisha has conceded defeat. What is our reaction?

A: We have seen reports that he has conceded. However, official results have not yet been announced. It is premature to comment further.

Q: What is the Administration's reaction to events in Cambodia?

A: We are aware of reports of Pol Pot's capture, but are awaiting confirmation and clarification of the situation from the Cambodian Government. Pol Pot is still in the custody of the Khmer Rouge, not the Cambodian Government.

We strongly support the objectives of the 1994 Cambodian Genocide Justice Act aimed at bringing those Khmer Rouge responsible for genocide and crimes against humanity to justice for the heinous crimes committed from 1975-79. We would support a decision by the Cambodian government to request assistance for an internationally sanctioned prosecution of KR leaders responsible for such crimes.

Concerning the suggestion that the United States take Pol Pot into custody, we would have to determine in consultation with the Department of Justice whether the United States has any basis for jurisdiction before we could contemplate such a step. It is, however, quite premature to speculate about next steps at this point.

Q: What about others who may also have committed crimes during that period?

A: It is too early to speculate at this point on either the format or other aspects of such a trial.

Q: Have you encouraged the UN or the Canadian Government to take steps to bring Pol Pot out of Cambodia?

A: We are aware of the desire of the Cambodian Government to have Pol Pot put on trial. We support this, and will be working with others to make sure international justice is carried out.

We are in touch with several countries regarding the possibility of their taking temporary custody of Pol Pot, if needed, without necessarily committing to keeping him for trial. With regard to a UN role, we are prepared to look at possible options with the UN, and are not ruling out any options at this point. Again, however, we would caution that this process is still in a very early stage.

IRAQ
June 26, 1997

Q: What action do you plan to take on the latest Iraqi blocking of weapons inspectors?

We take such incidents very seriously.

They violate Iraqi obligations to cooperate fully with inspections to detect WMD.

Pleased that UNSC passed strong resolution condemning this obstructionism and warning of further sanctions if it continues.

KANSI
June 24, 1997

Q: Can you confirm reports that Secretary Albright telephoned the Pakistani Prime Minister, Nawwaz Sharif, regarding the arrest and bringing to the United States of Mir Amal Kansi?

A: Mir Amal Kansi's arrest was an important victory for US efforts to combat terrorism.

It demonstrated the determination of the United States to bring to Justice those who attack Americans, however long it takes.

Many US Government officials were involved in this successful operation.

However, we are not going to get into the specifics about who was involved or who was contacted.

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

A: Express our 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.

LASER 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.

U.S. Policy on Caspian Energy and Pipeline Development

- U.S. and other foreign companies have actively pursued energy exploration and production opportunities in the countries of the former Soviet Union since 1991, with many of the efforts focused on the Caspian Sea basin.
- A critical issue in the successful commercial development of Caspian Sea energy resources is the ability to transport these resources to world markets. The Caspian's landlocked location far from leading markets for oil and gas makes this concern all the more serious.
- Based on the number of planned oil and gas projects in the Caspian Sea basin (including Kazakhstan, Azerbaijan and Turkmenistan), experts predict that there will be the need for between four and six main export pipelines over the next several decades.
- Since at least World War II it has been U.S. policy to support multiple pipelines for the transport of energy resources in order to enhance energy security. Reliance on a single pipeline for energy transport leaves both the supplier and consumer countries vulnerable to a pipeline shutdown. Besides enhancing energy security, multiple pipelines also encourage competition and foster lower energy prices.
- U.S. support for multiple pipelines from the Caspian Basin has been our stated policy since early 1995. An Administration official speaking with Platt's Oilgram on February 2, 1995 said that "we support multiple routes." On February 24, 1995, a senior State Department official said that "in the short-run there should be a variety of viable alternatives, and that in the medium-to-long-run the resource base in the region should support multiple pipelines."
- State Department press guidance on February 3, 1995 also noted that "we expect eventual production in the Caspian region to require multiple pipelines." A March 9, 1995 State Department message to our embassies in the Caspian region stated that "the USG still believes multiple routes are necessary and that their development will provide additional security for oil companies as they proceed."
- Mike McCurry in describing a telephone call between President Clinton and Azerbaijani President Aliyev in early October 1995 said that "President Clinton expressed his support for commercially viable, early constructed and multiple oil pipelines from the Caspian Sea region."
- In February 1995, the United States endorsed a pipeline route from Baku, Azerbaijan to Ceyhan on the Mediterranean coast of Turkey. State Department guidance on February 3 stated that "we would endorse construction of a pipeline through Turkey. We are not ruling out other routes."

- The U.S. endorsement of the Baku-Ceyhan route did not include an endorsement of any particular route to Ceyhan. February 3 State Department guidance clearly stated that “the U.S. has not endorsed a particular route to Turkey.” Possible routes include lines through either Armenia, Georgia or Iran. We have expressed our opposition to any route through Iran given our policy to oppose projects which could provide Iran with political and/or financial benefits.
- To this day we have not taken a position on which route the Baku-Ceyhan pipeline should take. Our position was and remains today that the route chosen is a decision for private companies and should be based on commercial principles, non-discriminatory access and market-based tariffs. We have strongly resisted efforts by countries and companies to “choose” an export route.
- The State Department’s April 1997 Report to Congress on Caspian Region Energy Development succinctly stated overall U.S. policy on the Caspian. “It is the Clinton Administration’s policy to promote rapid development of Caspian energy resources through multiple pipelines and diversified infrastructure networks to reinforce Western energy security, and provide regional consumers alternatives to Iranian energy.”

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.

MEXICO
July 3, 1997

Q: What is the U.S. position on the Sonora Governor?

A: The White House has no comment on the Governor Beltrones issue. Refer questions to State.

Q: Will the elections be free and fair? Will there be any observers from USG?

A: We can't comment on whether the elections were free/fair until the elections actually take place.

There will be no formal USG observers (once again, the Mexicans prefer to call them "foreign visitors") at the elections, although there will be lots of Americans present, including many members of NGOs and prominent private election-monitoring groups. The USG is funding an NGO delegation of about 30 from the International Republican Institute (IRI). In addition, it is expected that several Congressional staffers will be attending.

CONTINGENCY PRESS GUIDANCE RE MEXICO ELECTIONS
(EMBARGOED pending outcome of vote on Sunday, July 6)

Q. USG reaction to election results in Mexico Sunday?

The United States congratulates the people of Mexico for their participation in what appears to be fair, open and competitive elections. We consider these elections a historic milestone in Mexico's democratic process.

The transparent handling of these elections is a testament to the important political reforms adopted last year and President Zedillo's leadership in carrying them out.

President Clinton is pleased that he had the opportunity to meet with leaders from the three main political parties when he visited Mexico City in May and wishes the best of luck to all those who won office.

We look forward to continuing to cooperate closely with the Government of Mexico on the full range of matters in our bilateral relationship.

Q. Is USG afraid that Cardenas' victory as Mayor of Mexico City will make it more difficult to work with Mexico? Is NAFTA threatened?

A: Our bilateral relations with Mexico are conducted primarily through executive branch channels. We look forward to working with Mayor-elect Cardenas on those issues relating to the quality of life of USG employees in Mexico City.

NAFTA is an international agreement with binding obligations for the United States, Mexico and Canada. We expect our NAFTA partners will continue to carry out those obligations faithfully.

Q. Will the ruling party's loss of control of the lower house of Congress interfere with our relations with Mexico?

A: As we said before the elections, we have every expectation of maintaining good relations with all the parties represented in the new congress.

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

No question that the recently-released documents should have been identified and released much earlier; this figured prominently in my decision in JAN 97 to extend the PAC established in MAY 95 in order to provide independent oversight of the ongoing process.

These documents are being identified and released now in response to my direction to get out all of the facts.

As to why these documents did not come to light earlier, the various ongoing IG and other investigations at DOD and CIA should help us to understand what happened.

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

- A. The PAC has a critical role to play -- we are relying on their expertise and independent assessments to enhance program quality across the full spectrum of government programs.

Discussion of PAC extension would be premature at this juncture given the many initiatives still underway and length of time remaining in the initial extension (31 OCT 97).

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

- A. Overall, to date -- (1) DOD & VA toll-free help lines; (2) 80,000+ free medical exams; (3) care for all Gulf War veterans who are sick (whether or not a diagnosis has been possible); (4) 26,000+ compensation claims approved; (5) special legislation paying disability for Gulf veterans with undiagnosed illnesses, with an extension of the presumptive period for undiagnosed illness compensation forthcoming soon; (6) thousands of pages declassified; and (7) 90+ federally-sponsored research projects completed or underway.

RS Power Struggle/SFOR

- We are closely monitoring the political developments in Republika Srpska and the situation involving Republika Srpska President Plavsic and Republika Srpska Interior Minister Kijac, who is in charge of the RS Special Police.
- In response to the uncertainty, SFOR has increased its alertness and presence in the Banja Luka area in order to better maintain security and stability.
- Special Representative Gelbard and the interagency team have been in the region over the past five days and have met with Plavsic, Krajisnik and other to stress U.S. concerns. They are meeting with Contact Group representatives today in The Hague and intend to meet with Serbian President Milosevic in Belgrade on Thursday.
- We are making clear that Republika Srpska is in serious non-compliance with Dayton regarding the need to restructure and reform the police forces along democratic lines. We expect the RS government resolve these issues peacefully and constitutionally and in accordance with Dayton.

Radovan Karadzic

- President Plavsic has charged Radovan Karadzic with corruption and with interfering with her governance of Republika Srpska, in violation of the agreement reached with the RS last year.
- Karadzic was removed from office and remains banned from any public or political role as agreed by Republika Srpska. We expect and insist that Republika Srpska officials 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.
- The OSCE recently ruled that neither Karadzic nor other indicted war criminals are eligible to vote in the RS.

Buyer-Skelton Amendment for Date Certain Withdrawal from Bosnia

- President's senior advisors have recommended a veto if such a measure were to remain in the Authorization bill after the House-Senate Conference. Even though we have no plans to extend the SFOR mandate past June 1998, requiring a withdrawal from Bosnia by a date certain interferes with the President's foreign policy prerogatives and is counterproductive.
- A withdrawal by a date certain – with no regard for the situation on the ground and progress to be made on civilian implementation – would call into question our commitment to implementation of the Dayton Accords, our reliability as a NATO ally, and our commitment to

peace and stability in Europe. To our troops on the ground and those who have served in Bosnia, this legislation would question the purpose and value of their service and sacrifice.

- As the President has emphasized, our focus should be on the hard work that needs to be done in the next year on civilian implementation. U.S. political and economic engagement in Bosnia will remain essential after SFOR's mission is done, and we can only succeed if the parties and the international community remain assured of U.S. leadership and commitment.

World Bank Loan to Croatia

- The World Bank Board decided to postpone indefinitely consideration of a \$30 million World Bank loan to Croatia. There is strong international support for the Bank's decision given Croatia's poor performance on key aspects of Dayton implementation.
- We have made clear to the Croatians that support for multilateral lending and assistance will be conditioned on Croatian cooperation on Dayton implementation issues.
- We made clear to the Croatians that we expect follow-through on these and other Dayton obligations commitments, such as better cooperation on war criminals and return of refugees.

Senate Appropriations Committee Foreign Ops Bill

- We support the goals of the legislative proposal. However, we cannot support the language as written.
- U.S. is deeply committed to bringing war criminals to justice. Those indicted must be turned over to the International Tribunal to stand trial. As President Clinton and his counterparts said in Denver, those who fail to cooperate on war criminals and other aspects of the Dayton Agreement will not have full access to economic or other assistance.
- However, the proposal as written undermines our leverage and flexibility needed to compel Bosniaks, Croats and Serbs to fulfill their Dayton obligations. The proposed legislation as written would be ineffective and virtually impossible to implement.
- We will work with interested senators to find more appropriate ways to advance our mutual goal.

War Criminals

- We continue to remain deeply concerned with the slow progress on war crimes front in Bosnia. The recent start of the trial of Tihomir Blaskic by the International Criminal Tribunal is another small step toward justice in Bosnia, a key ingredient to long-term peace. 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 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.

Bosnia Implementation Plan

- At the President's direction, we conducted this Spring 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. The President also raised these issues with his counterparts at the Summit of the Eight in late June.
- Both Allies and the parties welcomed our renewed efforts to ensure timely, concrete progress on implementation. The Summit of the Eight leaders released a statement reinforcing to the parties 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.
- Implementation of Dayton and bringing long term peace and reconciliation to Bosnia remains a long term process and much work remains to be done. Nevertheless, we should take heart in all that we have accomplished and re-focus our efforts in order to finish the job.

Train and Equip Program

- The international Train and Equip program is successfully helping to establish a stable military balance in Bosnia, which is one of the keys to establishing a lasting peace in the region. The recently announced delivery order of 116 refurbished howitzers and 21 heavy equipment transporters from U.S. Army excess stocks to Bosnia is part of the ongoing program to meet the defense requirements of the Federation, as identified shortly after Dayton, and within the parameters of the Bosnia arms control agreements.
- The T&E program continues to facilitate concrete progress in the formation of joint Federation defense structures that will be critical to strengthening the Bosniak-Croat Federation. The latest step forward in this regard, announced in Sarajevo last week, are the agreements between Presidents Izetbegovic and Zubak on a joint Federation Military Strategy and on key commands.

IRELAND
June 27, 1997

Q: Any comment on the installation of the new government in Ireland?

A: We look forward to working with them on the Northern Ireland Peace Process as well as on a wide range of other issues.

Q: Will the President be contacting Prime Minister Ahern?

A: The President is sending a congratulatory message and will be in touch with him on the peace process.

[Note to Briefer : No specific plans for a phone call yet.]

NORTHERN IRELAND

July 3, 1997

Q: Is there hope for the peace process with tensions escalating during marching season?

A: Believe people of both communities want to sectarian confrontation over controversial marches. Applaud determined efforts of British government and Northern Ireland leaders to find solution that will avoid exacerbating tension.

Peace process at critical juncture; confrontation over marches not in anyone's interest. Urge residents and marchers to approach issue with generous spirit, seek to avoid confrontation.

Hope men and women of goodwill from both communities will not allow destructive few to determine outcome.

Q: What do you think of statement Blair made in Parliament June 25 on Northern Ireland?

Welcome Prime Minister's statement and British aide memoire made public yesterday. British Government is making a courageous, straightforward effort to get an inclusive process going on the basis of an unequivocal IRA ceasefire.

We urge the IRA, as we consistently have, to declare and implement ceasefire, and to pursue goals by democratic, exclusively peaceful means.

The talks must go forward, ideally with Sinn Fein on the basis of unequivocal IRA ceasefire, without them if necessary.

Q: What do you think of the joint Anglo-Irish strategy on decommissioning that was unveiled June 25?

We welcome paper by two governments on how to handle thorny issue of decommissioning. Their proposal follows suggestion made in Mitchell Report for decommissioning in parallel with progress in talks.

We urge parties in talks to move forward into substantive negotiations on the basis of the reasonable approach outlined in joint paper.

BELFAST TALKS

- **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.**

- If asked: Senator Mitchell has said he will stay on as talks chairman until either a result is achieved or he becomes convinced that no progress is possible.

CONTACT WITH SINN FEIN

- The President has many times called on the IRA to end the violence and declare an unequivocal cease-fire. 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.

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.

Q: Have you decided to step back from active engagement in the Middle East Peace Process?

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?

A: 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.

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.

RUSSIAN MIR ACCIDENT

July 2, 1997

Background

On the morning of June 25, a Russian Progress resupply vehicle hit the SPEKTR module on the Russian Mir Space Station, resulting in a gradual loss of pressurization. A solar panel was also damaged, and cabling from the damaged module had to be disconnected, resulting in a 50% reduction in electrical power available on the Mir.

Conditions on board the Mir have improved and the crew remains stable and in good spirits. Since the collision, the Mir's core module batteries have been brought back to full power with air conditioning, lighting, and life support systems in the core module operational. A spacewalk inside the damaged module is planned for July 11 to reconnect the Spectr's solar power to the core module. The plan is to connect the power lines with an interface panel that will be installed in the hatch door connecting the Spektr to the core module. The necessary hardware for the repairs will be sent to the Mir on a planned Progress launch from Russia July 5. The resupply mission will also carry additional oxygen bottles and personal items for Mike Foale.

Talking points

- Conditions on board the Mir have improved with the core module now at full power with main systems running.
- The repair mission is tentatively planned for July 11. Repair materials are to be launched to the Mir on July 5.
- NASA will continue to provide updates as the situation warrants.

Q. What is the Administration's position on an independent assessment of Mir safety, as called for by the Republican chairman of the House Science Committee?

A. NASA's number one priority in all of its human flight programs is safety. NASA and the Russian Space Agency have already established a board to investigate the accident. The NASA Administrator has also asked retired General Thomas Stafford, who flew on the 1975 Apollo-Soyuz mission, to form an independent team to evaluate Mir safety and provide recommendations in advance of sending another U.S. astronaut to the Mir.

Q. Who is the next astronaut scheduled to go to Mir?

A. Wendy Lawrence, who is scheduled to go in mid-September.

Q. Any plans to evacuate the crew?

A. If the crew should need to evacuate, they can return on the Russian Soyuz spacecraft, a "lifeboat" attached to the Mir. The crew will make this decision if they feel it is necessary and they have already performed a readiness check on the Soyuz.

Q: IF ASKED: In view of accident, should U.S. continue with space station and Russian participation in it?

A: We remain committed to space station program and Russian participation in it. Our experience on the Mir has provided us with invaluable operational experience in dealing with situations that may arise on a permanently inhabited space station. It has also strengthened communications between Moscow's ground control and NASA. This will be critical for successful operation of the International Space Station. This incident does not alter our plans for future cooperation.

NICARAGUA

June 27, 1997

[Background: A group of Nicaraguan nationals has recently filed a lawsuit challenging the U.S. government's implementation of new laws restricting eligibility for suspension of deportation – a discretionary tool that permits the Justice Department to grant permanent residence to undocumented aliens with strong equities in the U.S. The Board of Immigration Appeals (an administrative tribunal within the Department of Justice) has ruled that restrictive aspects of the new law are essentially retroactive and this has had a negative effect on many Nicaraguans who have applied for suspension of deportation. Yesterday, Judge James Lawrence King of the United States District Court for the Southern District of Florida entered a preliminary injunction staying this interpretation of the law.]

Q: Has the U.S. government decided whether to appeal the court's decision staying implementation of the new law?

A: The government has requested a stay and is currently considering whether to file an appeal of the decision.

Q: Is the administration exploring options to remedy the problems faced by the Nicaraguans and others under the new law?

A: Consistent with the President's statements after meeting with the Central American presidents last month, the administration is actively considering both administrative and legislative options for remedying the harsher effects of the new law, particularly as it relates to Nicaraguans and other Central Americans.

Q: What is the Administration's reaction to Senate passage of the U.N. arrears bill?

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.

Appreciate good-faith efforts that Helms, Biden, and others made on this issue.

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

Q: The United States' summit partners have been critical of the arrears package. Comment?

A: I believe that overall the package 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.

Are confident the UN members will agree that a reformed UN will be stronger, more effective, and more relevant, and they will support this initiative.

We believe UN needs to embrace extensive reforms if it is to remain relevant in meeting the challenges of the next century – many of which we are addressing here in Denver.

Leahy Legislation

Q: Senator Leahy has announced that he is introducing legislation further curbing U.S. use of anti-personnel landmines. What is the Administration'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.

Q: How significant is the decision yesterday at the Conference on Disarmament?

On June 26 in Geneva the 61 nations of the Conference on Disarmament agreed to set up a special coordinator on anti-personnel landmines. Ambassador Campbell of Australia will serve in this role.

The special coordinator will act as a facilitator to develop a mandate for next steps in negotiations on anti-personnel landmines.

This agreement is an important step forward toward the establishment of negotiations on anti-personnel landmines in the CD.

We look forward to early progress in the next CD session beginning on July 28.

Q: What is your position on the Canadian-led "Ottawa Process"?

A: We welcome the Ottawa Process as providing important momentum toward the common goal of a ban on anti-personnel landmines.

During the visit here of Prime Minister Chretien, this issue was discussed. We and the Canadians agreed to meet to see if we could "narrow our differences."

Pursuant to this agreement, experts met in Ottawa in mid-June. These meetings were a good first step.

A U.S. delegation was present as observers at this week's "Ottawa Process" conference in Brussels. Negotiations on the Ottawa Process treaty text will begin in Oslo in September.

Between now and September we will continue our close consultations with the Canadians and others.

No decision has been made on whether we will participate in the Oslo meeting.

U.S./ROK/DPRK Talks

Q: The United States and North Korea met in New York July 2 for bilateral talks. What was the substance of the discussions and were there any results?

A: The United States and North Korea met as part of our on-going effort to address issues of concern to both sides, as called for in the Agreed Framework. The talks were not related to the 30 June trilateral meeting between the United States, South Korea and North Korea that discussed four-party peace talks issues. The two sides discussed a wide range of issues, from missile talks and MIA concerns to the food situation in North Korea. The talks were informational in nature and will continue at the working level in the future.

Q: What is the significance of the preparatory talks that were announced in New York?

A: The agreement by North Korea to participate in preparatory talks 5 August in New York is the first real step toward realizing President Clinton and President Kim's offer of peace talks that will lead to a permanent peace on the Korean peninsula. China will join the preparatory talks during which we will establish the venue, timing, procedures and agenda for the plenary session of the four party peace talks.

Q: How long will the preparatory talks last and when do you anticipate the start of the plenary session of the four party talks?

A: We do not have a specific time limit on the preparatory talks. We anticipate each of the four nations involved will come to the talks prepared to work toward the earliest date for the start of the plenary session.

If Asked:

Q: What is China's reaction to the announcement Monday by the United States, South Korea and North Korea that four-party preparatory talks involving China will start August 5, in New York? Has China agreed to participate?

A: China previously endorsed the four-party process and today has issued a statement welcoming the agreement reached Monday. In its statement China agrees to participate in the four-party talks and continue to cooperate and play a constructive role in the process of establishing a peace mechanism for the Korean peninsula. We welcome China's positive statement and look forward to the contribution it will make in the talks.

Q: Any information regarding food aid to North Korea?

A: The U.N. World Food Program is announcing a plan to send 130,000 metric tons of food targeted at helping children. The United States has responded to these programs in the past, and we expect to in the future.

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

- POTUS will travel to Denmark, Poland and Romania 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.

GULF WAR ILLNESSES

June 24, 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: Will not be satisfied until we have all the answers possible, all the facts available. If evaluation of the GAO report -- not yet released -- indicates that any shift in emphasis or additional research needed, these decisions will be taken.

We welcome the GAO's contribution to the other efforts currently underway to increase our understanding of Gulf War veterans' illnesses and provide them with the most effective care and treatment possible.

We plan on carefully reviewing the report and getting the reactions of the Presidential Advisory Committee and the agencies concerned. Any new findings and recommendations will be carefully considered for incorporation into the ongoing research and medical care programs.

I think it is important to note that the PAC has played a critical role in initiating and overseeing this process, and that many of the efforts currently underway were a direct response to PAC recommendations.

From the day I took office I have been committed doing the right thing to help our veterans. I view the GAO report in the same spirit: as another opportunity to shed light on the best possible program to help our veterans. My hope is that this new report will be helpful to further improve our ability to help the veterans who served their country in the Persian Gulf.

Q: Recent developments suggest that GAO, DOD and the PAC have significant differences of opinion on the causes of Gulf War illnesses. What does this mean to veterans?

A: First and foremost, I support all efforts -- by the agencies involved, by the PAC, and by Congress -- that may contribute to improving current programs for our Gulf War veterans.

In terms of any differences of opinion at this stage, remember that Gulf War illness causation issues are numerous and complex, and the research available to date is limited -- which is why the ongoing government research program encompasses more than 106 projects.

Finally, once, the agencies and the PAC are in a position to comment more specifically on its conclusions and recommendations, any new findings will be carefully factored in to the ongoing research and medical care programs.

Q: Rep. Bernie Sanders of Vermont released a letter signed by 86 members of the House calling for the Presidential Advisory Committee on Gulf War Illnesses to reassess its conclusion that the illnesses reported by Gulf War veterans were likely caused by war-related stress in the face of "clear" evidence that exposure to a wide variety of chemicals in the Persian Gulf may be a significant factor in Persian Gulf illness. Has this Congressional request undermined the PAC's ability to provide credible oversight to the government's efforts relating to Gulf War illnesses?

A: We appreciate Rep. Sanders' and Congress' interest in getting to the bottom of the difficult question of Gulf War illnesses. As you know, the President had consistently pledged to leave no stone unturned in helping affected veterans.

The Presidential Advisory Commission's conclusion that stress was a likely cause of illnesses reported by Gulf War veterans was based on a thorough review of the scientific literature available at the time, and was accompanied by a call for a substantial new research program looking into a number of other risk factors in addition to stress, including low-level exposure to chemical warfare agents, multiple chemical sensitivities, and infectious diseases, among others. Such a program -- encompassing over 106 projects between DoD, VA and HHS -- is now underway, and the PAC deserves a great deal of credit for providing its impetus.

As the new research and more thorough investigative efforts by the various agencies produce results, the PAC will continue to play a critical role as an independent guarantor that the overall program meets rigorous standards of scientific and clinical effectiveness.

Q: What is your reaction to the study published in the New England Journal of Medicine showing no evidence that Persian Gulf veterans face increased risk of having children with birth defects?

A: We welcome publication of this first-rate study addressing an important concern of the men and women who served our nation in the Persian Gulf.

The study compared the birth records of children born at military hospitals to virtually all of the nearly 580,000 active duty military members who served in the Persian Gulf with those of a parallel group of 700,000 military personnel who were not deployed to the Gulf. The results should reassure all Persian Gulf veterans, whether or not they have experienced possible Gulf War-related illnesses, that their family planning can proceed without worry about second-generation health problems related to Persian Gulf service.

We also note that this study is just one element in a large and comprehensive research program being conducted by many researchers in coordination with DOD, HHS, and VA. Additional research designed to address other important health concerns in a thorough and credible manner remains in progress, and we look forward to communicating future results to Persian Gulf veterans as soon as they become available.

REPUBLIC OF THE CONGO

July 3, 1997

Q: Is there a U.S.-French initiative to restore peace to Brazzaville?

A: In consultation with the French Government in Paris, the U.S. has agreed on a joint demarche to the leaders of the two sides in the conflict, President Lissouba and former President Sassou.

In Libreville, Ambassador to Congo (Brazzaville) Hooks is engaged in substantive discussions with Gabonese President Bongo, who is leading an international mediation effort.

We continue to urge both sides in the Congolese conflict to accept and respect a cease-fire and work out a political agreement to settle their differences peacefully.

DEMOCRATIC REPUBLIC OF THE CONGO (EX-ZAIRE)

July 2, 1997

Q: Do you agree with the UN that Kabila is delaying the UN investigation into massacres?
Do you believe that Garreton must be included on the team?

A: Our understanding was that during UNSYG Annan's meeting with President Kabila in Harare earlier this month, and certainly at the Richardson-Kabila meeting in Lubumbashi June 7, it was agreed that a UN investigation should go forward and that UN investigator Roberto Garreton should not go to the DROC with the team.

Ambassador Richardson also agreed that it was important to include investigations of abuses dating back to 1994 - - the start of the most recent period of atrocities in the region.

We are consulting with the UNSYG on how to move forward.

If, in fact, the original UN team is not permitted to fulfill its mandate, we believe that the SYG should send an investigative team under his auspices to DROC to fulfill the agreed upon mission.

The most important thing is for the investigative team to conduct their work while the evidence is still available.

Q: Have we protested the delay? If so, who did so and to whom?

A: There is no delay at this time. The advance team is still in Kinshasa and is continuing to have meetings with the Kabila government to discuss preparations for the UN investigative team scheduled to begin its work on July 7.

The GDROC is well aware of our strong views on this subject.

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

No question that the recently-released documents should have been identified and released much earlier; this figured prominently in my decision in JAN 97 to extend the PAC established in MAY 95 in order to provide independent oversight of the ongoing process.

These documents are being identified and released now in response to my direction to get out all of the facts.

As to why these documents did not come to light earlier, the various ongoing IG and other investigations at DOD and CIA should help us to understand what happened.

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

- A. The PAC has a critical role to play -- we are relying on their expertise and independent assessments to enhance program quality across the full spectrum of government programs.

Discussion of PAC extension would be premature at this juncture given the many initiatives still underway and length of time remaining in the initial extension (31 OCT 97).

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

- A. Overall, to date -- (1) DOD & VA toll-free help lines; (2) 80,000+ free medical exams; (3) care for all Gulf War veterans who are sick (whether or not a diagnosis has been possible); (4) 26,000+ compensation claims approved; (5) special legislation paying disability for Gulf veterans with undiagnosed illnesses, with an extension of the presumptive period for undiagnosed illness compensation forthcoming soon; (6) thousands of pages declassified; and (7) 90+ federally-sponsored research projects completed or underway.