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Daily Press Guidance - July 14, 1997

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Daily Press Guidance

Monday
July 14, 1997

(For internal use only.)

Press Guidance
Monday, July 14, 1997

Domestic

1. Budget
2. TV Ratings
3. Health Update
4. Weather Service

Events

1. Genetic Testing
2. Race Advisory Meeting

Foreign

1. Cambodia
2. Cuba
3. Kenya
4. Boeing- McDonnell Douglas Merger
5. Korea
6. Bosnia
7. Thompson Hearings
8. Mexico
9. Iran
10. Northern Ireland
11. BRAC
12. Latin America
13. Supercomputers
14. Russia/Mir
15. Russian Mir Accident
16. Caspian Sea
17. Sayegh/Khobar
18. Middle East
19. UN
20. Landmines
21. Fast Track
22. Trips and Visitors
23. Gulf War Illness

The Mid-Session Review of the Budget

July 14, 1997

* Each year, OMB is supposed to send Congress its Mid-Session Review of the Budget before July 16.

-- The mid-session includes:

our new baseline for deficits over the next 5 years, and

other technical information.

* Over the last 20 years, the Mid-Session has been sent late about 10 times, normally for very good reasons.

* This year may be another of those times.

* We have begun consultations with Congress (key members, staff) on the timing of the Mid-Session.

* There are at least two basic considerations:

1. Should we put out a report that, because we hope to finish reconciliation by early August, will be out of date in just three weeks -- or would it make more sense to wait and incorporate our reconciliation action into our report?

2. In light of reason (1), does it make sense to allocate OMB and Treasury resources away from the important work of reconciliation to finish a report that we think will be out of date in three weeks?

* We have not made a final decision about what we'll do.

* But we will make this decision in consultation with Congress.

Mellody per Haas

Press Guidance:
July 14, 1997

THE BALANCED BUDGET AGREEMENT AND THE DEFICIT

Recent news reports and commentators have suggested that the deficit would come down faster in the absence of our balanced budget agreement.

- These reports are absolutely false -- if not nonsensical.

- The budget agreement provides for a net $200 billion in ADDITIONAL deficit reduction over the next five years.

  -- That's AFTER taking account of the tax cuts and new public investment.

  -- For instance, the agreement calls for a net $115 billion in savings from Medicare alone.

- The agreement will ensure that we reach balance by 2002.

- In the absence of an agreement, the deficit will begin to rise in 1998 and stay above or near $100 billion for at least the next five years:

  -- That's according to the CBO assumptions that were used for the budget agreement.

- We recognize that continued economic growth has consistently brought the deficit in lower every year that we've been here, compared to what we projected earlier in the year.

- But that just means that we've used conservative economic assumptions, as we have said all along.

- We should not, however, all of a sudden decide that we're going to ASSUME the deficit away by insisting that all of our good luck will continue.

  -- That is, we STILL need to make the policy changes that the budget agreement calls for.

- In addition, we should make the policy changes as a down payment on the long-term problems raised by the retirement of the baby boom generation.

  -- That down payment will make the long-term problem more manageable.

Larry Haas

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

July 11, 1997

THE DIRECTOR

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

Dear Mr. Chairman:

As 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 spectrum title in the spending bill on reconciliation, H.R. 2015.

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. The Administration supports a number of the spectrum-related provisions contained in both the Senate and House bills.

Most significantly, both versions of the legislation generate roughly $20 billion in savings, over $6 billion short of the targets agreed to in the Bipartisan Budget Agreement. The shortfall in both versions of the bill is due primarily to: the lack of a firm date for the return of analog broadcast spectrum (-$2.9 billion in the House and -$3.4 billion in the Senate) and the omission of two of the proposals agreed to in the Balanced Budget Agreement, (1) the spectrum fee (-$2.0 billion); and (2) auction of vanity toll-free telephone numbers (-$0.7 billion). In addition, two critical issues exist which could have significant spending impacts: authorization of reimbursement of Federal users for relocation costs and authority for the Federal Communications Commission (FCC) to revoke and reauction licenses when a licensee declares bankruptcy. I strongly urge the conferees to craft legislation that complies with the savings targets agreed to in the Budget Agreement and to addresses these critical provisions.

The Administration's specific concerns with the spectrum portion of the House and Senate passed versions of the bill are detailed below.

Reimbursement of Federal Users: While the Senate bill provides for reimbursement of Federal agencies for the costs of relocating to new spectrum bands so that the spectrum they are now using can be made available by the FCC for auction for commercial use, the House bill contains no such provision. This key provision is essential to prevent future multi-billion dollar demands by agencies, such as the Department of Defense, for additional discretionary funding to cover these costs. The reimbursement process has been adopted by the FCC and is sound policy for both government and non-government users. The Administration strongly urges the conferees to adopt the Senate language.

Analog Return: Neither bill contains a firm date for terminating analog broadcasting. This omission has resulted in reduced scoring by the Congressional Budget Office of $2.9 billion in the House and $3.4 billion in the Senate. Any delay in the return of analog broadcast spectrum would likely impede the rapid build-out of digital technology expected to create jobs and consumer benefits, result in reduced spectrum auction revenues, and create significant delays in reallocating 24 MHZ to the public safety community, which are critical to the Nation's police, fire, and safety personnel. The conferees are urged to include language specifying the firm date of 2006 as proposed by the Administration.

Authority to Revoke Licenses for Reauction in the Event of Bankruptcy: Neither the House nor Senate bills include language allowing the FCC to revoke and reauction licenses when an entity declares bankruptcy. Such language is important to protect our interest in licenses awarded in previous auctions. Clarifying the inherent conflict between the Telecommunications Act of 1996 which authorizes the FCC to revoke and reauction licenses in the event of default and bankruptcy law could avoid prolonged, expensive, and unnecessary litigation. The Administration believes that this language is particularly relevant in the budget bill to safeguard past and future spectrum receipts and to maximize use of this valuable resource.

Directed Reallocation: The House bill requires that the 100 MHZ directed reallocation from the FCC be in increments of 25 MHZ and the 20 MHZ reallocated from Federal use be in a single increment unless smaller bands can yield higher value. Identifying spectrum for reallocation in these increments would be extremely difficult. The House bill also identifies specific bands for reallocation. We believe that such specificity is not required to ensure that valuable spectrum is made available and could be construed as micro-management. The inter-agency spectrum management process has been very successful and is the best way to determine the optimal spectrum for reallocation. The Administration supports the acceleration of the auction of 45 MHZ located at 1,710-1,755 MHZ in 2001. However, it is important that incumbent Federal users be allowed to continue to use this spectrum until December 31, 2003, according to previous reallocation plans. We urge the conferees to adopt the Senate language for the entire directed reallocation section.

Statutory Waivers of Duopoly and Newspaper-Broadcast Cross-Ownership Rules: The Administration has serious concerns with the non-germane language included in the House bill that eliminates the Duopoly and Newspaper-Broadcast Cross-Ownership Rules for entities that bid on spectrum now used for analog television broadcasting. The Administration strongly opposed changes to these rules when they were debated during the Telecommunications Act of 1996. Congress subsequently rejected efforts to weaken these rules. The Administration objects to the attempt to revisit these issues in the context of the budget reconciliation process. These provisions could undermine our Nation's long-standing commitment to fostering a diverse marketplace of ideas. Moreover, it ignores potential telecommunications policy goals and revenue gains that may be achieved if the FCC were to reconfigure this spectrum for alternative uses. We urge the conferees to delete this language.

Repeal of Authority to Retain Auction Receipts for Administrative Expenses: The House bill would repeal current FCC authority to retain a portion of auction receipts to cover the expense of administering auctions. Such repeal would either necessitate discretionary appropriations to cover these costs, force a 10% reduction in FCC activities, or prevent the Commission from conducting auctions. The Administration urges the conferees to delete this provision.

Spectrum Fees: Neither bill includes language authorizing the fee included in the Budget Agreement. Specifically, this fee would be levied against entities that received spectrum at no charge for digital broadcasting, but opted to utilize it for ancillary services. Additionally, neither version of the bill includes language allowing the FCC to use economic mechanisms other than auctions where appropriate, i.e., user fees to create incentives for efficient spectrum management. Such language would allow the FCC to implement a fee structure to allocate licenses that could generate additional revenue. The majority of other public resources utilized by the private sector has a fee structure to protect the public interest. The conferees are urged to include both of these provisions.

Auction of Vanity Toll Free Telephone Numbers: Neither bill includes authority for the auction of vanity toll free telephone numbers. This authority would provide an effective means for the FCC to allocate a potentially valuable resource when multiple entities request the same phone number in an efficient and equitable manner. The conferees are urged to include this provision.

Minimum Bid Requirements: The Administration is not opposed to minimum bid requirements, in some cases, and believes that the Commission should have the authority to take such action if it deems it to be in the public interest. However, the Administration opposes mandated minimum bids as a substantial administrative burden on the FCC and believes that if required for all auctions, unnecessary litigation and delay in the deployment of new services to consumers could occur.

Public Safety: Both bills include a very expansive definition of public safety that would create loopholes permitting far too many entities to be exempted from auctions. The Administration's proposal includes the specification that in cases where public safety is the "sole use" of spectrum, said spectrum shall be exempt from auction. We request that the conferees amend the current versions of the legislation to be consistent with language proposed by the Administration. In addition, the Senate bill would potentially permit nongovernmental entities access to the reallocated 24 MHZ of spectrum, effectively limiting the spectrum available to state and local agencies and jeopardizing their ability to fulfill their public safety duties. Finally, the Senate bill specifies that the Commission consult with the Secretary of Commerce and the Attorney General when assigning 24 MHZ to be made available for public safety uses. We believe that such consultation is essential to ensure that Federal law enforcement and emergency management personnel are included within the public safety community with access to the 24 MHZ.

Effective Date: The effective date specified in the House bill precludes auction of mutually exclusive applications received prior to enactment, but for which the Commission was unable to conduct auctions prior to the end of 1998. The Senate language, which does not include this stipulation, is preferable.

Sunset of Auction Authority: The House bill would sunset auction authority in 2002 instead of 2007, as proposed by the Administration and as included in the Senate bill. The Administration is concerned that if any delay were to occur with the large volume of auctions, including spectrum made available as a result of the analog return scheduled for the 2001-2002 time frame, the FCC would be forced to halt all proceedings as a result of expiration of authority. The Administration prefers the Senate language.

FCC Information Requirements: The Senate language would require the FCC to provide specific information to the Federal Government if it were unable to accommodate commercial licensees forced to relocate. The House includes no such provision. The Administration believes that the Senate language is important to avoid impinging on Federal users.

Universal Service Fund: The House bill proposes to accelerate spending in the Universal Service Fund. Accelerated spending could advance the Administration's commitment to provide access to advanced telecommunications services for schools, rural health care facilities, and libraries. The Administration could support this provision if it clearly permits carryover of any unspent funds. Universal service support is paid out on an annual, as-needed basis to carriers to reimburse them for subsidize service that they provide in that year. Carryover is essential to prevent a shortfall in any one year for universal service support.

I urge the Congress to address these concerns and make the appropriate adjustments. Such action is essential to fulfill our mutual goal of a balanced budget by the year 2002.

Sincerely,

Franklin D. Raines
Director

Identical Letter Sent to The Honorable John R. Kasich,
The Honorable John M. Spratt, Jr., The Honorable Pete Domenici,
The Honorable John McCain, The Honorable Ernest F. Hollings,
The Honorable Ted Stevens, The Honorable Frank R. Lautenberg,
The Honorable Thomas J. Bliley, The Honorable Billy Tauzin,
The Honorable John D. Dingell, and The Honorable Edward Markey

TV Ratings Q&A

Q: What exactly did the groups agree to?

A: The television industry and the advocacy groups agreed to add letter ratings -- S, V, L and D -- to the existing TV ratings system for programs that contain sexual content, violence, coarse language or mature dialogue. The networks will begin to rate programming using the new universal television rating system by October 1, 1997. They also will add a special designation FV for fantasy violence that would apply to cartoons or fantasy programs in the current TV-Y7 rating category which designates programs suitable for children 7 and older. They will make the onscreen ratings more visible and include more parental involvement in the board that reviews TV shows to determine whether they have been rated properly. There's also agreement on making the description accompanying the TV-PG ratings more specific giving parents a better idea of program content.

Q: With this announcement, aren't you admitting that the system you announced last December is a failure?

A: When industry announced the system at the White House last December, the President made it clear that we weren't endorsing this particular rating plan. The President specifically asked parents to give their feedback to industry with an eye to how it could be improved. The Presdient also pointed out that the move to a content based rating system, like the one we are announcing with this agreement, would be much easier to achieve with the aged based system that we announced in December in place. So this agreement is made possible because of the groundwork that the President and Vice President laid beginning with the announcement of the V-Chip originally at the Family Conference in Tennessee, convincing the industry to develop a rating system at a White House Summit, challenging parents to find ways to make it better when we announced the system last December, and then urging parents and industry in meetings this month to reach this solution.

Q: Are you going to open this up again if it still doesn't meet parents needs?

A: This administration has a long history of listening to parents on this issue and on other issues. We aren't going to stop listening to parents needs. However, industry and parents have proposed a solution, now we should give this solution along with the v-chip a chance to work in the market before considering anything more.

Q: Will the Administration support other efforts to limit the violence on television, such as so-called safe harbor" and family viewing" legislation or government-sponsored report cards" on TV violence?

A: The Administration supports giving families -- not the government and not corporate executives -- the power to control what comes into their living rooms through the television. While we support the concept of limiting violence and sex while children make up a large portion of the audience, we believe the industry should do so voluntarily and do not believe the government should regulate the content of television.

Q: Has the Administration agreed to give the broadcasters free digital licenses in exchange for the industry adopting a ratings system?

A: Absolutely not. The Administration position was announced long ago long before the V-chip was passed and at a time when the broadcasters were widely expected to sue to block the V-chip once it became law. We believe an auction of the so-called analog spectrum to be returned to the government by the broadcasters will raise more money than an auction of the digital spectrum and will provide a more orderly transition to digital television, especially in smaller communities. However the digital licenses are awarded, we believe they should be accompanied by a much higher public interest standard than exists today and will soon be making an announcement on the membership of a commission that will assess the public interest obligations in the digital world.

Q: Since V-chip is still several years away from being widely available, how will the proposed ratings be made available to consumers?

A: The Administration has asked the industry to make its ratings available in the print media. We are working with various newspaper associations and other to reach that goal and around sixty percent of these major papers carry or will soon carry the ratings.

Q: When will the V-Chip be available in the marketplace?

A: The FCC still has a role to play before adopting this ratings system and setting the requirements for the v-chip. But the V-Chip will be in new television sets beginning next February.

Q: Won't content ratings encourage young people to flock to the shows that have a more sexual or mature rating?

A: Program ratings are designed to let parents exercise responsibility in what their children see and hear. Ratings will not make people responsible who do not choose to be.

Q: Will these ratings along with the V-chip limit the availability of programs with mature content on television out of fear that the advertiser community will not pay for shows that may be blocked by large numbers of viewers?

A: Advertisers already screen shows before they advertise on them. Far from limiting serious subject matter on television, the V-chip and a ratings system will help parents plan how they will use and view serious shows with their children without worrying that their children will see those shows when the parents are not there to put them into context.

Q: In addition to the ratings, what steps will the Administration take to reduce the level of violence and sex on television?

A: The President has challenged the entertainment industry to make shows their children and grandchildren could watch. By fighting for the V-chip and an effective ratings system the President has given families all across the nation an easy way to vote for better programming by turning off shows they find objectionable and supporting shows that are family friendly. These ratings combined with the V-chip are the ultimate market feedback device to tell the industry what families want to watch.

Q: The President recently suggested an Internet V-chip be developed. Are you planning on doing something similar with a V-chip and a ratings system for the Internet?

A: The President has always talked about giving parents the tools they need to control what comes into their homes. There is technology being developed for the Internet that could be used like the V-chip to allow parents to have control over what comes in over the Internet. The President has said he will meet with industry, parent groups and others in the near future to help create a solution for the Internet as powerful as the V-Chip is for television.

Q: How can this deal go foward without NBC?

A: We are hopeful that in the end they will join with this broad industry consensus. This is right for parents and its right for America. We hope they will voluntarily join in.

Q: Will you support legislation if NBC or others does not join in?

A: We think this agreement is a major step forward. We hope in due coarse they'll join in. If not we will consult with parents groups and the rest of industry, and Congress before assesing what further action to take.

Q: The American Psychological Association is saying that other rating system should be carried as well as the industry sponsored system. Are they correct?

A: Nothing in this agreement prevents that from happening. This agreement does not say other systems can't be carried, it just says this is the only mandated system now.

Per Kohlenberger 7/10/97

HEALTH UPDATE

* Potus had follow-up meeting with Dr. Atkinson (who did the surgery) Dr Mariano and his two physical therapists.

* 18 weeks from the surgery, Dr Atkinson and Dr. Mariano believe POTUS has had an " outstanding recovery." Dr. Mariano said his progress has been "amazing." Dr. Mariano said POTUS is now about one month ahead of his projected recovery.

* The damaged knee has shown no swelling and, as of yesterday, POTUS will no longer be wearing any brace for the knee. Dr. Mariano has suggested POTUS wear the brace when playing golf.

* After 4 months of protecting the knee muscle, Dr. Mariano now says the priority is to rebuild muscle strength. To that end, POTUS worked on the stairmaster yesterday and did brisk walking on a treadmill. He will work up to jogging on the treadmill over the next few weeks and will be cleared to jog by the time we reach Martha's Vineyard.

* POTUS has been cleared to play 18 holes of golf using any club -- including "Big Bertha."

* Dr Atkinson and Dr. Mariano reiterated to POTUS the importance of showing continued caution while descending stairs.

MEMORANDUM FOR MIKE MCCURRY

FROM: Paul Donovan PAUL
Chief of Staff
Department of Commerce

SUBJECT: TALKING POINTS ON DISMISSAL OF WEATHER SERVICE DIRECTOR (Washington Post, July 14, 1997)

DATE: July 14, 1997

NOAA has been working with the Weather Service for several years to find the best ways to continue to deliver essential weather services while recognizing that the public expects government agencies to reduce their costs.

The Weather Service Director was reassigned because the Weather Service provided incomplete and inconsistent budget information to NOAA.

The reassignment was not related to the debate over the size of the Weather Service budget.

Weather Service management had for many months assured NOAA management that they could proceed on schedule with modernization efforts this year. When it was revealed that those assurances were not valid, Secretary Daley and Undersecretary Baker replaced the head of the Weather Service and commissioned an outside evaluation of the Weather Service budget and operations.

Their actions were designed to ensure that NOAA has the complete and consistent information required to make sound fiscal managment decisions necessary to operate a modernized weather service.

The Department of Commerce remains strongly committed to the modernization of the Weather Service. Secretary Daley has requested additional funds in FY 97 -- and will seek an appropriate level of funding in FY 98 -- to ensure that the modernization effort remains on track.

The American people can be assured that we have the best weather service in the world, and it will continue to perform its core mission of providing essential warnings and forecasts needed to protect life and property.

PRESIDENT CLINTON PLEDGES HIS COMMITMENT TO LEGISLATION PREVENTING INSURANCE DISCRIMINATION BASED ON GENETIC INFORMATION
July 14, 1997

President Clinton today pledged his commitment to enacting bipartisan legislation in this Congress to prohibit health plans from inappropriately using genetic screening information to deny coverage, set premiums, or to distribute confidential information. In so doing, he released a new report from the Department of Health and Human Services that summarizes the promise and perils of genetic screening. He also announced that the Republican Chair of the Senate Labor and Human Resources Committee, Senator Jim Jeffords, and the Public Health and Safety Subcommittee Chair, Senator and Doctor Bill Frist, have indicated their support for passing a bipartisan bill that is consistent with the goals and general recommendations of the HHS report.

The Promise of Genetic Testing. Genetic testing has the potential to identify hidden genetic disorders and spur early treatment. Tests for genetic predisposition to certain diseases -- such as Huntington's disease and certain types of breast cancer -- are already available and more such tests are on the horizon.

Genetic Discrimination: The Perils of This Progress. Genetic testing also can be used by insurance companies and others to discriminate and stigmatize groups of people. Studies have shown that:

- Over one-fifth of people in families where someone has a genetic disorder report that they, or a member of their family, had been discriminated against by an insurance plan.

- 85 percent of Americans report that they are extremely concerned with the possibility that their genetic makeup will be used to discriminate against them or a member of their family.

Building on Kassebaum-Kennedy. The Kassebaum-Kennedy law took steps to prohibit genetic discrimination by preventing insurers from using genetic information as a "pre-existing condition" and denying or limiting coverage in group markets. However, it does not: (1) prevent health plans in the individual market from denying coverage on the basis of genetic information; (2) assure that premiums settings are in no way based on genetic information; and (3) prevent health plans from disclosing genetic information to insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Building on State laws. Although 19 states have already enacted laws to restrict the use of genetic information in health insurance, state laws are insufficient to solve this problem. First, employer sponsored self-insured health plans, which cover half of all Americans, are exempt from state insurance laws due to ERISA preemption. Second, current state laws generally focus on genetic tests rather than a broader definition of genetic information such as family history, medical records, and physical exams. Finally, the variability among state bills will lead to a lack of uniformity across the nation.

Building on the existing bipartisan commitment to the President's challenge. Bipartisan legislation introduced by Rep. Louise Slaughter (H.R. 306) and Senator Snowe (S. 89) addresses the three major gaps left by the HIPAA legislation and represents a strong foundation for this much-needed reform. It has already attracted over 130 cosponsors in the House. The legislation that the President will be forwarding to the Hill builds off the Slaughter/Snowe bill and strengthens it by explicitly specifying that genetic information cannot be disclosed to insurers, plan sponsors (the employer), and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers. It also gives the Secretary the authority to define others situations where it is appropriate to allow genetic information to be disclosed. This modification will ensure that genetic information can still be used, where appropriate, to help improve important biomedical research efforts.

Summary of the President's Genetic Anti-Discrimination Legislative Priorities

- **Assuring access in the individual market.** Assures that Americans who are insured through the individual market will not be denied or lose their health care coverage based on their genetic information.

- **Enhancing affordability in the individual and group market.** Prevents insurers -- in either the individual or the group market -- from increasing group premium rates based on knowledge about genetic information. New legislation must ensure that health plans do not use genetic information in any way when determining premiums.

- **Protecting against inappropriate disclosure of genetic information.**

  -- Protects the privacy and confidentiality of genetic information by preventing health plans from releasing or demanding access to genetic information.

  -- Specifically imposes restrictions on the disclosure of genetic information to other insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

  -- Gives the Secretary additional authority to determine other situations where it is inappropriate for health plans to disclose genetic information.

  -- Protects biomedical research efforts by specifying which entities cannot receive genetic information from health plans. In so doing, it provides safe harbors for situations in which it is appropriate and, in fact, often extremely beneficial to disclose genetic information, including for important biomedical research efforts.

- **Providing for other technical modifications.** Contains other important technical changes to ensure that any legislation from the Hill does not undermine the Kassebaum-Kennedy legislation, does not interfere with the doctor-patient relationship, and does not impose undue administrative hassles on health plans.

MARY JO KAHN
RICHMOND, VIRGINIA

Mary Jo Kahn, who will introduce the President, has a family history of cancer. Her mother was diagnosed with breast cancer and died at the age of 47. She was the mother of five children. Her four daughters knew they were at increased risk of breast cancer because of their mothers history. Mary Jo was diagnosed with breast cancer at age 39. Her older sister was also later diagnosed. Without the benefit of genetic testing to indicate susceptibility, both of her younger sisters underwent a preventive mastectomy.

In 1994, the breast cancer gene BRCA1 was discovered and the ability to test for genetic susceptibility soon followed. Mary Jo has two daughters and a son. The option of seeking genetic testing before having to consider the drastic solution of preventive mastectomies will be available to her daughters. Preventing genetic discrimination will allow the next generation of women to use the benefits of genetic research to better aid them in planning their medical follow up. These young women must be guaranteed the right to pursue life without the fear that the risk of developing breast cancer later in life will make them uninsurable and unemployable.

HEALTH INSURANCE IN THE AGE OF GENETICS
AN EXECUTIVE SUMMARY

The "Health Insurance in the Age of Genetics" report responds to the President's request for information on the potentials and perils of genetic testing. It includes information on the current state of legislation about genetics as well as recommendations for Federal legislation to improve protections against genetic discrimination.

The Progress and Promise of Genetic Testing. Genetic testing has the potential to identify hidden genetic disorders and spur early treatment. Tests for genetic predisposition to certain diseases and conditions -- such as Huntington's disease and certain types of breast cancer -- are already available and more genetic tests are on the horizon. In the next few years we will know the location of nearly every human gene and we are learning more and more about how genes interact. As genetic information becomes increasingly common, it will revolutionize our health care system. With this new technology, Americans will be able to determine conclusively whether or not they are in fact genetically predisposed to a disease. Those who are can begin early and often life-saving treatment and those who are not will gain much-needed peace of mind.

Genetic Discrimination: The Perils of This Progress. While progress in genetics can help millions of Americans, we know that genetic testing can be used by insurance companies and others to discriminate and stigmatize groups of people. Even those who have not yet or may never show signs of a disease are still at risk for discrimination. Studies have shown that eighty-five percent of Americans are still extremely concerned with the possibility that their genetic makeup will be used to discriminate against them or a member of their family. Twenty-two percent of people in families where someone has a genetic disorder report that they have been discriminated against by an insurance plan. In genetic testing studies at the National Institutes of Health (NIH), nearly a third of eligible people offered a test for breast cancer refused to take it. The overwhelming majority of those who refused tests cite concerns about health insurance discrimination and loss of privacy as the reason why.

State Initiatives and Why These Laws Are Insufficient. Nineteen states have already enacted laws to restrict the use of genetic information in health insurance and many others have introduced legislation. However, state legislation is insufficient to solve this problem for a number of reasons. First, private sector employer sponsored health plans, which covers half of all Americans, are exempt from state insurance laws due to ERISA preemption. Second, current state laws generally focus on genetic tests rather than a broader definition of genetic information such as family history, medical records, and physical exams. Finally, the variability among state bills will lead to a lack of uniformity across the nation as to whether and how genetic information may be used by health plans.

HIPAA: Gaps in the Current Federal Legislation. HIPAA took steps to prohibit genetic discrimination by preventing insurers from using genetic information as a "pre-existing condition" and denying or limiting coverage in group markets. However, HIPAA falls short in three areas. It does not: (1) prevent insurers in the individual market from denying coverage on the basis of genetic information; (2) assure that premiums are in no way based on genetic information both in the group and individual market; and (3) prevent insurance companies from disclosing genetic information to other insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Recommendations for Federal Legislation. Any Federal legislation should address the three major areas not included in HIPAA:

> **Access in the individual market.** The HIPAA protections should be extended to the individual market in the absence of a diagnosis. Only then will all Americans rest assured that they or their families will not be denied or lose their health care coverage based on their genetic information.
>
> **Affordability in the individual and group market.** HIPAA did not prevent insurers -- in either the individual or the group market -- from increasing group premium rates based solely on knowledge about genetic information. New legislation must ensure that health plans do not use genetic information in any way when determining premiums.
>
> **Disclosing Genetic Information.** New legislation should protect the privacy and confidentiality of genetic information by preventing health plans from releasing or demanding access to genetic information. It should impose restrictions on the disclosure of genetic information to other insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Congressional Initiatives. Several bills have been introduced in this Congress which prohibits health plans from requesting or using genetic information to deny health care coverage or raise premiums. The bipartisan legislation introduced by Rep. Louise Slaughter, H.R. 306, addresses the three major gaps left by the HIPAA legislation and represents a strong foundation for this much-needed reform. The report recommends that the Administration build on this legislation and enact a bill that protects all Americans from the threat of genetic discrimination.

Report of the Secretary to the President

HEALTH INSURANCE IN THE AGE OF GENETICS

JULY 1997

HEALTH INSURANCE IN THE AGE OF GENETICS
AN EXECUTIVE SUMMARY

The "Health Insurance in the Age of Genetics" report responds to the President's request for information on the potentials and perils of genetic testing. It includes information on the current state of legislation about genetics as well as recommendations for Federal legislation to improve protections against genetic discrimination.

The Progress and Promise of Genetic Testing. Genetic testing has the potential to identify hidden genetic disorders and spur early treatment. Tests for genetic predisposition to certain diseases and conditions -- such as Huntington's disease and certain types of breast cancer -- are already available and more genetic tests are on the horizon. In the next few years we will know the location of nearly every human gene and we are learning more and more about how genes interact. As genetic information becomes increasingly common, it will revolutionize our health care system. With this new technology, Americans will be able to determine conclusively whether or not they are in fact genetically predisposed to a disease. Those who are can begin early and often life-saving treatment and those who are not will gain much-needed peace of mind.

Genetic Discrimination: The Perils of This Progress. While progress in genetics can help millions of Americans, we know that genetic testing can be used by insurance companies and others to discriminate and stigmatize groups of people. Even those who have not yet or may never show signs of a disease are still at risk for discrimination. Studies have shown that eighty-five percent of Americans are still extremely concerned with the possibility that their genetic makeup will be used to discriminate against them or a member of their family. Twenty-two percent of people in families where someone has a genetic disorder report that they have been discriminated against by an insurance plan. In genetic testing studies at the National Institutes of Health (NIH), nearly a third of eligible people offered a test for breast cancer refused to take it. The overwhelming majority of those who refused tests cite concerns about health insurance discrimination and loss of privacy as the reason why.

State Initiatives and Why These Laws Are Insufficient. Nineteen states have already enacted laws to restrict the use of genetic information in health insurance and many others have introduced legislation. However, state legislation is insufficient to solve this problem for a number of reasons. First, private sector employer sponsored health plans, which covers half of all Americans, are exempt from state insurance laws due to ERISA preemption. Second, current state laws generally focus on genetic tests rather than a broader definition of genetic information such as family history, medical records, and physical exams. Finally, the variability among state bills will lead to a lack of uniformity across the nation as to whether and how genetic information may be used by health plans.

HIPAA: Gaps in the Current Federal Legislation. HIPAA took steps to prohibit genetic discrimination by preventing insurers from using genetic information as a "pre-existing condition" and denying or limiting coverage in group markets. However, HIPAA falls short in three areas. It does not: (1) prevent insurers in the individual market from denying coverage on the basis of genetic information; (2) assure that premiums are in no way based on genetic information both in the group and individual market; and (3) prevent insurance companies from disclosing genetic information to other insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Recommendations for Federal Legislation. Any Federal legislation should address the three major areas not included in HIPAA:

> **Access in the individual market.** The HIPAA protections should be extended to the individual market in the absence of a diagnosis. Only then will all Americans rest assured that they or their families will not be denied or lose their health care coverage based on their genetic information.
>
> **Affordability in the individual and group market.** HIPAA did not prevent insurers -- in either the individual or the group market -- from increasing group premium rates based solely on knowledge about genetic information. New legislation must ensure that health plans do not use genetic information in any way when determining premiums.
>
> **Disclosing Genetic Information.** New legislation should protect the privacy and confidentiality of genetic information by preventing health plans from releasing or demanding access to genetic information. It should impose restrictions on the disclosure of genetic information to other insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Congressional Initiatives. Several bills have been introduced in this Congress which prohibits health plans from requesting or using genetic information to deny health care coverage or raise premiums. The bipartisan legislation introduced by Rep. Louise Slaughter, H.R. 306, addresses the three major gaps left by the HIPAA legislation and represents a strong foundation for this much-needed reform. The report recommends that the Administration build on this legislation and enact a bill that protects all Americans from the threat of genetic discrimination.

Health Insurance in the Age of Genetics
Department of Health and Human Services

July 1997

"Our laws and institutions must go hand-in-hand with progress of the human mind."
Thomas Jefferson

As the Human Genome Project makes it ever easier to find genetic alterations associated with human disease, unprecedented opportunities are arising to treat or prevent those diseases. However, as knowledge grows about the genetic basis of disease, so too does the potential for discrimination and stigmatization based on genetic information. Too many Americans fear that their genetic information will be used to discriminate against them and too often they are right. Federal legislation is needed to guarantee access to health insurance coverage irrespective of an individual's genetic makeup.

The Promise of Genetic Testing

The Human Genome Project has brought with it the promise of a whole new way to understand, treat, and prevent many human diseases. For children born with a baffling inherited disorder, genetic technologies can put an end to the often long and agonizing search for a diagnosis. For healthy people from families prone to a later-onset disease, genetic technologies, such as simple DNA tests, can tell people and their health care providers who has an increased likelihood of developing the disorder and who does not. At one time, such medical clairvoyance seemed like science fiction. But not any more. Scientists have made tremendous strides in understanding genetics. In the next few years we will know the exact location and letter-by-letter sequence of each of the 80,000 or so genes in the human genome and begin comprehensive studies to understand how they work.

Genetic tests for glaucoma, colon cancer, inherited kidney cancer, and other disorders are already helping to identify high-risk individuals before they become ill. In a Chicago hospital, for example, "Patty," who had tested positive for a cancer-related gene mutation called MEN2, has had her thyroid gland removed. She inherited the altered gene from her father who had thyroid cancer. Because his children have a 50-50 chance of inheriting the altered gene, doctors tested Patty and her only sibling. Patty turned out to carry the MEN alteration. Because this mutation placed Patty at very high likelihood of developing thyroid cancer, her doctors recommended that she have her thyroid removed. At the time of surgery, Patty's thyroid gland already contained small, potentially lethal, cancers. She now takes a pill every day to replace her thyroid hormones, but her chance of developing MEN-related cancer is very low.

This past year scientists discovered a mutated gene that leads to hereditary hemochromatosis (HH), a common disorder of iron metabolism, affecting about 1 in 400 individuals of Northern European descent. Because HH is so common and easily treatable, it potentially provides an excellent example for offering genetic testing on a large scale to identify people at risk for a disease and enabling them to avoid becoming ill. The major symptoms of HH--liver cirrhosis, heart deterioration, and other organ failures -- don't occur until mid-life, and left untreated, the disease causes early death. But treatment by simple blood letting to remove excess iron allows people with HH to live a normal lifespan.

Today, genetic tests are available primarily in academic medical centers for some 450 disorders, most of which are rare. Genetic tests can identify DNA alterations in people who have already developed a disease, in healthy persons who **may** be at risk of developing a genetic disorder later in life, or in people who are at risk of having a child with an inherited disorder. Over the next decade, genetic testing will become ever more commonplace throughout the health care system. For example, an NIH Consensus Development Panel recently recommended that genetic testing for cystic fibrosis mutations be offered to all couples planning a pregnancy or seeking prenatal testing. This is the first time that offering genetic testing has been recommended for such a large population group. Genetic technologies will soon play a role in nearly every field of health care.

Genetic tests can save health care dollars by identifying those in high-risk families who might benefit from close medical surveillance, and who might not. "Beth," for instance, is a 47-year-old mother of two. Two of her brothers and her father were diagnosed with colon cancer, and her grandmother died of uterine cancer. Of course, Beth was concerned that she too might develop cancer. About 10 years ago, she asked her doctor about her colon cancer risk, but Beth's family history pattern did not fit a known syndrome at the time. With no genetic test available for her condition, her doctor could only say that her risk of colon cancer was higher than average. Worried about her risk, and wanting to detect any cancers early, Beth began an annual program of expensive and uncomfortable colonoscopies.

Six years after Beth first inquired about her cancer risk, an experimental genetic test became available that could tell Beth if she inherited the genetic alteration that caused the cancer in her family. Beth took this simple test and learned she had not inherited the cancer-causing alteration. Immediately, Beth stopped the annual colonoscopies, saved thousands of dollars for both her and her insurance company, and brought an end to the unnecessary medical procedure. Perhaps most importantly, because she now knew that her risk for colon cancer was no greater than that of the general population, Beth gained peace of mind for herself and for her two children.

Progress in Health Research

The Human Genome Project has given us the technology to decipher what were once an individual's most personal and intimate "family secrets," that is, the information contained in our DNA. The instructions encrypted in our genes affect nearly every function a human body carries out--in a moment, a day, or a lifetime. Research to understand those instructions offers the promise of better health because it gives researchers and clinicians critical information to work out therapies or other strategies to prevent or treat a disease.

What if we could prevent or reduce the effects of many common diseases by simple changes in lifestyle or avoidance of specific environmental substances? Many of the diseases we face--such as high blood pressure and other familiar diseases of the heart and circulatory system, diabetes, obesity, cancer, psychiatric illness, asthma, arthritis--have been difficult to study and treat because almost all involve subtle actions of several genes and the environment. Scientists are rapidly developing advanced technologies to identify each of the genes that contribute to a complex disorder and study their interactions all at once. The goal is to tease apart which disease components are genetic and which are environmental.

The slowest part of a disease-gene hunt nowadays is sorting through all the genes in the target region on a chromosome and determining which one is responsible for the disease. But this is rapidly changing. New gene maps now pinpoint the locations of more than one-fourth of all human genes, and more are developed every day.

The complete set of genetic instructions will give researchers basic information about how a human cell works as a system, or how the cells of a brain or a heart work together, or how a single fertilized cell develops into a fully formed baby. Spelling out, letter by letter, the complete genetic instructions of a human being will bring with it new technologies that make identifying DNA differences effortless compared with what we can do today. Imagine analyzing your genetic composition on a computer chip, carrying your DNA "bar code" on a small plastic card, encrypted to protect privacy, that lets health care professionals instantly know your predisposition to disease, your reactions to drugs, or your susceptibility to certain environmental exposures. All of these will become realities as we continue to make advancements in genetics.

Genetic Discrimination: A New Twist on an Old Injustice

The ability to examine our DNA for the presence of disease-related alterations opens the door to a new twist on an old injustice: "genetic" discrimination -- when people, either as groups or individuals, are treated unfairly because of the content of their DNA. The increased availability of genetic information raises concerns about who will have access to this potentially powerful information. Each of us has between 5 and 30 misspellings or alterations in our DNA; thus, we could all be targets for discrimination based on our genes. Like racism, sexism, and other forms of prejudice, genetic discrimination devalues diversity, squanders potential, and ignores achievement.

Genetic information has been used to discriminate against people in the past. In the early 1970's, some insurance companies denied coverage and some employers denied jobs to

African- Americans who were identified as carriers for sickle-cell anemia, even though they were healthy and would never develop the disease.

Of particular concern is the fear of losing or being denied health insurance because of a possible genetic predisposition to a particular disease[1]. For example, a woman who carries a genetic alteration associated with breast cancer, and who has close relatives with the disease, has an increased risk of developing breast and ovarian cancer. Knowledge of this genetic status can enable women in high-risk families, together with their health care providers, to better tailor surveillance and prevention strategies. However, because of a concern that she or her children may not be able to obtain or change health insurance coverage in the future, a woman currently in this situation may avoid or delay genetic testing.

These are real concerns for too many Americans. In a recent survey of people in families with genetic disorders, 22 percent indicated they, or a member of their family, had been refused health insurance on the basis of their genetic information[2]. The overwhelming majority of those surveyed felt that health insurers should not have access to genetic information. A 1995 Harris poll of the general public found a similar level of concern. Over 85 percent of those surveyed indicated they were very concerned or somewhat concerned that insurers or employers might have access to and use genetic information[3].

Discrimination in health insurance, and the fear of potential discrimination, threaten both society's ability to use new genetic technologies to improve human health and the ability to conduct the very research we need to understand, treat, and prevent genetic disease.

To unravel the basis of complex disorders in the large numbers of individuals they affect, scientists must analyze the DNA of many hundreds of people for each disease they study. Valid research on complex disorders will require the participation of large numbers of volunteers. But a pall of mistrust hangs over research programs because study volunteers are concerned that their genetic information will not be kept confidential and will be used by insurers to discriminate against them. Information about research participant's genetic composition must be protected from misuse.

Participants in Dr. Barbara Weber's research program on breast cancer worry a great deal about genetic discrimination[4]. She and her coworkers in Pennsylvania are trying to understand how to keep women with breast cancer gene mutations healthy by studying them closely for several years. But nearly one-third of the high-risk people Dr. Weber invites into the study refuse because they fear discrimination and/or a loss of privacy. So strong is the fear of misuse of genetic information obtained in research programs that many physician-researchers leave genetic test results out of the study medical record or warn study participants not to give the information to their private physicians. In some instances, patients and/or their providers may be forced to tell outright lies about genetic test results.

In genetic testing studies at the NIH, nearly 32 percent of eligible people offered a test for breast cancer risk decline to take it. The overwhelming majority of those who refuse cite concerns about health insurance discrimination and loss of privacy as the reason.

In an ongoing study, researchers are assessing individuals who have already had cancer and their families. Because individuals who have had cancer have already been categorized as a high risk by insurers, participants in this study are somewhat less concerned about the potential for health insurance discrimination. The vast majority of individuals invited to have genetic testing as a part of the research project have agreed to be tested. Those who have opted not to be tested state that knowledge of how this information might be used was a determining factor.

The Need for Legislation

In 1995, the National Action Plan on Breast Cancer (NAPBC, coordinated by the US Public Health Service Office on Women's Health) and the NIH-DOE Working Group on Ethical, Legal and Social Implications of Human Genome Research (ELSI Working Group) tackled the issue of genetic discrimination and health insurance. This effort built on the ELSI Working Group's long standing interest in the privacy and fair use of genetic information and the NAPBC's mandate to address priority issues related to breast cancer. The following recommendations[5] were published and made available to state and federal policy makers:

- Insurance providers should be prohibited from using genetic information, or an individual's request for genetic services, to deny or limit any coverage or establish eligibility, continuation, enrollment or contribution requirements.

- Insurance providers should be prohibited from establishing differential rates or premium payments based on genetic information, or an individual's request for genetic services.

- Insurance providers should be prohibited from requesting or requiring collection or disclosure of genetic information.

- Insurance providers and other holders of genetic information should be prohibited from releasing genetic information without prior written authorization of the individual. Written authorization should be required for each disclosure and include to whom the disclosure would be made.

In developing these recommendations, the NAPBC and ELSI Working Group developed the following definitions: "Genetic information" refers to information about genes, gene products or inherited characteristics that may derive from the individual or a family member.

The term "insurance provider" refers to an insurance company, employer, or any other entity providing a plan of health insurance or health benefits including group and individual health plans whether fully insured or self-funded.

These recommendations would prevent insurers from having *access* to genetic information, from being able to *misuse* this information, and from *disclosing* it to others.

State Initiatives

Today, 19 states have enacted laws to restrict the use of genetic information in health insurance. These range from very narrow prohibitions in earlier legislation (e.g., Alabama in 1982 prohibited insurers from denying coverage because an applicant had sickle cell anemia) to fairly comprehensive prohibitions with strong privacy protections in more recent legislation (e.g., Wisconsin in 1991, New Jersey in 1996, and California in 1994, 1995, and 1996)[6]. Since January of this year, at least 31 states have introduced legislation to prohibit genetic discrimination in insurance[7]. The large volume of legislative activity at the state level is a positive indication of the level of concern about this important issue.

A law passed in Arizona this year prohibits health and disability insurers from rejecting an application or determining rates, terms or conditions on the basis of a genetic condition and prohibits requiring the performance of a genetic test without written informed consent. Governor Symington signed the bill into law in spite of threats by the insurance industry to leave the state.

The Illinois Legislature passed the Genetic Information Privacy Act in May, 1997. The Act is currently pending approval by the governor. The Act prohibits insurers from seeking genetic information derived from genetic testing and from using genetic testing information for nontherapeutic purposes. This bill was originally introduced by Representative Moffitt at the request of an ovarian cancer survivor whose mother and grandmother had died of ovarian cancer. This constituent wanted to be tested for BRCA1 in order to help her daughters and grand-daughters. Her doctor warned, however, that if she tested positive, she and members of her family could lose health care coverage. Based on that threat, she chose not to be tested. (She has since been tested anonymously and tested negative.)

Why State Law Is Not Enough

The current patchwork of state legislative approaches does not provide a comprehensive solution to genetic discrimination in health insurance.

First, private sector employer-sponsored health plans that provide benefits for employees and their dependents through self-funded arrangements are generally exempt from state insurance laws pursuant to the Employee Retirement Income Security Act (ERISA) preemption. Thus, even if states enacted legislation modeled on the NAPBC-ELSI Working Group recommendations, approximately 125 million people, nearly one-half of all Americans, covered by such self funded plans would not be protected.

Second, with the exception of a few states, these laws focus narrowly on genetic tests rather than more broadly on genetic information generated by family history, physical examination, or the medical record. Although insurers are prohibited from using the results of a chemical test of DNA, or the protein product of a gene, they may still use other physical/ physiological (phenotype) indicators, pattern of inheritance of genetic characteristics, or even a request for genetic testing as the basis for discrimination. Thus, meaningful protection against genetic discrimination requires that insurers be prohibited from using all information about genes, gene products, or inherited characteristics to deny or limit health insurance coverage.

HIPAA: Significant Steps But Serious Gaps

In 1996, Congress enacted a law, called The Health Insurance Portability and Accountability Act (HIPAA), which took a significant step toward expanding access to health insurance. But HIPAA doesn't go far enough. Americans are still largely unprotected by federal law against insurance rate hikes based on genetic information and against unauthorized people or institutions having access to the genetic information contained in their medical records. HIPAA includes genetic information among the factors that may not be used to deny or limit insurance coverage for members of a group plan. Further, HIPAA explicitly excludes genetic information from being considered a preexisting condition in the absence of a diagnosis of the condition related to such information. The law specifically uses the broad, inclusive definition of genetic information recommended by the NAPBC-ELSI Working Group. Finally, HIPAA prohibits insurers from charging one individual a higher premium than any other "similarly situated" individual in the group.

These steps towards preventing discrimination based on genetics are significant, but HIPAA left several serious gaps that can now be closed by Administration-supported legislation. First, the protections in HIPAA do not extend to the individual health insurance market. Thus, individuals seeking coverage outside of the group market may still be denied access to coverage and may be charged exorbitant premiums based on genetic information. While only approximately 5 percent of Americans obtain health insurance outside the group market today, many of us will, at some point in our lifetime, purchase individual health insurance coverage. Because genetic information persists for a lifetime and may be transmitted through generations, people who are now in group plans are concerned about whether information about their genes may, at some point later in their life, disallow them from being able to purchase health insurance outside of the group market.

Second, while HIPAA prohibits insurers from treating individuals within a group differently from one another, it leaves open the possibility that all individuals within a group could be charged a higher premium based on the genetic information of one or more members of the group.

Finally, HIPAA does nothing to limit an insurer's access to or release of genetic information. No federal law prohibits an insurer from demanding access to genetic information contained in medical records or family history or requiring that an individual submit to a genetic test. In fact, an insurer can demand that an individual undergo genetic testing as a condition of coverage. Further, there are no restrictions on an insurers' release of genetic information to others. For example, at present, an insurer may release genetic information, and other health-related information, to the Medical Information Bureau which makes information available to other insurers who can then use it to discriminate. Because genetic information is personal, powerful, and potentially predictive, it can be used to stigmatize and discriminate against people. Genetic information must be private.

Congressional Initiatives

Congressional interest in securing health insurance protection for genetic information is strong and bipartisan. Senator Hatfield and Representative Stearns introduced the first bill on genetic discrimination in health insurance and employment in November 1995. Twelve bills addressing genetic information access and/or use were introduced in the 104th Congress. Many of these bills are being reintroduced in the current Congress.

Representative Solomon (R-NY) introduced H.R. 328, Genetic Information Health Insurance Nondiscrimination Act of 1996. This bill was rewritten to close the "loopholes" in HIPAA by addressing discrimination in the individual health insurance market, but it does not prohibit rate increases in the group health insurance market.

Genetic Confidentiality and Nondiscrimination Act of 1997 (S. 422) introduced by Senator Domenici (R-NM) is a broad bill that seeks to address privacy and fair use of genetic information in many settings. The bill includes a title that would prohibit health insurers from using genetic information that follows the NAPBC-ELSI Working Group recommendations. However, this bill refers only to "any molecular genetic information about a healthy individual or a healthy family member..." rather than the broader definition of genetic information that includes family history.

The Genetic Information Nondiscrimination in Health Insurance Act of 1997 (H.R. 306) introduced by Representative Slaughter (D-NY) most closely tracks the recommendations made by the NAPBC-ELSI Working Group. This bill successfully closes the "loopholes" in HIPAA by prohibiting rate increases in the group health insurance market based on genetic information, prohibiting the use of genetic information in the individual health insurance market, and placing restrictions on the collection and disclosure of genetic information by insurers. As of July 1, 1997, H.R. 306 had 132 co-sponsors and 67 supporting groups. The Senate companion bill, The Genetic Information Nondiscrimination in Health Insurance Act of 1997 (S. 89), was introduced by Senator Snowe (R-ME).

Recommendations for Federal Legislation

On May 18, 1997, President Clinton, in his commencement address at Morgan State University, urged "Congress to pass bipartisan legislation to prohibit insurance companies from using genetic information to determine the premium rate or eligibility of Americans for health insurance."

The Administration is proposing that Congress pass a law to ensure that the discoveries made possible by the Human Genome Project are used to improve the health of Americans and not used by health insurers to discriminate against individuals, families, or groups. The Administration recommends that the law build on the effort begun under HIPAA and encompass the NAPBC-ELSI Working Group's recommendations that seek to prevent health insurers from having access to genetic information, from being able to misuse this information, and from disclosing genetic information to others.

The bill should build on HIPAA and extend protection to insurance applicants and participants in four ways. It should --

- Explicitly prohibit health insurers from varying the rate charged to a group based on genetic information pertaining to one or more group members. This would expand the prohibition in HIPAA against using genetic information to vary the premium rates of an individual in a group plan.
- Prohibit insurers in the individual market from requesting or requiring genetic information from an individual, except where the information relates to a disease or condition for which the individual or dependent has been positively diagnosed, and prohibiting insurers from requiring individuals to undergo genetic testing.
- Prohibit insurers in the individual market from using genetic information in the absence of a diagnosis of disease to deny, limit or vary coverage or to set rates.
- Protect the privacy and confidentiality of genetic information by prohibiting insurers from releasing this information for nontreatment purposes without the prior authorization of the individual. This would impose restrictions on the disclosure of genetic information

to other insurers, to plan sponsors, and to other entities regulated by State insurance laws including life, disability, and long-term care insurers. It would also prohibit insurers from releasing genetic information to the Medical Information Bureau or any other entity that collects, compiles, or disseminates insurance information.

HIPAA does acknowledge that protections concerning access to and release of health information, including genetic information, were not provided in the law itself and directs the Department of Health and Human Services (DHHS) to develop recommendations to protect the privacy of health information. Currently, DHHS is preparing recommendations on privacy protections for all individually identifiable health information, including genetic information, as required by HIPAA. Congress may in the future enact legislation that would provide protections for personally identifiable health information in general. However, the public feels especially concerned about the unique properties of genetic information -- its predictive nature, its fundamental linkage to personal identify and kinship ties, its history of abuse, and the speed of development of genetic technologies. Therefore, it is important to move forward with legislation prohibiting health insurance discrimination and restricting health insurers' use and dissemination of genetic information.

Conclusion

The technology of genetic testing offers great promise for better health. However, genetic tests and genetic information can also be used to deny coverage or increase premiums. The Administration strongly supports efforts to protect individuals from misuse of genetic information by health insurers, while permitting providers and others who can positively use such information to continue to use genetic information in ways that will enhance the treatment and care of individuals.

We now have the opportunity to ensure that our social policy keeps pace with the scientific advances made possible through biomedical research. The American people and the Congress support protections against genetic discrimination in health insurance. Supporting the principles put forth by the NAPBC-ELSI Working Group could ensure that increasing knowledge about ourselves and our genetic heritage is used to benefit Americans, to improve their health and well-being, and not to stigmatize or discriminate against them. This is an issue that ultimately will concern all of us. The universal principles of fairness and justice compel an urgent solution to this growing problem.

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QUESTIONS AND ANSWERS
ON PREVENTING GENETIC DISCRIMINATION
IN HEALTH INSURANCE

Q: IS THERE ANY EVIDENCE THAT INSURANCE COMPANIES ARE DISCRIMINATING AGAINST PEOPLE WITH A GENETIC PREDISPOSITION TO A DISEASE?

A: Medical researchers and physicians have reported that people are refusing to get genetic testing or to participate in medical research because they fear that this information could be used against them or a member of their family. We know that genetic information has been used to discriminate against people in the past.

sickle cell
- breast
cancer

In the early 1970's, health insurance coverage and jobs were denied to many African-Americans who were identified as carriers of sickle-cell anemia. We also know that a leading reason women refuse genetic testing for breast cancer is because they fear that insurance companies may charge excessively high premiums or deny health care coverage to either themselves or members of their families.

Moreover, over one-fifth of people who live in families where someone has a genetic disorder report that they have been discriminated against by an insurance plan. (Lapham et al., Science, October, 1996).

A 1985 Harris Poll of the general public revealed that over 85 percent of those surveyed indicated they were very concerned or somewhat concerned that insurers or employers might have access to and use genetic information.

Q: HOW MUCH WOULD THIS LEGISLATION COST?

A: We do not have any formal estimates on how much this legislation would cost. However, states that have enacted legislation in this area have not experienced any significant costs associated with it.

Q: HOW MANY AMERICANS WOULD BE AFFECTED BY THIS LEGISLATION?

A: This legislation would protect all Americans from having to pay higher premiums based on genetic information and from having their genetic information disclosed.

Q: WHY ISN'T THE ADMINISTRATION ADDRESSING THE PROBLEM OF EMPLOYMENT DISCRIMINATION BASED ON GENETIC SCREENING INFORMATION WITH THE SAME RIGOR IT IS TAKING IN THE HEALTH INSURANCE ISSUE?

A: Genetic discrimination by employers is no less an important issue. The Department of Labor, in conjunction with the Equal Employment Opportunity Commission, the Department of Justice, and the Department of Health and Human Services, is currently considering the feasiblity of extending protections beyond current law for this explicit purpose. We anticipate that we will have their findings and recommendations sometime later this year. As we review this issue, we look forward to working with Members of Congress -- such as Senator Tom Daschle -- who have shown an interest in this area.

Q: DIDN'T THE KASSEBAUM-KENNEDY HEALTH REFORM LEGISLATION TAKE CARE OF THIS PROBLEM?

A: The Kassebaum-Kennedy legislation did take important steps to prevent health insurers from discriminating on the basis of genetic information. However, this legislation builds on these provisions in three important areas. It: (1) prevents insurers in the individual market from discriminating on the basis of genetic information in the absence of a positive diagnosis or treatment; (2) assures that group premiums, both in the group and the individual market, are not based on genetic information; and (3) restricts insurers and health plans from disclosing genetic information.

Access in the individual market. The HIPAA protections should be extended to the individual market. Only then will all Americans rest assured that they or their families will not be denied or lose their health care coverage based on their genetic information.

Affordability in the individual and group market. The Kassebaum-Kennedy legislation did not prevent insurers -- in either the individual or the group market -- from increasing group premium rates based on knowledge about genetic information. New legislation must ensure that health plans do not use genetic information in any way when determining premiums.

Disclosing Genetic Information. New legislation should protect the privacy and confidentiality of genetic information by preventing health plans from releasing or demanding access to genetic information. It should impose restrictions on the disclosure of genetic information to other insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Q: THERE ARE A NUMBER OF BILLS ON THE HILL ON THIS ISSUE. WHY DOES THE PRESIDENT LIKE THE ONE INTRODUCED BY REPRESENT-ATIVE SLAUGHTER AND SENATOR SNOWE?

A: While there are many bills on the Hill and many important legislators with commendable commitments in this area, the President believes that this is the strongest bill to build on. The bill is based on the joint recommendations made by the National Institutes of Health's Working Group on Ethical, Legal, Social Implications of Human Genome Research (ELSI Working Group) and the National Action Plan on Breast Cancer (NAPBC) to address the issue of genetic discrimination and health insurance. It addresses the three major gaps left by Kassebaum-Kennedy: (1) preventing health plans in the individual market from denying coverage on the basis of genetic information;
(2) assuring that premiums settings are in no way based on genetic information; and
(3) preventing health plans from disclosing genetic information to insurers, to plan sponsors, and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers.

Q: WHAT ARE THE DIFFERENCES BETWEEN THE SLAUGHTER-SNOWE LEGISLATION AND THE LEGISLATION THAT PRESIDENT IS SENDING TO CONGRESS?

A: The legislation that the President will be forwarding to the Hill builds off the Slaughter/Snowe bill and strengthens it by explicitly specifying that genetic information cannot be disclosed to insurers, plan sponsors (the employer), and other entities regulated by state insurance laws, such as life, disability, and long-term care insurers. It also gives the Secretary the authority to define other situations where it is appropriate to allow genetic information to be disclosed. This modification will ensure that genetic information can still be used, where appropriate, to help improve important biomedical research efforts. It also prohibits insurers from varying premiums in a group plan based on the genetic information of any individual in that group. It also contains some technical changes that protects the intent of the Kassebaum-Kassebaum and ensures that the patient-doctor relationship is not undermined.

Q: REPRESENTATIVES OF SOME DRUG COMPANIES SUCH AS THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS ASSOCIATIONS (PhRMA) THAT DO BIOMEDICAL RESEARCH ARE CONCERNED THAT THIS LEGISLATION WOULD PREVENT RESEARCHERS FROM GETTING ACCESS TO MUCH-NEEDED GENETIC INFORMATION. WILL THIS LEGISLATION UNDERMINE OUR PROGRESS IN THIS AREA?

A: Absolutely not. We want to make sure that this legislation does not undermine these important research efforts. In fact, part of the reason why the President is forwarding legislation to the Hill to improve on the Slaughter-Snowe legislation is that he wants to make sure that we have clarified the underlying bill to ensure that efforts bolster -- not harm -- the efforts of biomedical researchers.

Researchers like Dr. Francis Collins of the National Institute of Health's Human Genome Project are some of the strongest supporters of the President's efforts. Fear of genetic discrimination by potential research subjects has been cited as the biggest impediment to research in these fields. By removing this fear, the Administration will greatly reduce the number of potential research participants who presently shy away from participating in studies.

Q: AREN'T MANY STATES TAKING ACTION ON THIS ISSUE? WHY DO WE NEED FEDERAL LEGISLATION?

A: While nineteen states have taken action in this area and many more have proposed legislation this year, state legislation is insufficient to solve this problem. The variability among state bills could lead to a lack of uniformity across the nation as to whether and how genetic information may be used by health plans. Moreover, the Employer Retirement Income Security Act (ERISA) exempts private sector employer-sponsored health plans that provide benefits through self-funded arrangements from state insurance laws. Thus, even if states enact legislation restricting the use of genetic information nearly one-half of the American population, would not protected.

For the most part, health insurance plans do not have formal guidelines about coverage of genetic tests, instead making decisions to cover based on individual considerations. A Task Force on Genetic Testing survey of HMOs found that some, but not most, do cover predictive testing for breast and colon cancer in asymptomatic people. Kaiser Permanente and Blue Cross Blue Shield have conducted in-House technology assessments of the BRCA1/2 tests and both have formulated policies for covering BRCA1/2 testing under certain conditions.

Q: WON'T THE GENETIC SCREENING ISSUE BE ADDRESSED BY THE HHS SECRETARY WHEN SHE RELEASES HER STATUTORILY REQUIRED REPORT ON PRIVACY ISSUES LATER THIS YEAR? ISN'T THE WORK BY MEMBERS INTERESTED IN PRIVACY, DISCLOSURE AND CONFIDENTIALITY ISSUES GOING TO ADDRESS THIS PROBLEM?

A: Scientific experts from the NIH feel strongly that the genetic information challenge raises a host of issues that merit immediate and separate attention. While there may be some overlap on these efforts, we believe this to best way to most comprehensively and effectively address this issue.

The patient confidentiality issues that HHS and the Congress are looking at separate and apart from the genetic information issue relate generally to diseases that individuals already have. In contrast, predilection and susceptibility to disease may raise different issues. Moreover, genetic information not only applies to one's own medical history, but to those of future generations as well.

These are all complicated and very unique matters that require very careful and deliberate consideration. They also merit separate legislation at least at the beginning of the legislative process.

THE WHITE HOUSE

Office of the Press Secretary

FOR PLANNING PURPOSES ONLY
July 11, 1997

Contact: 202/456-2580

ADVISORY BOARD FOR PRESIDENT'S INITIATIVE ON RACE TO HOLD INITIAL MEETING

Washington, D.C. -- The Advisory Board for the President's Initiative Race will hold an organizational and planning meeting on Monday, July 14, at the White House Conference Center. The Board, meeting for the first time since it was formed last month, will define the areas on which it will concentrate during the coming year, and discuss how best to hear from the public on those areas. The meeting will be open to the public and the press.

WHAT: Advisory Board for President's Initiative on Race holds organizational and planning meeting.

WHERE: White House Conference Center
726 Jackson Place
Truman Room
Third Floor

WHEN: 9:30 a.m.-3 p.m., Monday, July 14

COVERAGE: OPEN PRESS

NOTE: Members of the public will not be speaking at this meeting, but may submit written statements to the Board before or after the meeting. Statements may be submitted by mail to P.O. Box 27488, Washington, DC, 20038-7488, or by fax to 202/514-1783.

1. education
2. immigration
3. econ. opportunity
4. admin. of justice
5. civil rights enforce
6. health care.

-30-30-30-

ADVISORY BOARD TO THE PRESIDENT'S INITIATIVE ON RACE

July 14, 1997
The White House Conference Center
Agenda

9:30 AM	Swearing In	Erskine Bowles *
9:45 AM	Call to Order, Statement of Advisory Board Role, Overview of the Day and Introduction of Executive Director	John Hope Franklin
10:00 AM	Opening Statements	Judy Winston Board Members
10:45 AM	Areas of the Advisory Board's Work	John Hope Franklin
1:00 PM	BREAK FOR LUNCH	

Peña Daly
Slater Glickman
Riley Reno
6

2:00 PM	Advisory Board's Work Plan	John Hope Franklin
3:00 PM	Adjourn	John Hope Franklin

DRAFT

For Immediate Release

July 14, 1997

PRESIDENT NAMES JUDITH A. WINSTON AS EXECUTIVE DIRECTOR OF THE PRESIDENT'S INITIATIVE ON RACE

The President today announced his selection of Judith A. Winston as Executive Director of One America in the 21st Century: The President's Initiative on Race.

Ms. Winston, of Washington, D.C., currently serves as General Counsel to the U.S. Department of Education and Acting Under Secretary of Education. Ms. Winston is responsible for the day-to-day oversight of management issues for the department. She also manages a staff that includes more than 85 attorneys whose responsibilities are to interpret laws affecting department operations, to draft and review regulations and legislation, and to advise the Secretary on policy issues. Prior to her appointments at the Department of Education, Ms. Winston served as an associate professor of law at American University, in Washington, DC, where she taught civil procedure and civil rights courses. Formerly, Ms. Winston was the deputy director of the Lawyers' Committee for Civil Rights Under the Law. She was also deputy director for policy at the Women's Legal Defense Fund. She has served as executive assistant and legal counsel to the chair of the Equal Employment Opportunity Commission and as special assistant to the Director of the Office for Civil Rights, in the former US Department of Health, Education and Welfare. Ms. Winston holds a B.A. from Howard University and a J.D. from the Georgetown University Law Center.

The executive director of the President's Initiative on Race will work with the President, the advisory board to the initiative and the White House staff to coordinate the year-long effort to educate the nation about the facts surrounding the issue of race; to promote a constructive dialogue that honestly addresses those issues; to encourage leadership at all levels to help breach racial divides; and to develop and implement concrete solutions -- policies, practices and programs -- that involve all Americans in building one nation. The executive director will coordinate dialogue, study and actions designed to achieve those objectives. The executive director also will oversee the production of a report by the President to the American people on the findings and recommendations from the year's work.

# # #

THE WHITE HOUSE

Office of the Press Secretary

For immediate release | **June 12, 1997**

PRESIDENT NAMES MEMBERS OF ADVISORY BOARD TO THE PRESIDENT'S INITIATIVE ON RACE

President Clinton today announced his intent to appoint seven members to an advisory board for "One America in the 21st Century: The President's Initiative on Race."

The advisory board will counsel the President on his initiative to promote a national dialogue on controversial issues surrounding race; to increase our understanding of the history of race relations and the common future people of all races share; to recruit leadership at all levels to help bridge racial divides; and to propose actions to address critical areas such as education, economic opportunity, housing, health care, crime and the administration of justice.

President Clinton has cited the nation's most important mission as building one America. "Money cannot buy it. Power cannot compel it. Technology cannot create it. It can only come from the human spirit," he has said.

Advisory board members were selected based on their outstanding leadership on the issue of race and their contributions to America's ongoing efforts to achieve racial reconciliation. The President sought a group that would provide diversity on a number of fronts, be respected in their fields and work well together, exemplifying the relationships he hopes the whole initiative will engender.

LINDA CHAVEZ-THOMPSON, of Washington, DC, is an Executive Vice President with the AFL-CIO. Ms. Chavez-Thompson has 29 years experience in the labor movement. She joined the American Federation of State, County and Municipal Employees in 1971 and became the first person of color to be elected to one of the top officer positions at the AFL-CIO.

SUZAN D. JOHNSON COOK, of Bronx, New York, is Senior Pastor of the Bronx Christian Fellowship Church. She is also the first female chaplain of the New York City Police Department. In 1983, the Rev. Dr. Cook became the first African-American woman to serve as Senior Pastor at Mariners' Temple Baptist Church, the oldest American Baptist Church in New York City. From 1993 to 1994, Dr. Cook was a White House Fellow, working for the White House Domestic Policy Council. She served as a consultant to the U.S. Department of Housing and Urban Development from 1994 to 1997. Dr. Cook received a B.S. from Emerson College in 1976, an M.A. from Columbia University Teachers College in 1978, an M.Div. from Union Theological Seminary in 1983 and a D. Min. from United Theological Seminary in 1990.

JOHN HOPE FRANKLIN, of Durham, North Carolina, is a retired historian and educator, who most recently served as Professor of Legal History at Duke University Law School from 1982 to 1992. President Clinton awarded Dr. Franklin the Presidential Medal of Freedom in 1995. Dr. Franklin's scholarly work has focussed on the Civil War and Reconstruction era and includes the 1946 landmark study *From Slavery to Freedom*. Dr. Franklin received his A.B. degree from Fisk University in 1935, an M.A. from Harvard University in 1936 and a Ph.D. from Harvard University in 1941.

THOMAS H. KEAN, of Madison, New Jersey, is the former Republican Governor of New Jersey. Governor Kean currently serves as President of Drew University in Madison, New Jersey. He is the chairman of President Clinton's Campaign to Reduce Teenage Pregnancy. He served on the United States delegation to the Women's Rights Conference in Beijing in 1995. Governor Kean holds numerous awards from environmental and educational organizations, including more than 25 honorary degrees. Governor Kean received a B.A. from Princeton University and an M.A. from Columbia University Teachers College.

ANGELA E. OH, of Los Angeles, California, is an attorney with the Los Angeles law firm of Beck, De Corso, Daly, Barrera & Oh, specializing in state and federal criminal defense. Following the riots in Los Angeles, she served as Special Counsel to the Assembly Special Committee on the Los Angeles Crisis. Ms. Oh received a B.A. and M.P.H. in 1981 from the University of California and a J.D. in 1986 from the University of California.

ROBERT THOMAS, of Coto DeCaza, California, currently serves as President and CEO of Nissan Motor Corporation, U.S.A. Mr. Thomas recently created a partnership with the Los Angeles Urban League to increase opportunities for women and minorities in the automobile industry. Mr. Thomas is also a director of the Nissan Foundation, which issues grants to support community agencies in South Central Los Angeles. Mr. Thomas holds a B.S. in Engineering from the U.S. Air Force Academy.

WILLIAM F. WINTER, of Jackson, Mississippi, is the former Democratic Governor of Mississippi and is currently in private law practice with the law firm of Watkins, Ludlam & Stennis. Governor Winter serves as Chair of the National Commission on the State and Local Public Service and the National Issue Forum Institute. While Governor, he fought for education reform, equal opportunity for all citizens and better relations between the races. He received his B.A. in 1943 and LL.B. in 1949 from the University of Mississippi.

The President has asked **CHRISTOPHER EDLEY, of Cambridge, Massachusetts,** to serve as a consultant to the advisory board and the President. Mr. Edley has been a Professor at Harvard Law School since 1981 and is co-director of The Civil Rights Project, a recently launched think tank based at Harvard University. Mr. Edley served as Special Counsel to President Clinton, directing a review of affirmative action. Mr. Edley received a B.A. from Swarthmore College in 1973, an M.P.P. from the Kennedy School of Government and a J.D. from Harvard Law School in 1978.

Q: **<u>What is the status of events in Cambodia</u>?**

A: **The situation in Phnom Penh has not changed. Sporadic violence continues, but a sense of calm also is in evidence as stores are reopening, traffic is moving normally and people are beginning to re-emerge and return to work. We are assisting U.S. citizens with departures from Phnom Penh and expect most Americans to evacuate over the course of the coming week.**

We welcome ASEAN's decision to delay Cambodia's entry into ASEAN until a later date. We support the ASEAN consensus that membership for Cambodia depends on respect for the Paris Accords. We also look forward to the mission by three ASEAN foreign ministers to Cambodia intended to attempt a return to the Paris Accords process.

Q: **<u>Will U.S. continue to provide economic aid to the Hun Sen government</u>?**

A: **We are suspending our aid programs for 30 days while we conduct an intensive review of all our programs. We are consulting with other donors about their programs of assistance. At the end of the 30 days, depending on the circumstances at that time, we would anticipate resumption of those programs that provide humanitarian, people-to-people support in the area of basic human needs.**

Q: **<u>Is this a political signal</u>?**

A: **Yes. We will need this 30-day review, while our embassy and AID staff are drawn down, to assess what can and should be continued, but we do not anticipate a resumption of our aid program at current levels.**

Q: <u>What is the situation in Cambodia regarding American citizens?</u>

A: There is no immediate danger to American citizens. We are in constant contact with our Embassy and are evaluating the situation on the ground daily. Our first concern is for the safety of Americans; we have set up a warden system at the Cambodian hotel and we are urging Americans to register at the hotel. We have urged Americans to depart Cambodia.

Q: <u>Will Ranariddh meet U.S. officials during his visit to Washington</u>?

A: Ranariddh met with UN officials in New York on Thursday July 10, and with senior State Department officials in Washington on Friday, July 11. There are two key points we underscored with Ranariddh: violent overturn of the results of democratic elections are unacceptable, but equally unacceptable is a role for the Khmer Rouge in the Cambodian government. We continue to work with ASEAN to return Cambodia to the path of democracy agreed in the Paris Accords.

Claim that U.S. Persons Linked to Hotel Bombings
[Background: The Cuban government released a statement on Saturday claiming that it had evidence that individuals and explosive devices from the United States were involved in the bombing Saturday of two Havana hotels. The attacks, the most serious in three decades, left three persons injured. FYI, initial rumors that a bomb may have been involved in the crash of a Cuban domestic airplane the night before have faded.]

Q: Any comment on the Cuban claim of possible involvement of U.S.-based individuals in the bombings?

A: We have asked the Cuban government to provide us any information or evidence it may have to support its contention.

Do not have any information linking U.S. persons to the bombings.

We seek a peaceful transition to democracy in Cuba and do not in any way condone the use of violence to achieve that goal.

Helms-Burton extension

Q: What is the deadline for the President, under Title III of Helms-Burton, to extend the suspension of U.S. claimants' right to file suit against foreign firms "trafficking" in confiscated properties in Cuba?

A: If the President decides the renew the suspension for another six months, he must notify the Congress 15 days before the current suspension expires -- i.e., by July 16.

ARA Press Guidance
July 12, 1997

Cuba: Explosions at Havana Hotels

Q: What can you tell us about reports out of Havana that bombs went off in two hotels?

A: The United States Interests Section (USINT) in Havana has confirmed the reports of explosions at the Hotel Nacional and the Hotel Capri. Cuban authorities have told USINT that there were no fatalities and that two Cuban citizens were slightly injured. Reports indicate no U.S. citizens were injured.

Q: Were Americans staying at either hotel?

A: There were a number of U.S. citizens staying at the Hotel Nacional -- again, none were injured by the explosion. We are checking to see whether U.S. citizens were staying at the Hotel Capri.

Q: What can you tell us about the bombs?

A: At this time, we have no information regarding the type of explosives involved in these incidents.

Q: Do you have any idea who was behind this?

A: No, we don't.

Q: Could dissidents or opponents of the Cuban government have planted these bombs?

A: We do not have any information regarding the culprits. I would like, however, to emphasize that the United States is committed to supporting a peaceful transition to democracy in Cuba and does not in any way condone the use of violence as a means of achieving that transition or of showing political opposition.

KENYA
July 14, 1997

Q: Have there been further disturbances in Kenya following clashes July 7-9?

A: Unconfirmed numbers of students from the Kenya Polytechnic campus near Nairobi engaged in violent protests on Monday, throwing stones, stopping traffic, and shouting demands regarding school fees and constitutional change. Police responded with force -- including tear gas and rubber bullets -- to break up the protest. There is no confirmation of alleged use of any live ammunition. Several injuries were reported in the clash.

Reports have put the numbers of students protesting at anywhere from several hundred to "thousands." The students were reportedly protesting parliamentary legislation that would require the expulsion of students failing to pay their school fees. The political opposition in Nairobi appears to have played no role in organizing this protest, the first major disturbance in Kenya since last Wednesday.

We continue to be concerned about violent confrontations in Kenya, have called again on all parties for peaceful dialogue and are continuing to urge the government to implement meaningful electoral reforms.

- Recent press reports indicate that an advisory panel to the European Commission has recommended that the proposed merger between Boeing and McDonnell Douglas should be prohibited. Our understanding is that this is not a final decision and that negotiations between Boeing and the European Union (EU) will continue, with a final decision due later this month.

- We continue to be concerned about statements from the European side that give the appearance that the merger review process has been influenced by political factors or trade policy aims. We have made clear our expectation that the decision on the European side must be made solely on objective antitrust grounds.

- As you know, the independent U.S. Federal Trade Commission, after a lengthy and intensive investigation, determined that the merger would not harm consumers. The FTC on July 1 ruled that the merger would not violate U.S. antitrust law, because it would not lessen competition that otherwise would have occurred in the aircraft industry. This unconditional approval followed an extensive and exhaustive investigation by the FTC, an independent agency whose decisions are not subject to review by the Congress or the President. We hope the EU will give considerable weight to these independent U.S. antitrust authorities' conclusions.

- The Department of Justice has requested consultations with EU competition authorities under our 1991 antitrust cooperation agreement. The purpose of these consultations is discuss factors that Justice believes are highly relevant to the EU's determination but that the EU may not have fully considered.

If asked, "<u>What would happen if the EU denied the merger</u>?"

- It is premature to speculate. We hope the matter will be resolved to the satisfaction of all sides.

Additional information for background use:

- 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 independent FTC determined that it would not. Key to the FTC's ruling was the conclusion that Douglas Aircraft Company, the commercial side of McDonnell Douglas, no longer exerts a competitive influence in the market for civil aircraft. Of the 40+ airlines interviewed by FTC staff, only two said they would purchase Douglas aircraft in the future. The FTC's chairman told the *Washington Post* that unanimity of opinion among prospective customers was "stunning" and said it would have made it impossible to sustain any legal challenge to the merger in court.

Q: What is your reaction to recent statements by international groups that the famine in North Korea is worsening?

A: The food shortages in North Korea inflict a horrible cost on the North Korean people who already are suffering from impoverishment. The international community has responded generously to calls for emergency humanitarian assistance, and the United States has contributed some $50 million to the UN World Food Program appeals.

[Note to Briefer : The State Department is planning to announce the U.S. contribution to the WFP appeal at approximately 12:00 today, pending final approval.] We will participate in the current WFP food appeal through the contribution of 100,000 tons of food. But the long term answer is not short-term food aid; the North's prospects for agricultural production sufficient to feed itself will only improve through structural economic and agricultural reform. That reform can be greatly assisted through the four party peace talks, which we hope to launch in August.

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 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: Has the U.S. interviewed the North Korean defector Hwang? What is your assessment of his information?

A: The U.S. routinely is given access to North Korean defectors by the South Korean government. Trained U.S. intelligence professionals conduct interviews of the defectors. In the case of Hwang, we recently sent a team to Seoul to interview him. We are in the process of evaluating the information Hwang has provided. It would be inappropriate to comment on the substance of Hwang's comments before that evaluation is complete.

BOSNIA
July 11, 1997

Q: <u>Has the policy changed on Post-IFOR?</u>

A:

1. The President has always said that the SFOR mission will end June 1998. Indeed, that is part of the original NATO decision.

2. It is essential that we focus our energy between now and then on assisting the parties with full implementation: common institutions, refugees, economics, war criminals, and police training.

3. The President has said all along that the international effort to assist civilian implementation is a longer term enterprise. We don't believe the President intended to say anything more.

Q: <u>Are we absolutely ruling out United States troops in Bosnia after June 1998?</u>

A: We expect the SFOR mission to be completed on schedule.

<u>SFOR War Criminals Operation</u>

- SFOR action was conducted under existing NATO authority to detain indicted war criminals that SFOR encounters in the course of its regular duties and if the tactical situation permits. SFOR acted within it mission and mandate. This is not a change to SFOR's mission.

- Nevertheless, this action demonstrates that the international community is determined that war criminals must be brought to justice. The parties must fulfill their obligations under Dayton including turning over war criminals to the Hague.

- The President is satisfied that SFOR acted in a courageous and appropriate manner.

<u>If Asked about Details about Operation:</u>

- Detention of indicted war criminal Milan Kovacevic took place without incident. He has been handed over to the International Criminal Tribunal, arrested and transported to the Hague.

- Indicted war criminal Simo Drljaca, former police chief in Prijedor, fired upon SFOR soldiers as they sought to detain him. One British SFOR soldier was wounded. Drljaca was killed when SFOR personnel returned fire in self-defense. Two male relatives of

- We continue to monitor the political developments in Republika Srpska and the situation involving Republika Srpska President Plavsic and the Pale hardliners. The challenge to the authority of the elected president was clearly an attempt to avoid implementing Dayton.

- We support the rights of the legitimate democratically elected authorities to exercise their appropriate powers. The OSCE and the High Representative, among other experts, have concluded that Mrs. Plavsic's actions are legitimate and authoritative. We fully accept that judgment. We note that thousands of Bosnian Serbs have taken to the streets of Banja Luka in support of President Plavsic.

- Special Representative Gelbard and the interagency team have been in the region over the past few weeks and have met with Plavsic, Krajisnik and others to stress U.S. concerns. They recently discussed the situation with Allied counterparts in Madrid.

- President Clinton and the other NATO Heads of State in Madrid issued a statement expressing concern over the situation in Republika Srpska and its bearing on Dayton implementation. The statement decried the anti-democratic behavior on the part of the Pale hardliners, including police abuses and denying information on the crisis to the Bosnian Serb people. The leaders agreed that the legitimate authorities and institutions of Republika Srpska must be respected and that Radovan Karadzic should be handed over for trial in the Hague.

- We are calling for a diffusion of tensions and demanding that President Plavsic have full access to media in Bosnia; and for the Special Police to stand-down from the current crisis; and for all police to cooperate fully with the International Police Task Force in restructuring and reform. The international community will not tolerate the use of force or violence as a course of action in the current situation.

- 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.

<u>Radovan Karadzic</u>

- 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.

- 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.

<u>SFOR Mission Duration</u>

- We continue to believe that SFOR's mission should be completed in 18 months. 18 months should give sufficient extra time needed to establish conditions to maintain security and stability without an outside military presence.

Amendments 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.

Q: What about Senator Thompson's allegation that White House officials not only knew about possible PRC involvement in campaign funding from an FBI briefing of NSC officials, but knew or should have known from other sources or indicators as well?

A: The issue raised by Senator Thompson concerning the FBI briefing of two NSC officials about China's alleged attempt to fund U.S. political campaigns has already been thoroughly reviewed.

The contemporaneous notes of one of the NSC participants, a career FBI special agent, clearly reflect that the NSC officials were asked not to disseminate this material. The decision not to disseminate, however, was made without reference to the FBI request. Hindsight would have obviously yielded a different decision.

As to the Senator's remarks that the White House had independent access by other means to the FBI-briefed allegations of possible illegal activity, we can find nothing to substantiate his assertion.

Q: What about the Senator's assertion that the PRC has undertaken efforts to influence U.S. elections in violation of U.S. law?

A: As the President said before it would be a very serious matter for the United States if any country were to attempt to funnel funds to one of our political parties for any reason. The Vice President and the Secretary of State brought this issue to the specific attention of the government of China during their visits this spring.

The Department of Justice has an ongoing investigation on these issues; I understand they have drawn no conclusions.

Q: When is the last time the FBI/DOJ briefed the President or Sandy Berger on this matter?

A: On two occasions since last February National Security Advisor Berger has been briefed on aspects related to national security.

Q.: Did Huang meet with Sandy Kristoff in September '94 on APEC?

A.: At the time, Sandy Kristoff was working for the NEC on APEC issues. In the fall of '94, in preparation for the Jakarta APEC Leaders Meeting, Ms. Kristoff's office handled the logistical arrangements for a number of inter-agency meetings to prepare for the President's trip to Jakarta. These meetings were sometimes chaired by Ms. Kristoff, sometimes by others, e.g. those responsible for scheduling. It is likely that Mr. Huang was cleared into the White House under Ms. Kristoff's name for one of these meetings.

Ms. Kristoff has no recollection of ever having met with Mr. Huang; he played no role in the policy issues that she worked on.

Q: Are drugs threatening the stability of Mexico?

A: Mexico's narcotics challenge is tremendous. We know it, and President Zedillo knows it. In fact, President Zedillo has labeled drugs as the primary threat to Mexico's national security. But we have only to look back to last Sunday's elections in Mexico to see that, notwithstanding this challenge, Mexico shows more sign of stability than ever. Mexicans have peacefully inaugurated a new era of democratic pluralism, Mexico's economy is rebounding strongly from the 1995 recession, and prospects for more political and economic advances are strong.

The power and influence of transnational drug traffickers has corrupted law enforcement institutions in Mexico and elsewhere, and brought violence to the streets of both our countries. We and the Mexicans are facing this challenge together because, in the long run, no country can take on this challenge alone, and we will be more effective through cooperation than through unilateralism. That's the basis for the U.S.-Mexico Alliance Against Drugs that President Clinton and Zedillo signed in Mexico City May 6.

Q: What about the charge that the U.S. was caught "napping"?

A: We pay close attention to what happens in Mexico. It's important to our national security that we do so. We can't always accurately predict developments there, but the President worked towards Mexican stability with our financial assistance package in 1995, and that has proved a smart move.

IRAN
July 10, 1997

If asked :

Q Any reaction to reports that the Administration is pursuing a new policy on Iran?

A Our policy toward Iran remains consistent.

We have several serious concerns about Iranian behavior, including Iran's attempts to acquire weapons of mass destruction and their means of delivery, its support for terrorism and Iran's opposition to the peace process.

That said, we believe that the results of the recent election in Iran were interesting and important.

We will be watching the situation closely in Iran in the period ahead to see how this election mandate is implemented.

NORTHERN IRELAND
July 8, 1997

Q: Any response to the press conference by members of Congress last week?

A: President deeply concerned about Northern Ireland -- remains actively engaged. Discussed it on numerous occasions Prime Minister Blair recently; kept in touch with former Irish Prime Minister Bruton, as he plans to do with new Prime Minister, Bertie Ahern.

If pressed:

Q: How involved has the Administration been in dealing with the situation?

A: Ahern only in office two weeks; he and POTUS have not talked yet, but POTUS has written.

President believes that negotiations leading to just and lasting settlement are best way forward. Focus of attention should be on talks, peace process, rather than sectarian confrontations

Administration officials remain actively engaged as well -- have been in close touch with officials of two governments and Northern Ireland parties.

If pressed:

Q: Who is the Administration dealing with in Northern Ireland?

A: Not going to go into detail on who or when, but certainly can say we are actively engaged with all key players.

Q: Is the British Government doing enough to move the process forward?

A Believe British government seeking to move peace process forward; aide memoire of June 13 remains forthcoming offer for Sinn Fein participation in talks on basis of unequivocal ceasefire.

If asked:

Q: Any criticism of Mowlam's decision?

A: NIO Secretary Mo Mowlam has been determined and courageous in seeking to move peace process forward in Northern Ireland. Criticism of her on basis of one difficult decision is shortsighted.

If asked:

Q: <u>Would the Administration support the use of UN peacekeepers in this situation?</u>

A: Do not think that UN peacekeepers appropriate or useful in this context.

If asked:

Q: <u>What about State Department Spokesman Nick Burns' comments regarding the British decision?</u>

A: President did not say he agreed with British decision; we have said only that we understand it was difficult decision and we are not going to second guess British. Burns was speaking personally when he speculated that the decision may have been a good on in light of last year's violence.

<u>Reaction to Events in Northern Ireland</u>

- President following events in Northern Ireland with deep concern, saddened by spectacle of renewed confrontation and violence in Northern Ireland.
- We regret that local residents and marchers failed to reach agreement on contested parade.
- *If pressed on whether we support British decision*: Not going to second-guess decision, which Chief Constable explained was made on security grounds.
- *If asked about Adams call for nightly demonstrations*: Urge both communities to move beyond bitterness and confrontation, focus on avoiding future problems. Political dialogue and communal reconciliation are only way forward for Northern Ireland.
- Goal remains a just and lasting political solution; now more than ever, leaders need to work toward that goal.

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

A: Believe people of both communities want to avoid 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: <u>What do you think of statement Blair made in Parliament June 25 on Northern Ireland?</u>

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

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.

<u>BELFAST TALKS</u>

- 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.

<u>CONTACT WITH SINN FEIN</u>

- 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.

Background For Briefer

- In the Quadrennial Defense Review (QDR) Report, SECDEF requested two more BRAC rounds in 1999 and 2001 in order to increase procurement funding for modernization of the armed forces.

- The President has made previous public statements that he supports the DoD request for two more BRAC rounds.

- BRAC is politically unpopular on the Hill. Some Members of Congress have linked their opposition to the President's 1996 decision to privatize in place two Air Force maintenance depots identified for closing in the 1995 BRAC round.

Points to be Made

- The Administration is very disappointed in the Senate's decision not to allow two more BRAC rounds as requested by the Secretary of Defense.

- Previous BRAC rounds did not reduce DoD infrastructure proportional to reductions in force structure. We are spending millions of dollars on bases we do not need. Those funds are urgently needed to increase procurement in order to ensure that the U.S. armed forces maintain their technological superiority in the 21st century.

- Selecting bases for closure or consolidation is painful, but not nearly as painful as the tragic consequences that could arise if our sons and daughters in the military are forced to fight the next conflict with aging, obsolete equipment.

Questions and Answers

Q. Some Members of Congress have linked their opposition to the President's 1996 decision to privatize in place two Air Force maintenance depots identified for closing in the 1995 BRAC round. Is the President willing to reverse his decision in order to gain support for additional BRAC rounds?

A. No. That linkage is based on the false premise that the President's decision in some way interfered with the BRAC process. The 1995 BRAC report clearly stated that privatizing the depots was an option. The Air Force and DoD agreed that privatization had the advantage of avoiding the disruption of services that would occur if their work load were transferred to other depots. The decision to privatize the two depots was entirely consistent with the BRAC Commission's recommendations and therefore is not a valid reason for opposing further BRAC rounds.

Q. Would the President veto the Authorization Bill because of this?

A. It is too early to be talking veto. The Administration in continuing to work closely with the House and Senate to ensure that authority for two more BRAC rounds is included in the final Authorization Bill.

Q. <u>Do you have any reaction to the claim that DoD cannot accurately quantify the savings from previous BRAC rounds?</u>

A. You will have to refer that question to DoD for the details on BRAC savings. But it is not grounds for deferring future BRAC rounds, which would only result in scarce Defense dollars being spent on bases we don't need and cannot afford. It is also a very short-sighted view. Closing bases does entail expenses, such as for moving military units to other bases and environmental cleanup. So over the short term, the savings are small. But once those one-time, up front costs are paid, DoD is permanently relieved of the costs of maintaining and operating those bases. There is no question that over the long term two additional BRAC rounds would indeed save funds badly needed for procurement.

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

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

Latin American arms transfer policy

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

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

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

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

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

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

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

Our main goals in Latin America are to promote and strengthen these democracies, to support the economic and social development of the hemisphere's citizens, to encourage growth, expand trade and assure access for American exports, and to cooperate on counternarcotics and other fields. We are also committed to promoting restraint in arms purchases, confidence-building and transparency measures among countries in the region.

Q: <u>When will the president make a decision on whether US companies can actually sell fighter aircraft to Chile?</u>

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

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: <u>Why has the United States sold supercomputers to China to aid in the development of their nuclear weapons program?</u>

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.

RUSSIA/NIS
July 14, 1997

Current

Upcoming Visits

- **Kyrgyz President Akayev here; sees Vice President July 15.**

- **Georgian President Shevdnardze to see President July 18.**

- **Azeri President Aliyev to see President August 1.**

Russian Parliament passes restrictive new law on religion

- New law on religion passed by Duma and Federation Council (upper house of parliament); now with President Yeltsin for consideration.

- President personally raised this issue with Yeltsin (in Denver), 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.

- In all contacts with Russians, we will reiterate our conviction that guarantee of freedom of religion essential to democratizing society.

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.

- See Russia as partner of NATO in shaping more secure, stable and undivided Europe. That is good for United States, Russia and Europe. **Now will work with Russia to give real substance to Founding Act.**

Prospects for START II Ratification by Russian Duma

- Believe Yeltsin committed to START II ratification by Duma.

- 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.

RUSSIAN MIR ACCIDENT
July 14, 1997

- Conditions on board the Mir **remain stable. The main life support and attitude control systems are up and running, although they require active maintenance.**

- A spacewalk inside the damaged module is now planned for no earlier than July 17 to reconnect 20-30 percent of the Spektr's solar power to the core module. The necessary hardware for the repairs was delivered on July 7. The initial repair mission for Spektr is being kept as simple as possible -- they will not patch the leaking hull this month.

- **Tomorrow, the crew will rehearse spacewalk and repair techniques in one of Mir's undamaged modules.**

- **U.S. astronaut Mike Foale spoke with NASA Administrator Goldin last week and indicated that he is pleased with the Russian safety procedures being used aboard Mir. Foale continues to make progress in the U.S. greenhouse experiment located in the Mir core module.**

- **Over the weekend, the Mir crew installed and tested a new transmitter that will increase the quality of video communications with the ground.**

Q. A recent *Post* editorial says that politics and pretense have no place when astronauts' lives are at risk and that an independent assessment of Mir safety, as called for by the Republican chairman of the House Science Committee, is a good idea. What is the Administration's position?

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: **Is the United States** reconsidering whether it is worthwhile to fly the next astronaut [Wendy Lawrence] on the Mir? What does this incident mean for the future of U.S. - Russian cooperation in the international space station program?

A: NASA is examining the Mir situation, but the Shuttle-Mir program is only one facet of U.S.-Russian space cooperation. We also have many other areas of continuing space cooperation, including unmanned interplanetary missions, studies of the earth, life and microgravity science research, and aeronautical safety.

We remain committed to the international 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.

CASPIAN ENERGY
June 27, 1997

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 Kazakstan, 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."

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? What about reports that he was in Iran at the time of the bombing?

We will not comment on an ongoing investigation.

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

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.

MIDDLE EAST PEACE PROCESS
July 2, 1997

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: <u>Any reaction to the House resolution reaffirming the view that Jerusalem is the Capital of Israel?</u>

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.

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

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: <u>The United States' summit partners have been critical of the arrears package. Comment</u>?

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.

Q: Is there a policy review underway?

A: Now that the first six months of this year's CD session has concluded we are taking stock of our progress there. We are also taking stock of progress in the Ottawa Process.

We want to ensure we remain on the most effective path for achieving the goal the President set forth last year -- achieving a comprehensive ban on anti-personnel landmines that is worldwide.

Q: When will this "stock-taking" exercise be concluded?

A: This assessment will be conducted over the course of the summer.

FAST TRACK
June 10, 1997

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

- Georgia President Shevardnadze visits POTUS on July 18.
- German President Herzog visits on July 24
- President's visits to Brazil, Argentina and Venezuela rescheduled to October 12-17.
- APEC Summit in Vancouver November 24-25.

Q: <u>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?</u>

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: <u>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?</u>

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: <u>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?</u>

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. <u>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?</u>

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.

Q. <u>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?</u>

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. <u>Is the PAC likely to be extended again given the many problems still remaining?</u>

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

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.