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SUBJECT: 6:30 pm wire report

TO: Heather Beckel (BECKEL_H) (WHO)
READ: UNKNOWN

TO: Dianna A. Pierce (PIERCE_D) (WHO)
READ: UNKNOWN

TO: Steven A. Cohen (COHEN_SA) (WHO)
READ: UNKNOWN

TO: David Leavy (LEAVY_D) (WHO)
READ: UNKNOWN

TO: Carola McGiffert (MCGIFFERT_C) (WHO)
READ: UNKNOWN

TO: Arthur L. Jones (JONES_A) (WHO)
READ: UNKNOWN

TO: David Seldin (SELDIN_D) (WHO)
READ: UNKNOWN

TO: Jeremy M. Gaines (GAINES_J) (WHO)
READ: UNKNOWN

TO: Kathy McKiernan (MCKIERNAN_K) (WHO)
READ: UNKNOWN

TO: Karen Finney (FINNEY_K) (WHO)
READ: UNKNOWN

TO: G. N. Lattimore (LATTIMORE_G) (WHO)
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TO: Jeffrey L. Eller (ELLER_J) (WHO)
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TO: R. Paul Richard (RICHARD_R) (WHO)
READ: UNKNOWN

TO: Virginia M. Terzano (TERZANO_V) (WHO)
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TO: Keith O. Boykin (BOYKIN_K) (WHO)
READ: UNKNOWN

TO: Joshua A. King (KING_J) (WHO)
READ: UNKNOWN

TO: Jonathan L. Kaplan (KAPLAN_JL) (WHO)
READ: UNKNOWN

TO: Denise E. Brown (BROWN_DE) (WHO)
READ: UNKNOWN

TEXT:
PRINTER FONT 12_POINT_COURIER
WHITE HOUSE WIRE REPORT
6:30 p.m. edition
Friday, Feb. 4, 1994
Produced by the Office of News Analysis (6

-7151)

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115 programs would be eliminated in Clinton budget

AM Health Reform, 1st Ld

-Writethru, a0638,850

Hillary Clinton Assails Insurance Industry Over Health
Reform

EDs: Inserts one graf after 15th graf pvs, "Every
time..., to include insurance industry statement

By NANCY BENAC= Associated Press Writer=

PHILADELPHIA (AP) Hillary Rodham Clinton sought to put
the administration's health

-care plan back on track

Thursday after two days of beatings from big business,
naming insurance companies and the status quo as the
"real enemy."

In a question

-and

-answer session moderated by former Surgeon General C. Everett Koop, Mrs. Clinton made no mention of a rival plan gaining steam in Congress, focusing instead on failings in the current health

-care

>system and holding out the White House proposal as the cure.

``Today's health

-care system is rigged against families and small businesses the insurance companies are in charge," said Mrs. Clinton, chief architect of the White House plan. ``They pick and choose whom they cover at what cost and for how long."

Mrs. Clinton told a generally friendly Civic Center audience of medical professionals, students and civic leaders that insurers and other entrenched interests who prosper under the current health

-care system are ``raking that money off at everybody else's expense."

``The status quo is our real enemy," she said. ``The very large businesses will continue to make their best deals and everybody else will pick up the costs."

Mrs. Clinton spoke at a forum at Children's Hospital that is part of a series of discussions Koop is moderating. The former surgeon general is staying neutral in the health

-care debate, but praised the first lady's work on the issue.

Mrs. Clinton's fiery defense of the Clinton plan came at the end of a week in which big business made strong objections to the president's plan and amid increasing interest in a less

-sweeping proposal offered by Rep. Jim Cooper, D

-Tenn.

Many businesses object to Clinton's intention to require all businesses to pay 80 percent of average insurance premiums for their workers. Cooper would try to make insurance more affordable without requiring employers to pay for it.

Insurance companies, with an expensive national advertising campaign, claim the Clinton plan would create a huge new bureaucracy and limit consumers' choices.

Mrs. Clinton made no direct reference to the criticism from business, but urged her audience to ``cut through the

smoke screens, let's cut through the expensive television advertising campaigns."

"Let's start talking some sense," she urged.
"Because every time we go out and talk to real Americans

... they know what's at stake. They want a health

-care system that makes sense. They don't want to be continually at the whim of some insurance company bureaucrat."

The Clinton plan took a hit earlier this week when the Business Roundtable, representing 200 corporate CEOs, endorsed Cooper's plan as the basis for future negotiations. A day later, the U.S. Chamber of Commerce rejected Clinton's plan as even a "starting point" for further talks, and other businesses were critical of the White House proposal as well.

The White House has responded by stressing that only its plan would guarantee medical coverage to all and casting Cooper's plan as one that would be more favorable to insurance companies.

When one young boy asked Mrs. Clinton why it had taken so long to deal with an important issue like children's health, she replied:

"Every time we tried, the voices of children, the voices of people who work in at children's hospitals, the voices of parents ... were way overwhelmed by the voices of commercial insurers, by the voices of independent insurance agents, by the voices of all other kinds of interests who frankly like the system just the way it is."

The Health Insurance Association of America expressed fear Friday that the White House may pound the industry in retaliation for the Business Roundtable vote. The group has been attacked previously by both the president and Mrs. Clinton for its \$10 million

-plus "Harry and Louise" ads attacking the White House plan.

In Washington, meanwhile, House Majority Leader Richard Gephardt went on the offensive for the Clinton plan.
Gephardt, D

-Mo., told a National Press Club audience the Republican Party has a history of dragging its heels on social issues ranging from Social Security to Medicare.

"Every time our government tries to improve people's lives every time we try to lift people up they say it's socialism, it's big government, it's tax and spend," Gephardt said.

"And now that the Democratic Party is trying to fix the crushing health care crisis, we're hearing the same re

-hashed, time

-worn, discredited rhetoric," he added.

``There's a real pattern of denial here."

Mrs. Clinton wound up her presentation with a wry prediction that advances in medical technology would soon reach the point where all Americans might find they have a ``pre

-existing" medical condition that makes them uninsurable.

``We'll be able to see what the gene is for cancer or diabetes or whatever and none of us will be insurable," she said. ``... It is my fervent belief that we need to move now before we know any more about how sick we really are to make sure every American has decent, affordable health insurance."

Before the forum, Mrs. Clinton visited with young patients engaged in ``medical play" in a cancer ward at the hospital. She watched intently as the youngsters practiced giving injections to dolls.

``Thank you for letting me come see what you're doing," she told them. ``It really helps me learn." Later in the day, she was visiting a nursing home in suburban Philadelphia.

BC

-HEALTH national editors:WA
Gephardt, Hillary Clinton offer strong defenses of president's health

-care reform plan
By David Hess
Knight

-Ridder Newspapers
WASHINGTON House Majority Leader Richard Gephardt and first lady Hillary Rodham Clinton came out swinging in defense of the president's health

-care reform plan Friday
after a barrage of recent criticism from <Republicans and business groups.

Gephardt said reform opponents have united in ``unholy matrimony" to prevent hospital and medical coverage of all Americans. And he denounced the ``same rehashed, time

-worn, discredited rhetoric" offered by critics of

earlier social reforms.

"We're confusing a lot of issues and some of it is deliberate confusion on the part of those who don't want any change," said Hillary Clinton in a speech to medical providers in Philadelphia.

Earlier this week, two important business organizations came out against the Clinton plan. The Business Roundtable, an organization of top corporate executives, and the U.S. Chamber of Commerce have complained that it relies too heavily on regulation and price controls.

Gephardt's slashing remarks, in a televised speech at the National Press Club, drew a sharp line between the president's champions and his opponents.

Though he acknowledged that Democrats would need some Republican support to pass a comprehensive bill assuring health insurance for every citizen, Gephardt was direct and blunt in his criticism of the GOP's opposition to government

-sponsored reforms.

"We know what the Republican Party will say," he said. "Every time our government tries to improve people's lives, they say it's 'socialism,' or 'big government,' or 'tax and spend.'"

He noted that the chief critics of Social Security and Medicare were Republicans even though many of them eventually voted to enact these popular federal programs.

"All of the rusted Republicans ... failed to block our progress," Gephardt said. He also lambasted the insurance industry for spending \$14 million thus far on radio and TV

commercials to oppose Clinton's plan.

As Gephardt spoke, he was flanked by two key congressional supporters of the president, Reps. Sander Levin, D

-Mich., and Henry Waxman, D

-Calif. Waxman will play a major role in writing the bill that goes to the House floor.

Gephardt said he hoped to get a bill passed and to the president by mid

-August. But both he and Waxman indicated they were ready to take the issue to voters in the November congressional elections if Republicans and conservative Democrats block passage.

"Health care is a defining issue for the Democratic Party and for President Clinton," Waxman said. "That's one of the reasons some Republicans want to see us fail. But that's not true of all Republicans and of the American people who want us to succeed. If we can't get it passed (by this fall), then it'll be an issue in the campaign

and that could hurt members of both parties who oppose it.
... A lot of incumbents will pay a very heavy price."

The White House and congressional Democrats are touting opinion polls that show strong public support for health

-care reform.

The details of President Clinton's and rival plans are not clear in many voters' minds. But recent polls show that a strong majority of respondents say they favor universal coverage, an essential element of the president's proposal.

President Clinton has said he will veto any bill that does not provide ``guaranteed health care for all Americans."

BC

-HEALTH DEMOCRATS 1STLD

TOP HOUSE DEMOCRAT WARNS REPUBLICANS ON HEALTH CARE

(Eds: adds Republican comments, background)

By Sue Kirchhoff

< WASHINGTON, Feb 4 (Reuter) - House Majority Leader Richard Gephardt issued a sharp warning to Republicans Friday that they could face a high political price if they tried to block passage of a health care reform bill this year.

> In a highly partisan speech to the National Press Club, Gephardt promised that Democrats would fight to pass health reform but complained that Republicans had shown little willingness to compromise.

``There's a real pattern of denial going on here. Two years ago, the Republicans said there was no recession. Now they say there's no health care crisis," Gephardt said.

``You know, they just don't get it. Two years from

now, they'll probably say there was never an earthquake in California," the Missouri Democrat said.

Gephardt said the Republican Party had a long history of opposing sweeping social legislation, including Social Security and Medicare.

``And now that the Democratic party is trying to fix the crushing health care crisis, we're hearing the same rehashed, time

-worn, discredited rhetoric," he said.

House Republicans were surprised by Gephardt's comments but did not back down from criticising Clinton's

plan.

"I'm very disappointed that Gephardt would misrepresent our party's position on health care," said House Minority Whip Newt Gingrich, a Georgia Republican .

"Regarding his assertion that Clinton's bill is not socialism, I challenge him to come to the floor of the House next week to debate with me," he said.

Said House Minority Leader Bob Michel, Republican of Illinois: "I'm surprised to see such a harsh partisan tone...so early in this critical session" of Congress.

Gephardt's combative comments come at the end of a tough week for the White House.

Two business groups, the U.S. Chamber of Commerce and The Business Roundtable, came out in opposition to Clinton's plan despite intense White House lobbying.

After a barrage of complaints by House Republicans, the Chamber of Commerce Thursday also altered testimony supporting the idea that companies be required to provide insurance for their workers, a key component of Clinton's plan.

At the same time, some Democrats and liberal interest groups have complained the White House has been too willing to compromise on its plan. Clinton has vowed to veto any bill that does not provide universal health insurance but has said there is room to negotiate on the details.

These events have some conservative Republicans -- who have strongly challenged Clinton's contention that there is a health care crisis -- privately crowing that they are gaining the upper hand in the battle over health care reform.

A number of moderate Republicans have been actively working with Democrats to find a solution. In addition, the White House cannot pass its plan in the Senate without GOP support.

Gephardt said he was under no illusion Clinton's bill would pass in its present form, pointing to possible changes in the pace of universal coverage, the size of insurance purchasing alliances and possible changes in price controls.

REUTER

AM MO-

-Gephardt Health Reform, Bjt,0470

Gephardt: Democrats Must Not Let GOP Rhetoric Crush Health Reform

By CURT ANDERSON= Associated Press Writer=

WASHINGTON (AP) House Majority Leader Richard Gephardt sounded

a sharply partisan note Friday in the debate over health care reform, urging Democrats not to let Republican rhetoric crush President Clinton's proposals.

Gephardt, D

-Mo., told a National Press Club audience the GOP has a history of dragging its heels on social issues ranging from Social Security to Medicare.

"Every time our government tries to improve people's lives every time we try to lift people up they say it's socialism, it's big government, it's tax and spend," Gephardt said.

"And now that the Democratic Party is trying to fix the crushing health care crisis, we're hearing the same re

-hashed, time

-worn, discredited rhetoric," he added.

"There's a real pattern of denial here."

In response to a question, Gephardt said the Democratic congressional leadership hoped to gain Republican support for a health care plan providing universal coverage but wasn't counting on it.

"It will be the Democrats, primarily, because we have always been the party that has stood for social progress," he said.

Both Medicare and Social Security passed Congress with significant Republican support, but only after Democrats developed both programs, Gephardt noted.

"We passed those landmark reforms despite the protests, and the press releases, and the pressure tactics from the big business lobby," he said. "I hope and expect that the same will happen on health care."

The hottest plan these days is an alternative offered by Rep. Jim Cooper, D

-Tenn., which contains some elements of Clinton's plan but is a more market

-based approach.

Gephardt praised Cooper for his ideas but said his plan still doesn't meet the basic goal of universal coverage.

The majority leader said Clinton's promise to veto any health care bill that didn't provide universal coverage shouldn't be seen as a sign of inflexibility.

"To think that you're going to take over a 1,000

-page

bill and say to someone the only way to do this is to pass every word on these thousand pages is just lunacy,"

Gephardt said. "Of course there are going to be hundreds of places you can compromise."

In a separate interview Friday before Gephardt's speech, Senate Minority Leader Bob Dole, R

-Kan., said the president is probably going to have to do a great deal of compromising on the government

-oriented aspects of his plan.

"The Clinton bill, the wheels are coming off the wagon, I think," Dole said.

But he said Republicans don't want the Democrats to take complete credit for health reform, if it passes.

"Everybody knows there's a serious problem. The president can call it a crisis, I call it a serious problem it probably means the same thing," Dole said.

"I think we all know what we need to do. It's a question of whether we can do it without having a government

-run program."

AM

-Foster, 620

Timing of Lab Tests on Foster Gun Defended

By MICHAEL J. SNIFFEN= Associated Press Writer=

WASHINGTON (AP) Laboratory tests on the gun found in the hand of a slain White House lawyer were not completed until after the U.S. Park Police ruled the death a suicide, but police said Friday that sequence was not unusual.

It was learned that the Park Police orally asked the Bureau of Alcohol, Tobacco and Firearms about getting a laboratory examination of the gun during the week after deputy White House counsel Vincent Foster was found dead July 20.

However, a formal letter requesting tests of the Colt .38 special, six

-shot revolver and an analysis of gunpowder residue on Foster's white shirt was dated Aug. 12.

Two days earlier, Park Police Chief Robert E. Langston had told a news conference that evidence from the suburban Virginia park where Foster's body was found and interviews with Foster's friends who said he was depressed led to the suicide conclusion.

``We reached that conclusion based on the other evidence we had, and that evidence was pretty strong" said Maj. Robert Hines of the Park Police. ``When the evidence is strong, it's not unusual to make arrests in a homicide before sending stuff to the lab to get the tests you need for a court conviction.

``If we couldn't have reached a conclusion and the gun tests might have resolved the case, then the timetable would have been different," Hines said.

The ATF tests, including the powder residue pattern on Foster's shirt, were consistent with the conclusion that Foster committed suicide, it was learned. They conformed to Park Police photo evidence of powder residue on Foster's hand and to a trigger indentation in his thumb.

Privately, several officials of other law enforcement agencies, requesting anonymity, said they were not

surprised a conclusion was reached, and even publicly announced, before tests were completed; they cited similar cases of their own when physical and other evidence was strong.

Hines said it took nearly a month to send the gun for lab work ``probably just because of workload. We'd like to do it faster, but we're not a large agency."

He said tests were done even after a conclusion had been reached, because ``we normally run those. It's just one of the little things you do."

Hines also said the Park Police report on Foster did not conclude that White House counsel Bernard Nussbaum interfered with investigators. ``We reported what we saw; we didn't draw conclusions," Hines said. ``Some people who read the report may have drawn their own conclusions."

Citing officials who have seen the still

-unreleased
report, The New York Times said it ``shows that Mr. Nussbaum interfered with interviews of witnesses by directing that other White House lawyers sit in on them."

``We mentioned that White House attorneys sat in on them," Hines said, ``But our report didn't say that made them less candid. It didn't bother us. That happens a lot in our work that lawyers sit in on interviews."

The Times quoted Nussbaum as saying Park Police did not complain at the time. Nussbaum did not respond to a message left with his office Friday.

According to The Times, the Park Police report said an investigator saw Nussbaum look into Foster's briefcase on July 22 even though the White House has said a torn

-up,
morose note by Foster was not found in it until July 26. Of that, Hines would say only, ``Had we searched the briefcase and had the note been in there, we would have

found it."

Asked Friday if President Clinton still has complete confidence in Nussbaum, White House Press Secretary Dee Dee Myers replied, ``Absolutely."

AM

-Clinton

-Whitewater,880

Documents: Company Tied to Failed S&L Covered Payment on Clinton Loan

By RICHARD KEIL= Associated Press Writer=

WASHINGTON (AP) Funds for a \$7,322 loan payment made on then

-Gov. Bill Clinton's behalf came from a company tied to the failed Arkansas S&L that is now the subject of a federal criminal investigation, documents show.

The documents, compiled by Iowa Rep. Jim Leach, ranking Republican on the House Banking Committee, show that the company, Madison Marketing,in<1985 deposited \$7,500 in an account controlled by Whitewater Development Corp., a real

estate venture half

-owned by the Clintons.

James McDougal, owner of Madison Guaranty Savings and Loan Association, in turn made the payment on the Clinton loan from that account, the records show. Madison Marketing was owned by McDougal's then

-wife Susan.

Republican staff on the Banking Committee said the transaction suggested S&L's funds may have been illegally diverted through Madison Marketing to pay the Clinton debt.

``It would appear that federally insured deposits ... which, with the later failure of Madison became, in effect, taxpayer obligations, were transferred for the direct personal benefit of the former governor," the staff said in a report to Leach.

But McDougal insisted that Madison Marketing was an independent company not a subsidiary of Madison Guaranty and that because of that distinction, no link could be drawn between the payment and S&L funds.

``That was a loan from Madison Marketing in which the S&L had no ownership and was not a subsidiary," McDougal said.

Madison's failure and the ties between the Clintons

and McDougal is now the subject of an investigation by special counsel Robert Fiske. Fiske will also study whether Madison funds were improperly diverted to Whitewater.

McDougal said the payment should be viewed as nothing more than a loan from his wife's company to the Whitewater real estate venture that the McDougals and Clintons jointly owned.

Bruce Lindsey, a senior adviser to President Clinton who answers questions on Whitewater issues, also denied there is any link between the payment and federally backed funds at Madison.

"To the extent that Madison Marketing contributed to Whitewater, it would be like Susan McDougal making a contribution to Whitewater," Lindsey said.

While the GOP documents described Madison Marketing as a "subsidiary" of the S&L, federal and state of Arkansas documents appear to support McDougal's claim.

Filings at the secretary of state's office in Arkansas show Madison Marketing was made a subsidiary of Madison Financial Corp., which was controlled by the S&L, but not until July 1986, well after the Clintons' loan payment was made.

And a 1986 federal regulatory exam of the S&L also noted the marketing company was owned by Mrs. McDougal. That audit by the Federal Home Loan Bank Board, however, noted that "all of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries."

The audit also raised questions about how much work Mrs. McDougal's company really did in exchange for more than \$1.5 million in payments.

"Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm," the report said.

More broadly, the report criticized Madison for payments to "business entities which are owned or controlled by the McDougals, employees, relatives of employees, or close friends of the McDougals."

The documents detail the cash infusion at Whitewater that made the payment possible, showing that Whitewater's bank balance was \$12.49 on Oct. 31, 1985.

The \$7,322.42 check signed by McDougal was written Nov. 7 on the account in Security Bank of Paragould, Ark., and the Madison Marketing deposit was made the next day, the documents showed.

The McDougals were partners with Clinton and his wife, Hillary Rodham Clinton, in Whitewater, a company they set up to develop a resort in the Ozarks.

The Whitewater development never got off the ground, McDougal was ousted from Madison in 1986, and the S&L failed in 1989, at a cost to the government of about \$50 million.

The \$20,800 Clinton loan, made in 1983, was used to pay off the balance of a \$30,000 loan made in 1980 to Mrs. Clinton from Madison Bank and Trust, a bank owned by McDougal. The earlier loan was for the purpose of building a modular home at the Whitewater development site.

Lindsey said the \$7,322 payment came up in a report prepared during the 1992 presidential campaign by Denver attorney James Lyons. According to Lindsey, Lyons counted it as a payment from Susan McDougal into the Whitewater accounts.

The Clintons, who requested Lyons' report, have said they lost nearly \$70,000 in the failed real estate venture; the Lyons report concluded that they lost \$68,900.

The Clintons also mistakenly took a tax deduction based on the \$7,322 payment when Whitewater was entitled to the deduction, Lindsey said. The Clintons have since amended their taxes to clear up that discrepancy.

Meanwhile, an informal survey of Congress showed members split largely along party lines on the question of holding hearings into the Whitewater matter.

The survey found nine Democrats joining 177 Republicans who said they would support hearings. Among them was one committee chairman, Rep. Dan Glickman of Kansas, who heads the House Intelligence Committee.

Justice says special counsel obligated to report to Congress

By MICHAEL KIRKLAND=

WASHINGTON (UPI) Whitewater special counsel Robert

Fiske Jr. must report to Congress on his investigation into a failed Arkansas land deal involving President Clinton, the Justice Department confirmed Friday.

Meanwhile, a key staff member on the Senate Governmental Affairs Committee said that panel will get Fiske's reports when they come to Capitol Hill.

Justice Department spokesman Carl Stern said Fiske is obligated to report to Congress by a provision in the regulations under which he was appointed.

The language in the regulations simply says Fiske "shall send to the Congress statements or reports on the activities of (the special counsel)." But the provision allows Fiske to report only on what he "deems appropriate," and sets up no schedule of reports.

The provision doesn't even say which office or committee in Congress Fiske must report to.

But after several days of consultations among Capitol Hill officials, a staff member of the Senate Governmental Affairs Committee told United Press International that Fiske's reports

should be filed with that panel, which is chaired by Sen. John Glenn, D

-Ohio, as if the federal law setting up the independent counsel's office was still on the books.

The staff member, who spoke under conditions of anonymity, said the reports would then be channeled to a subcommittee chaired by Sen. Carl Levin, D

-Mich.

Much of the confusion on the operation of Fiske's office stemmed from Congress allowing the independent counsel law to lapse. Under that law, Fiske's office would have been administered by the federal courts, and would have followed the pattern set by the office of Lawrence Walsh, the Iran

-Contra independent counsel.

Instead, after Republican pressure, the president asked Attorney General Janet Reno to appoint a special counsel to investigate the matter. She agreed and appointed Fiske on Jan. 20.

Fiske's obligation to report to Congress is crucial, because without it he would be running pretty much a closed shop.

At the time of Fiske's appointment, Reno said she would not be taking any reports from the special counsel, and that Fiske had an unlimited budget. And Fiske refused at the time to commit himself to issuing a final report.

bc

-safehome

GORE, RENO TO ANNOUNCE
'OPERATION SAFE HOME' EFFORT
By DEBORAH MATHIS=
GNS White House Reporter=

WASHINGTON It has a catchy name, four federal agencies, the president's imprimatur, and get

-tough fever

going for it. But whether a new administration plan to drive crime out of public housing will get the money it needs is still an if.

In fact, there's even a question about how much money it will take.

At Friday's White House news conference to introduce "Operation Safe Home," none of the five top

administration officials on hand ventured a total, despite assurances from Vice President Al Gore that "we have made room in the budget."

Housing and Urban Development Secretary Henry Cisneros was the only one to talk dollar specifics, pledging \$800 million in HUD money. However, \$480 million of that will be shifted from existing HUD programs; the rest is part of the 1995 appropriations request.

Operation Safe Home would bring drug enforcement, gun control and more police to the nation's most dangerous and troubled housing projects. Local, state and federal law enforcement officers will conduct undercover work, raids and arrests, and will assist residents in starting or accelerating neighborhood crime

-fighting programs.

"I have seen time and time again how ordinary citizens can gain the upper hand against drugs and violence when they come together," federal drug chief Lee Brown said.

Cisneros, who has emerged as chief protagonist for the multi

-agency program, said money will be used to buy equipment for neighborhood patrols like brightly colored vests, walkie

-talkies and flashlights. About \$5 million is proposed for relocating residents who help break a case and fear retribution from the suspects.

The plan also calls for advanced training for public housing security officers and enticements for local police officers to move into or near the targeted areas.

While Operation Safe Home may lack financial security, it suffers no absence of moral support or enthusiasm at least not at the charter level.

"We will not write off your communities as unsalvageable war zones," Gore said, in a message to public housing residents. "We will not look the other way while your children are lost to violence and drugs."

From Treasury Secretary Lloyd Bentsen: "Out of Treasury, we'll fight this by doing some of the things that you have not seen before."

From Attorney General Janet Reno, speaking of private owners who misuse resources intended for federally insured housing projects: "We're going after them ... to recover funds for the taxpayers, to try to make people whole and to try to make public housing a safe place."

And from Brown: "Operation Safe Home will give public housing residents some powerful new allies in their struggle to secure themselves, that will give them what all Americans want a decent place to live, a healthy

environment in which to raise their children."

The project is an offshoot of a government offensive

launched in Boston last fall against drug dealers in public housing projects. According to Cisneros, 18 major dealers were nabbed.

``When we were able to root out that problem in public housing, it had a major effect in an entire section of Boston," Cisneros said. ``So while we address ourselves to public housing as a base of operations in many cases, we're really talking about an entire area of cities, entire neighborhoods."

BC

-MANAGE national editors:WA

Efforts to streamline government become mired in federal bureaucracy

(HAS TRIMS)

(PHOTO: details below)

By Frank Greve

Knight

-Ridder Newspapers

WASHINGTON When water pipes burst or elevators break down, custodians of federal buildings often call Tom Harrington.

His shop doesn't actually fix things, Harrington explains with the dull, sweet patience of a veteran bureaucrat. ``We tell them who they need to talk to."

For such counsel, the Acting Chief of the Delegation Management Branch of the Real Property Management Division of the Public Building Service of the National Capital Region of the General Services Administration earns \$76,733 a year.

Harrington, 58, is one of 140,000 middle managers the Clinton Administration wants to cut from the federal government over the next five years. Even he thinks eliminating his job is a good idea. But five months after Vice President Al Gore pledged to ``reinvent government" starting with a fast, dramatic cut in the federal work force Harrington is still there.

Things may be about to change. <President Clinton's 1995 budget, which will be released Monday, calls for cutting 118,000 workers both managers and line workers from federal payrolls by Sept. 30, 1995. This time the order may stick, since there's no money in the budget to pay them.

Still uncertain is whether agencies will be able to offer people buy

-outs of up to \$25,000, as Gore's government reformers intended, or whether layoffs will be required. Representatives of nine departments have warned Congress that layoffs would devastate their

agencies.

However, Congress twice has refused to provide \$518 million needed for buy

-outs. The debate resumes after Clinton's budget is released.

No one doubts the bureaucracy is bloated. Overall, there's a supervisor for every seven federal workers nationwide. By contrast, in the private companies that Gore considers worthy models for federal workplaces, the ratio of managers to workers is one to 25 or higher.

"The federal civil service is not participating in the American working culture, which has been shaken up, down

-sized, reorganized, and is responding strongly," says Constance J. Horner, White House personnel director in the Bush administration.

Fully a third of the government's 268,000 federal supervisors and managers are simply "alter

-ego deputies," says Paul C. Light, a specialist in public management at the Hubert Humphrey Institute of Public Affairs at the University of Minnesota. "They're the people who take over when the Deputy Assistant Secretary goes to the bathroom or leaves town."

Thousands of federal workers have been made managers because civil service salaries top out at about \$55,000 for most non

-managers. "You wind up with a lot of people in supervisory positions because that's the only way you can reward them," says Archer Durham, personnel chief for the Energy Department. His agency now has one manager for every four workers.

"And sometimes you create organizational entities to make jobs for political appointees," confesses a senior career official. These add new layers to decision

-making systems that may already entail 30 or more managers.

Once the new appointees are in place, he says, "You've got to clear decisions and everything through them, even though, if there are questions, they can't answer any questions."

(EDITORS: NEXT 2 GRAFS OPTIONAL)

As a result, everything federal happens slowly.

When Charles R. Hilty, a senior Agriculture official in

the Bush Administration, managed to get a modest departmental initiative approved in seven weeks, "that was considered to be moving with intergalactic speed," he says.

(END OPTIONAL TRIM)

"Most line employees feel they have the authority to say no, but not to say yes," says Dennis Kasten, 50, a contracting specialist for the General Services Administration.

Robert A. Stone, the genteel career bureaucrat who directed Gore's reform

-minded National Performance Review, sympathizes. "Working people in the government are hamstrung by their managers. It's not their fault; it's the system they work in."

(EDITORS: NEXT 2 GRAFS OPTIONAL)

Stone's staff had some wild ideas about how to cut the bureaucracy. One was an annual Sadie Hawkins day when federal workers could dismiss permanently 1 percent of their managers.

Another was limiting a manager's tenure to 15 years. To make a full career of federal work, a manager's performance at mid

-career would have to impress another government employer.

(END OPTIONAL TRIM)

In the end, the proposals Gore offered last September to trim management layers were the same as private industry's: dramatic down

-sizing through attrition, early retirements, retraining, reassignments, and buy

-outs of targeted managers.

The mere mention of buy

-outs had an unintended consequence. It persuaded thousands of federal workers who would otherwise have retired to hold out for a departure bonus.

And they're still waiting. A bill authorizing the buy

-outs stalled last fall when the Congressional Budget Office estimated buy

-outs would cost \$519 million over five years, mostly in added pension costs. Last week deputy CBO director Jim Blum amended the forecast, telling lawmakers that buy

-outs promised ``enormous long

-term
savings."

Layoffs, the only other option, would ``simply destroy the quality of our service to the American people" warns Interior Secretary Bruce Babbitt.

Agriculture Secretary Mike Espy says they'd be ``disastrous."

Tom Harrington's case shows why. He'd retire now, except he has a stepdaughter in college. A \$25,000 bonus would meet that obligation, he figures. Without it, he'll stay on.

With 34 years of seniority, Harrington can weather any management layoffs by bumping less

-senior managers from lower ranks. Under civil service rules, he'd keep his current salary.

Because senior managers are disproportionately white and male, ``there will be a disproportionate loss among women, minorities and younger workers," Espy warns.

(EDITORS: NEXT GRAF OPTIONAL)

Moreover, rancorous layoffs would probably undo Gore's efforts to reform the bureaucracy, says ex

-White House personnel director Horner. ``The whole theory of reinventing government is that employees support the cultural change," she notes.

(END OPTIONAL TRIM)

Meanwhile, federal agencies ``accustomed to sloughing off the enthusiasms of the moment," in Horner's words, have been ingeniously working around the latest White House directives.

Instead of actually cutting managers, for example, the Energy Department wants to rename many of them ``team

leaders" with the same responsibilities and salaries.

Other agencies have sought and won exemptions. Managers of IRS agents, air traffic controllers and food inspectors have persuaded the administration that they're too vital to be cut. Also spared is the Commerce Department's International Trade Administration, best known for its dense concentration of political appointees.

-END

-OF

-AUTOBREAK(1)-

-AUTOBREAK(2)

-FOLLOWS

BC

-MANAGE

----- AUTOBREAK (2)-----

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BC

-CLINTON

-COMPUTERS

CLINTON ADMINISTRATION SETS NEW ENCRYPTION POLICY

WASHINGTON, Feb 4 (Reuter) - The Clinton
administration Friday said it will streamline export
licensing procedures for communications coding products
but continue to restrict exports of the most sophisticated
intelligence devices.

The White House said in a statement that the move
follows an interagency review of encryption technology
policy and is aimed at balancing national security and law
enforcement concerns with the needs of businesses and
individuals.

It said the new procedures will substantially reduce
paperwork delays for exports of encryption products, which
improve the privacy of telephone and computer
communications.

The new State Department procedures, designed to help
U.S. companies sell products overseas, affect only those
products that can be exported under current regulations.

"We understand that many in the industry would like

to see all encryption products exportable," the White House said.

But the administration continued to express concern about liberalising controls.

"If encryption technology is made freely available worldwide, it would no doubt be used extensively by terrorists, drug dealers and other criminals to harm

Americans both in the U.S. and abroad," it said.

< U.S. software manufacturers were quick to criticise the administration's stance, saying they would turn to Congress for relief.

"While the administration appears to be attempting to improve the process with procedural reforms, they have failed to liberalise export controls on software with encryption capabilities," said Robert Holleyman, president of the Business Software Alliance, which represents major companies.

The group said that the industry draws half its revenues from overseas and that export controls "threaten the continued viability and success of the American software industry."

REUTER

AM

-Aspin's Farewell, 220

Aspin Leaves the Pentagon With Praise for Successor

ARLINGTON, Va. (AP) Former Defense Secretary Les Aspin returned to private life Friday, praising his successor and the country's military leaders.

"I know that as I leave this job, America's security is in great hands," the former Wisconsin congressman said at a ceremony in his honor at Fort Myer.

Aspin, who chaired the House Armed Services Committee before President Clinton nominated him as defense secretary, was forced out two months ago. William Perry, who had held the No. 2 job at the Pentagon, was confirmed by the Senate and sworn in Thursday to replace Aspin.

Clinton's first choice to succeed Aspin, Adm. Bobby Inman, dropped out last month, saying he was the victim of unfair press attacks.

Perry said Aspin set the Pentagon on "a new, confident course" as the Cold War ended. Aspin also had to deal with the emotionally charged issues of gays in the military and women in combat and the closing of military bases as the Defense Department's budget continued to shrink.

This was Aspin's second tour at the Pentagon. During the Vietnam War, Aspin was a weapons systems analyst for Defense Secretary Robert S. McNamara.

AM

-Superfund

-Bankers,370

Federal Court Rules in Favor of Michigan, Against Bankers

By LISA ZAGAROLI= Associated Press Writer=

WASHINGTON (AP) A government regulation that limited situations when lenders could be held liable for the hazardous pollution by their creditors was overturned by

a federal court Friday.

A U.S. Court of Appeals panel ruled 2

-1 thatthe

Environmental> Protection Agency had no authority to limit liability in Superfund cases, in part because the agency is a potential litigant in those cases.

The1992<EPA regulation defined who can be held liable for violations of the nation's hazardous waste cleanup and enforcement law, known as Superfund.

The case was brought to court by Michigan Attorney General Frank Kelley, who argued that states should have more flexibility in suing lending institutions that manage businesses guilty of Superfund violations.

The state argued that the rule let bankers and other lenders off the hook for cleaning up Superfund sites if they foreclosed on a debtor that defaulted and continued to manage the polluting business.

``This rule would have encouraged banks to foreclose on contaminated sites or facilities and then operate them with little or no fear that they would be held liable for the contamination or the dangers imposed," Kelley said Friday.

The EPA said the rule didn't assign liability to lenders without actual decision

-making control over a borrower, but others would be held responsible. The agency didn't return calls seeking comment on the ruling.

The American Bankers Association, which had filed a court brief in support of the EPA rule, said Friday it likely would appeal the decision to the full Court of Appeals.

``The rules went a long way to give confidence to lenders as to what they can and can't do and not be held liable under environmental laws."

Greco said the ruling could make lenders reluctant to deal with businesses ranging from hazardous waste sites to dry cleaners and service stations.

Michigan argued that EPA didn't have authority to tell third parties such as states whom they can and. The appeals court panel agreed.

"It cannot be argued that Congress intended EPA, one of many potential plaintiffs, to have authority to, by regulation, define liability for a class of potential defendants," wrote Circuit Judge Laurence Silberman.

BC

-USA

-BUDGET ENVIRONMENT

ENVIRONMENTALISTS EXPECT GAINS IN NEW U.S. BUDGET

By Vicki Allen

WASHINGTON, Feb 4 (Reuter) - Environmentalists who gave President Clinton low marks for his budget plan last year expect him to pay up in his fiscal 1995 budget on his pledge to fight pollution.

"The single most important measure of the president's commitment on environmental spending is the EPA's operating budget. We think it will have 14 percent increase," said Ralph De Gennaro, budget analyst for Friends of the Earth.

The White House will Monday release its \$1.5 trillion proposal for the budget for fiscal year 1995, which begins October 1.

Environmentalists were disappointed by Clinton's budget for fiscal 1994, which gave the Environmental Protection Agency's operating budget \$2.69 billion, a drop from fiscal 1993's \$2.74 billion.

EPA's current total 1994 budget is about \$6.67 billion but much of that is in designated funds such as the Superfund programme to clean hazardous waste sites. The operating budget is the portion that indicates how the agency intends to carry out its policies.

The Interior Department, also keenly watched by environmentalists as it manages millions of acres of federally owned land, is expected to take a budget cut. But experts said that could have mixed effects on the environment.

"If the overall Interior Department goes up or down, that is meaningless. A third of what goes on at Interior is bad for the environment," De Gennaro said.

<

Conservation sources said they expected the agency's Bureau of Land Management to continue the last budget's pattern of shifting funds out of programmes for logging

and mining on federal land and into programmes to protect watersheds, wildlife habitats and archaeological sites.

Environmentalists are counting on Clinton to put his stamp on this year's budget proposal after the disappointing performance they said he turned in last year.

The League of Conservation Voters, in its "report card" on Clinton's environmental performance his first year in office, gave him a D

-plus on his fiscal 1994 budget performance.

That was his lowest grade in his overall C

-plus environmental rating, and they said Clinton bowed to a stingy Office of Management and Budget.
REUTER

AM

-NOAA Budget,440
NOAA Program Cuts Proposed
With AM

-Budget
By RANDOLPH E. SCHMID= Associated Press Writer=
WASHINGTON (AP) The nation's weather and oceanic programs seem likely to suffer a setback when President Clinton's budget comes out Monday, but looks can be

deceiving.

NOAA Administrator D. James Baker declined to discuss his agency's budget on Friday. Government officials, speaking on condition of anonymity, confirmed that several agency programs will be listed for elimination.

More than a score of National Oceanic and Atmospheric Administration programs are reportedly being proposed for closing at a total saving of more than \$120 million from the agency's budget expected to total more than \$2 billion.

But while the total sounds impressive, many of the programs have been proposed for elimination before, and saved when it comes time for Congress to consider them.

Meteorologists will likely be concerned about a proposal to eliminate the wind profiler demonstration network at a saving of \$4.4 million.

The profilers are radar units that observe the air directly overhead and report on the wind speed and direction at various levels in the atmosphere.

Similar information has been collected traditionally by launching balloons twice a day and tracking them, but the

profilers give continuous reports and can provide more detail than the balloons.

The wind speed and direction information is useful to weather forecasters in detecting the development of storms, and also is of value to airlines in planning routes.

The profiler network is only in the testing stages, however, and that apparently leaves it vulnerable to cuts.

On the other hand, the major restructuring program at the National Weather Service involving several billion dollars over the next few years was not cut in the budget proposal.

That project includes construction of more than 100 new technology radars and other advanced atmospheric measuring equipment and the consolidation of weather offices.

Many of the NOAA programs being proposed for elimination this year have faced elimination before, and survived.

For example, the budget reportedly suggests saving \$18 million by closing down the National Undersea Research Program which pays for a variety of scientific projects. Last year's budget plan was almost as drastic, but the program is still here.

And that's the case with more than a dozen other NOAA programs being proposed, again, for closing. Each seems relatively small, but each also is backed by some interest group or organization and local residents where the project operates.

Those again proposed for closing include federal

-state

weather modification grants; two research projects on the zebra mussel, which is damaging the Great Lakes; the Stuttgart, Ark., wetlands project; Southeastern storm research; the Columbia River smolt program; the Beluga

Whale Committee; and a program to develop export strategies for mahi

-mahi.

AM

-Condoms in School,550

Helms Would Require Parental Consent for U.S.

-Provided

Condoms

By CAROLE FELDMAN= AP Education Writer=

WASHINGTON (AP) Invoking images of condom

-filled trucks in America's schoolyards, Sen. Jesse Helms urged the Senate Friday to prohibit use of federal money to distribute contraceptives to minors without parental consent.

Students ``can't pray in school, but you can hand out condoms to them," said Helms, R

-N.C. ``What kind of message does this send to them?"

Though Helms spoke about distribution of condoms in schools, his amendment would apply to all federal money administered by the Departments of Education and Health and Human Services.

``The Helms amendment is overly broad," said Sen. Edward Kennedy, D

-Mass. ``It applies to every setting in which reproductive health services are offered. ... It applies in every instance that the use of contraceptives is even indirectly promoted."

Kennedy said Helms' amendment would bar such activities as classes on the biology of reproduction and providing brochures that teach the dangers of unprotected sex.

``It would take this country back to the dark ages when young people learn about the biology of reproduction on street corners and by reading dirty books," he said.

``The public health problems today of teen

-age pregnancy and sexually transmitted disease are too serious to take that step backward."

Kennedy proposed to direct the two Cabinet departments to ensure that programs providing contraceptives to minors ``encourage, to the extent practical, family participation in such programs."

The contraceptive debate came as the Senate considered for the third day the Goals 2000 education bill, which would write into law the education goals agreed to by the nation's governors in 1989 and provide \$400 million to states and local agencies to implement education reform plans.

The Senate is scheduled to vote Tuesday on the contraceptive amendments. Also planned is a vote on setting up a demonstration project providing low

-income parents with tuition vouchers to send their children to their choice of private or public schools.

The tuition voucher plan was introduced by Sens. Dan Coats, R

-Ind., and Joseph Lieberman, D

-Conn.

``This amendment says let's give the parents of those

poorest children the opportunity to make the same choices that wealthier parents make in their lives," Lieberman said.

Both he and Coats emphasized that the project was minuscule compared to all the billions of dollars spent by the federal, state and local governments on education. It calls for \$30 million and six demonstration projects.

``I don't fully know whether or not choice is the answer, but it may be an answer" to the nation's educational woes, Coats said.

The Senate voted 78

-8 on Friday to encourage educators to allow students a brief period of silence each day for contemplation. The vote on the non

-binding resolution

followed approval Thursday of Helms' amendment to deny federal funds to state or local agencies that bar constitutionally protected prayer in public schools.

Helms called his contraceptive amendment a simple one.

``It says, 'Stop it. Don't you hand out another condom without the consent of a parent to a child in school.'"

Victor Zonana, deputy assistant secretary of health and human services, agreed with Kennedy that the amendment was overly broad.

``The administration position is clear," he said.

``Condom availability in the schools is a local issue and we yield to local communities on that question."

AM

-Vietnam

-Westmoreland,0231

Westmoreland Says Vietnam Gains More than a Trading Partner
With AM

-Vietnam

-Business, Bjt

CHARLESTON, S.C. (AP) Vietnam gains more than a trading partner now that President Clinton has lifted economic sanctions, says the man who commanded American forces in the Vietnam War.

Retired Gen. William Westmoreland, who approves of Clinton's action, said Vietnam gets a new friend it may

need to fend off China. In addition, American business gains a new market in a nation rich in resources including minerals and offshore oil, he said.

"I think it's very timely in view of their proximity to China. China has become more aggressive, their economy is booming and they have increased their military by two divisions," Westmoreland said Friday.

Westmoreland, 79, commanded American forces in Vietnam from 1964 through 1968 when he became Army chief of staff.

He was contacted by the White House on Thursday before President Clinton announced he was lifting the embargo. It "closes a chapter of the book. We have embarked on a new relationship," Westmoreland said.

While some veterans groups are concerned that ending the embargo will hurt efforts to find Americans missing in

action, Westmoreland said it would help.

"I think the Hanoi government is going to be more diligent than they have in the past and I think it's a plus in that direction," he said.

BC

-VIETNAM

-USA

-OFFICE

U.S., VIETNAM TO NEGOTIATE LIAISON OFFICES

WASHINGTON (Reuter) - The United States and Vietnam will begin talks soon to determine the size and activities of the liaison offices that each will open in the other's capital, the State Department said Friday.

Spokesman Mike McCurry said the arrangement would be reciprocal. The Vietnamese "will be permitted to open an office here as a result of our ability to open an office there," he said.

A Vietnamese official in Hanoi said he expected the liaison offices to be a stepping stone toward full diplomatic relations.

McCurry said there was no word yet on who would represent the United States in the negotiations, which would tackle such issues as whether the offices would fly flags, how many people could work in them, their rank and what they could do.

A key topic is a full accounting of the more than 2,000 U.S. servicemen listed as missing in action since the war in Indochina.

"It's our intent to use the liaison office in Hanoi to further the work of those who are working on the joint defense task force on prisoner of war and missing in

action accounting," said McCurry.

In addition, it would seek to help American businessmen pursuing commercial activities in Vietnam.

REUTER

AM

-Economy, Bjt,990

Fed Boosts Interest Rates; Stock Market Tumbles

By MARTIN CRUTSINGER= AP Economics Writer=

WASHINGTON (AP) The Federal Reserve increased interest rates for the first time in five years Friday in a surprise announcement that triggered a huge sell

-off on

Wall Street.

Economists predicted the Federal Reserve's action limited to overnight loans among banks would translate quickly into small gains in consumer and business interest rates.

The Fed said its move was designed to head off any re

-emergence of high inflation and to "sustain and enhance" the economy's prospects for growth, but the initial reaction from investors was violently negative. The

<Dow Jones industrial average fell by 96.24 points, the biggest one

-day drop since Nov. 15, 1991.

The Clinton administration played down any adverse effect the action might have on the economy, sticking by its forecast of moderate growth the rest of this year.

The Fed, which has been under congressional attack for being too secretive, took the unprecedented step of publicly announcing its decision immediately.

In a statement, Federal Reserve Chairman Alan Greenspan said the move represented only a small increase in interest rates and was taken to "sustain and enhance the economic expansion."

The Fed moved its target for the federal funds rate, the interest that banks charge each other on overnight loans, to 3.25 percent, a modest quarter

-point higher than

it had been since September 1992.

It caught financial markets and many economists by surprise, especially coming on a day when the government had released unemployment figures for January that many viewed as weak. The jobless rate, under a new survey method, was 6.7 percent in January with payroll employment

rising by just 62,000, less than half what had been expected.

The administration, which has made low interest rates a centerpiece of its economic policies, insisted that the credit tightening would not derail the economic expansion.

Treasury Secretary Lloyd Bentsen called the increase "a small amount" that would not change the administration's expectations that the economy will grow at a solid annual rate of 3 percent this year.

"We think inflation is contained," he said. "I would interpret this as a pre

-emptive strike on the part of the Fed."

Analysts said Wall Street was over

-reacting. They noted that Greenspan had put the country on notice in congressional testimony on Monday that the Fed was preparing to raise rates.

While many economists thought the rate move might not come until spring, they generally supported the Fed's decision to act now.

"They acted very quickly and much more rapidly than any Fed has ever done before to nip inflation in the bud," said Norman Robertson, an economics professor at Carnegie Mellon University in Pittsburgh.

David Wyss, an economist at DRI

-McGraw Hill Inc., said he expected the rate move Friday would be the first of a series of quarter

-point increases every two to three months for the rest of the year.

Wyss said banks would probably move to boost the prime lending rate, the benchmark rate for many business and consumer loans, from 6 percent up to 6.5 percent after the next Fed move.

Other analysts said that rates on bank certificates of deposit would move up almost immediately by about a

quarter point and would track the funds rate upward for the rest of the year.

The administration is hoping that the Fed's pre

-emptive strike will calm inflation fears and keep long

-term rates, which have more of an impact on economic growth, from rising.

Private economists, however, were not quite as optimistic, saying it was inevitable that long

-term rates

would rise slightly as the Fed tightens credit conditions.

Wyss predicted that 30

-year mortgage rates, which stood

at 6.97 percent this week, would probably be up to 7.5 percent by the end of this year. They had hit a 25

-year

low of 6.74 percent in October.

The Fed last increased interest rates on Feb. 23, 1989, when it pushed the funds rate up a half

-point to 9.75

percent trying to guide the country to a ``soft landing" in which inflation would moderate and the longest peacetime recovery in history would continue.

However, that effort failed and the country fell into the 1990

-91 recession.

Moving to combat the recession and an extremely weak recovery, the Fed cut the funds rate 23 straight times with the last reduction in September 1992 pushing the rate down to a three

-decade low of 3 percent.

Other rates also have fallen to their lowest points in a generation and it was those low rates that have been credited with finally putting the economy onto a sustainable growth path. Interest

-sensitive sectors such

as auto sales, home sales and business investment boomed last year.

The Fed decision to increase interest rates was approved on a 10

-0 vote by the Federal Open Market

Committee Friday morning. Two members who are leaving the Fed this month, Wayne Angell and Vice Chairman David Mullins, did not participate in the deliberations.

Greenspan said the central bank decided to immediately announce its decision in order ``to avoid any misunderstanding of the committee's purposes, given the fact that this is the first firming of reserve market conditions by the committee since early 1989."

While Fed officials insisted the announcement did not set a precedent, other economists said they believed the decision would be followed by other public announcements of any such decisions.

Congressional critics have been pushing legislation to force the Fed to announce interest

-rate actions

immediately rather than forcing observers to guess at the Fed's intent by watching the central bank's moves to buy and sell government securities in the financial markets.

AM

-Fed

-Markets,0531

Fed Rate Hike Surprises Financial Markets, Dow Average Plunges

Eds: A version on financial wire.

By MARIANN CAPRINO= AP Business Writer=

NEW YORK (AP) The Federal Reserve's surprise announcement that it was raising interest rates sent a shock wave through financial markets Friday, sending the Dow Jones average down nearly 100 points, depressing bond prices and pushing up the dollar's value.

The stock market had the most violent reaction to word that the nation's central bank decided to nudge up the cost of borrowing for the first time in >five years.

The Dow average of 30 industrials, Wall Street's best

-known barometer which has been flirting with the unprecedented 4,000 level, tumbled 96.24 points, the biggest one

-day drop in more than two years. Low interest rates have been a key reason for the stock market's strength.

The Dow average's decline put the index at 3,871.42. Still, that puts the average back to the same level it stood at about three weeks ago.

The unusual admission from the normally clandestine central bank shocked other markets as well. The price of the Treasury's bellwether 30

-year bond fell about \$5.62 per \$1,000 as its yield rose to 6.35 percent from 6.31 percent on Thursday.

Fed operations in the bond market showed the Fed had pushed up the target range for the federal funds rate, the rate banks charge each for overnight loans, by nearly a quarter percentage point to 3.25 percent. It was the first such move by the Fed in five years.

The dollar, on the other hand, benefited from the news and rose substantially against the major foreign

currencies. Higher interest rates enhance the yield on dollar

-denominated securities, increasing investors' need for the U.S. currency.

< Economists weren't particularly surprised that interest rates were on the rise, given the steady strengthening of the economy and relatively low inflation.

``It's a matter of traders facing a harsher reality," said Eugene Peroni, an analyst with Janney Montgomery Scott in Philadelphia. ``You can't say there was no prewarning."

But it was the way the announcement unfolded that unhinged them.

The Fed's Open Market Committee made the decision in a closed meeting Friday morning and then made a rare public announcement.

The Fed doesn't usually announce changes in its federal funds rate. However, Fed Chairman Alan Greenspan said the decision was made to announce the action in order ``to avoid any misunderstanding of the committee's purposes, given the fact that this is the first firming of reserve market conditions by the committee since early 1989."

Although market strategists said this didn't signal a halt to the stock market's rally, they said it was unfortunate the stock market behaved so poorly on a Friday. That raised the specter of the crash of 1987, when the Dow average fell sharply on a Friday before plunging on the following Monday, Oct. 19.

``This is going to cause a bit of consternation and conjecture over the weekend," Peroni said. ``I don't think the market is going to have an easy time of it on Monday. The path of least resistance is down, not up."

BC

-USA

-ECONOMY 1STLD (SCHEDULED)

U.S. RAISES INTEREST RATES FOR 1ST TIME IN 5 YEARS

(Eds: recasts with stock plunge, adds details, quotes)

By Rich Miller

WASHINGTON, Feb 4 (Reuter) - The U.S. central bank raised short

-term interest rates for the first time in five years Friday, announcing the move in an unprecedented statement that sent stock prices plunging by nearly 100 points.

``Chairman Alan Greenspan announced today that the

Federal Open Market Committee decided to increase slightly the degree of pressure on reserve positions," the statement said. "The action is expected to be associated with a small increase in short

-term money market interest rates."

The quarter percentage point increase brought the key federal funds rate to 3 1/4 percent. The Federal Reserve said it took the action to "sustain and enhance the economic expansion," presumably by limiting any inflationary pressure.

The announcement stunned financial markets, sending stocks which had been flirting with the historic 4000 level on the Dow Jones Industrial Average plummeting some 96 points for the biggest single day drop in more than two years.

The move was particularly surprising to many since it came after the Labour Department reported the economy last month created a disappointing 62,000 jobs last month.

Analysts, however, said the poor jobs performance was due to bitter cold that gripped the Northeast last month and did not reflect underlying economic weakness.

The federal funds rate is the rate at which banks trade overnight money amongst themselves in the money market and acts as a benchmark for other interest rates in the economy. It has stood at three percent since September 1992.

The administration reacted calmly to the Fed action although the response from Capitol Hill questioned whether the Central Bank had acted too soon.

"The Fed has a hair

-trigger response when it comes to

fighting inflation," said Senator Paul Sarbanes, a Maryland Democrat.

"They are tightening before there is evidence of inflation, even before there is a real threat of future inflation," he said.

U.S. Treasury Secretary Lloyd Bentsen told Reuters the rate rise had been expected and would not hurt growth. The economy still looked set to achieve growth this year of three percent, he added.

The administration expects long

-term interest rates on everything from home mortgages to corporate bonds to remain low because of its tough action to cut the budget deficit.

The White House is slated to unveil a budget plan Monday for the fiscal year beginning October 1 that will show a sharp drop in the deficit through higher taxes and lower spending.

Greenspan set the stage for Friday's action when he told Congress last week that interest rates were ``abnormally low" and said they would have to be raised eventually.

The Fed chairman argued that tighter credit would not cut off the economic expansion, but rather sustain it by preventing a damaging rise in inflation that could send long

-term interest rates spiking higher and undermine growth.

``Monetary policy has been geared to a recession and we clearly are not in that now," said Michal Moran of Wall Street broker Daiwa Securities Inc.

The economy surged by 5.9 percent in the fourth quarter of last year -- its best performance since 1988.

A Fed spokesman said the central bank's Federal Open Market Committee voted unanimously to tighten credit.

The spokesman denied the unprecedented announcement was in response to congressional pressure for the Fed to be more open. He also said it was not meant to signal the start of a new policy of making public Fed policy changes.

House Banking Committee Chairman Henry Gonzalez has sharply attacked the Fed for being too secretive, calling it an elite club out of touch with general public. The Texas Democrat has been pressing for major changes in the way the central bank does business and discloses its actions.

Several analysts saw Friday's move as the start of a series of interest rate increases by the Fed designed to head off higher inflation next year. Bentsen said he would not be surprised to see the Fed act again later this year.

``We're expecting them to continue to tighten credit for the next 12 to 18 months," said David Wyss of consultants DRI/McGraw Hill. He expects the federal funds rate to rise to 4&1/2 percent by next spring.

The dollar had been down in the morning but then rose 2 pfennigs against the German mark after the statement. Higher interest rates make dollar

-denominated investments

more attractive.

REUTER

RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Lawrence J. Sampas (SAMPAS_L) (WHO)

CREATION DATE/TIME:04-FEB-1994 07:58:00.00

SUBJECT: news report for 02/04

TO: Keith O. Boykin (BOYKIN_K) (WHO)
READ: UNKNOWN

TO: Kenneth R Chitester (CHITESTER_K) (WHO)
READ: UNKNOWN

TO: Remote Addressee (TLXA1MAIL_F:97970144\C:Howlie Davis\\) (DEFAULT)
READ: UNKNOWN

TO: Remote Addressee (TLXA1MAIL_F:95868403\c:dw\\) (DEFAULT)
READ: UNKNOWN

TO: Jonathan P. Gill (GILL_J) (WHO)
READ: UNKNOWN

TO: Brenda I. Hilliard (HILLIARD_B) (WHO)
READ: UNKNOWN

TEXT:
PRINTER FONT 12_POINT_COURIER
WHITE HOUSE NEWS REPORT
Friday, February 4, 1994
Produced by the News Analysis Staff, Rm. 162, Ext. 6-7151

VIETNAM -

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Front-page headlines:

"Clinton Drops 19-Year Ban On U.S. Trade With Vietnam;

Cites Hanoi's Help On M.I.A.'s" (NYT)

"Clinton Lifts Vietnam Embargo to 'Resolve'

the Fate of MIAs" (LAT)

"Vietnam embargo ends

MIA groups, business at odds over decision" (USA Today)

"Clinton Lifts Vietnam Trade Embargo" (WP)

ABC World News Tonight and CBS Evening News led with reports that the President lifted the trade embargo against Vietnam. The Los Angeles Times, the New York Times and USA Today also led with the story.

The New York Times's Douglas Jehl reported that the President "ordered an end to the trade embargo on Vietnam, casting away a central remnant of one of America's most divisive wars and opening a potentially lucrative market to American goods." USA Today's Marilyn Greene reported that, "Bitterness

and applause greeted President Clinton's lifting of the trade embargo against Vietnam, in place since the war ended 19 years ago." The Los Angeles Times's Paul Richter and Michael Ross reported that, "Taking a historic step to close the wounds of a divisive war, President Clinton on Thursday ordered an immediate end to the 19-year trade embargo against Vietnam."

ABC's Brit Hume reported that more than 2,000 Americans are still missing and that the action is opposed by Sen. Dole and veterans groups. CBS's Rita Braver reported that the President's decision was "based only on one factor," the further cooperation of Vietnam in locating missing U.S. servicemen. NBC's Tom Brokaw reported that Andrea Mitchell said the Vietnam announcement was moved up to yesterday to deflect media attention on the unfavorable health news.

The Washington Post's Ruth Marcus and Thomas Lippman reported that, "President Clinton yesterday lifted the 19-year-old trade embargo against Vietnam, saying that a thaw in relations between the two former enemies is 'the best way' to ensure progress in resolving the fate of missing servicemen." (WP) The Wall Street Journal's Robert Greenberg reported that the President set off "a race of by U.S. companies to catch up

with their foreign competitors in that potentially lucrative market in Southeast Asia."

"In a fierce attack," Sen. Dole said ending the embargo was "the wrong decision at the wrong time for the wrong reason." (NYT) Sen. Bob Smith (R-NH) questioned the right of the President to make the decision, when the President "refused to serve in Vietnam, protested the war, and has no military experience." (WSJ)

The President and senior Administration officials "took pains yesterday to stress that economic considerations played no role in their decision." (WP)

The New York Times's Tim Weiner reported that, "For some, the announcement...was greeted with a sense that, finally, peace was at hand. For others, it seemed a final betrayal by the government." In a letter to the President, a group of former POWs including Admiral Stockdale said, "All of us who were held as P.O.W.'s in Vietnam know first-hand that there are no limits to what the Vietnamese will do to show they are 'cooperating' with the United States to account for our missing comrades." (NYT) The Vietnam Veterans of America said "a historic chapter has now closed" and promised to work with the Administration on MIA questions. (USA Today) The National Alliance of Families said the decision was "tragic." (USA Today)

The New York Times's R.W. Apple reported that, "Now, irony of ironies, fate has chosen Bill Clinton to lead the nation in consigning the whole sad, ugly ordeal to the dim recesses of memory -- the same Bill Clinton who, like Dan Quayle and many privileged members of his generation, managed to avoid service in the rice paddies of the Mekong Delta or the choppers of the First Cavalry Division." (NYT A1)

The Los Angeles Times's Doyle McManus reported that, "Clinton was lucky on one...count. He basically agreed with the

policy that his predecessor, George Bush, was already following."
(LAT A1)

HEALTH CARE -

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The Washington Post's Spencer Rich and Ann Devroy reported that the U.S. Chamber of Commerce "backed away from conciliatory testimony on President Clinton's health care proposal and instead became the second group in two days to publicly oppose the administration's health plan." The New York Times's Robert Pear reported that, "President Clinton came under fire from opposite ends of the political spectrum today as" the U.S. Chamber of Commerce joined the Business Roundtable in opposing his health care plan "while liberal lawmakers and labor unions complained that the President was too willing to make concessions." The Wall Street Journal's David Rogers reported that the Chamber, "scrapping friendlier testimony released only hours before, delivered a broadside on the Clinton health plan, and warned Congress against even using the bill as a 'starting point' for future legislation." (WSJ)

The Los Angeles Times's David Lauter reported that, "Stung by business rejection of their health proposal, Clinton Administration officials reassessed their strategy Thursday,

hoping to regroup with support from labor, advocates for the elderly and their allies in Congress." (LAT A1)

ABC's George Strait reported that this is the second time in two days that White House staffers have had to deal with rejection of the President's plan. CBS's Linda Douglass reported that "for the second day in a row," a business group came out against the President's plan.

USA Today's Richard Wolf and Judi Hasson reported that, "Main Street joined Wall Street in opposition to President Clinton's health-care reform plan Thursday, sending reverberations along Pennsylvania Avenue."

The Chamber of Commerce's shift came after intense lobbying from House Republicans after they received advance copies of the testimony. (WP) Later, Chamber official Robert Patricelli withdrew the testimony saying it was "not reviewed by me and was inadvertently sent to the committee by Chamber staff and does not accurately reflect the position of the Chamber." (WP) Patricelli is the Chairman of Value Health, Inc., which runs managed care programs that help companies control the costs of drugs and mental health services used by employees. (NYT)

A coalition of 29 labor unions, consumer organizations and liberal advocacy groups sent the President a letter asserting that he was overly eager to compromise on "fundamental principles of health care reform." (NYT) "Democrats and labor leaders reacted with anger" to the Chamber of Commerce decision. (WSJ)

The National Association of Manufacturers and four other business groups sent letters to Rep. Cooper (D-Tenn.) and others saying that they "support" discussions among the three to draft a health plan based on "market competition reform." (WP) The Wall

Street Journal's Washington Wire reported that Rep. Cooper will address the National Association of Manufacturers today, and next week he will address Ross Perot's United We Stand conference in Dallas. Both the Wall Street Journal and USA Today ran pieces comparing the President's health plan to Rep. Cooper's.

John Motley of the National Federation of Independent Businesses said the plan's requirement that employers pay 80% of workers' health insurance is a payroll tax increase designed to create "the largest employer-funded government entitlement in history." (USA Today) Montgomery Ward CEO Bernard Brennan, speaking for the National Retail Association, said the plan "would provide health-care coverage for our workers, but at the expense of their jobs." (USA Today)

Business' movement against the President's health proposal has prompted an internal White House debate over whether the President should "take off the gloves" against the insurance industry, according to one of his advisers. (WP) At a news conference, Sen. Rockefeller "proceeded to castigate the big corporate interests so associated with his wealthy family." (WSJ) Sen. Rockefeller said, "Shame on big business and on the Business Roundtable." (ABC) AFL-CIO President Lane Kirkland accused business of "cracking the whip...and invoking class solidarity." (WSJ)

"Now, major business groups are aligned with insurance and drug companies against Clinton's plan." (USA Today) Most members

of Congress "were never bullish on Clinton's plan," and Sen. Dole said, "I don't think it makes much difference as to what finally emerges." (USA Today)

CBS's Linda Douglass reported that a Congressional committee heard "horror story" testimony from victims of HMO malpractice who are concerned that the President's plan could result in health care providers who care more about cost than care.

The Washington Post's Bob Woodward and Benjamin Weisner reported that children who "perform poorly in school or display characteristics of routine rebellion are often diagnosed with behavioral disorders" that qualify them for Supplemental Security Income. Nora Cooke Porter, who has ruled against the award of benefits to those she believes are unqualified, was suspended without pay for her repeated protests about alleged abuse of the program. (WP A1) The children's disability program cost the government \$3.6 billion last year. (WP)

The Washington Post's Howard Kurtz reported that New Republic health article writer Elizabeth McCaughey said, "It doesn't seem to be in the best interests of the nation to attack me in this passionate, ad hominem, personal way....It seems inconsistent with the democratic process." The New Republic has challenged the White House to a public debate. (WP)

Patricia Danzon's Wall Street Journal op-ed called the GAO study comparing U.S.-U.K drug prices flawed and said, "The current interest in drug-price comparisons and regulation grew out of concern over unaffordable out-of-pocket drug costs for the elderly. This is an insurance problem that should be addressed by appropriate insurance, not by regulating drug prices."

A Washington Post editorial said, "Nothing is lost by having another variation, like Rep. Jim Cooper's bill, out in public view being defended by articulate business organizations. That can only be helpful to all the people -- congressmen and their constituents alike -- who are trying to see the implications of this immensely complex undertaking." The editorial also said the question for the U.S. Chamber of Commerce is, "Which alternative does it prefer?" (WP)

A Wall Street Journal editorial said, "Up to now, there's often been a demarcation line between big and small business on issues like this one." The editorial concluded that, "It'd be nice to think that a lot of Beltway folks learned what the business community discovered in the '80s: You get punished for trying to hide or ignore your real costs."

A USA Today editorial asked, "Do the governors and the business leaders offer a better plan? Not so you'd notice, and this is where the worries begin. About 38 million Americans have no health coverage despite a health-care system that consumes 14% of the gross domestic product....Any plan that excludes those needy Americans can only be perceived as reform. It will, in fact, be a crime."

BUDGET -

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The Washington Post led with Ann Devroy's report that, "President Clinton will propose killing 115 federal programs to save \$3.25 billion in the budget he sends Congress on Monday, a mere drop in the budget bucket but one that lawmakers

already are predicting will produce political howls of pain." According to documents obtained by the Washington Post, the President's plan proposes reducing spending for 300 federal programs, including the 115 -- in the "List of Programmatic Terminations" -- that would be eliminated as part of the \$1.5 trillion budget. (WP) Many of the programs were on the "hit lists" of Reagan and Bush, but survived nonetheless. (WP)

The Wall Street Journal's Kevin Salwen reported that the Administration is seeking to boost spending on federal job-training programs by 13% to more than \$7 billion, "focusing largely on middle-class unemployed workers but also adding funds for the inner-city poor."

Congressional appropriators said the President's proposals to make way for his investment initiatives "will touch off bitter squabbling on Capitol Hill, where members are beginning to focus on how tight next year's budget will be." (WP)

Rep. Murtha (D-Pa.) said, "The fight will be getting enough votes to pass the president's budget. It's going to be very difficult." (WP) Sen. Mikulski (D-Md.) said, "I have reservations about the level of cuts for things that stimulate the economy and generate jobs." (WP)

APPOINTMENTS -

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Yesterday, the Senate unanimously confirmed William Perry to be Secretary of Defense on a 97 to 0 vote. (AP/WP, ABC) CBS's Dan Rather reported that the 3rd choice for Secretary of Defense was confirmed "unanimously" by a "full Senate." Perry was sworn in yesterday in a private ceremony at the Pentagon. (LAT)

The Washington Post's Tom Kenworth reported that Secretary Babbitt forced the resignation of Jim Baca, director of the Bureau of Land Management. "Babbitt insisted that the removal of Baca from one of the Interior Department's most sensitive posts stemmed from a difference in management styles and heralds no change in the Clinton administration's commitment to overhauling federal policies on grazing and mining public lands." (WP) Jim Baca said, "Frankly, this came about because those western elected officials are worried about fund-raising from those traditional extractive industries." (WP)

The New York Times's Elaine Sciolino reported that American Jewish organizations and Republican Senators "have raised questions" about the writings of Strobe Talbott on Israel "which some say reflect at best ignorance, at worst hostility." Other Jewish organizations that have spoken with Talbott "contend that he has a lot of explaining to do." (NYT) "Israeli officials have no problem with his nomination, saying that the Clinton Administration's support for both Israel and a comprehensive peace plan in the Middle East is stronger than ever." (NYT)

The Washington Post's Joan Biskupic reported that, "Appeals court nominee Rosemary Barkett defended her votes against several death sentences yesterday, telling senators a judge should approach cases with neither hatred nor sympathy toward a killer." Although some GOP senators questioned Barkett's opinions "sharply," Barkett was "warmly received by most committee members." (WP)

The Washington Post's Al Kamen reported that, "Hispanic activists, long disgruntled about getting what they say is the short end on Clinton administration jobs, are fuming these days." The leading candidate to head the Equal Employment Opportunity Commission, New York labor relations specialist and attorney Ida Castro, has been told she's out of the running, and has apparently been offered a post at the Labor Department instead. (WP)

Morton Halperin may be appointed as a special assistant and senior director for democracy at the NSC. (WP)

Paul Gigot's Wall Street Journal column said, "Every president needs pals in high places, but maybe not in regulatory places if you've taken on as much Whitewater as this president has. If Mr. Clinton is going to insist on naming cronies as the nation's top financial regulators, then maybe he can at least stop trying to give them all of the regulatory power. People might get the wrong idea."

L.A. QUAKE -

The Washington Post's Kenneth Cooper reported that the House approved \$8.6 billion in emergency assistance for earthquake-damaged southern California after lawmakers agreed to budget cuts to offset a portion of the disaster relief. (WP) The House Democrats defeated a bipartisan coalition amendment to pay for the new spending with \$9.7 million of cuts in defense, transportation, community development, foreign aid and other national programs. (LAT) Rep. Edwards (D-Ca.) said, "It was really a magnificent victory and it will help speed this through the Senate." (LAT A1) The Senate will consider the aid package next week. (WP)

VINCE FOSTER -

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The New York Times's David Johnston and Neil Lewis reported that the U.S. Park Police report on its inquiry into Vince Foster's death "strongly suggests" that Bernard Nussbaum "impeded its investigators and offered a dubious account of the discovery of the victim's brooding note, say Federal law-

enforcement officials who have seen the report." (NYT A1) The report said Nussbaum interfered with the interviews of witnesses by directing that other White House lawyers sit in on them and denied Park Police access to documents in Vince Foster's office. (NYT) Bernard Nussbaum said it would have been wrong for him to have allowed investigators to examine Foster's files. (NYT) An investigator said he saw Mr. Nussbaum search Foster's briefcase and report finding nothing. (NYT) Later, Steven Neuwirth found the ripped-up note in the same case. (NYT)

The Washington Times's Michael Hedges reported that former FBI Director Sessions said the FBI investigation of Vince Foster was "compromised from the beginning" by the White House and the Justice Department. (WT A1) Yesterday's New York Post quoted Sessions as saying, "The relationship between the White House and the FBI at the time of Mr. Foster's death should be looked at in the context of known events which had political implications." (WT) Attorney General Reno said, "I don't know what (Mr. Sessions is) talking about." (WT)

The Washington Post's Pierre Thomas reported that Park Police waited until two days after they had ruled the death of Vince Foster a suicide to ask for forensic tests to confirm their own conclusion. Documents obtained by the Washington Post show the Park Police waited nearly a month after the incident to turn over the firearm, a bullet, and Foster's clothing to the Bureau of Alcohol, Tobacco and Firearms for testing. (WP)

The Wall Street Journal reported that the Attorney General issued procedures designed to speed the release of documents of "extraordinary interest to the news media."

WHITEWATER -

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The Washington Times led with Paul Rodriguez's report that fund from Madison "were funneled through Whitewater Development Corp. to make a payment on a loan to Gov. Bill Clinton in 1985, according to documents released yesterday" by Rep. Leach. Rep. Leach said he was releasing the material to underscore his concerns about stonewalling by federal bank regulators who have declined thus far to cooperate with his investigation. (WT) Rep. Leach said he would not characterize certain check transactions from the McDougals to the cover the Whitewater account as illegal but as a "possible" diversion of taxpayer funds "on a deferred basis" that should be closely scrutinized. (WT) The Los Angeles Times's Sara Fritz reported that Congressional investigators said federally insured deposits were diverted from Madison to make a \$7,300 payment on a personal bank loan owed by the Clintons as part of their Whitewater investment.

The Washington Times's J. Jennings Moss reported that, "House and Senate members broke largely along partisan lines when asked by The Washington Times whether Congress should hold hearings into the Whitewater-Madison affair." (WT A1) Nine Democrats joined 177 Republicans who said they would support hearings. (WT)

USA Today and the Washington Times ran charts detailing their Whitewater reports.

USA Today's Judy Keen and Dennis Cauchon reported that "In the 1980s, everyone who mattered knew everyone else [in Little Rock], and they all knew -- or wanted to know -- their dashing young governor, Bill Clinton, and his lawyer wife, Hillary." Rep. Leach said, "Madison was run as a private piggy bank for insiders as well as some of the Arkansas political establishment." (USA Today) USA Today's Dennis Cauchon also reported on "Lot 13" in the Whitewater development: "Nothing illegal has been found in its handling, but the paperwork is so sloppy that seemingly simple transactions are clouded in mystery." Thursday's Chicago Tribune reported that Hillary Rodham Clinton worked for federal regulators in a lawsuit against "Clinton friend and investment banker Dan Lasater." (USA Today) The Rose Law Firm settled the \$3.3 million claim for \$200,000. (USA Today) Lisa Caputo said, "Mrs. Clinton...acted with the utmost integrity and professionalism." (USA Today)

KRAMER HIGH SCHOOL -

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The Washington Post's Sari Horwitz and Hamil Harris reported that, "In Shuvetta Bullock's world of dashed dreams and broken promises, Bill Clinton did what many others have not. He kept his word yesterday morning and showed up at her school." (WP A1) "He came; he really came," Shuvetta said, wiping away the tears streaming down her cheeks." (WP) The

Los Angeles Times's Paul Richter reported that, "Declaring that sex is not 'sport' but a 'solemn responsibility,' President Clinton on Thursday entreated a group of junior high school students in a crime-ridden neighborhood to avoid mistakes that could cast a shadow over the rest of their lives." (LAT A1)

The New York Times's Gwen Ifill reported that, "After sidestepping critical comments by Mother Teresa about abortion as they shared a stage...at a prayer breakfast, President Clinton traveled to a junior high school in an impoverished neighborhood to lecture more than 300 students against the perils of single parenthood." "Seeking to do God's will, Mr. Clinton said, 'requires certain personal characteristics that, very frankly, all of us in this room who have ever been elected to anything have abandoned from time to time, including me.'" (NYT)

CRIME -

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The House Subcommittee on Crime and Criminal Justice heard testimony from children who, "unburdened by partisan politics, embraced both gun control and stiffer penalties for criminals; they begged for more money for after-school programs and urged the lowering of the age at which violent juveniles are charged as adults." (WP A1) The New York Times's B. Drummond Ayres reported that the 11 teenagers "whose lives have been somehow touched by shootings appear before Congress to plead for an end to the mayhem." The teenagers were invited to testify before the committee by Rep. Schumer (D-NY). (NYT)

BORDER CONTROL -

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The Washington Post reported that the Administration unveiled a new \$368 million border control program to "stem the tide of illegal immigration from Mexico by adding more than 1,000 agents and sophisticated electronic equipment to the Southwest frontier." Attorney General Reno announced the plan. (ABC) USA Today's Maria Puente reported that, "The Clinton administration, pressured by California lawmakers desperate to do something about illegal immigration, said Thursday that it would beef up the U.S. Border Patrol in a two-year, \$540.5 million program to stop the flow across the border."

A Los Angeles Times editorial said, "The Clinton Administration's plan for a two-year 'border initiative' to slow illegal immigration -- and a variety of problems associated with it -- is encouraging, even if it doesn't go far enough as it could in dealing with a complex phenomenon that has been with us a long time and is not going to fade away in two years."

GAYS IN THE MILITARY -

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The Los Angeles Times's Art Pine

reported that Senate Republicans forced a new round of hearings on gays in the military yesterday, "prompting the Pentagon to delay publishing its long-awaited final regulations on the issue." The delay was prompted by "eleventh-hour objections" by Sen. Coats (R-Ind.). (LAT)

IRA -

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The New York Times's John Darton reported that the British are worried that the "special relationship" between the U.S and the U.K. may be over. Following the granting of Gerry Adams's visa, British Prime Minister Major summoned the U.S. Ambassador in London, Raymond Seitz, for an oral demarche. (NYT) When Major called the President last fall to congratulate him on passage of NAFTA, the President did not call back for several days. (NYT)

A Washington Post editorial said, "It was daring and right that Mr. Clinton took this step, since it allowed Americans to take their own measure of a key figure in a bitter struggle that matters deeply to many Americans."

FEDERAL STUDENT LOANS -

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The New York Times's Michael Winerip continued his series on federal student aid, focusing on whether Congress really has "the political will to let Education do the job" of reducing fraud and abuse of its student loan programs. "As happens in Washington, it is no one's fault in particular that student aid programs are losing \$3 billion to \$4 billion annually to defaults, fraud and waste." (NYT A1)

UKRAINE -

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Yesterday, the Ukrainian parliament endorsed the trilateral Moscow nuclear disarmament accord and ratified unconditionally the START I arms control treaty. (WP A1) However, the parliament failed to approve Ukraine's entry into the Non-Proliferation Treaty. (WP)

TONYA HARDING -

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NBC Nightly News led with a report that a recently-discovered handwritten note may implicate Tonya Harding in the conspiracy to injure rival skater Nancy Kerrigan. CBS's Connie Chung reported that the President had discussed the case with a former Olympian and decided that, "based on principle, she should get the benefit of the doubt" and be considered innocent until proven guilty. Former Representative and Olympian Tom McMillen (D-Md.) said, "We talked about the presumption of

innocence that our system is all about -- that someone is innocent until proven guilty." (USA Today)

NORTH KOREA -

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A New York Times editorial said, "Mr. Clinton must be careful to reassure South Korea without threatening North Korea. But those in North Korea who want nuclear diplomacy to succeed cannot expect Mr. Clinton to walk the tightrope forever."

RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Mail Delivery Subsystem (1=US@*RFC-822\MAILER-DAEMON(A)WHITEHOUSE.GOV@3=INTERNET@2=TELEMAIL@MRX@EOPMRX) (DEFAULT)

CREATION DATE/TIME:07-FEB-1994 18:15:00.00

SUBJECT: Returned mail: Cannot send message for 3 days

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TO: UNKNOWN (1=US@*RFC-
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READ: UNKNOWN

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RFC-822-Headers:

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id AA12049; Sun, 6 Feb 94 07:30:23 -0500

Received: by WhiteHouse.Gov (5.65/fma/mjr-120691);

id AA22899; Sun, 6 Feb 94 07:30:16 -0500

===== ATTACHMENT 1 =====

ATT CREATOR: UNKNOWN (UNKNOWN)

ATT CREATION DATE/TIME:07-FEB-1994 18:14:00.00

ATT BODY PART TYPE: A

ATT SUBJECT:

ATT TEXT:

----- Transcript of session follows -----

421 lavender.com (tcp)... Deferred: Connection refused by bb.lavender.com

----- Recipients of this delivery -----

Bounced, cannot deliver:

rob@lavender.com (Robert Cohen)

----- Unsent message follows -----

Received: by WhiteHouse.Gov (5.65/fma/mjr-120691);

id AA14780; Thu, 3 Feb 94 07:08:42 -0500

Date: Thu, 3 Feb 94 07:08:42 -0500

To: rob@lavender.com (Robert Cohen)

From: publications (WhiteHouse.Gov publications server)

Subject: RE: RE: send info (Part 0008/0010)

X-Sequence: 0008

Reply-To: publications
Errors-To: almanac-bugs

35881 pub/political-science/whitehouse-papers/1993/Jul/Statement-on-Belarus-7-22-93 (1953 bytes)
35870 pub/political-science/whitehouse-papers/1993/Jul/Transcript-of-Presidents-Press-Conference-w--Indiana-Press (36729 bytes)
35871 pub/political-science/whitehouse-papers/1993/Jul/Presidents-Opening-Remarks-Chicago-7-26-93 (3143 bytes)
35872 pub/political-science/whitehouse-papers/1993/Jul/Release-on-Veterans-Cooperation-7-26-93 (2623 bytes)
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35876 pub/political-science/whitehouse-papers/1993/Jul/Presidents-Remarks-to-Boys-Nation-7-24-93 (17980 bytes)
35877 pub/political-science/whitehouse-papers/1993/Jul/Vice-President-et-alia-on-The-Plan-7-23-93 (34265 bytes)
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35883 pub/political-science/whitehouse-papers/1993/Jul/Press-Briefing-by-Erskine-Bowles-7-21-93 (17726 bytes)
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RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Jonathan L. Kaplan (KAPLAN_JL) (WHO)

CREATION DATE/TIME:15-FEB-1994 15:30:00.00

SUBJECT: 3:30 p.m. Wire Report

TO: Heather Beckel (BECKEL_H) (WHO)
READ: UNKNOWN

TO: Dianna A. Pierce (PIERCE_D) (WHO)
READ: UNKNOWN

TO: Steven A. Cohen (COHEN_SA) (WHO)
READ: UNKNOWN

TO: David Leavy (LEAVY_D) (WHO)
READ: UNKNOWN

TO: Carola McGiffert (MCGIFFERT_C) (WHO)
READ: UNKNOWN

TO: Arthur L. Jones (JONES_A) (WHO)
READ: UNKNOWN

TO: David Seldin (SELDIN_D) (WHO)
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TO: Jeremy M. Gaines (GAINES_J) (WHO)
READ: UNKNOWN

TO: Kathy McKiernan (MCKIERNAN_K) (WHO)
READ: UNKNOWN

TO: Karen Finney (FINNEY_K) (WHO)
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TO: G. N. Lattimore (LATTIMORE_G) (WHO)
READ: UNKNOWN

TO: Lisa M. Caputo (CAPUTO_L) (WHO)
READ: UNKNOWN

TO: Aman, Sally J. (SALLY J. AMaN@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Joseph W. Cerrell (JOSEPH W. CERRELL@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Kukis, Heidi (HEIDI KUKIS@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Payne, Julia M. (JULIA M. PAYnE@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Lorraine A. Voles (VOLES_L) (WHO)
READ: UNKNOWN

TO: Jeffrey L. Eller (ELLER_J) (WHO)
READ: UNKNOWN

TO: R. Paul Richard (RICHARD_R) (WHO)
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TO: Virginia M. Terzano (TERZANO_V) (WHO)
READ: UNKNOWN

TO: Keith O. Boykin (BOYKIN_K) (WHO)
READ: UNKNOWN

TO: Joshua A. King (KING_J) (WHO)
READ: UNKNOWN

TO: Jonathan L. Kaplan (KAPLAN_JL) (WHO)
READ: UNKNOWN

TO: Denise E. Brown (BROWN_DE) (WHO)
READ: UNKNOWN

TEXT:
PRINTER FONT 12_POINT_COURIER
WHITE HOUSE WIRE REPORT
3:30 p.m. edition
Tuesday, February 15, 1994
Produced by the Office of News Analysis

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Clinton urges Congress to move fast on crime bill (RB)
Clinton campaigns for crime bill (AP)
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Mrs. Clinton says health plan won't take away choice
(AP)
First lady takes aim at critics of health plan (RB)
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Riley: schools must bring adults, children together (AP)
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hearings (AP)
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out of Tokyo market (UPI)
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is positive (AP)
Nuclear weapons material said removed from Iraq (RB)

CNN Headline News-

-3:00 p.m.

Drifter confesses to Gainesville slayings
At least six wounded in OK restaurant shooting
Admiral Kelso announces early retirement
Kantor accuses Japan of trade violations

BC

-CLINTON

-CRIME (SCHEDULED)
CLINTON URGES CONGRESS TO MOVE FAST ON CRIME BILL
By Susan Cornwell

LONDON, Ohio (Reuter) - President Clinton, saying
Americans have waited long enough, Tuesday urged Congress
to move quickly to approve an anti

-crime bill that would
pay for hiring 100,000 more police officers by cutting
government bureaucrats.

Clinton used a trip to a police training academy in
this Midwestern city to demonstrate his determination for
coming to grips with rising national crime that opinion
polls say is now the top concern of the American people.

"If Congress will pass this bill soon I will respond
by cutting through red tape...so that within a year 20,000
new police officers are hired and start the training that
they need to make our streets safer," Clinton said.

Wearing eye goggles and soundproof ear muffs, Clinton
watched a police instructor fire a pistol shot at a target
during a tour of the Ohio Peace Officers Training Academy

shooting range. He also watched a demonstration of police defense tactics.

Clinton's \$22 billion crime bill would hire 100,000 more police over five years, build up to \$6 billion worth of jail cells and "boot camps" for young offenders and ban most assault weapons.

The bill passed the Senate late last year but the House of Representatives is still working on its version. A bill is not expected to hit Clinton's desk for him to sign into law until April.

Since crime bills have languished in Congress in recent years over disputes about how best to fight crime, Clinton decided to turn up the heat on members of Congress while they are in recess, back home listening to their constituents' concerns. Lawmakers resume work in Washington next week.

"The American people have waited on this long enough," Clinton said in the academy's gymnasium where a few dozen uniformed police officers were seated behind him. "It's not something we can take all year doing."

Clinton, who is expected to be preoccupied most of this year with his plan to reform health care, urged members of Congress to resist the urge to "litter up" the crime bill with additional items that will only protract the debate.

He said the new police officers would be paid for not by new taxes but by "a violent crime trust fund" that would pay the entire cost of the crime bill through savings mustered by reducing through attrition the federal bureaucracy.

The president has proposed to reduce the number of federal employees over the next five years by about 250,000.

"I think it's a good swap," he said.

In a half

-hour speech, Clinton linked his fight against crime to his strategy of getting hard

-core drug users into treatment programs, to programs to revive inner

-city neighborhoods and to his overall goal of

persuading Americans to have a greater sense of community and responsibility.

As evidence of how grim the crime problem is, Clinton pointed out that Monday was the anniversary of the 1929 St Valentine's Day Massacre in Chicago in which six gangsters were killed.

"That was a massacre in 1929 and today it's a normal weekend. What are we going to do about this?" he asked.

REUTER

PM

-Clinton, 2nd Ld

-Writethru, a0571,680

Clinton Campaigns for Crime Bill

EDS: Fixes category code in header to `a' sted `w'; ADDS 2
graphs at end with unscheduled stop at deli

By NANCY BENAC= Associated Press Writer=

LONDON, Ohio (AP) Surrounded by a new generation of
crime fighters, President Clinton promised today to help
pay for a tough crime

-fighting bill by slashing the
government workforce. ``I think it's a good swap."

The visit to the Ohio Peace Officers Training Academy
was designed to rejuvenate the debate over a national
crime bill stalled in Congress.

Speaking to 350 police officers and trainees, Clinton
urged the law enforcement community to prod Washington
into action. ``We need your help to pass a crime bill that
makes a difference," Clinton said.

Clinton promoted his anti

-crime package, calling for up
to 100,000 new police on the streets, more money for drug
treatment, more jails and boot camps for criminals, and
more programs for youths before they get in trouble.

``I'll make this commitment, if Congress will pass the
bill soon, I will respond by cutting red tape," he said.
``Within a year, 20,000 new police officers will be hired
and start training that they need to make our streets
safe."

The president promised to follow up on plans to reduce
the government's workforce by 252,000 by the turn of the
century ``and put the entire amount we save into crime
fighting. I think it's a good swap."

Billed by the White House as his first comprehensive
address on crime and violence, Clinton used strong
rhetoric but the substance of the speech was a repackaging
of initiatives that he and his Cabinet have already laid
out.

Clinton wants to hire 100,000 more local police
officers, construct up to \$6 billion worth of jail cells
and boot camps for young offenders, and ban most assault
weapons.

He supports a crime bill that would increase penalties
for crimes against women and provide money for metal
detectors in schools. The five

-year cost is estimated at

\$22 billion.

The White House expects a contentious debate on the crime bill, but hopes to have it on Clinton's desk by April.

The president repeatedly said that while government programs can help, Americans must do their part in their own neighborhoods. He lauded special guests at the speech who are involved in crime fighting, including 12

-year

-old

who threw herself on assailants beating up one of her friends.

"We know what crime and violence is doing to our people. The good news is they know what it's doing to them and they want us to do something for them," Clinton said. "For the first time, the American people are willing to do their part."

Politicians, too, must do more than complain, he said.

"It's easy to demagogue easy to talk about and quite another to do something that will make a fundamental difference," he said.

Before the speech, Clinton wore goggles and earphones at the academy's shooting range during a demonstration, but he did not fire a gun.

Ohio Attorney General Lee Fisher said Clinton was on the shooting range "practicing self defense for his legislative battles in the United States Congress."

Clinton also watched police demonstrate defense tactics, greeting the instructor with a joke. "You'll take me down, they'll put it on the news and you'll be famous and millions of people will love you." He did not take part in the demonstration.

After leaving the training academy, Clinton, joined by Sens. Joe Biden, D

-Del. and John Glenn, D

-Ohio, and Ohio

Attorney General Lee Fisher, made an unscheduled stop at Charlie's House of Meats and Deli about five miles north of London. Outside, a sign offered a "Clinton Burger" for \$1.89.

Clinton shared his burger lathered with "special Clinton sauce" with someone in the group. Owner Charlie Shaw didn't charge any of them, and he gave the president two baseball caps bearing the store's name one for him and one for first lady Hillary Rodham Clinton.

Clinton pushes crime bill

LONDON, Ohio (UPI) President Clinton pushed his anti

-crime initiatives Tuesday while visiting a police training center where he toured the facility and observed weapons and hand

-to

-hand combat demonstrations.

``The American people have waited on this crime bill long enough," Clinton said.

Clinton called on Congress to act soon, saying ``it should only take

a few weeks to do it right and send it to the president's desk."

``This is not something we should take all year to do," Clinton said.

A crime bill passed in the Senate, while in the House there are 18 separate pieces of legislation, which will have go to a joint conference to resolve the final differences.

Meanwhile, the White House expects it will take ``at least several weeks" before the bill will come out of conference.

``We could have a conference until mid to late March," according to Bruce Reed, deputy assistant to the president who traveled to Ohio aboard Air Force One.

Clinton said the so

-called ``three strikes and you're out" proposals still were being worked out. Under three strikes, a felon convicted three times would face life in prison without parole.

Clinton said, however, that three strikes should really target the violent offender, whom he called ``the people who are predisposed to do things that are horrible."

In that area, he said he wanted ``a tough, good, clear bill...but we shouldn't litter it up with every offense."

Clinton wants to have a narrow list of deadly offenses. Meanwhile, three strikes is pending on Capitol Hill but the Justice Department has not yet recommended its passage.

As Clinton toured the police training academy, he went into a target practice and watched as an instructor shot 14 bullets all in the area of the heart. Clinton did not fire a weapon.

At one point the media pool was lined up in the middle of the target range, and Clinton joked that he ``did not try to get them to have a loaded weapon." Clinton made a point of reassuring the reporters and photographers.

The president also observed a demonstration on methods of wrestling suspects to the ground, but he neglected to participate.

``You'll take me down, they'll put it on the news and you'll be famous and millions of people will love you,"

Clinton joked with the instructors and reporters.

Later, the president ate at Charley's House of Meat, ordering half of a Clinton Burger, which includes beef, mushrooms and cheese. He also drank a coffee and ate an apple fritter.

Asked why he only ate half the burger, Clinton said, "I lost 16 pounds last year, and I'm going to lose 10 this year."

AM Hillary Clinton

-Health,400

Mrs. Clinton Says Health Plan Won't Take Away Choice
By CHRISTOPHER CONNELL= Associated Press Writer=

WASHINGTON (AP) Hillary Rodham Clinton asserted Tuesday that the only choice in health care that the Clinton administration wants to take away is the insurance industry's choice of whom it will cover.

Appealing to the American Legion for support of the White House health plan, Mrs. Clinton said, "We have to change the insurance market and the way it operates."

She renewed her attack on the Health Insurance Association of America's television ads that criticize the Clinton plan and its mandatory insurance purchasing alliances.

"You know these television advertisements that they've spent about \$20 million on saying that we're going to take away your choice? Well, that's just flat untrue," said the first lady.

"In fact we're going to give you more choice because the choice is not going to be your employer's and the choice is not going to be the government's. The choice is going to be yours to make.

"The only choice we're trying to take away is those insurance companies ... so that they can no longer choose to disqualify you from health care because they want to do so or charge you more than they would have otherwise," she said. "We do want to take that choice away."

Charles Kahn III, executive vice president of the HIAA, said, "She's chosen to be a broken record in attacking the insurance industry. The fact is, the details of their plan are in trouble and they seem to prefer shooting the messenger rather than discussing the issues."

Mrs. Clinton said 81 million Americans have pre

-existing conditions that make health insurance expensive or hard to get.

And she said 75 percent of insurance policies have lifetime limits on coverage of medical bills, some as low as \$50,000 and others \$1 million. "Once you hit that

limit you are not insurable any more unless you pay a huge, huge increase in your premiums," she said.

She told the veterans the Clinton plan would allow them to choose to get all their health care through the veterans' medical system. Currently, VA hospitals are prohibited from accepting Medicare or private insurance.

National Commander Bruce Thiesen said the
3.1

-million

-member American Legion has not endorsed any health

-reform bill, but he called Clinton's plan the only one that would assure that the VA health system would ``be preserved as an independent entity."

BC

-HEALTH

-HILLARY (SCHEDULED)

FIRST LADY TAKES AIM AT CRITICS OF HEALTH PLAN

By Donna Smith

WASHINGTON (Reuter) - First Lady Hillary Rodham Clinton took aim at the insurance industry Tuesday, denouncing claims in their television campaign against the president's health care reform plan as ``just flat untrue."

In a speech to the American Legion, she also assured veterans their choices would improve under the proposed plan.

The first lady rebutted criticism that the plan was too bureaucratic and would limit the care choices of Americans.

``We are going to give you more choice," Mrs Clinton told the war veterans group.

Television ads sponsored by the insurance industry that tell Americans the president's plan would eliminate their ability to choose care are ``just flat untrue," she said.

``The only choice we are trying to take away is those insurance companies that are funding that ad so that they can no longer choose to disqualify you from health care because they want to do so, or charge you more than they would have otherwise -- we do want to take that choice away," Mrs Clinton said to the applause of the veterans.

The American Legion has not endorsed any of the several health care plans now pending in Congress but the group has been supportive of President Clinton's plan because it would preserve the existing veterans' health

care system and open it up to all veterans regardless of their income.

The proposal would also provide some \$3 billion to help improve the veterans health care system.

Of the roughly 250 million people living in the United States, an estimated 37 million have no health insurance.

Mrs Clinton told the group the president's plan would provide private health insurance to all Americans but bar insurance companies from refusing to cover pre

-existing conditions or from charging higher rates for older people and small businesses.

The speech was one of a number Mrs Clinton and the president plan over the next several weeks to build public support for the reform plan after suffering several setbacks from business groups opposed to the president's plan.

The first lady was also scheduled to speak to a group of health maintenance organizations later Tuesday.

Congress is beginning its work on the proposed plan and lawmakers hope to complete their work before the November congressional elections. As lawmakers have begun their work, interest groups have been staking out their positions.

The national Christian Coalition announced Tuesday that it was launching a \$1.4 million media campaign to

defeat President Clinton's plan because they said it would lead to taxpayer funding of abortion and medical rationing.

“(The Clinton plan) replaces the finest health care system in the world with a bureaucratic, Byzantine, European

-style syndicalist nightmare that has no precursor in the American experience,” said Coalition Executive Director Ralph Reed.

The group, the political arm of TV evangelist Pat Robertson's sprawling religious organization, said it would run radio ads in 40 congressional districts, distribute 30 million postcards in U.S. churches, pay for newspaper ads and a direct mail and phone campaign to reach one million voters.

Meanwhile, the American Medical Association, the National Association of Manufacturers, the Pharmaceutical Manufacturers Association and the American Tort Reform Association announced Tuesday that they have banded together to form a group to push malpractice liability reform in the health care package.

REUTER

HMOs to join Clinton on immunizations

WASHINGTON (UPI) An association of health maintenance

organizations is joining a campaign to immunize children. The Group Health Association of America, which represents some 350 HMOs, has developed a plan to help the Clinton administration achieve its goal of immunizing 90 percent of U.S. children under age 2 by 1996.

Christian coalition joins health care fight

WASHINGTON (UPI) The Christian Coalition on Tuesday announced plans for a \$1.4 million direct

-mail, telephone, newspaper and radio campaign against the Clinton health care reform plan.

The million

-member conservative organization said its opposes various elements of the Clinton plan, including price controls, employer mandates and allowances for abortion.

The Christian Coalition, headquartered in Chesapeake, Va., said its campaign will be its most expensive grassroots lobbying effort, costing more than twice what it spent in 1991 to support the nomination of Clarence Thomas to the U.S. Supreme Court.

The organization said it hopes through its campaign to send to Congress more than 30 million postcards that will be distributed through some 60,000 churches.

It said its campaign also will include radio advertisements in 40 congressional districts and 18 states, print ads in some 30 newspapers, and a telephone bank expected to reach 1 million voters nationwide.

The Christian Coalition said that among its complaints with the Clinton health reform plan is its allowance of abortion as a basic benefit and its use of price controls on health services, which it claimed will lead to health care rationing.

The group said the Clinton plan also will reduce the ability of families to choose their doctors, force unacceptable costs on small businesses, and unnecessarily criminalize a broad range of so

-called "health care offenses."

BC

-USA

-GAYS (SCHEDULED)

GAY RIGHTS GROUPS ENLIST CLINTON IN BALLOT FIGHT

By Irwin Arief

WASHINGTON, Feb 15 (Reuters) - Homosexual rights groups said Tuesday they had enlisted President Clinton as an ally in their fight against anti

-gay ballot initiatives
looming in a record number of states and cities this fall.

"We asked the president to take a strong stand on these initiatives and he has done so," William Waybourn of the Gay and Lesbian Victory Fund told Reuters.

The president disclosed his stand in a letter made public by Waybourn and other gay rights groups at a news conference.

"Like you, I am committed to the fight for equality for all Americans," Clinton said in the February 14 letter.

"Those who would legalise discrimination on the basis of sexual orientation or any other grounds are gravely mistaken about the values that make our nation strong. The essential right to equality must not be denied by a ballot initiative or otherwise," the president wrote.

The groups had asked Clinton to oppose the initiatives, which are being pushed by a loose coalition of right

-wing political and religious fundamentalist
groups.

Petition drives to put anti

-gay measures to a vote
this November 8 are under way or in the planning stages in at least 11 states -- Arizona, California, Florida, Idaho, Maine, Michigan, Missouri, Nevada, Ohio, Oregon and Washington -- as well as in numerous cities, gay activists report.

A drive initially fell short in Maine when petitioners failed to gather enough voter signatures to qualify for ballot status. But organisers have now resumed their

efforts in hope of qualifying later this year.

The petition drives are taking place during a time of intense national debate over gay rights. Clinton was badly shaken early in his presidency after widespread opposition arose to his plan to end a ban on gays in the military.

Yet Clinton has named several acknowledged gays to senior posts in his administration and 133 open homosexuals now serve in state, local or federal elective offices including two in the House of Representatives.

The proposed anti

-gay initiatives vary from state to
state, as do the groups behind them. Some would prohibit
same

-sex marriages, the teaching of homosexuality as an acceptable behaviour, or any law or policy sanctioning homosexual conduct or relationships.

Others would ban the enforcement of discrimination claims against homosexuals or authorise employers to consider ``private sexual behaviours" in making personnel decisions.

One of the prime movers in the anti

-gay rights movement is the Oregon Citizens Alliance, which tried and failed to gain Oregon voters' approval of an initiative in 1992.

The alliance is now pushing for votes in Idaho, Nevada and Washington state as well as a second vote Oregon.

``We believe that there should not be laws granting civil rights protections based on behaviour that is morally wrong or injurious to public health, nor should government legitimise such behaviour," the group says in its lengthy ``statement of principles."

The only other state that voted on a gay rights initiative in 1992 was Colorado. But there, unlike in Oregon, voters approved the initiative, only to be hit afterward by an economic boycott launched by homosexual rights groups.

A legal challenge to the initiative is still in the courts, but in the meantime, the boycott steered \$40 million to \$180 million in tourist and business spending to other states, said David Smith of the Washington

-based National Gay and Lesbian Task Force.

Other groups pressing for anti

-gay votes include the American Family Association in Florida, Missouri's Amendment Coalition, the Michigan Family Values Committee and the California

-based Traditional Values Coalition in Arizona.

REUTER

AM

-Education Disconnect,650
Riley: Schools Must Bring Adults, Children Together
By CAROLE FELDMAN= AP Education Writer=

WASHINGTON (AP) America's adults and children ``are losing touch with one another," and the nation's schools must move urgently to help bring them together, Education

Secretary Richard Riley said Tuesday.

“If I am troubled by anything it is this: We seem, as a nation, to be drifting toward a new concept of childhood which says that a child can be brought into this world and allowed to fend for himself or herself,” Riley said in a prepared text for his first address on the state of American education.

“There is a disconnection here that demands our attention a disconnection so pervasive between adult America and child America that we are all losing touch with one another,” he told more than 700 students, parents, educators, business, labor and community leaders gathered at Georgetown University.

He asked businesses, churches and community groups to take a greater role in helping families.

“There is a moral urgency to our coming together, a need to act, to reconnect, to make our schools the best in the world,” he said.

Riley's speech comes a week after the Senate passed two of the Clinton administration's education priorities the Goals 2000: Educate America Act, which sets voluntary national standards for education, and the School

-to

-Work

Opportunities Act, designed to better prepare those students who don't attend college for the job market.

It also follows reports that U.S. students still trail their counterparts overseas in math and science, while holding their own in reading.

Riley was quick to acknowledge that public education has many problems, but he decried political maneuvering that he said was setting back the movement toward educational reform.

“The public wants higher academic standards, more accountability and some sense that their children are getting prepared for the coming times,” he said. “They do not want a conservative or a liberal, nor a Democratic or Republican, solution to our nation's education troubles.”

Yet he acknowledged that Washington does not hold all the answers.

“Long before public policy is politely debated here in Washington, teachers and principals are already directly confronting violence, the breakdown of the family, ethnic and racial tension and the growing mismatch between the classroom and the job market,” he said.

“They deal up front with the education needs of new immigrants, the rise of teen

-age pregnancy, the abuse of drugs, alcohol and the crisis of AIDS.”

He called on schools to foster better communications between teachers and parents and to involve parents more

deeply in their children's education. "Parents are often the first and most important teachers," he said in a statement that has become a common refrain of his.

Riley's "family involvement campaign," drawing on parental practices around the world, will provide parents

with a series of concrete steps they can take to assist their children's education.

Beginning this spring, the education secretary plans on publishing "Riley's Rules," filled with education advice for parents. The department also plans a series of papers that will examine major issues in education; the first will focus on the role of parents.

Among his suggestions for parents:

Schedule daily homework time.

Read with your younger child and let your older child read to you.

Use television wisely, helping your child choose programs and limiting viewing time.

Keep in touch with the school.

Be generous with praise and encouragement.

Talk to your teen

-ager.

Riley said efforts also must be made to reach out to minority youth.

"Even in 1994, too many Americans are separated from each other by the pernicious belief that children who are poor and disadvantaged do not have what it takes to reach high levels of achievement and that no amount of learning will alter this circumstance," he said.

BC

-DRUGS

-MEXICO

-BROWN

CHIAPAS UPRISING NOT INCREASING FLOW OF DRUGS

-BROWN

MEXICO CITY (Reuter) - U.S. drug czar Lee Brown said Tuesday there is no sign of an increase in the flow of drugs to the United States despite the Mexican government's use of military resources to quash a peasant uprising.

Brown told reporters during a visit to Mexico that the uprising, which broke out New Year's Day, may have some "short

-term impact" on Mexico's anti

-drug efforts but no
long

-term effects were likely. "There is nothing at all to suggest that," he said when asked if more drugs were coming into the United States since the uprising began.

The Mexican military is used heavily to intercept drug shipments headed north from other parts of Latin America and to eradicate illegal crops grown in Mexico. But thousands of troops have been diverted to the southern state of Chiapas since the Zapatista National Liberation Army launched its insurgency in the name of social and political justice for indigenous people.

Early in the uprising, the government was using U.S.

-provided helicopters normally dedicated to drug interception in its campaign against the Zapatistas. But after an inquiry from the U.S. government, the helicopters were pulled out of the conflict.

"They are not being used (there) now, so that problem is behind us," Brown said. He said he expected no

long

-term damage to Mexico's anti

-drug campaign because of what he described as its "firm commitment" to stop drug trafficking.

Brown said his visit to Mexico, which will include a meeting Wednesday with President Carlos Salinas de Gortari, was "not because of any concern" with the government's anti

-drug efforts but to find ways to
"enhance cooperation."

He said he knew nothing about a report Monday from the Pentagon that President Clinton may propose later this year a "Partnership for Peace" cooperative anti

-drug
strategy with Latin American countries.

The proposal, which a Pentagon official said was now being discussed at the White House, would substitute for a series of bilateral accords with nations in the region and would pave the way for a common approach to fight drugs, maintain peace and act in case of natural disasters.

REUTER

Clinton names regional EPA director

WASHINGTON (UPI) President Clinton named Tuesday Michelle Denise Jordan as deputy regional administrator for the Environmental Protection Agency's Region V to

replace Valdas Adamkus.

Jordan, who has more than five years experience prosecuting civil and criminal environmental enforcement actions, was a partner in a law firm and held various positions in the Illinois attorney general's office before joining the EPA.

Jordan has taught trial practice classes for the Chicago Bar Association, Northwestern University Law School and the John Marshall Law School.

Region V covers Illinois, Indiana, Michigan, Minnesota, Wisconsin, and Ohio.

AM

-Balanced Budget Amendment, 740

Balanced Budget Amendment Backers, Foes Duel in Senate Hearings

By ALAN FRAM= Associated Press Writer=

WASHINGTON (AP) Both sides in the fight over a balanced budget constitutional amendment resorted to end

-of

-the

-world scenarios and friendly witnesses Tuesday in dueling Senate hearings.

In one hearing room, Sen. Paul Simon, D

-Ill., the

plan's liberal chief sponsor, heard former Democratic presidential candidate Paul Tsongas praise the amendment and warn that without it, mountains of federal debt will

be passed to future generations.

"That can only happen if we don't go home at night and look at our kids and grandkids and feel something," the former Massachusetts senator said.

One floor down in the same Senate office building, the amendment's tenacious foe, Sen. Robert Byrd, D

-W.Va.,

invited nearly half of President Clinton's cabinet to decry the effect the plan would have on programs.

"This would prevent the nation from fighting crime and making our schools and streets safe once again," said Attorney General Janet Reno in remarks reflecting the ominous tones her colleagues also used.

Byrd scheduled four days of hearings this week and Simon planned three, as a prelude to full

-scale Senate

debate on the amendment set for next week. Both sides say the vote is too close to call. House passage is expected should the Senate approve the plan.

The amendment, backed mostly by conservatives, would require a balanced federal budget by the year 2001, unless three

-fifths of the House and Senate voted otherwise. But it would not suggest which taxes to raise or programs to cut to achieve the necessary savings; lawmakers would have to decide that later.

Supporters say the amendment is the only way to force Congress to confront the sticky political choices necessary to eliminate the budget shortfall. Foes, including President Clinton, say the plan would do little but let politicians make the misleading claim that they had cast a tough vote for deficit reduction.

The rival hearings were efforts to shape public and congressional views about the amendment. And as such, they were a vintage example of how lawmakers try to shape opinion.

They were staged during a week in which Congress was in recess. Few legislators were in town, and Capitol Hill reporters, with little else to watch, flocked to the sessions, guaranteeing heavier coverage than would have occurred during a busy week.

Each senator invited only witnesses he knew would support his position. He tossed them questions known in the trade as "soft balls" that is, they were easy to handle.

What would happen to America's "international credibility" if the amendment were passed and as a result Congress refused to let the Treasury borrow money to pay foreign debts? Byrd asked White House budget chief Leon Panetta.

Answer: It would be harmed.

What do you say to people who argue we don't need a balanced budget amendment? Simon asked Tsongas.

Answer: If we don't pay off our deficits, our children will.

Amendment supporter Sen. Don Nickles, R

-Okla., attended part of Byrd's hearing and challenged some of the

witnesses' statements. But his questions did little to alter the preaching

-to

-the

-choir atmosphere of the

session.

At both hearings, the witnesses needed little prodding to warn of the dire consequences should the other side in the debate prevail.

For Byrd and his allies, the theme was that the amendment would force draconian cuts in federal services.

"It would take the security out of Social Security and the care out of Medicare," said Health and Human Services Secretary Donna Shalala.

"Our veterans have already suffered enough," said Veterans Affairs Secretary Jesse Brown, warning of cuts in veterans benefits.

On the other side, amendment supporters predicted calamity if their plan was defeated and out

-of

-control
deficits clouded the future.

"Good luck, kids, hope you make it," bade Tsongas to the generations to come who he said would have to pay off the massive debt.

"The real danger is the economic collapse of our nation and the destruction of our people's jobs, standard of living and retirement income, caused by the rising, crushing burden of debt," said David Stanley, president of the National Taxpayers Union, a private conservative group that lobbies for lower taxes and less spending.

The amendment will require two

-thirds majorities from
both the House and Senate. If approved, 38 states would have to ratify it before it becomes part of the Constitution.

----- Navy's top admiral retires over Tailhook scandal

WASHINGTON (UPI) The Navy's top admiral, Chief of Naval Operations Frank Kelso, announced Tuesday that he will retire early, saying he has become a "lightning rod" for criticism of the Navy's handling of the Tailhook scandal.

Kelso, who had been previously scheduled to retire at the end of June, said he will leave the service on April 30.

The admiral said the way for his departure was eased by statements earlier Tuesday from both Defense Secretary William Perry and Navy Secretary John Dalton praising Kelso's personal integrity and honor.

Kelso said he had become "a lightning rod" attracting criticism of the Navy's handling of the Tailhook case and he hoped his departure would bring such criticism, and the Tailhook scandal, to an end.

Kelso denied that his retirement was forced, although

he had said as recently as Friday that he had no intention of resigning.

Prior to Kelso's announcement, Dalton issued a written statement of his own promising "a decision" on "how to proceed with respect to Adm. Kelso," early this week.

Dalton had tried last year to force Kelso into retirement, but then- Defense Secretary Les Aspin had vetoed that attempt.

For much of Kelso's tenure as chief of Naval operations his service has been tainted by the fallout from the Tailhook case, which stemmed from the September 1991 Tailhook Association in Las Vegas, Nev. At the convention, scores of women, many of them Navy officers themselves, were sexually abused by drunken Navy and Marine Corps officers.

The association of aircraft carrier aviators is named for the unique arresting gear that enables airplanes to land on carrier decks.

In addition to Kelso's departure, the Tailhook scandal had earlier caused the resignation of Navy Secretary H. Lawrence Garrett, the career

-ending censure of three admirals and the forced resignation of two others.

Although some 50 officers accused of participating in Tailhook misbehavior were administratively disciplined, none was successfully court

-martialed.

The original complainant in the case, Lt. Paula Coughlin, said last week that she was resigning from the service because of stress and hostility from fellow officers.

In announcing his own departure, Kelso listed the positive accomplishments achieved while he has been in charge of the Navy.

These included a major reorganization of the Navy staff, a new maritime strategy for the era after the Cold War and numerous operations around the globe, including the 1991 Gulf War, the humanitarian landing in Somalia and air operations over Bosnia

-Herzegovina.

Kelso took particular pride in initiating policy changes that allowed women to serve as carrier

-based fighter pilots as well as aboard combat surface ships.

PM

-US

-Japan Trade, 4th Ld, a0536,300

URGENT

U.S. Accuses Japan of Violating Trade Agreement

EDs: LEADS with 8 graf to UPDATE with Kantor action,
comments; picks up 6th graf, The administration...

By MARTIN CRUTSINGER= AP Economics Writer=

WASHINGTON (AP) In the wake of failed U.S.

-Japanese

trade talks, the Clinton administration today accused
Japan of violating an agreement on cellular telephones,
taking the first in a series of steps that could lead to

trade sanctions against the Japanese later this year.

U.S. Trade Representative Mickey Kantor said that he
has determined that Japan failed to live up to the terms
of a 1989 trade agreement in which it had promised to open
up its lucrative cellular phone market to American firms.

Kantor said today that he would publish within a month
a list of proposed trade sanctions the United States would
consider using if the dispute is not resolved.

"We have said many times that we are committed to
enforcing our trade agreements and achieving results,"
Kantor said. "I am today taking steps to make sure that
Japan lives up to the 1989 agreement."

Kantor called the cellular phone case a "classic case
of the determination of Japan to keep its markets closed,
particularly to leading

-edge U.S. products."

In his statement, Kantor did not specify what sanctions
were being considered in the cellular phone case. However,
other officials have said the most likely retaliation
would be a boost in tariffs on Japanese cellular phones
sold in the United States.

White House Press Secretary Dee Dee Myers today said
the administration was also considering other trade
retaliation against Japan, including reviving a lapsed
provision of U.S. trade law that would allow the
administration to single out Japan for sanctions.

The administration: 6th graf pvs

Kantor accuses Japan of deliberately keeping Motorola out
of Tokyo market

WASHINGTON (UPI) U.S. Trade Representative Mickey
Kantor claims Japan has blocked U.S.

-based Motorola from
setting up a cellular- telephone network in Tokyo. Kantor
said Japan used "deliberate regulatory action or
inaction" over the past decade to stop Motorola and

called Tokyo's explanations ``false and disingenious."

BC

-YUGOSLAVIA

-USA URGENT

U.S. WARNS OF AIR STRIKES IF ANY WEAPONS OPERATIONAL

WASHINGTON, Feb 15 (Reuter) - The United States Tuesday rejected suggestions of confusion over NATO's ultimatum on Bosnia and warned that any weapons left operational in an exclusion zone around Sarajevo after February 21 would be subject to air strikes.
MORE

BC

-YUGOSLAVIA

-USA

-2 WASHINGTON

State Department spokesman Mike McCurry insisted the United States and NATO was in complete accord with British General Michael Rose, the United Nations commander, when he said on Monday that: ``"Any heavy weapons there will be either ... under U.N. control or subject of an air attack."

``I'd say after the 10

-day period (which ends February
21) any weapons found within the 20

-kilometer exclusion
zone not under U.N. control are subject to NATO airstrikes whether or not those weapons are actively firing on Sarajevo," McCurry told reporters.

Asked to define what he meant by ``U.N. control," McCurry said: ``U.N. control means that the U.N. has got those weapons, and they've got the weapons in a condition and under a status in which they can't be used to shell Sarajevo, which is the purpose of the NATO ultimatum."

News reports in recent days have suggested an apparent divergence of views between NATO and United Nations commanders to prevent any softening of plans to guarantee that the guns fall silent around Sarajevo.

REUTER

BC

-YUGOSLAVIA

-NATO

-BOORDA ISTLD

SERBS MUST GIVE UP WEAPONS - NATO COMMANDER
(Eds: Adds quotes, background)

NAPLES, Italy, Feb 15 (Reuter) - The commander of NATO forces in southern Europe said on Tuesday Bosnian Serbs must put their guns around Sarajevo under full U.N. control or move them out of range if they wanted to avoid air strikes.

The statement by U.S. Admiral Mike Boorda followed signs of a rift between NATO and the United Nations over interpretation of the West's ultimatum to the Bosnian capital's Serb besiegers.

But Boorda told CNN television he believed his position was shared by the commander of the U.N. Protection Force (UNPROFOR) in Bosnia, British Lieutenant General Sir Michael Rose.

"The U.N., in this case UNPROFOR, has to have control of the weapons. What that means to me, and I believe General Rose would agree but I don't want to put words in his mouth...is that they truly have control of the weapons," Boorda said.

"They cannot be used by the warring factions unless UNPROFOR would give them back to them and if they tried to get them they'd have to fight for them."

Some U.N. officers have suggested they could make do

with radar monitoring of the guns without actually taking physical control of them.

NATO has given the Serbs until midnight GMT on Sunday to carry out "the withdrawal, or regrouping and placing under (U.N.) control" of its artillery, or face air strikes.

It has established a 20

-km (12

-mile) exclusion zone around the Bosnian capital, with the exception of a two

-km (one mile) radius around the Bosnian Serb stronghold of Pale.

Boorda's command includes Italy and the Adriatic where the alliance has assembled its biggest collection of air power since the 1991 Gulf War against Iraq, ready to hit the Serb forces if they fail to comply with the ultimatum.

Boorda said he did not think "air power alone will stop all the shelling if people are intent on doing that." But he made clear the NATO ultimatum was not an

empty threat.

``We've got the capability, we have the will to do it and we've made the threat known to everyone involved," he said.

Boorda said the first air strike by his forces would have to be requested by the United Nations ``or I would have to request of the U.N. the permission to go ahead and do the strike."

``We're of one mind on that," he said.

REUTER

BC

-YUGOSLAVIA

-UN

YUGOSLAVIA WARNS AGAINST AIR STRIKES NEAR SARAJEVO

By Evelyn Leopold

UNITED NATIONS, Feb 15 (Reuter) - Yugoslavia Tuesday warned against NATO air strikes around Sarajevo, saying once the trigger is pulled, it would be difficult to stop.

``Once you pull a trigger, it is difficult to stop.

The recent decision by NATO is politically and militarily unwise and one that could have serious consequences on the ground," Yugoslav envoy Dragomir Djokic told the Security Council.

He said the Yugoslav republics of Serbia and Montenegro, suffering under international sanctions, was willing to accept any political solution reached by Bosnian Serbs, Moslems and Croats.

But he said while Serbs and Croats were willing to sign a peace package, Moslems opted for continuing the war by setting new conditions in hopes of military intervention.

Djokic also condemned the February 5 mortar attack that killed 68 people in a Sarajevo market, saying ``those who had been killed and wounded in Sarajevo were not victims of war but of war criminals" and ``terrorists."

He called for a ``vigorous and impartial

investigation" to bring the ``perpetrators of this horrible crime" to justice.

Djokic joined the more than 55 speakers addressing the
15

-member council during the second day of a two

-day

debate on the Bosnia crisis to air views but not take any decisions.

It was the first discussion since NATO agreed last week to a request by Secretary

-General Boutros

Boutros

-Ghali to use air power against shelling of civilians in Sarajevo.

NATO imposed a deadline of midnight February 20 for combatants to remove or regroup their heavy weapons under U.N. control, a provision not specifically ordered by the council.

While there is overwhelming support for the NATO decision, China opposes a punitive use of force and Russia, which implicitly backing air strikes, is angry that it was excluded from the NATO decision.

Although both China and Russia are permanent members with veto power, no resolution or statement that could be vetoed will be brought to the floor of the Security Council. For such a manoeuvre, nine votes are needed and the West so far has blocked such action in informal consultations.

On Tuesday Ukraine also criticised the current plan of action regarding Bosnia, saying the Security Council should have taken another decision and not left it to NATO alone.

REUTER

North Korea to allow nuclear inspection

VIENNA (UPI) North Korean diplomats Tuesday bowed to international pressure, agreeing to open seven declared nuclear sites for inspection but stopping short of full openness, the International Atomic Energy Agency said.

David Kyd, spokesman for the IAEA, told United Press International the inspection team, which could leave as soon as this weekend, will not be allowed to look at two suspected locations.

Pyongyang's apparent reversal on allowing at least a partial IAEA visit defuses a growing controversy between the government and the international community. As recently as this week, diplomats from the Vienna

-based

IAEA predicted the North Korean government would not permit an inspection, and that the United Nations would retaliate with sanctions.

Last Saturday, North Korea warned that sanctions of any kind would be regarded as akin to a declaration of war.

Under the Nuclear Nonproliferation Treaty, which North Korea signed but then threatened to quit, a country must open all nuclear sites for international inspection.

The team that will do the check in North Korea will

leave from Vienna as soon as visa requirements are met, Kyd said. After carrying out the inspection, the team will report to the IAEA Board of Governors, he said.

The board had been scheduled to meet Feb. 21

-24 with
North Korean representatives, but the meeting has been
postponed until after the inspection.

BC

-CIS

-RUSSIA

-YELTSIN 2NDLD

AIDE STAMPS ON YELTSIN HEALTH SPECULATION
(Eds: Releads with spokesman playing down health worries,
expands)

MOSCOW, Feb 15 (Reuter) - A spokesman for President
Boris Yeltsin said on Thursday speculation about the
Russian leader's health was unpatriotic and he was strong
enough to serve even beyond the end of his current term in
1996.

``Politically

-motivated speculation about B.N.

Yeltsin's health, based on lies and malevolence, looks
disgusting and unpatriotic," a statement by spokesman
Vyacheslav Kostikov said.

The statement was clearly prompted by speculation in
the Russian media after Kremlin aides announced Yeltsin
had retired to his country house with a cold on February
9.

Worries about Yeltsin's health -- and
strenuously

-denied rumours of heavy drinking -- have drawn
the attention of the foreign press and sent flutters
through world markets from time to time.

On Tuesday, Yeltsin appeared in public for the first
time in more than two weeks to meet British Prime Minister
John Major and sign a landmark power

-sharing treaty with
Russia's independent

-minded region of Tatarstan.

A senior aide said the president was still feeling the
effects of his cold and had decided to postpone his State
of the Nation address to parliament scheduled for Friday.

Yeltsin's administration chief Sergei Filatov told
reporters the speech would be delivered on February 24.

``The president still feels unwell," he said.

The address will be watched closely at home and abroad
for indications of Yeltsin's future economic and political
course in the wake of victories by nationalists and

communists in December elections and a subsequent reshuffle of his government.

Yeltsin's term of office expires in 1996, when the next presidential elections are due.

The 63

-year

-old president has said he will not stand for another term. But a change to the constitution, lifting the age limit of 65 for presidential candidates, has given him the option of running again if he changes

his mind.

News of his cold, broken in an unusual Kremlin statement, prompted suggestions in the press that his health was deteriorating and the president might be forced to step down earlier than expected.

"I should say that...B.N. Yeltsin's health allows him to carry out the leading role in the country steadily and confidently within the term set by the Constitution, and beyond that term if state needs and the popular will demand it," Kostikov's statement said.

REUTER

AM

-Lebanon

-Israel,0428

Israeli Jets Attack Lebanon Fundamentalists Ahead Of Peace Talks

By EDMOND SHEDID= Associated Press Writer=

NABATIYEH, Lebanon (AP) Israeli warplanes attacked bases of Iranian

-backed guerrillas opposed to Mideast peace talks in two assaults Tuesday, hours before the talks were scheduled to resume in Washington.

Security sources said a guerrilla from the Shiite Muslim fundamentalist Hezbollah, or Party of God, was killed and another wounded in the mid

-morning attacks on the group's bases in south Lebanon.

The body of 16

-year

-old Mohammed Krayyem was extracted from the rubble of a devastated Hezbollah base about nine hours after strikes, according to the sources, who demanded anonymity.

The sources said the assaults targeted Hezbollah's arms

hideouts and infiltration trails in Iqlim al

-Tuffah, or

Apple Province, which faces an enclave Israel occupies in the south.

The jets thundered across the border as negotiators from Israel, Syria, Lebanon, Jordan and the PLO were gathering in the U.S. capital after a two

-week break.

Further talks between Palestinian and Israeli delegates were underway in Taba, Egypt, over Palestinian autonomy in the Gaza Strip and West Bank town of Jericho.

The Israeli raids were the sixth and seventh this year, but were not expected to disrupt the negotiations.

Two F

-16 fighter

-bombers swooped down from thick clouds at 9:50 a.m. to fire four rockets on Jabal Safi and the nearby valley of Nabeh Tasseh in Iqlim al

-Tuffah,

Hezbollah's main stronghold in south Lebanon.

Smoke and dust shrouded the region. Half an hour later, the jets returned to unleash five more rockets on Iqlim al

-Tuffah's bluffs, according to the security sources.

Witnesses said guerrillas retaliated with nine surface

-to

-air missiles, but scarlet balloons released by the Israeli pilots deflected them all.

The planes also dropped delayed

-action bombs that

continued to explode about an hour after the raids, according to the sources.

The United States, the main sponsor of the two

-year

-old

Middle East peace talks, has expressed concern about the escalating violence in south Lebanon.

After a meeting with Lebanese Foreign Minister Faris Bweiz on Monday, U.S. Ambassador Mark Hambley said the violence ``is deliberate and aims at destroying the talks."

The Lebanese government has said it won't curb guerrilla activity until an unconditional Israeli withdrawal from the 440

-square

-mile of occupied Lebanese territory. Israel wants Lebanon stop Hezbollah attacks first.

In other south Lebanon developments, an Israeli gunboat seized five Lebanese fishermen off the southern coast Tuesday morning and took them to an Israeli naval base, security sources said. Two were later released.

AM

-Mideast Talks, 100
Negotiations Resume; Israeli Ambassador Says Atmosphere Is Positive

WASHINGTON (AP) Israel and Syria resumed their negotiations Tuesday with security on the Golan Heights the main topic.

Israeli Ambassador Itamar Rabinovich described the atmosphere at the first session after a two

-week recess as
``positive."

Jordanian, Lebanese and Palestinian delegations arrived at noon to hold their own separate talks with Israel.

Israel proposes to sidetrack discussion of a land

-for

-peace formula with Syria. The discussion came to a stalemate last September because Israel would not say how much of the Golan Heights it would give up and Syria would not define its offer of peace.

BC

-NUCLEAR

-IRAQ
NUCLEAR WEAPONS MATERIAL SAID REMOVED FROM IRAQ
VIENNA, Austria (Reuter) - All declared stocks of nuclear weapons

-grade material, including plutonium and highly enriched uranium, have been shipped out of Iraq, the International Atomic Energy Agency said Tuesday.
``The second and final consignment of highly enriched

uranium in the form of irradiated nuclear fuel was removed from Iraq on 12 February, thus completing the removal of declared stocks of nuclear weapons

-grade material from Iraq," the U.N. agency said.

The statement made no reference to whether Iraq was suspected of holding undeclared nuclear material.

Under U.N. Security Council Resolution 687, the IAEA, with the help of the U.N. Special Commission on Iraq, was charged with removing all of Iraq's weapons

-usable nuclear material following the end of the Gulf War in 1991.

The IAEA removed small amounts of plutonium and fresh irradiated nuclear fuel from Iraq in the same year.

"Substantial technical problems had to be overcome in order to remove the irradiated fuel, some of which was buried under the rubble of a research reactor destroyed during the Gulf War," the statement said.

The irradiated fuel was removed under a contract with Russia's Ministry of Atomic Energy and a U.S. subcontractor, which supplied casks capable of withstanding a plane crash. The first consignment of irradiated fuel was taken out of Iraq in December.

The IAEA said the Iraqi Atomic Energy Commission provided every assistance.

The irradiated fuel was transported from Iraq's nuclear center at Tuwaitha by road to the Habbaniya airfield west of Baghdad, where it was flown to Russia.

The fuel is to be treated at a reprocessing plant at Chelyabinsk and residual material will be available for sale under IAEA supervision for use in peaceful nuclear activities, the agency statement said.

REUTER

RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Kenneth R Chitester (CHITESTER_K) (WHO)

CREATION DATE/TIME:21-FEB-1994 09:36:00.00

SUBJECT: 9:30 am wire report

TO: Heather Beckel (BECKEL_H) (WHO)
READ: UNKNOWN

TO: Dianna A. Pierce (PIERCE_D) (WHO)
READ: UNKNOWN

TO: Steven A. Cohen (COHEN_SA) (WHO)
READ: UNKNOWN

TO: David Leavy (LEAVY_D) (WHO)
READ: UNKNOWN

TO: Carola McGiffert (MCGIFFERT_C) (WHO)
READ: UNKNOWN

TO: Arthur L. Jones (JONES_A) (WHO)
READ: UNKNOWN

TO: David Seldin (SELDIN_D) (WHO)
READ: UNKNOWN

TO: Jeremy M. Gaines (GAINES_J) (WHO)
READ: UNKNOWN

TO: Kathy McKiernan (MCKIERNAN_K) (WHO)
READ: UNKNOWN

TO: Karen Finney (FINNEY_K) (WHO)
READ: UNKNOWN

TO: G. N. Lattimore (LATTIMORE_G) (WHO)
READ: UNKNOWN

TO: Lisa M. Caputo (CAPUTO_L) (WHO)
READ: UNKNOWN

TO: Aman, Sally J. (SALLY J. AMaN@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
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TO: Joseph W. Cerrell (JOSEPH W. CERRELL@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
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TO: Kukis, Heidi (HEIDI KUKIS@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Payne, Julia M. (JULIA M. PAYnE@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Lorraine A. Voles (VOLES_L) (WHO)
READ: UNKNOWN

TO: Jeffrey L. Eller (ELLER_J) (WHO)
READ: UNKNOWN

TO: R. Paul Richard (RICHARD_R) (WHO)
READ: UNKNOWN

TO: Virginia M. Terzano (TERZANO_V) (WHO)
READ: UNKNOWN

TO: Keith O. Boykin (BOYKIN_K) (WHO)
READ: UNKNOWN

TO: Joshua A. King (KING_J) (WHO)
READ: UNKNOWN

TO: Jonathan L. Kaplan (KAPLAN_JL) (WHO)
READ: UNKNOWN

TO: Denise E. Brown (BROWN_DE) (WHO)
READ: UNKNOWN

TO: Emily A. Lenzner (LENZNER_E) (WHO)
READ: UNKNOWN

TEXT:
PRINTER FONT 12_POINT_COURIER
WHITE HOUSE WIRE REPORT
9:30 a.m. edition
Monday, Feb. 20, 1994
Produced by the Office of News Analysis (6

-7151)

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PM

-Yugoslavia, 1st Ld

-Writethru, a0448,0897

Serbs Give Up Control of Most Gun Positions as NATO Deadline Passes

Eds: New throughout to UPDATE with U.N. troops taking over more gun positions, comment by Boorda, Sarajevo streets busy, Russians stress joint diplomatic efforts. ADDS photo number.

With PM

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-Yugoslavia, Bjt

AP Photo ZEN101

-102

By ROBERT H. REID= Associated Press Writer=
SARAJEVO, Bosnia

-Herzegovina (AP) After 22 months of relentless shelling, Bosnian Serbs pulled back most of their artillery from the snowy hills surrounding Sarajevo in time to avert a threat of NATO air strikes today.

The Serbs had abandoned at least 23 gun sites by nightfall Sunday night. U.N. troops took control of nine other sites overnight and were inspecting the remainder today.

NATO, after nearly two years of debate over whether to get involved in Bosnia's war, had threatened air strikes unless howitzers, mortars and anti

-aircraft guns were pulled back from a 12

-mile zone around Sarajevo or placed under U.N. control by 1 a.m. today.

The U.N. commander in Bosnia, Lt. Gen. Sir Michael Rose, said Sunday night that both the Serbs and Bosnia's Muslim

-led government had complied ``almost wholly" with

NATO demands.

Rose said he would not hesitate to call for air strikes if there were violations, but said he was ``reasonably optimistic we will come to a peaceful end to this terrible war in Sarajevo."

The U.S. officer who would command any NATO attacks, Adm. Jeremy M. Boorda, said today the Serbs appeared to have complied with the ultimatum. But he warned the threat of NATO attacks remained.

``Any weapons that are found and that are not put under (U.N.) control are subject to air strikes," he said at his headquarters in Naples, Italy. ``Any shelling of Sarajevo from either within or without the exclusion zone is subject to air strikes."

In Sarajevo, the streets teemed with people today despite snow and slush. NATO planes buzzed over every few minutes through cloudy skies.

Many people said they were disappointed, but not surprised, that NATO did not strike at Serb guns.

NATO Secretary

-General Manfred Woerner said the alliance would follow U.N. recommendations not to use air power ``at this stage" in Bosnia.

Woerner, speaking early today at NATO headquarters in Brussels, said he had spoken to President Clinton by telephone and agreed to keep the threat of air strikes in place in case weapons were moved back toward Sarajevo or the city was attacked.

``NATO's resolve to prevent the shelling of Sarajevo does not end today," Woerner said.

In a statement, Clinton said, ``All parties should be aware that the ultimatum stands."

Bosnia's Muslim president, Alija Izetbegovic, earlier urged NATO to go into combat for the first time in its history and bomb Serb guns that remained around Sarajevo.

Bosnian Serb leader Radovan Karadzic told CNN on Sunday that more than half the Serbs' heavy weapons had been withdrawn. He said his forces did not plan to use those guns in other parts of Bosnia, where there is still fighting.

Serb soldiers spent Sunday night by campfires on Mount Trebevic overlooking Sarajevo, roasting oxen and lambs, drinking brandy and singing nationalist songs, while trucks hauled away artillery on the roads around Trebevic.

Earlier in the day, hundreds of Serbs chanted ``Greater Serbia" as they gave a hero's welcome to 400 Russian peacekeeping soldiers in the Bosnian Serb stronghold of Pale, about 10 miles southeast of Sarajevo.

Russians and Serbs, who share ethnic and religious ties, are traditional allies.

Homemade brandy, bread and salt were passed in welcome. ``We feel safe now, because they're our brothers," said a

-year

-old Serb girl, weeping with joy. "Everybody here feels the same."

A Russian pledge on Thursday to send peacekeepers to Sarajevo led to Karadzic's promise to withdraw Serb guns. The Russians' presence let the Serb leader claim that Sarajevo would be controlled by the United Nations rather than the Bosnian government.

Karadzic himself was among the crowd shaking hands with the Russian soldiers, who made the three

-finger Serb victory sign.

Bosnia's government has expressed concern about the presence of the Russian peacekeepers because of their ties to Serbs.

Russian envoy Vitaly Churkin, who was credited with persuading the Serbs to remove most of their heavy guns the past three days, said he had assured Izetbegovic that the Russian troops would be "disciplined, objective, balanced and work within" the U.N. peacekeeping force.

Churkin stayed in Sarajevo beyond the deadline as a symbol of Moscow's search for a diplomatic solution. He said he would attend a meeting in Germany on Tuesday of senior European, American and Russian diplomats to "push, along with others, for a political arrangement."

Two Bosnian government soldiers were seriously wounded by sniper fire Sunday, according to hospital officials.

There has been almost no shelling of Sarajevo since a U.N. cease

-fire took effect Feb. 10, a day after NATO issued its ultimatum.

U.N. officials hope removing artillery is a first step toward ending Sarajevo's siege, in which 10,000 people have died. That could pave the way to peace elsewhere in Bosnia.

More than 200,000 people are dead or missing in the
22

-month war, which erupted after Serbs rebelled against a decision by Bosnia's Muslims and Croats to declare independence from Serb

-dominated Yugoslavia in spring 1992.

BC

-YUGOSLAVIA

-CIS

-RUSSIA (SCHEDULED)

KREMLIN DECLARES BOSNIA ROLE A DIPLOMATIC TRIUMPH

By Oliver Wates

MOSCOW, Feb 21 (Reuter) - The Kremlin on Monday declared its 11th

-hour mediation in Bosnia a diplomatic triumph which had restored Russia to the heart of European diplomacy.

Boris Yeltsin's press spokesman, quoted by Interfax news agency, expressed strong sympathy for Bosnia's Serbs and said the Russian president's intervention had averted a world crisis.

"It is not just that Russia has returned to the roots of its historical...role in the Balkans and defended the Serbs, whose faith, culture and national spirit is close to us," spokesman Vyacheslav Kostikov told the agency. "It has firmly established the parameters of its influence in Europe and the world."

Yevgeny Ambartsumov, a leading member of parliament's foreign affairs committee, took a more modest view. "The crisis is far from over," he told reporters. "But no one can deny Russia played a prominent role in moving a peace settlement forward."

Russia, very much on the sidelines during two years of fruitless Western diplomatic efforts to halt the Bosnian bloodshed, was goaded into action last week by NATO's threat to attack Serbian gunners bombarding Sarajevo.

With the deadline only three days away, Yeltsin's special envoy Vitaly Churkin won a promise from Bosnian Serbs last Thursday to pull back their guns. Russia also moved 400 of its U.N. peacekeeping troops from Croatia to Sarajevo.

The message from Moscow, in keeping with the more assertive nationalist foreign policy noticeable since last December's election, is now that the West can only act in Eastern Europe in partnership with Russia.

"The West should learn a lesson from the current Bosnian crisis when it is over," Churkin told Russian television on Sunday. "And the lesson is that Russia should be treated as an equal partner, not the way some of them did it this time."

The Kremlin says it was not consulted about the NATO ultimatum to the Serbs to pull their guns back 20 km (12 miles) from the besieged city or face airstrikes, and feels snubbed.

British officials accompanying Prime Minister John Major on a visit to Moscow last week said Yeltsin's team seemed genuinely ignorant of the details of the ultimatum.

The problem for the West is that Russians have a

different idea of who is to blame for the bloodshed.
Kostikov's view that Russia had ``defended the Serbs" reflects a widespread belief that NATO was taking sides unfairly against the Serbs.

While the Western news media have for two years blamed Serbs for the bulk of the atrocities committed in the Bosnian war, Russian audiences have received a picture of equal guilt.

Serbs, while no more Slav than Croats and Moslems, share the Orthodox faith with Russia and a history of common cause.

Russians and Serbs also have in common that they are scattered over several countries by the break

-up of a
bigger nation

-state -- the Soviet Union and Yugoslavia --
and many Russians see support for the Serbs as relevant to themselves.

Resentment over the diminution of Moscow's former superpower status helped Vladimir Zhirinovsky's extreme nationalists to success in December's parliamentary elections.

The Russian government and news media have focused on the need to prevent NATO airstrikes and have paid little attention to the withdrawal of the Serbian heavy guns which have bombarded the virtually defenceless Bosnian city for the past 22 months.

Commentators have reminded Russians that World War One began over a great power dispute in Sarajevo and portray NATO as irresponsible. Even liberal observers, like Yevgeny Kiselyov on Sunday night's Itogi television programme, take this view.

``Attempts to use force look more like extinguishing fire with petrol," he said.

Kostikov, who says his views usually reflect those of Yeltsin, made no bones about making political capital from the diplomatic ``triumph."

Yeltsin had shown he was the ``unchallenged leader of Russia," he told Interfax.

``The world was almost on the brink of a world crisis, which threatened to grow into a war drawing in the major powers," Kostikov said.

``Without firing a single shot, without threatening anyone, without putting the lives of its soldiers at risk, without spending a single rouble, Russia has actually won an important battle for its world status."

REUTER

BC

-YUGOSLAVIA

-GERMANY ISTLD

KOHL CALLS FOR INTERNATIONAL CONFERENCE ON BOSNIA

HAMBURG, Germany, Feb 21 (Reuter) - German Chancellor

Helmut Kohl said on Monday he hoped a high

-level

international conference could be called to work out a peace plan for former Yugoslavia.

Kohl told a congress of his Christian Democrats (CDU) that NATO's ultimatum to Bosnian Serbs to withdraw their weapons from the Sarajevo area seemed to have paved the way towards an end to the fighting there.

"I would welcome it if in the next few weeks -- we don't have too much time -- we invest all our energy to come up with an overall plan ... to end all the misery in former Yugoslavia and, after careful preparation, hold a high

-level international conference," he said.

Kohl gave no details but said there were already what he called several responsible plans for peace in former Yugoslavia.

The chancellor also welcomed Russia's decision to send peacekeeping troops to Sarajevo.

"I welcome the fact that, with Boris Yeltsin and the Russian government, another important force has taken on responsibility," he said.

Germany is hosting a meeting of senior diplomats from the United States, Russia, the European Union and the United Nations in Bonn on Tuesday to discuss further steps in Bosnia.

Foreign Minister Klaus Kinkel said on Monday that there was no reason for euphoria just because most Serbian heavy weapons had been withdrawn from around Sarajevo or put under United Nations control.

In radio and television interviews, he said he was pleased the goals of the NATO ultimatum to Serbia had been achieved.

"But that is of course only quite a small step on the long road that lies ahead of us," Kinkel said. "There is still no reason for rejoicing and euphoria."

REUTER

BC

-DALEY

-COLUMN op

-ed editors:TB

A Clinton defeat over principle could become a long

-term

win

By Steve Daley
Chicago Tribune

WASHINGTON While President Clinton is a chap with many fine qualities, his inclination toward self

-pity is not
among them.

You have to watch for the president's low moments of complaining, but they occur with disturbing frequency, and most often in the aftermath of a political setback.

Clinton does not possess the ruling

-class whine honed
to perfection by his predecessor, George Bush. No, this president's style is more New Age, born of the modern weakness for public displays of introspection.

In a series of interviews at the close of his first year in the White House, for example, Clinton allowed that his greatest failing was perhaps a tendency to work too hard and not get enough sleep.

Critics might suggest his greatest failing involved his reversal on the middle

-class tax cut he promised
throughout his campaign or his surrender on the
gays

-in

-the

-military issue.

They might point to Clinton's abandonment of appointees such as Lani Guinier, or his test

-the

-waters reaction to
the disaster at the Davidian compound outside Waco, or his tendency to launch rhetorical attacks on opponents of his health

-care proposal one week and cozy up to them the next.

In all cases, of course, Clinton's cult followers in the White House insist that the controversies are born of misinterpretation by the press corps. But what they're born of is Clinton's difficulty in: A) making decisions, and B) sticking by those decisions.

Too often, his public credibility suffers as a result of his aim

-to

-please style and his profound wish that

everything he says be taken at face value.

At a National Governors' Association meeting in Tulsa last year, he told his former colleagues that he missed them, that Washington was a sinkhole of partisanship and blame

-placing, that the job he had lusted after since the 5th grade was, well, a bummer.

In the Rose Garden celebration of Supreme Court nominee Ruth Bader Ginsburg last summer, Clinton blew up at a TV reporter for asking a perfectly appropriate question about the administration's clumsy, self

-destructive search for a successor to Justice Byron White.

Rather than addressing how his administration has botched the filling of federal jobs at every level, Clinton pouted, then offered some pious blather suggesting the reporter had insulted the judge.

The self

-pity even finds expression in the presidential sense of humor. From time to time, Clinton discusses what he calls his ``laws of politics." One of them is, ``When you're starting to have a good time, you're supposed to be somewhere else."

Even the presidential menu, it seems, is subject to Clinton's emotional whims and how he's feeling about his job on a particular day.

Last week, he reviewed his lunching habits with New York radio personality Don Imus, who teased the president about his intake during a recent trip to Ohio, which included a Clinton burger, a pastrami sandwich and a jumbo apple fritter, among other greasy delights.

Clinton at first suggested his menu was misquoted, but he eventually confessed to Imus, sort of. ``I did get off my diet that day," he said, ``but I was transported. I was out there at a place I felt at home in."

The president's near pathological wish to have it all ways is evident in the manner he and Hillary Rodham Clinton go about selling their health

-care plan.

They started out in grand populist style, bashing the medical establishment and the insurance lobby, setting the debate as a fight between the special interests and the long

-suffering public.

Soon, however, the president was chatting up the swells at the Business Roundtable and the U.S. Chamber of Commerce, reminding them that he was, after all, a ``New Democrat," who carried their water against organized

labor in the battle over the North American Free Trade Agreement.

After those business groups walked away from his plan, Clinton turned back to the class war, telling an audience of senior citizens in New Jersey last week that ``this fight is about who calls the shots in the health

-care
system ... and it's about who pays."

The president, joined by his wife, reserved particular ire for the characters in the numbingly familiar ``Harry and Louise" TV ads sponsored by the health

-insurance
industry, casting the commercials as somehow unfair.

This complaint was playing out even as the Democratic National Committee was broadcasting a TV ad that clearly misrepresented the health

-care views of a potential White
House rival, South Carolina Gov. Carroll Campbell, a Republican.

What the Clinton administration requires at this moment is some evidence the president is willing to lose a fight or two on principle.

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(Steve Daley is a Washington correspondent for the Chicago Tribune. Readers may write to him at the Chicago Tribune Washington bureau, 1615 L St. NW, Suite 300, Washington, DC, 20036.)

bc times

-editorial - a1057
(ATTN: Editorial Page editors)
Carefully Into the Breach

(c) 1994, Los Angeles Times= The following editorial appeared in Sunday's Los Angeles Times:

Semantic squabbles over whether the U.S. system of health care is in ``crisis" miss the point. It's no secret that the nation's system is not what it should be and that Americans pay a terrible price for its shortcomings.

At long last, lawmakers are beginning to focus on what most have known for a long time: This nation's health care system works well for only a steadily shrinking number of Americans. Physicians and nurses see horrific inadequacies in how the system rations care. They see emergency room patients waiting for treatment for a once minor ailment that has become a costly, life

-threatening illness because

the patient could not afford to get treatment earlier.
Insurers see millions of dollars in fraud each year
perpetrated by unscrupulous physicians, lawyers, patients.

Patients want to receive the best possible treatment;
but what if a state

-of

-the

-art test costs \$1,500? Who
pays?

Already the average American who is insured finds he or
she is paying more and has less freedom in choosing a
doctor. And those are the lucky ones; 37 million have no
health insurance at all. To bring it full circle, it's the
uninsured who typically crowd hospital emergency rooms
seeking what should have been routine care. Who gets the
bill? Everybody.

Politicians hear the public roar for change, but every
step in that direction is met with fierce opposition from
one or another of the many competing special interests.
That is why as lawmakers review the health care reform
options they must resist the temptation for quick or easy
fixes. In health reform, if the fixes are quick they're
dangerous and if they're too easy they're not real.

However, there are good starting points on which many
lawmakers already agree: cracking down on fraud and
excessive paperwork; prohibiting the unfair practice by
insurers of denying coverage based on pre

-existing medical
conditions; establishing purchasing pools that would give
individuals and small businesses greater clout to
negotiate rates with insurers; promoting a package of
benefits that covers preventive services, such as
childhood immunizations or Pap smears.

The financing and cost

-control elements of health care
reform clearly are those with the greatest chance of
causing unintended consequences. For example, would
President Clinton's plan to require employers to provide
employee coverage encourage companies to contract out more
jobs? Would limits on federal tax deductions allowed for
employers encourage them to dump insurance coverage for
their workers?

As Congress studies options for health care reform, the
unintended consequences must be carefully explored. As one
analyst aptly put it, "It is things like this that make
me a gradualist when it comes to public policy."

-Japan

-Trade,0376

Japan Considering Measuring Foreign Access to Markets
With PM

-Bashing Bureaucrats

TOKYO (AP) Trade officials are considering a plan to measure sales of foreign products in Japan, but they stressed today that they remain opposed to market

-share

goals sought by U.S. negotiators.

Japan's rejection of U.S. demands for benchmarks to measure success in fulfilling trade agreements has left the two nations at odds over their chronic trade imbalance, which surged to \$59.3 billion in Tokyo's favor last year.

As part of Tokyo's attempt to cool trade tensions, an official at the Ministry of International Trade and Industry said today the government is considering monitoring Japanese purchases of imported cars, auto parts and other goods.

Such measurements would not directly affect trade, but it would provide details on trade patterns. But Japan will continue to refuse to set goals for foreign access to its markets, said the official, who spoke on condition of anonymity.

The chief government spokesman, Masayoshi Takemura, said the trade, finance and foreign ministers would meet this week to begin putting together a promised package of measures aimed at reducing Japan's stubborn trade surplus.

Those market

-opening measures are to address four key
U.S. complaints: imports and foreign investment,
deregulation, anti

-monopoly enforcement, and fairer
government purchasing.

Koichiro Matsuura, a deputy foreign minister who is the chief trade negotiator, told reporters today that Japan's most important task was to trim its trade surplus by promoting economic growth and open markets.

In the past, U.S. complaints that Japan's markets are closed have drawn heated denials from Japanese officials who argued that their nation's markets are as open as others.

But the threat of U.S. trade sanctions has prompted Japanese leaders to step up efforts to dismantle cumbersome bureaucracy and encourage more imports areas in which they acknowledge there is room for improvement.

The dispute spilled outside the diplomatic arena today.

Employees at Motorola's Japanese subsidiary said the entrance to their officers had been spray

-painted with graffiti that read, ``Crush the U.S. empire's pushy sales diplomacy.

Motorola, a major U.S. maker of cellular telephones, is at the center of a dispute between Tokyo and Washington over its access to Japan's cellular phone market.

Japan will defend its tax cut at G

-7 meeting

TOKYO (UPI) Vice Finance Minister Jiro Saito said Monday Japan will defend its income tax cut to the United States when top financial officials from the Group of Seven industrial countries gather for a weekend meeting in Frankfurt.

The \$55.6 billion tax cut was not a one

-time measure to spur consumers to spend Japan out of its recession, but it ``remains very difficult" to get that point across to U.S. officials, Saito said.

The United States has held up tax cuts as a way to increase imports to Japan, as consumers search for bargains, including imports made cheaper by the powerful yen.

Washington is still nursing a grudge after Japan refused to play along with its solution to Japan's annual Godzilla

-sized global trade surpluses by agreeing to numerical targets for opening its markets.

Japan's world trade surplus grew to \$120 billion in 1993, about half of which was with the United States.

Washington's seething anger has chased away Japanese bravura after Prime Minister Morihiro Hosokawa said no to the numerical targets proposal in a bilateral trade summit Feb. 11 that failed.

Tokyo, which called numerical trade targets managed trade, now fears trade sanctions and is casting about for ways to placate Washington.

Masaru Hayami, chairman of the Japan Association of Corporate Executives, Keizaidoyukai, urged the government Monday to pare the nation's trade surplus with the United States.

Japan should set a ratio of its gross domestic product in cutting trade surplus as a way to end the stalemate in the so

-called framework trade talks between Tokyo and Washington, Hayami said.

In a potentially trade

-related step, Japan's makers of foods, cosmetics and other daily consumer goods are loosening the bindings of ``maker

-recommended" retail prices, industry sources said.

Such a step would break with current practice, in which distributors' prices, are set by the maker.

Regardless of steps taken on retail prices, Japan continues to wallow in recession, with new evidence of continuing economic pain suggested in the December index of leading economic indicators, which are likely to remain low.

A survey by 13 private economic research institutes reported Monday by the Kyodo News Service showed that the coincident index would weigh in at 30 percent for December, up from the dismal 20 percent for November, but well below the boom

-or

-bust line of 50 percent.

The December figure is being scrutinized because if it fell below the line, it would mark the third consecutive month of negative performance.

The coincident index measures electricity consumption, the commercial sales index and department store sales.

BC

-TRADE

-USA

-ASIA

U.S. TRIES TO REASSURE ASIAN TRADE PARTNERS

By Kim Coghill

SINGAPORE, Feb 21 (Reuter) - Attempts by Washington to open Japanese markets should not intimidate other Pacific trade partners, a top U.S. trade official said on Monday.

``We fully recognise that trade tension between the United States and Japan is worrisome to Asia outside of Japan," Jeffrey Garten, U.S. undersecretary of commerce for international trade, told a business luncheon in Singapore.

``This is one reason why I have come to exchange views with officials in the region," Garten said.

``In public and in private I would like to correct any misconception of what we are doing and why and to get across a message that the United States wants more rather

than less trade, open markets not protectionism and closer economic ties with all members of APEC (the Asia

-Pacific

Economic Cooperation group of Pacific Rim nations)," he said.

Garten is in Singapore on the first leg of a two

-week

Asian trip to help sell more American products to the world's fastest

-growing economies.

He and other U.S. politicians will plug projects worth a potential US\$13 billion to American companies.

The projects include aerospace, transportation, telecommunications and power generation, areas in which the U.S. believes it can excel, especially in the fast

-growing markets of Asia, Garten said. Requirements in these areas could reach US \$1 trillion in the next decade alone, he said.

"There is much more to Asia than Japan and our policies will reflect that," he said.

Garten will also meet ministers and business people in the region to explain Washington's stance in its latest and some say fiercest trade dispute with Japan.

Washington last week said it would propose sanctions on some Japanese products because Japan had not sufficiently opened its markets to foreign competition.

Asia's own leaders understand how hard it is to gain toeholds in Japan's guarded markets, Garten said, noting that almost every country in the region runs deficits with Tokyo.

"We believe that we are at a turning point in our relationship with Japan... We are thinking carefully about what comes next," Garten said.

"This much is certain, however, the closed nature of Japan markets is a drain on the world economy," he said.

"Tokyo is taking much more from international markets than it is returning."

U.S. exports to Asia doubled from 1988 to 1992, reaching US\$132.2 billion in 1992 and supporting over 2.6 million American jobs. Though APEC countries account for over half of total U.S. trade, Washington still feels the United States is under

-represented in Asian markets.

"We have no intention," he said, "of becoming so fixated with our bilateral trade negotiations with Japan that we lose sight of our other opportunities in Asia."

"It is a serious misperception that we view all trade questions in Asia as being similar."

Garten will also visit China and Indonesia during his two

-week trip.

Washington has ongoing disputes with both Beijing and Jakarta over trade and human rights but is still eager to tap into the countries' exploding markets.

Garten said he would reinforce the message to Beijing that Washington must see significant progress in human rights before China's Most Favored Nation (MFN) trade status is renewed.

REUTER

PM

-Korea

-Nuclear,0359

North Korea Warns It Could Back Out of Nuclear Accord With IAEA

By BRAVEN SMILLIE= Associated Press Writer=

TOKYO (AP) North Korea said today it will back out of its agreement to allow inspections of its nuclear facilities if the international community tries to expand their scope.

The strongly worded statement came just hours before Japanese Prime Minister Morihiro Hosokawa said he would coordinate with the United States to increase pressure on North Korea to broaden the inspections.

The statement indicated North Korea will renege on its agreement Tuesday to let a U.N. nuclear watchdog agency inspect seven of its declared nuclear sites if it is pushed to allow inspections of two other sites.

The unnamed Foreign Ministry spokesman was quoted by the state

-run Korean Central News Agency in a broadcast that ended a six

-day news blackout on the agreement in North Korea.

Under the threat of possible U.N. sanctions, North Korea agreed to allow International Atomic Energy Agency inspectors to visit the seven sites.

The international community says the inspections are needed to find out whether North Korea is developing nuclear weapons. North Korea says its nuclear program is peaceful, but has blocked inspections for more than a year.

North Korea originally suspended the inspections in a dispute over two sites at Yongbyon that the nuclear agency wanted to visit. The North Koreans continue to block access to those sites, and today's statement was apparently aimed at fending off pressure to allow

inspectors to visit them.

But Hosokawa told Japanese lawmakers today that he would coordinate with the United States, South Korea, and China to keep the pressure on North Korea, and said inspections at the two Yongbyon sites are essential.

Hosokawa also urged North Korea to join South Korea in declaring the Korean Peninsula a non

-nuclear zone.

In Seoul, officials said South Korea is ready to resume trade with North Korea once meaningful progress is made toward resolving the nuclear dispute.

The nuclear inspections are expected to begin as early as next week, but North Korea has yet to issue visas for the inspectors.

Sudan condemns US for visiting rebel areas

KHARTOUM, Sudan (UPI) - The government of President Omar el Bashir condemned the United States on Monday, saying U.S. Ambassador Donald Petterson exceeded his responsibilities by visiting rebel

-held areas of southern Sudan.

A tough statement issued by the Sudan News Agency described last week's visit by Petterson to rebel

-held areas of southern Sudan as uncordial.

Petterson visited several areas in south Sudan to assess the damage caused by Sudanese aerial bombardments and to evaluate humanitarian needs and services.

But Khartoum accused the American official of open bias in favor of the rebels of the Sudan People's Liberation Army.

The statement further claimed the visit was made to facilitate the movement of arms to the rebels who were engaged in fighting with government troops in the region.

The American envoy told newsmen in Nairobi on Saturday that the government offensive was frustrating efforts to mount any meaningful humanitarian rescue operation to assist thousands of starving and displaced persons.

"Many people would die if these attacks do not stop," he said.

Government military planes have been attacking civilian and rebel targets in south Sudan since last December, pushing an estimated 100,000 persons further south to areas near the border with Uganda.

-OLY-

-Speedskating

-Women's 1500, Medals

BULLETIN

HAMAR, Norway (AP) Emese Hunyady of Austria won the women's 1,500 meter speedskating race Monday in a time of two minutes, 2.19 seconds.

Svetlana Fedotkina of Russia was second in 2:02.69 and Gunda Niemann of Germany, the favorite, was third in 2:03.41.

Bonnie Blair of Milwaukee was fourth in 2:03.44, her best time ever for the distance by almost half a second.

BC

-OLY-

-Women's Combined SKI, Medals

BULLETIN

OYER, Norway (AP) Pernilla Wiberg of Sweden won the gold medal Monday in the women's Alpine combined in a time of three minutes, 5.16 seconds. It was Sweden's first medal of the Games.

Vreni Schneider of Switzerland, a double gold medalist in 1988, was second in 3:05.29

Alenka Dovzan of Slovenia was third in 3:06.64, winning the first Olympic medal ever for her country.

RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Kenneth R Chitester (CHITESTER_K) (WHO)

CREATION DATE/TIME:22-FEB-1994 12:11:00.00

SUBJECT: 12:30 pm wire report

TO: Heather Beckel (BECKEL_H) (WHO)
READ: UNKNOWN

TO: Dianna A. Pierce (PIERCE_D) (WHO)
READ: UNKNOWN

TO: Steven A. Cohen (COHEN_SA) (WHO)
READ: UNKNOWN

TO: David Leavy (LEAVY_D) (WHO)
READ: UNKNOWN

TO: Carola McGiffert (MCGIFFERT_C) (WHO)
READ: UNKNOWN

TO: Arthur L. Jones (JONES_A) (WHO)
READ: UNKNOWN

TO: David Seldin (SELDIN_D) (WHO)
READ: UNKNOWN

TO: Jeremy M. Gaines (GAINES_J) (WHO)
READ: UNKNOWN

TO: Kathy McKiernan (MCKIERNAN_K) (WHO)
READ: UNKNOWN

TO: Karen Finney (FINNEY_K) (WHO)
READ: UNKNOWN

TO: G. N. Lattimore (LATTIMORE_G) (WHO)
READ: UNKNOWN

TO: Lisa M. Caputo (CAPUTO_L) (WHO)
READ: UNKNOWN

TO: Aman, Sally J. (SALLY J. AMaN@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Joseph W. Cerrell (JOSEPH W. CERRELL@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Kukis, Heidi (HEIDI KUKIS@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Payne, Julia M. (JULIA M. PAYnE@EOP_OVP@CCGATE@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Lorraine A. Voles (VOLES_L) (WHO)
READ: UNKNOWN

TO: Jeffrey L. Eller (ELLER_J) (WHO)
READ: UNKNOWN

TO: R. Paul Richard (RICHARD_R) (WHO)
READ: UNKNOWN

TO: Virginia M. Terzano (TERZANO_V) (WHO)
READ: UNKNOWN

TO: Keith O. Boykin (BOYKIN_K) (WHO)
READ: UNKNOWN

TO: Joshua A. King (KING_J) (WHO)
READ: UNKNOWN

TO: Jonathan L. Kaplan (KAPLAN_JL) (WHO)
READ: UNKNOWN

TO: Denise E. Brown (BROWN_DE) (WHO)
READ: UNKNOWN

TO: Emily A. Lenzner (LENZNER_E) (WHO)
READ: UNKNOWN

TEXT:
PRINTER FONT 12_POINT_COURIER
WHITE HOUSE WIRE REPORT
12:30 p.m. edition
Tuesday, Feb. 22, 1994
Produced by the Office of News Analysis (6

-7151)

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-ranking spy scandal rocks CIA

FCC to hike cable rates

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PM

-US

-Yugoslavia, 1st Ld

-Writethru, a0436,720

Clinton Treads Carefully on Extending NATO Ultimatum Beyond Sarajevo

AP Photos WX101, WX102

EDs: INSETS 3 grafs after 7th graf, It said... to UPDATE

with Senate action today; picks up 8th graf pvs, bgng, About 250...

By TERENCE HUNT= AP White House Correspondent=

WASHINGTON (AP) Cautiously optimistic about peace holding in Sarajevo, President Clinton is taking a go

-slow approach on possibly protecting other cities in war

-weary Bosnia with NATO's air

-strike ultimatum.

Mindful of the West's original reluctance to act, Clinton said Monday he'd have to feel sure that the allies were prepared to back up any further ultimatums, guaranteeing that "NATO not undertake a mission it is not fully capable of performing."

Defense Secretary William Perry said the United States wants to make sure first that Sarajevo's cease

-fire is secure. He said other options, such as extending NATO's protection to other cities, "are certainly weeks away; they're not days away."

Clinton said air strikes "have not yet been necessary" after the Serbs over the weekend withdrew their heavy guns from a 12

-mile radius around Sarajevo or turned them over to U.N. forces following a 22

-month siege that killed upwards of 10,000 people.

But, he warned: "Any shelling of Sarajevo or the appearance of heavy weapons in the exclusion zone will bring a certain and swift response from the U.N. and NATO."

The United States was "very concerned" that the Serbs may be moving their artillery from the Sarajevo hills to other battlegrounds, Clinton said.

He said the allies were "doing what we can to discourage it."

As the administration planned its next moves with NATO allies, Senate leaders worked privately today on a bipartisan resolution of support for the steps taken thus far. A vote was possible later in the day.

The Senate is on record in favor of lifting the arms embargo against the Bosnian government forces, and Senate Majority Leader George Mitchell said it was possible a reaffirmation of that position would be in the resolution.

"We're all of course pleased and gratified that the Serbs have complied with the ultimatum," Mitchell told reporters, expressing the hope that a broader peace effort might also succeed.

About 250 heavy Serb weapons have been placed under U.N. control and 45 others soon will be under command of the world body, Gen. John M. Shalikashvili, chairman of the Joint Chiefs of Staff, said at the Pentagon.

The Serbs said they were withdrawing an additional 300 or so heavy weapons, Shalikashvili said, while 46 Muslim weapons have been placed under U.N. auspices.

Clinton said silencing of Sarajevo's guns had created "some breathing space" to intensify peace negotiations.

In Bonn today, U.S. diplomats were to join officials from Russia, France, Britain and Germany to discuss ways

to end the fighting.

``The challenge for all who have been touched by the fighting in Bosnia ... is to build on this week's progress and create a lasting and workable peace for all the people of Bosnia," Clinton said.

He said Russia should be a partner in any diplomatic efforts.

Muhamed Sacirbey, Bosnia's ambassador to the United Nations, pleaded with the West to protect other cities, such as Bihac, reported to be under Serb attack.

``But there is also, for instance, Zepa, Srebrenica, Gorazde, Tuzla, not to mention Mostar and several other Bosnian cities that are suffering quite badly right now," he said.

Clinton said he and his foreign policy team had discussed the idea of extending NATO's ultimatum to other parts of Bosnia. He said the subject would be raised in talks this week in Europe.

Secretary of State Warren Christopher met with Bosnian Prime Minister Haris Silajdzic as part of U.S. efforts to forge an agreement between the Muslim

-led government and Croat separatists. That would isolate the Serbs at the negotiating table and hopefully bring an end to the fighting.

Silajdzic said NATO's stand ``restores the balance of powers in Bosnia."

He sounded open to U.S. overtures for a settlement. ``We are prepared to accept a settlement that is the least unjust of all meaning that we have accepted to reorganize our country into different units now in order to try to make compromise," the prime minister said.

``In order to come to peace we are ready to compromise, but we are not ready to capitulate," he said.

BC

-YUGOSLAVIA

-USA

-CLINTON

CLINTON HOPES TO BUILD ON BOSNIA ``MOMENTUM"

WASHINGTON, Feb 22 (Reuter) - President Clinton hopes to use the ``momentum" from the NATO showdown with Bosnian Serbs to reach a permanent peace settlement in Bosnia, White House Press Secretary Dee Dee Myers said Tuesday.

``We're trying to focus on the diplomatic track and build on the momentum" from the allied ultimatum that forced Bosnian Serb forces to withdraw their heavy weapons around Sarajevo, Myers said.

She declined to discuss what options were under consideration by the administration but said: "Whatever we do would have to help energise the peace process."

Clinton Tuesday expressed reservations about a U.N. proposal to extend the NATO airstrike ultimatum beyond Sarajevo but promised to consider it.

REUTER

BC

-USA

-JUSTICE

CLINTON TO NAME PENTAGON LAWYER TO JUSTICE

WASHINGTON (Reuter) - President Clinton plans to name Jamie Gorelick, the Pentagon's top lawyer, as deputy attorney general at the Justice Department, administration officials said Tuesday.

They said announcement of Gorelick's nomination to the department's second

-highest ranking post could come as early as Wednesday. The nomination would fill a key vacancy at the department that has been plagued by a number of unfilled jobs.

Gorelick would replace Philip Heymann, who abruptly resigned last month, citing a personality clash and differing management style with Attorney General Janet Reno.

The officials said that right after Heymann's resignation Reno decided on Gorelick, the Defense Department's general counsel, as the best choice for the job.

But the nomination was delayed briefly after Defense Secretary William Perry appealed to Clinton to keep Gorelick at the Pentagon, the officials said, adding the White House finally decided that Gorelick was needed more at the Justice Department.

They said the nomination was held up from last week to make sure there were no objections from key members of the Senate Judiciary Committee. The Senate must approve her nomination.

Gorelick, 43, previously a lawyer in private practice in Washington, D.C., helped advise Reno during her Senate confirmation hearings last year.

The officials said Reno was impressed with Gorelick during the confirmation hearings and in dealings with her at the Pentagon on issues such as drafting Clinton's policy to replace the long

-time ban on gays in the military.

REUTER

BC

-AR-

-Clinton School,270

First School Named for President Gets Principal
dbjwld

LITTLE ROCK (AP) A new school named for President Clinton also will honor the president's wife and late mother.

In ceremonies Monday, Jackye Parker was named principal of William Jefferson Clinton Interdistrict Elementary School at Sherwood. She is a former principal at Harris Elementary in McAlmont and previously taught in the

Pulaski County School District.

Ms. Parker announced that the school's library will be named for first lady Hillary Rodham Clinton and a room in the building will be designated the Virginia Kelley Multi

-Purpose Center in recognition of the president's mother, who died in January.

President Clinton called Ms. Parker following the announcement to offer congratulations.

"I recognize your voice," Ms. Parker said at the beginning of the brief conversation.

The school, part of the Pulaski County District, also will accept students from the Little Rock district. The school is slated to open in August.

Construction cost of the school will be \$5.4 million. It will offer a theme of technology and speech.

Two committees, comprised of school officials, school district parents and acquaintances of the Clintons will oversee the collection and display of Clinton memorabilia at the school. A similar committee also has been established for the Virginia Kelley center.

Photographs, newspaper articles, framed prints, campaign literature and a Christmas tree decorated with Clinton memorabilia have already been obtained for the collection.

PM

-Fed

-Economy, 3rd Ld

-Writethru, a0521,790

Greenspan Suggests Further Increases in Interest Rates

EDs: INSERTS 3 grafs after 11th graf, Many private ... to
UPDATE with further Greenspan testimony; picks up 12th

graf pvs, In its ...; Trims throughout to tighten

By MARTIN CRUTSINGER= AP Economics Writer=

WASHINGTON (AP) Federal Reserve Chairman Alan Greenspan said today the country is facing its best economic prospects in decades, but he put Congress on notice to expect further increases in interest rates to keep inflationary pressures at bay.

In the Fed's semiannual report to Congress, Greenspan defended the central bank's decision to boost short

-term

interest rates earlier this month for the first time in five years.

He termed the Fed's decision to increase its target for the federal funds rate, the interest that banks charge each other, from 3 percent to 3.25 percent, as a slight change that in no way threatened the current recovery.

Indeed, he said in testimony before the House Banking subcommittee on economic growth that the central bank's action was taken to ``preserve and protect the ongoing economic expansion by forestalling a future destabilizing buildup of inflationary pressures ... We viewed our move as low

-cost insurance."

However, the Fed decision has come under heavy criticism in Congress, where lawmakers have noted pointedly that it triggered a one

-day drop of 96 points in the Dow Jones industrial average and had pushed long

-term

interest rates to their highest level in seven months.

Rep. Paul Kanjorski, chairman of the subcommittee, said that it was clear that stock and bond traders, not to mention members of Congress, had been extremely unsettled by the Fed's decision.

``Like many Americans, I am concerned that the Federal Reserve's action may impede or even end our slow economic recovery," he told Greenspan.

But the chairman of the central bank said in his testimony that if history was any judge, ``real short

-term

rates are more likely to have to rise than fall from here."

He was vague in the timing of any future rate hikes, saying, ``I cannot, however, tell you at this time when any such rise would occur." He said that the Fed would continue to monitor economic developments closely in timing its rate increases.

The White House had no immediate comment on Greenspan's testimony, but Press Secretary Dee Dee Myers said before his appearance that the administration wanted to keep interest rates low. "The continuation of low interest rates has (helped) get the economy going again," Myers told reporters. "We hope that long

-term interest rates
stay low."

Many private economists believe the central bank will boost short

-term rates by a quarter

-point at least once
every three months through the rest of the year, continuing the pattern of gradual rate changes that has been a hallmark of the Greenspan Fed.

Kanjorski, D

-Pa., pressed Greenspan to specify what had changed since the Fed's last report to Congress in July to make the central bank begin raising interest rates, since inflation had stayed moderate.

Greenspan replied that while inflation currently was no problem, the Fed had to be concerned with how its policies will affect price pressures a year or more from now.

"What we would like to foster and replicate are the periods in our past history where we have had considerable economic strength without inflationary imbalances occurring," Greenspan said.

In its report, the central bank predicted that the economy, as measured by the gross domestic product, would expand at a moderate pace of around 3 percent to 3.25 percent this year, with consumer prices rising by about 3 percent.

Both forecasts are in line with predictions of the Clinton administration and many private economists.

Speaking of the favorable combination of moderate growth and continued low inflation, Greenspan said, "The outlook, as a result of subdued inflation and still low

long

-term interest rates, is the best we have seen in decades."

Unlike some Democrats in Congress, the Clinton administration has refrained from criticizing the Fed for its move to boost interest rates, hoping that despite the initial adverse reaction, the Fed's move will eventually result in keeping long

-term interest rates lower than they otherwise would have been.

“If the Federal Reserve is to promote long

-term

growth, we must contribute, as best we can, to keeping inflation pressures contained,” Greenspan said today.

The Fed chairman last month warned Congress that hard

-won gains against inflation could be lost quickly if the Fed did not remain vigilant.

And just four days after that testimony, on Feb. 4, the central bank moved in a pre

-emptive strike to boost the federal funds rate to 3.25 percent.

Many analysts believe the federal funds rate will be at 4.5 percent by the end of this year. But they are forecasting the jump in long

-term Treasuries will moderate as the economy slows and will finish the year at around 6.75 percent, up only about one

-half point.

Greenspan says inflation holding

WASHINGTON (UPI) Federal Reserve Chairman Alan Greenspan said Tuesday upward pressure on U.S. prices appears subdued but that the nation's financial markets seem concerned inflation could swell later this year.

Greenspan's remarks, made to a congressional panel on Capitol Hill 18 days after the Fed raised interest rates for the first time in five years, suggest that the Fed could again tighten rates in 1994.

Greenspan said the economy is continuing to grow and that this forward momentum could stir up inflation fears.

“In the current period, overall cost and price pressures still appear to remain damped,” Greenspan told the house Banking Subcommittee on Economic Growth. “Wages do not seem to be accelerating.

“Nonetheless, markets appear to be concerned that a strengthening economy is sowing the seeds of an acceleration of prices later this year.

Greenspan said a clear lesson learned since World War II is the importance of inflation expectations in relation to prices and overall activity.

“If the Federal Reserve waits until actual inflation worsens before taking counter measures, it would have waited far too long.

“Clearly, the Federal Reserve will have to monitor carefully ongoing developments for indications of potential inflation or a strengthening in inflation expectations,” Greenspan testified. “As I have often

noted, if the Federal Reserve is to promote long

-term

growth, we must contribute, as best we can, to keeping inflation pressures contained."

Greenspan testifies before the House Banking Subcommittee on Economic Growth twice a year in conjunction with the Fed's release to Congress of its semiannual report on the U.S. economy.

In the report issued Tuesday, the Fed predicted the economy will grow 3 percent to 3 & 1/4 percent in 1994. The unemployment rate will hover at about 6 & 1/2 percent to 6 & 3/4 percent, while inflation will remain around 3 percent.

The Federal Reserve is in charge of the nation's money supply and has several levers of control at its disposal, including interest rates.

Simply put, the agency lowers interest rates to increase the flow of money through the nation's financial system, and lifts rates to decrease the flow.

On Feb. 4, the Fed announced it was taking steps to raise the Federal funds rate, which banks charge each other on overnight loans, to 3 & 1/4 percent from 3 percent.

The increase in the Fed funds rate was a small but significant hike.

First of all, it exerted pressure on lenders to raise their borrowing costs to businesses and consumers.

And on Wall Street, panic flared briefly: stock and bond prices plunged as investors wildly sold off securities, then rebounded the following week.

The Fed pushed up the key interest rate as a pre

-emptive strike against inflation. Just days before announcing the agency was raising the funds rate, Greenspan told a congressional panel that the economy was showing signs of posting solid gains in 1994 and that the Fed would have to consider raising interest rates to prevent major price hikes.

In theory, inflation rises as the economy gets stronger. When more people spend money, demand for goods and services climbs. Merchants, in turn, can lift their prices.

By increasing the Federal funds rate, the Fed was, in essence, discouraging Americans from borrowing and spending money. If signs emerge of accelerating inflation or economic growth, the agency may very well lift rates again.

Last Thursday, the government reported consumer prices failed to budge in January. The good news on inflation was offset, however, by a report by the Philadelphia Federal Reserve Bank that suggested price pressures could be

brewing. Bond and stock prices, as a result, slumped.

BC

-USA

-GREENSPAN URGENT
REAL SHORT TERM RATES LIKELIER TO RISE

-GREENSPAN

WASHINGTON, Feb 22 (Reuter) - U.S. Federal Reserve Board Chairman Alan Greenspan said Tuesday that short term interest rates are more likely to rise than to fall in the period ahead although he was uncertain when any such rise would occur.

In his semi

-annual testimony before Congress, Greenspan also said that overall cost and price pressures still remained under control, and the U.S. economy would continue to move forward.

MORE

BC

-USA

-GREENSPAN

-2 WASHINGTON

``To promote sustainable growth, history suggests that real short

-term rates are more likely to have to rise than fall from here," he told the House of Representatives Banking Committee.

Greenspan said he expected U.S. Gross Domestic Product this year to rise between 3.0 percent and 3.25 percent.

The consumer price index, according to the Fed forecast, was expected to rise about three percent. Unemployment, the Fed said, was to be about 6.50 to about 6.75 percent in the fourth quarter of 1994.

Greenspan said although some slowing of the U.S. economy was expected it continued to move forward.

``Nonetheless, as best as we can judge, the economy's forward momentum remains intact," Greenspan said.

REUTER

PM

-Consumer Confidence,0221

URGENT

Barometer of Consumer Faith in the Economy Dips in February

NEW YORK (AP) American consumer confidence fell in February for the first time in three months, the Conference Board reported Tuesday.

The research group attributed the decline in its monthly survey to lower optimism about future business conditions, the outlook for jobs and the impact of severe winter weather on consumer spending and borrowing behavior.

But the Conference Board said it would be premature to interpret the results as a sign that the American consumer's feeling of growing confidence in the economy is threatened.

``Although consumer confidence readings are somewhat less positive than previously, the decline is modest," said Fabian Linden, head of the Conference Board's consumer survey research unit.

The group's Consumer Confidence Index fell to 80.8 from a revised reading of 82.6 in January. The index totaled 79.8 in December, 71.9 in November and 60.5 in October.

The index, calculated on a base of 100, is derived from answers to questionnaires sent to 5,000 households nationwide each month. The questions seek insight into consumer behavior based on topics that range from home

-appliance buying plans to the local job outlook.

Consumer confidence helps determine borrowing and spending, which are critical to sustainable growth in the economy.

BC

-USA

-SPY URGENT

SENIOR CIA OFFICIAL, WIFE ARRESTED IN SPY CASE

WASHINGTON, Feb 22 (Reuter) - A senior CIA official and his wife have been arrested on charges of spying for the Soviet Union and then Russia in one of the biggest spy cases ever, Justice Department officials said Tuesday.

MORE

BC

-USA

-SPY

-2 WASHINGTON

:Senior CIA official, wife arrested in spy case

The officials said the CIA employee, whose identity has not been revealed, and his wife were arrested separately Sunday by the FBI, the U.S. agency in charge of hunting down spies.

They said the 52

-year

-old employee allegedly had been spying most of his adult life, and that he had been motivated by money, allegedly receiving more than \$1 million.

The officials described it as one of the biggest spy cases ever because of the extent of the material passed and the sensitive nature of the national security information.

The officials said their investigation into the case had ended, with no further arrests expected.

REUTER

PM

-CIA

-Spy,100

URGENT

CIA Officer, Wife, Arrested on Charges of Spying for Former USSR

By JAMES ROWLEY= Associated Press Writer=

WASHINGTON (AP) A Central Intelligence Agency officer

and his wife were arrested today on charges of spying for the former Soviet Union since 1985 and receiving more than \$1.5 million, the Justice Department announced.

Aldrich Hazen Ames, 52, and his Colombian

-born wife,

Martia del Rosario Casas Ames, 41, were arrested by the FBI and taken for a hearing before a federal magistrate in nearby Alexandria, Va., federal authorities said.

MORE

PM

-CIA Spy, 2nd Add, a0541

-543,100

WASHINGTON: a year.

Mrs. Ames, a part

-time student at Georgetown

University, had acted as a paid CIA source in Mexico City. She is a naturalized American citizen, the Justice Department said.

The couple faces a maximum possible sentence life imprisonment and a \$250,000 fine if convicted of conspiracy.

(urgent)

CIA officer, wife charged with spying

WASHINGTON (UPI) A CIA official and his wife have been charged with spying for the Soviet Union and Russia from 1985 until the present. A federal complaint charges that CIA operations officer Aldrich Hazen Ames and his wife, Maria Ames of Arlington, Virginia, received more than \$1.5 million, which they deposited in banks in the United States and abroad.

PM

-US

-North Korea,280

Christopher Says Agreement Close on North Korean Inspections

WASHINGTON (AP) Secretary of State Warren Christopher said today he believes international inspectors soon will be allowed to go to North Korea to examine seven nuclear facilities in that country.

North Korea had threatened to back away from a pledge last week to allow International Atomic Energy Agency inspectors into the country. But Christopher said it appears that the problem is being worked out.

"We think there seems to be a resolution of the immediate problem, that is to have the inspections of the

seven sites commence," Christopher told reporters.

Christopher cautioned that there was not yet a final agreement between North Korea and the IAEA.

North Korea threatened Monday to back out if it was pressured to expand the scope of the inspections.

U.N. officials said it appeared North Korea was trying to pressure the United States into making concessions in other areas. Among its demands is the cancellation of joint U.S. and South Korean military maneuvers.

Christopher said inspection of the seven sites was a "short

-term goal" that would permit the initiation of "other efforts."

That was an apparent reference to the goal of the United States and other countries that the IAEA be allowed

to inspect two additional sites, which are also believed part of North Korea's nuclear program.

The U.N. agency wants to visit the seven sites to ensure nuclear material has not been diverted since the last inspection, on Feb. 5, 1993, and to reload monitoring cameras to help future inspections. It has left the issue of the two suspected sites to the United States and others to pursue.

BC

-NUCLEAR

-KOREA

-USA

CHRISTOPHER SAYS NUCLEAR TEAM TO GET KOREA VISAS

WASHINGTON, Feb 22 (Reuter) - Secretary of State Warren Christopher said Tuesday he was confident that a team of United Nations nuclear inspectors would soon receive visas to examine nuclear sites in North Korea.

"It appears that problem is being worked out and the inspectors either have or will soon have their visas to go to North Korea," Christopher said at a picture

-taking session with Moroccan Foreign Minister Abdellatif Filali.

"There seems to be a resolution of the immediate problem, that is the inspection of the seven sites will commence," he said. "I don't have any reason to believe the North Koreans will not go ahead with the commitment they made."

However, a State Department official said the inspectors had not been granted visas as of Monday night and he was unaware of developments since then.

Christopher spoke as the governing board of the International Atomic Energy Agency (IAEA) met in Vienna to decide what to do about North Korea's nuclear programme.

The IAEA, the U.N. agency that is to conduct the inspections, said Monday North Korea is linking a date for promised inspections of its suspect nuclear facilities to the beginning of high

-level talks with Washington.

For its part, the United States has said it will not set a date for resuming high

-level talks with North Korea until international experts begin the inspections of seven

declared nuclear sites that Pyongyang has promised.

The inspections would allow experts to make tests, change film in monitoring cameras and check seals at

declared sites, mostly at Yongbyon, 60 miles (96 km) north of Pyongyang.

North Korea's agreement with IAEA and the United States does not include two other sites that experts say are crucial to full knowledge about North Korea's nuclear capabilities.

Gaining access to those sites is supposed to be a focus of the so

-called third round of senior

-level talks

between the United States and North Korea.

Washington has been leading a diplomatic effort to try to defuse the crisis over Pyongyang's suspected atomic bomb project by wooing North Korea off the nuclear route through promises of diplomatic normalisation and trade links, which would also be discussed in the third round of high

-level talks.

North Korea has denied making nuclear weapons.

REUTER

U.S. signals North Korea will issue visas for nuclear inspectors

WASHINGTON (UPI) Secretary of State Warren Christopher is indicating North Korea soon will issue visas to U.N. investigators so they can conduct inspections at nuclear sites. U.S. officials say moves to impose sanctions on Pyongyang now appear unlikely.

PM

-Scotus

-Bumped, 2nd Ld

-Writethru, a0539,690

Justices Refuse to Block Lawsuits by 'Bumped' Travelers in Montana Case

EDS: RECASTS top 2 grafs to simplify; picks up 3rd graf pvs, In other

By RICHARD CARELLI= Associated Press Writer=

WASHINGTON (AP) The Supreme Court today let people "bumped" from oversold airline flights sue under state law and collect monetary damages.

The justices, acting without comment in a Montana case, left intact a ruling that said such inconvenienced air travelers may sue in state courts for compensatory damages to make up for actual financial losses.

In other actions today, the justices:

Refused to order the FBI to release its files on the 1975 disappearance of former Teamsters union president Jimmy Hoffa.

Agreed to decide in an Ohio case whether states may

require that all campaign leaflets carry a sponsor's name and address.

Turned down the appeal of a former U.S. Information Agency Foreign Service officer who says he lost his job because he is gay.

Agreed to use a Georgia case to clarify the duty of states to refund income taxes later ruled unconstitutional.

Rejected two appeals aimed at giving some Vietnam veterans and their families a new chance to sue chemical makers over exposure to the toxic herbicide Agent Orange.

In the airline case, the court 18 months ago sent the same case back to the 9th U.S. Circuit Court of Appeals for more study. After that reconsideration, the appeals court last year again voted to allow "bumped" travelers to sue.

At issue was whether federal regulation of the airline industry pre

-empties an airlines from being held liable under state law.

William D. West of Helena, Mont., sued Northwest Airlines over his being bumped from an Oct. 7, 1986, flight from Great Falls, Mont., to the nation's capital.

West, a lawyer, had bought his non

-refundable ticket a month earlier. Between the date of purchase and the date of flight, Northwest decided to change the plane used from a Boeing 727 that carries 146 passengers to a DC 9 that carries 78.

Northwest did not inform any ticketholders or sales agents of the change. After traveling to Great Falls on Oct. 7, West could not board the overbooked flight.

He turned down an alternative flight that would have taken him to another airport serving Washington and gotten him there six hours later. West also refused "liquidated damages" in the form of a cash payment or other flight tickets.

Instead, he sued and sought \$10,000 in compensatory damages and \$50,000 in punitive damages.

Compensatory damages cover actual financial loss; punitive damages are aimed at punishing a wrongdoer and deterring such conduct in the future.

After Northwest had the case transferred to a federal court, a trial judge dismissed the lawsuit. He ruled that such suits are pre

-empted by federal regulation of the

airline industry.

But the 9th Circuit court reinstated part of West's lawsuit, ruling that he could sue for compensatory but not punitive damages.

Both West and Northwest appealed, and in June 1992 the Supreme Court told the appeals court to restudy the case.

The justices said reconsideration should be based on their then

-recent decision in a Texas case that barred states from regulating airline fare advertising. The ruling said it's the federal government's job to make sure air travelers aren't duped.

After restudying West's case in light of the Supreme Court ruling on fare ads, the 9th Circuit court voted,
2

-1, again to allow state court lawsuits by bumped ticketholders.

``The state contract and tort laws under which West seeks relief are within that range of statutes too tenuously connected to airline regulation to trigger pre

-emption," the appeals court said.

But it again ruled that punitive damages cannot be awarded in such cases because federal regulations ``contemplate overbooking as an acceptable practice so long as passengers receive compensation."

Both West and Northwest again appealed to the Supreme Court, sparking today's action.

The court turned down both appeals.

The cases are Northwest Airlines vs. West, 93

-803, and
West vs. Northwest Airlines, 93

-901.

PM

-Cable Rates, 2nd Ld

-Writethru, a0518

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-422,730
FCC Approves 7 Percent Cut For Expanded Basic Cable TV
Eds: Combines pvs, moves up kind of service that FCC
regulates, edits throughout to tighten, no pickup
By RANDOLPH E. SCHMID= Associated Press Writer=

WASHINGTON (AP) The Federal Communications Commission today voted to reduce rates for many cable television services by 7 percent, moving to correct an earlier attempt at price cutting that backfired.

The new rates, approved by a 3

-0 vote, will be phased

in. They will allow the commission to step in if it finds that a cable company has tried to avoid regulation by changing the way it bills.

It was not immediately clear how the cuts would change an individual subscriber's bill. The FCC only cut rates for the service it regulates, sometimes referred to as "expanded basic." It includes such channels as ESPN, C

-SPAN and CNN.

Local authorities regulate basic cable rates packages that usually include local broadcast channels, and government and public access channels. The prices for premium channels, such as HBO and Showtime, and pay

-per

-view channels are not regulated.

The reduction ordered last year lowered bills for about two

-thirds of America's 57 million cable subscribers. But many others howled when their rates rose as cable companies re

-structured their charges.

FCC Chairman Reed Hundt termed today's decision a "brilliant balance" between the competing concerns of cable subscribers and the needs of the cable industry.

"I think consumers will be better served by the additional reduction," said Commissioner James Quello.

But Commissioner Andrew Barrett, while he voted for the

action, said he considered the 7 percent cut "a bit on the high side."

Cable firms had lobbied hard against substantial cuts, arguing that last year's federal regulation had already cost them billions of dollars.

The new rules will allow the cable companies to "earn a reasonable return on their investment," said Sandy Wilson of the commission staff. She said companies that feel the cuts impose a hardship can appeal to the commission.

When it passed the law that took effect last September, Congress intended that cable rates be restrained, but an FCC survey of the 25 largest cable companies showed that

while 68 percent of subscribers received lower monthly rates, 31 percent got higher bills.

Consumer groups said even that was misleading because many smaller companies that serve millions of homes have raised rates.

A deluge of complaints flooded local governments and the FCC after the billing changes took effect, many stemming from misunderstandings.

For example, consumers have complained of subscription fees being charged for once

-free cable TV program guides
and cable servicemen charging to fix video cassette recorders neither of which was prohibited by the law.

It is inevitable that when part of a business is regulated, companies will look for ways to make more money in unregulated areas, said Mike Ruger, an FCC attorney.

Some consumers have been confused by items on their bills such as the "franchising fee." That is a fee that has always been paid by the cable company to the local government, but may not have been broken out on the bill. Other items that had been included in an overall bill, such as rental of a remote control or the converter box, also started appearing separately on some bills.

Bradley Stillman, legislative counsel of the Consumer Federation of America, said the FCC's "benchmark" formulas that determined the September price changes "were set far too high." He estimated that if cable companies were forced to compete, rather than being awarded local monopoly franchises, rates would drop 18 percent from current levels.

But the National Cable Television Association said its studies show operators already have lost \$2 billion since the congressionally ordered price regulation took effect last year, jeopardizing future expansion.

Meanwhile, the FCC has imposed a freeze on cable TV revenues until May 15 to give local governments time to become federally certified to regulate rates. The companies were allowed to raise rates for some customers but only if overall revenues of each operator did not increase.

BC

-USA

-CABLE 1STLD

FCC BACKS MORE CUTS IN CABLE TV RATES

(Eds: Adds details, quote)

WASHINGTON (Reuter) - Federal regulators voted Tuesday to order another round of cable television rate cuts, modifying an already controversial and complex set of

regulations.

The move marks the government's second attempt in 10 months to lower prices for the nation's 58 million cable television subscribers. Last April the Federal Communications Commission adopted rules aimed at cutting cable programming charges by 10 percent or more, but because of loopholes in the law, rates actually rose for one

-third of those subscribing.

In the FCC's latest move, regulators voted to order an additional 7 percent cut in cable television rates beyond the 10 percent cuts.

The FCC Tuesday voted 3

-0 to revise the rate rules

that took effect September 1, 1993, lowering the benchmark pricing formula designed to approximate what rates might be if cable systems faced competition in local markets.

Under the initial rules implemented last fall, those cable operators whose prices were above the FCC benchmark were ordered to cut rates by 10 percent, or to the benchmark.

The latest rules adopted by the FCC are not expected to take effect for at least several months.

FCC chairman Reed Hundt estimated the rate rules would result in big savings for consumers.

He called it ``one of the greatest consumer savings in the face of monopoly pricing in the history of American business regulation."

Not all subscribers will see rate cuts right away. Systems with less than 15,000 subscribers, for example, will not be forced to comply immediately.

In other action, the FCC also backed ``cost

-of

-service" rules to govern those systems whose costs may require them to charge rates higher than the benchmark formula allows.

REUTER

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FCC Orders Cable Companies to Roll Back Rates Another 7%

Washington, Feb. 22 (Bloomberg) -- The Federal Communications Commission, saying cable television rates remain too high, today ordered companies to roll back the prices subscribers must pay by an additional 7%.

The vote was unanimous on the three

-member commission.

The action is intended to lower prices for most of the

58 million cable subscribers nationwide. Commissioners said the action was necessary because rules adopted last April to implement the 1992 Cable Act didn't produce the intended results.

The legislation, passed over former President George Bush's veto, mandated that cable systems charge "reasonable" rates if they didn't face competition from other cable outlets. The vague wording leaves the agency with substantial leeway to roll back rates further.

When the first set of rules were set in April, the FCC said it expected rates to fall by 10% at most cable systems. That was because the FCC staff found that cable companies, on average, charge 10% more than the price would be in a competitive system. As a result, the FCC set "benchmark" ceiling rates and ordered that cable operators with no competitor set their maximum rates 10% below the benchmark ceiling.

Lower consumer prices didn't always result, however. An FCC survey of 14 cable operators around the country found rates fell for about two

-thirds of all subscribers and increased for the rest.

Benchmark Problems

That happened because the benchmark ceiling prices set by the FCC for various programming services were in many cases higher than rates some cable operators were charging. Most cable firms raised those programming charges to the benchmark rate, while complying with a separate portion of the FCC order to reduce rental charges for remote controls and other hardware.

In today's action, the FCC reformulated the benchmark ceiling prices. Further analysis by the FCC staff found that cable companies, on average, charge 17% more than the price would be in a competitive system. Therefore, the FCC widened the mandated decrease to 17% -- rather than 10% -- that cable operators must decrease prices below the benchmark level.

"Consumers will be better served by an additional

reduction," said Commissioner James Quello. FCC Chairman Reed Hundt made no statement before the vote was taken.

"Unfortunately, there were too many loopholes left in the regulations that have allowed some abuses to occur," Bradley Stillman, legislative counsel of the Consumer Federation of America, said last week. His organization supported a further rollback in rates to achieve the bill's intended effects.

The cable industry says the rate rollbacks have been too effective and have cost cable companies billions of dollars in lost revenue. Any further rollbacks would render them unable to help build a national information network, a key goal of the Clinton administration, they say.

Investment Questions

"Deeper cuts will damage cable companies' capacity to invest in new technology and programming," Decker

Anstrom, president of the National Cable Television Association, said before today's decision.

In preparation for the FCC's rate decision, lawmakers, consumer groups, and the cable industry peppered the agency with letters and appeared personally at its headquarters to press their views. The cable companies brought in their financial records and bankers to persuade the staff and the commissioners that they cannot afford another rate reduction. Lawmakers and consumer groups provided evidence that the cable companies aren't complying with the intent of the 1992 cable bill.

Tele

-Communications Inc., Time Warner's Cablevision subsidiary, Comcast Corp., Cablevision Systems Corp., Cox Cable and Jones Intercable Inc. are the largest U.S. cable companies. -

-Michelle Fay Cortez and Paul Carranza (202)
434

-1800 (For more on the cable industry: TCOMA, CMCSA, CVC, 1026Z, JOIN US Equity BQ, RV; NI MED; on the FCC: NI FCC; on Congress: NI CNG)

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(BBN) Feb/22/94 10:40 85

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China, U.S. negotiators finish two days of talks on GATT
By NICK DRIVER=

BEIJING (UPI) A visiting U.S. trade representative warned Tuesday that Beijing needs to make further efforts

to reform its trade administration in order to join the General Agreement on Tariffs and Trade.

Dorothy Dwoskin, U.S. assistant trade representative applauded China's continuing efforts, including its recent currency reform, after the eighth round of two

-day talks with negotiators from China's Foreign Trade Ministry.

While she reaffirmed Washington's support for Beijing's application to rejoin the world trade body, Dwoskin asserted more needed to be done, according to a release from the Ministry of Foreign Trade and Economic Cooperation.

"Dwoskin raised the U.S. support for China's reaccession to GATT as a signatory member, but stressed that China should undertake all the duties of a member of the world trading body," a ministry release stated.

Foreign Trade Minister Wu Yi told Dwoskin after the talks that economic reforms undertaken in the past few months "would definitely have a positive effect" on negotiations coming up in March in Geneva.

China indicated it will pass new laws and sign new agreements to get into GATT by next year, when the Uruguay Round, is scheduled to take effect.

"China is prepared to express its flexibility on those questions most sensitive to signatory nations," the ministry said.

China will bend to GATT demands for more open markets and administrative transparency, if necessary, said Dwoskin. Beijing has already abolished its dual currency system in an effort to make the yuan fully convertible in a few years and revamped its tax code, Dwoskin added.

On Sunday a top financial official offered to change the country's administrative structure to eliminate the preferential status eight of its largest cities enjoy.

GATT to hold seminar with lobbying groups

GENEVA (UPI) The world trade pact GATT said Tuesday it will hold a seminar in late May or early June with non

-governmental organizations to discuss trade, the environment and development.

The announcement of the meeting marks the first time non

-governmental lobbying groups have been invited to participate in the General Agreement on Tariffs and Trade, a GATT spokesman said.

GATT plans to draw up a comprehensive work program on

trade, the environment and sustainable development for adoption at the signing of the world trade agreement in Marrakesh, Morocco in April.

European Union representative Patrick Laurent, speaking during a GATT council meeting, stressed that there should be an equitable sharing of burdens in the protection of the environment, in accordance with the financial abilities of participating countries.

However, Laurent added that it is in the interest of developing countries to endeavour to reach the environmental standards of industrialized countries "as soon as possible."

Trade chief calls for political decision on collapsed talks

TOKYO (UPI) International Trade and Industry Minister Hiroshi Kumagai called Tuesday for a political decision by Prime Minister Morihiro Hosokawa to revive the failed trade talks with the United States.

Kumagai told a news conference the stalemate in the so

-called "framework talks" and the possibility of threatened sanctions from the United States are issues "which cannot be left to bureaucrats, and require a political decision."

Talks between President Clinton and Hosokawa over a new agreement addressing Japan's \$60 billion trade surplus and access to Japanese markets collapsed Feb. 11 when Hosokawa

rejected Clinton's demands for numerical targets to measure progress.

Since then, the Clinton administration has accused Japan of violating a 1989 agreement on cellular telephones, taking the first in a series of steps that could lead to sanctions.

Economic planning chief Manae Kubota said, however, that Japan cannot make reduction of its surplus a trade target.

The Economic Planning Agency's prediction that the current account surplus will drop to 2.8 percent of gross domestic product in the fiscal year starting April 1 can be an indicator of effort, she said, but "it's impossible to use as a precondition" in negotiations.

Hosokawa said Monday Japan must act urgently to work out a fresh package of market

-opening measures to ward off the prospect of sanctions.

He told a meeting of government and ruling party leaders that deregulation and import promotion to improve foreign access to the Japanese market must be implemented as soon as possible.

Although Hosokawa did not cite a timetable, a

government source said, "We want to produce a concluded package at the earliest possible date in March."

Chief Cabinet Secretary Masayoshi Takemura told a news conference the government will hold an emergency ministerial

-level conference this week to focus on ways of repairing strained trade ties with the United States.

Ministers of foreign affairs, finance, international trade and industry will reportedly attend the session, which will likely start Wednesday.

But a senior Foreign Ministry official said chances are slim that Japan and the United States will reach a consensus on the U.S. calls for objective criteria, which Japan has steadfastly rejected as "managed trade."

"Frankly speaking, an early breakthrough on the issue is unlikely," said Deputy Foreign Minister Koichiro Matsuura, a chief negotiator in the trade talks.

Matsuura said finding a solution would be "very difficult" and proposed informal sessions between the two countries.

He said the state of the U.S. trade balance with Japan is like "a thermometer gauging U.S. harshness against Tokyo."

Matsuura called for U.S. efforts to reduce its budget deficit, expand savings and increase industrial competitiveness.

BC

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THE REUTER TRANSCRIPT REPORT
HEARING OF
THE ECONOMIC GROWTH AND CREDIT FORMATION
SUBCOMMITTEE
OF THE HOUSE BANKING, FINANCE AND URBAN AFFAIRS
COMMITTEE
SUBJECT: U.S. MONETARY POLICY
CHAired BY: REPRESENTATIVE PAUL KANJORSKI
(D

-PA)

WITNESS: ALAN GREENSPAN, CHAIRMAN, FEDERAL RESERVE
BANK

OFFICE BUILDING
WASHINGTON, DC
TUESDAY, FEBRUARY 22, 1994

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REP. KANJORSKI: The subcommittee will come to order.
The subcommittee meets today to receive the Semiannual
Report of the Federal Reserve System on Economic and
Monetary Policy as mandated under the Full Employment and
Balanced Growth Act of 1978. I want to welcome Chairman
Greenspan back before the subcommittee today.

Since we last met to discuss monetary policy in July,
there have been major developments in our nation, the
economy, and the at Federal Reserve and the Federal Open
Market Committee. Much of the economic news of the last
six months has been encouraging. Inflation remains low. In

January, the consumer price index was unchanged from the
fourth quarter of 1993. It increased at annual rate of
only 1.9 percent. And for the last two years it has
increased only 3 percent

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per year, the lowest rate in many years. Labor costs,
which are

a major predictor of future inflation, remain stable.

Unemployment continues to decline. The gross domestic
product continues to grow. Gross domestic product grew 2.9
percent in 1993, and preliminary data suggest it grew
between 5.9 percent and 7 percent in the fourth quarter of
1993. Until the Federal Reserve's action of February 4th,
interest rates remained low. At the end of 1993, interest
rates for virtually all maturities hovered at or below the
rates of six months or a year earlier. Bank and thrift
profits are up, and the cost of S&L cleanup is dropping.
And finally, but no less importantly, the federal deficit

is being significantly reduced. Passage of President Clinton's deficit

-reduction bill has substantially reduced both current and future federal deficits.

While there has been progress on many fronts, areas of concern remain. Commercial industrial lending by banks -- lending by banks remains stagnant. Even with orders in new home construction up, total commercial lending by banks remains virtually unchanged. The California earthquake and unusual snowstorms and cold weather in the East may depress first quarter economic activity. The Fed increased the federal funds rate by one

-quarter of 1 percent on February 4th, triggering an increase in short

-term interest rates and a 96

-point drop in the Dow

-Jones Industrial Average. The Dow's drop was the largest one

-day drop in two years and was not temporary. More than two weeks later, the Dow is still 80 points, or 2 percent, below the level it closed on February 3rd. It is clear that stock and bond traders are very unsettled by recent developments. In the words of the news report, "It appears that, rather than reassuring traders and investors, the Federal Reserve has managed to leave them with a worse case of jitters."

What concerns me most and what I hope Chairman Greenspan will explain today is why did the Fed raise short

-term interest rates when there has been no evidence that inflation is increasing.

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